

Executive summery

The thesis is studying how Key Performance Indicators (KPIs) have the ability to affect the internal process of a firm. It is a case study of a distribution firm called Pro-File. Pro-File is located in a very hostile industry – the building material industry. According to the employees at Pro-File, most of the firms in the industry posses nearly the same resources, and because of this the successes and failures of the firms are based on the small differences and improvements within the firms. The main goal of the thesis is to analysis if KPIs have the ability to improve Pro-File's ability to create a competitive advantage in the industry. The thesis is able to reach this goal by analysing Pro-File using several different theories. The analysis is a process starting with analysing the core competences and ending by analysing the variables in the internal sub-processes.

The analysis of Pro-File is beginning with the core competences, because they will illustrate the different capabilities linked to the resources. The analysis will determent, which areas is connected to the success of Pro-File. Furthermore, the core competences will illustrate the areas, where Pro-File has an opportunity to create a competitive advantage. The result of the analysis of Pro-File's core competences includes several resources, which covers the entire firm. The core competences are further analysed to determent, if they could be defined as core competences and if they have the ability to create a competitive advantage. Several of the core competences failed these demands and are not analysed further in the analysing process.

The result of the analysis of the core competence is the starting point for the KPI analysis. The reason for this is that the KPIs should be found or developed through the critical success factors of the firm. It is important that the KPIs improve the processes, which are linked to the critical success factor and the goal of the firm. The analysis is looking at the development of the exciting KPIs and also, which KPIs Pro-File is using. The result of the analysis is interesting. Pro-File is not using many indicators and most of the indicators are not very detailed. Because of this it is very difficult to determent, which variables are affecting the result of the indicator. Furthermore, it is very difficult to improve the internal processes, because Pro-File does not know, which variables to improve.

Several of the KPIs used by Pro-File are developed by the employees, because of shifts in responsibility. The employees need to develop indicators, which illustrates if the expectations of the CEO were achieved.

The results of the first part of the thesis have narrowed the analysis to a few processes linked to the logistic department. The main purposes of this part of the thesis are to analyse and find the key drivers, which have the ability to improve the goal. The goal is to improve the customer satisfaction by improving the consistency of supply and the KPIs, which will be improved, is complaints and capacity used on the trucks.

The drivers with the greatest effect on the goal are found by analysing the business process from the customer orders a product to it is delivered. By analysing all the drivers in the different sub-processes, the result of the analysis is: Pro-File should be concentrating on drivers like units per order and product identification and specification.

In order to determine if the improvements of the key drivers in the sub-processes have any effect, the thesis has developed a benchmark of the two KPIs – complaint and capacity used on the trucks. The benchmarks are developed based on historical data recorded in the system.

In the end of the thesis all the results of the analysis are combined in the development of the improvement plan. The result of the improvement plan is to determine a new dataset. The improvement in the sub-processes is determined by comparing the new dataset with the benchmark. However, the implementation plan was not executed by the CEO. Because of this, it has been impossible to determine, if the implementation plan has any effect on the sub-processes.

Nevertheless, the thesis still has a firm conviction that the implementation plan will improve the internal sub-process and trigger a chain reaction, which will improve the goal and improve Pro-File's ability to create a competitive advantage.

To compensate for the missing comparability the thesis is explaining, why the implementation plan most likely will improve the sub-processes from a theoretical view. The theoretical explanation is using agency theory and is illustrating the use of incentives in labour contracts.

The theoretical approach clearly illustrates that the implementation plan will work.

The conclusion of the thesis is that KPIs have the ability to improve the internal processes and by that improve Pro-File's ability to create a competitive advantage.