

Market leader uses KPIs to keep competitive edge

Organisation: Makers UK Ltd – Building and Structural Refurbishment Contractor

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Sector: Contractors

Theme: Benchmarking, Continuous Improvement

Anyone calculating benchmark scores from Constructing Excellence's Key Performance Indicator (KPI) charts is bound to wonder about the top-of-the-range companies. How do they do it and how can you raise your game to match them? Makers is one such top performer, using KPIs as a tool for continuous improvement and quality assurance. The company's slick use of IT means its KPIs are seamlessly integrated into its management system. Benchmarking performance against the industry highlights weaknesses. It's a high growth company and this strategy can mean high risk; but carefully selected and monitored KPIs are the eyes and ears for directors managing that risk.

Key benefits of these KPIs

- The KPIs provide an easily digestible measure of Makers' performance.
- This simple evidence reinforces clients' positive views of the company.
- The automated system makes verification of quality standards easy.

Makers profile

Makers, part of the Keller Group, is a growing company with a collaborative approach to customer relationships. Turnover has risen to £70m since Keller bought the company in 1996, growing organically and by acquisition at an average rate better than 20% annually over seven years. Repeat business is about 70% of turnover. Makers employs some 400 staff in two divisions: Social Housing, and Commercial Property and Structural Refurbishment. The company's

portfolio includes building improvements, facade renovation, car parks, mechanical and electrical work, and the repair of buildings and civil engineering structures.

Why Makers needed KPIs

Makers was one of the early British companies to have an accredited quality management system and has used customer satisfaction questionnaires since 1994. In 2001, the Board recognised the

need for a more objective performance measurement system, aligned to industry standards. The company had grown to the extent that systems needed to be more formal, with robust mechanisms for reporting and feedback.

Performance measurement strategy

Tony Leach, the Group HSQE¹ Manager, attended Constructing Excellence's Introduction to KPIs workshop. "My initial questions were what to measure, how to measure it and how to analyse the data and report the results," he recalls.

Leach settled on seven of the Industry 'headline' indicators that have the advantage of facilitating benchmarking against other companies, and he also created bespoke indicators to monitor five customer-critical issues (see The KPIs, below).

He designed the process to be an integral part of the automated customer care system. Makers now has an objective, robust performance monitoring system, providing what Leach calls "an easily digestible measure of performance".

Lessons learned

- Prerequisites for successful use of KPIs include:
 - a culture of excellence
 - commitment of the Board
 - simple, robust systems.
- When KPIs do not give the expected results look for underlying causes.
- KPIs reveal that managers' perceptions do not always reflect reality.
- KPIs help even successful companies to keep on improving.

Mike Darby, Makers' Marketing Director, reports that clients are increasingly interested in KPIs. "Clients have until now measured our performance by taking up references, looking at audited accounts and asking about our Customer Care policies. But some are coming round to asking about KPIs, or we actually submit our KPIs as part of our reply to their quality and customer care questions," he says.

The KPIs

The seven 'headline' indicators are:

1. customer satisfaction – product
2. customer satisfaction – service
3. defects
4. predictability of construction cost
5. predictability of construction time
6. profitability
7. productivity.

1. HSQE means Health, safety, quality and environment

The hurdles:

- What to measure?
- How to measure?
- How to analyse the data?
- How to report?
- How to improve performance?

The five bespoke indicators are derived from a customer satisfaction survey. Makers measures how customers rate:

8. satisfaction with handling of the initial inquiry
9. satisfaction with the advice given
10. the attitude of Makers' employees
11. satisfaction with sub-contractors
12. value for money.

Measurement and dissemination

Makers' old customer satisfaction questionnaire achieved only a 25% response rate. Under the new system, piloted in 2002 and run officially since January 2003, a tenacious administrator has tripled returns. The Microsoft Access customer-care database generates a form that is either posted to the client or completed over the telephone. Quantity Surveyors supply project data to the administrator. The database analyses the results on completion of each project (or a set of comparable projects). It then makes a rapid plot on a radar chart, which is distributed to the Managing Director, Divisional Director, Marketing Director and the Contract Manager.

The integrated customer care database took about 150 hours to create. The administrator spends about 15 hours a month and the Quality Manager allows about 10 hours a month for analysis, reporting and initiating actions.

What Makers do with the results

Their overall KPI scores are astonishingly high, with many nine and ten scores. Low scores shine a harsh spotlight on any blemishes.

Occasional performance lapses are reported and increased effort is being made to analyse reasons and ask why performance is sub-standard. Leach says: "Our managers didn't initially understand the KPI results. Directors are now asking for more in-depth explanations of the project radar chart. This can unearth the root causes."

One important conclusion from this first year's results is that while there is certainly scope for improvement, Makers' performance in many indicators is consistently in the top 10% of companies. Hence the role of KPIs will be to maintain this high level of achievement.

A particular issue has arisen over cost predictability on a project where the client explicitly asked for additional work. The resulting cost overrun led to a low KPI score, triggering a debate about whether the company should be more proactive in offering value-engineering that might bring the cost back in line with the estimate.

A trend observed in a series of projects highlighted that one particular team was perceived by clients as giving low value for money. Remedial actions included a review of how the projects were initially set up and increased inputs by managers.

The issue of cost overrun emerged from some cost predictability KPI scores. This led Makers to modify some processes so as to achieve

Next steps

■ About KPIs:

- Visit the KPIZone at www.constructingexcellence.org.uk.
- Read the fact sheet *Benchmarking* at www.constructingexcellence.org.uk.
- Attend *Introduction to KPIs* – one of the Constructing Excellence 'Learning By Doing' workshops. Book via Camargue T 01242 577277.
- Measure your progress with *The Construction Industry KPI Pack* or *The Housing KPI Toolkit*. Order from Rakusen Design, T 01702 393200.
- Download KPI wallcharts from www.constructingexcellence.org.uk.

■ Constructing Excellence has:

- a network of advisors to help you
- fact sheets on a range of best practice business topics
- a Constructing Excellence club near you.

■ The Construction Productivity Network holds workshops on best practice business topics, T 020 7549 3300, www.ciria.org.uk.

better management of changes and their impact on the client's perception of value for money. The key improvement is an Intranet that gives earlier access to financial information.

The KPI for the client's perception of sub-contractors has identified a few problematic suppliers. Makers is keen to help them improve, but offenders who do not make amends will lose contracts.

Training

Leach has an entertaining presentation that compares what people have rated as 'reasonably good' performance with industry benchmark figures. Employees are initially surprised to discover a satisfaction score of seven or eight out of ten is quite ordinary; but they're motivated to go for nines and tens.

What happens next

A formalised closeout procedure is needed to fully comply with ISO 9001. In the second year, demanding but attainable targets will be set for each indicator. The reporting system is to be extended to include a survey at the end of the defects liability period. Divisions not currently involved in the KPI system will be included.

It is planned to move to a web-based process. This will mean easier production of quality questionnaires for material suppliers and sub-contractors, as well as KPI data input remotely by projects and financial data pulled automatically from the accounts.

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