

Measuring Your Performance: An Overview of Performance Measurement and Benchmarking

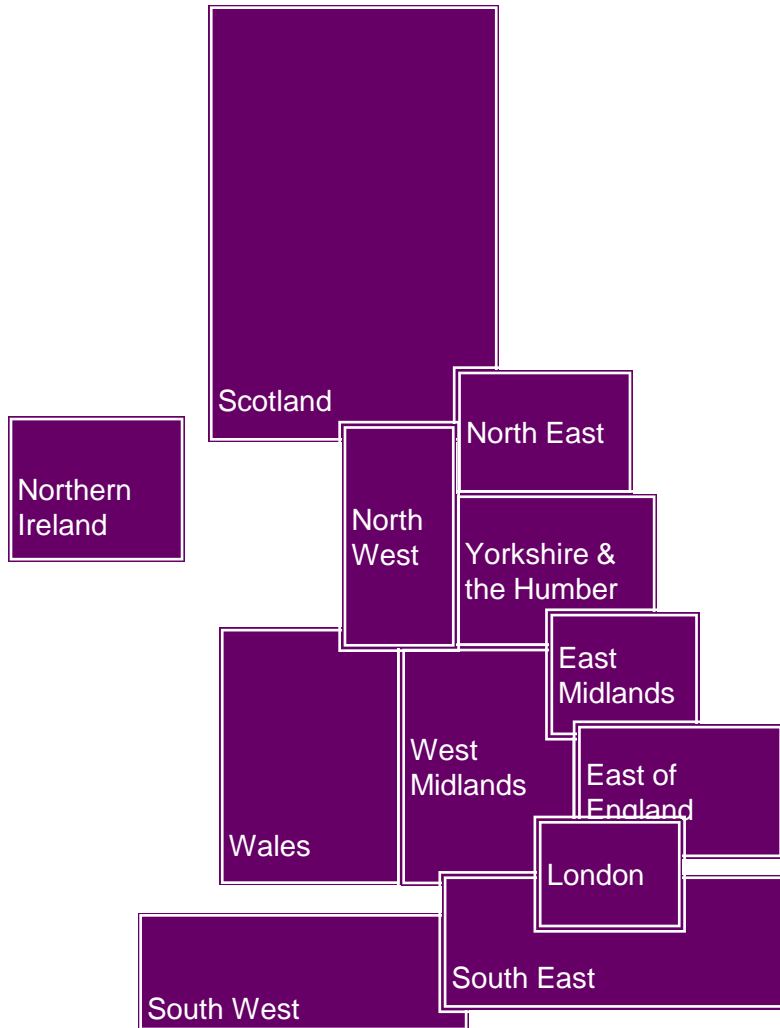
Construction Key Performance Indicators Launch 2012
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Presentation Agenda

- Introduction to CCI
- Performance Measurement Past, Present and Future...
- Drivers for KPIs
- Benchmarking
- Performance Measurement Process
- Guidance from CCI

Introduction – CCI



- Centre for Construction Innovation
- University of Salford Award Winning Enterprise Centre
- Not-for-profit organisation
- Constructing Excellence in the North West
- Working to integrate industry, policy and research

CCI – KPI Services

CE KPIZone – delivered by CCI based on the CE/Glenigan national KPIs and benchmark data set

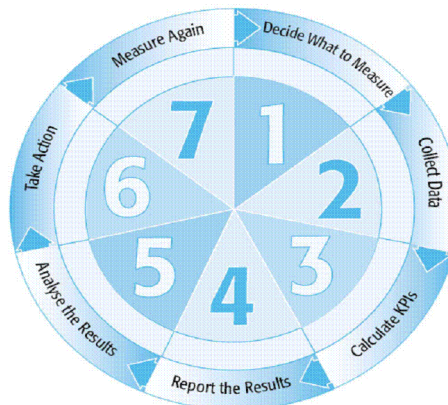
CCI/CE KPI Engine

Contains national benchmark data set and bespoke KPIs

Measure company and project performance

Customise the system to accommodate bespoke client requirements

CCI Services offered through all phases of the performance management lifecycle



CCI – KPI Clients

CCI work with Government, Clients and Industry to drive innovation and improve the value created for society by the construction sector

Client users include: London Construction Programme, North West Construction Hub, Environment Agency, Ministry of Justice, Fusion21, BAE, Capita, Rolls Royce, Tesco

Contractor users include: UKCG, ISG, Kier, Laing O'Rourke, Lend Lease, Mansell, Miller Group, Seddon Group, Wates, Willmott Dixon....

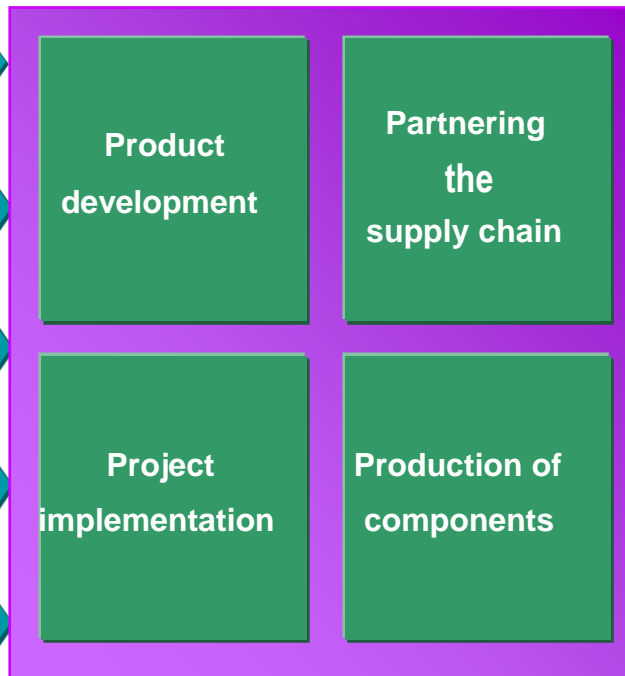
Performance Measurement Past...

KPIs have flourished since the Rethinking Construction Report (Egan 1998)...

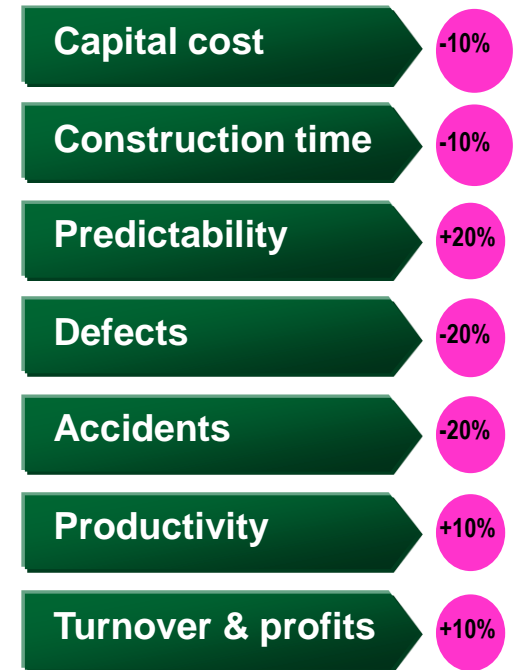
Drivers for Change



Improving the Project Process



Targets for Improvement



Performance Measurement Present...

- Construction Industry KPIs first published in 1999 and every year since...
- The Industry KPIs provide standard ways to measure performance
- Lets you compare and benchmark performance against the rest of the industry
- Key differentiator in the industry
- Helping firms to win work
- Supporting clients to achieve value for money
- The KPIs are used to monitor and manage project performance
- Drive actions for continuous improvement
- And contract incentivisation



Performance Measurement Future...

The theme of performance management has been taken forward to implementation by one of the joint Government/industry Task Groups.

A process for measurement of supplier performance, including Supplier Alignment Agreements, has been piloted and will be rolled out with the top 10 strategic suppliers. The aim is to **baseline performance**, agree progress against that baseline, and **drive continuous improvement**.

Proposal to the Government Construction Board includes the **mandatory reporting of certain KPIs** by strategic suppliers.



Performance Measurement Future...

Recommendation 7: Large-scale public projects should have **mandatory** construction commitments, on which they would be required to report over the duration of the project.

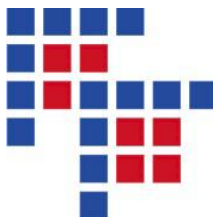
Government should encourage voluntary adoption of such construction commitments across a wide range of public and private sector projects with a programme of promotional activity, including awards, to highlight and celebrate success.

Key indicators could include:

- client leadership,
- sustainability,
- team integration,
- design quality,
- health and safety,
- commitment to people, including employing locally



**CONSTRUCTING
EXCELLENCE**
in the built environment



Centre for
Construction Innovation

Performance Measurement Future...

Recommendation 13: The Government's Chief Construction Adviser should be required to prepare an annual **report on the performance** of public sector clients in construction procurement.

This should highlight **positive achievements** in successful projects, as well as failure to deliver value.

The report should be a public document, and should provide the basis for follow-up examinations of public sector clients, which have consistently failed to deliver value for money or **failed to improve their performance** when **benchmarked** against other comparable organisations.



Drivers for KPIs

The Right Thing to Do...

- KPIs provides evidence of performance
- A diagnostic tool – through the life of the project
- A post project review tool – use as a discussion focus
- A benchmarking tool - evidence of how you compare to industry practice and industry leaders
- A continuous improvement tool to identify actions for improvement and to achieve best practice
- A strategic business review tool - a business development opportunity to differentiate from competitors
- Improves communication internally, with the client and potential clients

Drivers for KPIs

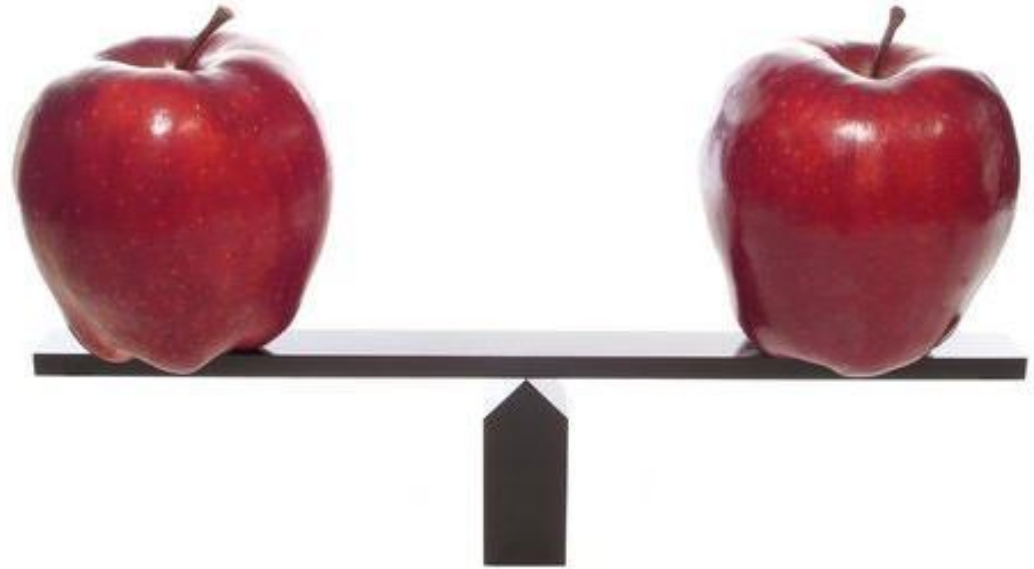
...Even in the Real World...

- Win work – Most public tenders require demonstration of capability with KPIs i.e. hard gates/ soft gates, Framework Agreements can use KPIs for the allocation of projects
- Contract Drivers / Incentivisation – PPC2000, NEC use them
- Marketing – measure ‘added value’ that may be important to potential clients (i.e. Community Benefits, Whole life value, environmental measures)

What is Benchmarking?

Benchmarking:

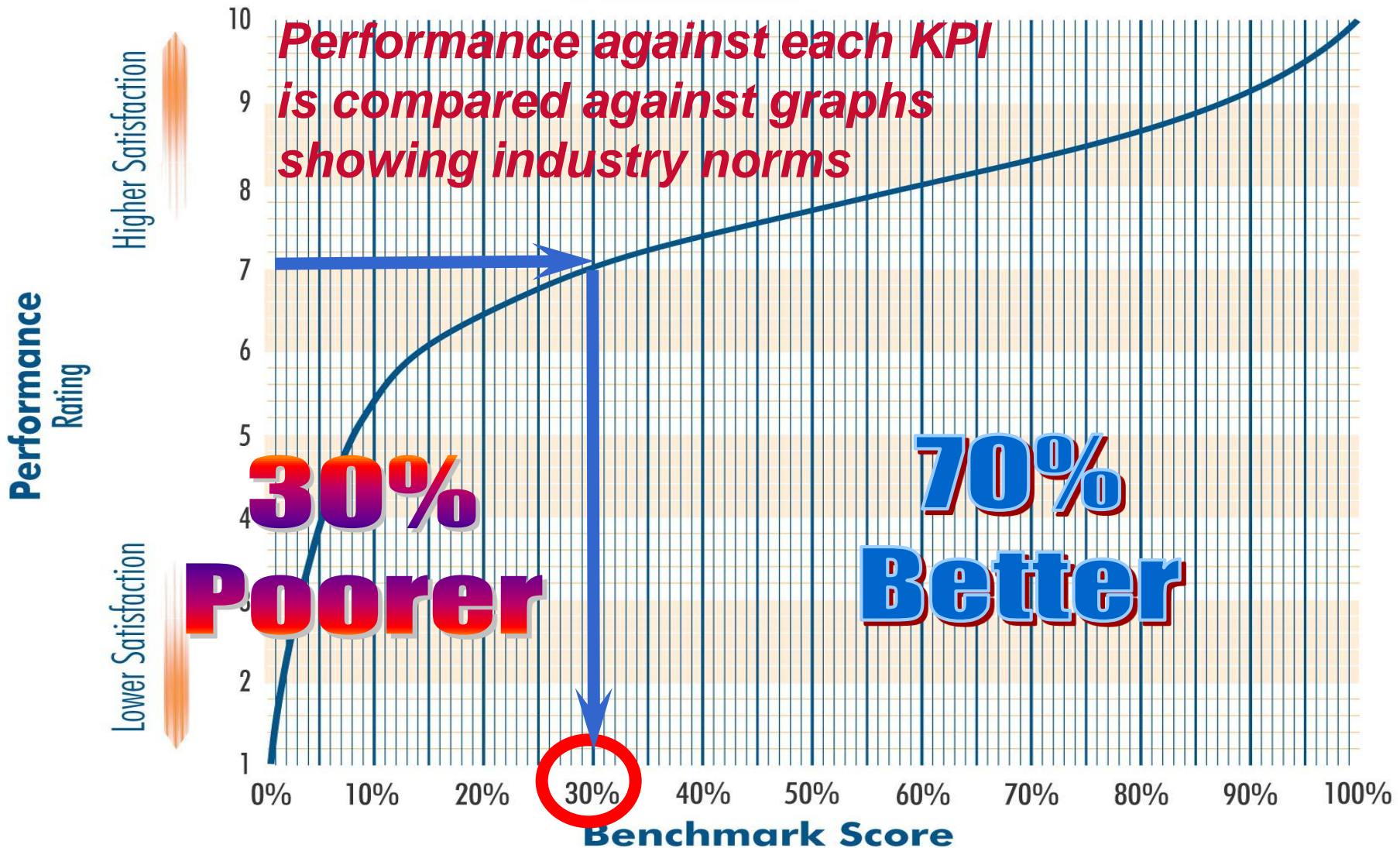
Continuously comparing your performance against others, then using lessons from the best to make improvements.



- How do we compare?
- Why are our results different?
- Who is better? Why are they better?
- Do we need to improve?
- By how much? What target should we set?
- How should we do it? What actions should we take when?

Calculating KPIs - Benchmarking

Client Satisfaction - Service



A benchmark score of 30% indicates that your performance is equal to that of 30% of the industry. 70% of the industry are scoring better

What should we do with the information?

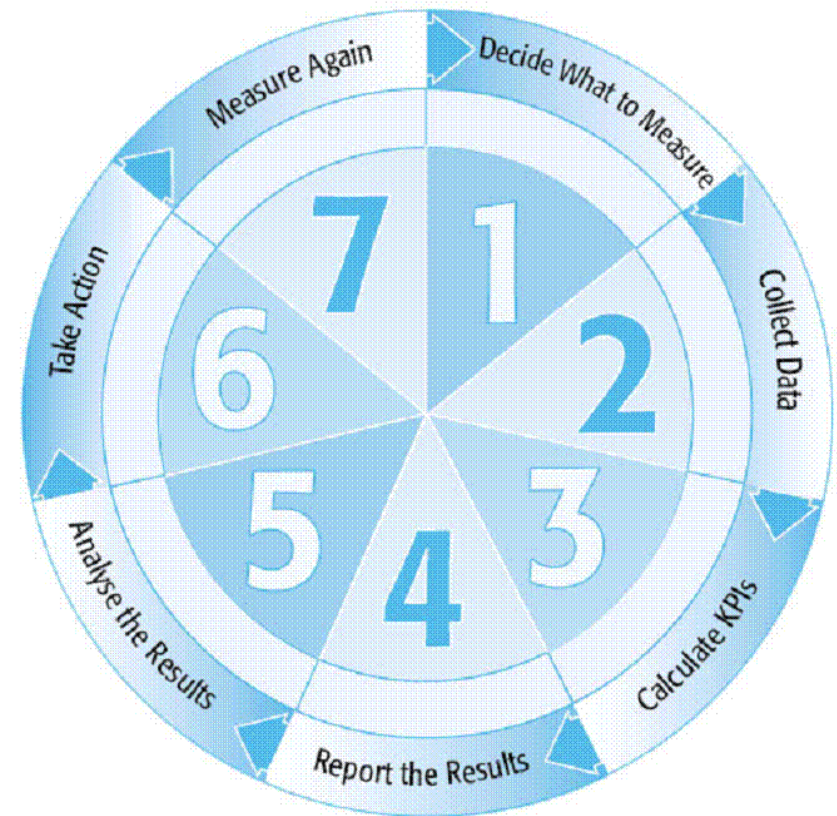
- Measurement and benchmarking is wasteful
- It does not appear in buildings – it does not immediately add value
- It is only valuable if you do something with what you find out
- Value is generated by doing things better because of the information you gather

Performance measurement process

Measuring KPIs themselves are only the starting point

It is not just about measuring, but also analysing results, taking action and improving

Value comes from using the information to make decisions



Guidance from CCI

Do

- Pick measures that suit your business
- Identify what data you are already collecting
- Communicate what you are doing and why to those involved
- Try to measure and take action quickly – if a year passes and nothing has happened then there is no point doing it
- Make somebody responsible – or no-one will be
- Change things if the process is not working

Guidance from CCI

Don't

- Have too many measures
- Have complicated data collection regimes
- Force the process on people – let them have a say
- Keep systems that are not working
- Take too long in taking action