

# KPIs and Benchmarking

## Best Practice Guide



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# Foreword

**Although performance measurement and benchmarking have attracted enormous interest over recent years, many companies are still unsure where to start. And many need reassurance that they are going about it the right way.**

The companies we visited have all adopted performance measurement deliberately and in small steps. They have shown that the systems can be set up and run without big expense, and that measurement, analysis and reporting focuses everyone's attention on the factors which are key to the success of their business.

This Best Practice Guide draws upon the wealth of experience of measurement and benchmarking that now exists in the UK construction industry. It identifies the key principles for organisations just getting started as well as those wishing to refine their performance measurement systems. It

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**Key Performance Indicator (KPI)** – a measure of a factor critical to success.



**Benchmarking** – a continuous process of comparing your performance against others, then using lessons from the best to make targeted improvements.

# Summary

## Getting started on measuring and benchmarking performance has never been easier

Support is available through Constructing Excellence and the experience within leading companies is growing rapidly.

The construction market place is increasingly rewarding for companies which can demonstrate their performance in a holistic way and can show how they benchmark against the rest of the industry.

Evidence from nine Best Practice Companies, coupled with the experience Constructing Excellence has gained over several years, shows that the real benefit of performance measurement and benchmarking is in shining a spotlight on company performance and showing where action is needed to improve. To be of value, the measurement system needs to be founded on clear principles. This Guide describes nine such principles which were observed in best practice companies:

- Believe in measurement
- Start simple
- Measure what's important
- Communicate effectively – let the data speak
- Have clear responsibility, not bureaucracy
- Use appropriate technology
- Become a data-based decision maker
- Action, not data, drives improvement
- KPIs and partnering go together.

The final section of this Best Practice Guide addresses the question “Does using KPIs make you more profitable?” and concludes that performance measurement only leads to improved profitability when it is part of a successfully implemented wider strategy.



# Introduction



**Since their launch in 1999, the Construction Industry Key Performance Indicators<sup>1</sup> (KPIs) have been used by many organisations as a performance measurement system to support their business and drive improvement.**

Constructing Excellence (formerly Construction Best Practice) has published annual sets of Construction Industry KPI data since 1999 and offers a comprehensive service to help the industry use performance measurement successfully. Publication of national KPI data has done a lot to raise awareness of performance measurement, but interest has been fuelled by additional factors such as:

- **Client pressure:** Construction clients have demanded evidence of benchmark performance when selecting suppliers.
- **Public procurement on 'Best Value'** has driven organisations to measure performance on a wider range of issues than simply cost or price.
- **The Housing Corporation** has encouraged Registered Social Landlords to benchmark project performance.

- **The number of partnering contracts and framework agreements** including a requirement to measure and benchmark performance has increased.
- **Contractors have used** their KPI results to help them win work.
- **The Quality Management Standard ISO 9001: 2000** now places an obligation on organisations to measure their performance.
- **Organisations interested in continuous improvement** have found KPIs to be a simple and effective way to establish a baseline for improvement and measure progress.

## Constructing Excellence's experience with KPIs

The Construction Industry KPIs are a set of business-focused performance measures which can be benchmarked against the industry at large. Constructing Excellence not only publishes the KPIs, it also provides support through its advisory service and has run workshops and seminars attended by many hundreds of delegates. Through this activity, Constructing Excellence has acquired

substantial knowledge of how KPIs and benchmarking should be used successfully to drive improvement.

In the autumn of 2003, Constructing Excellence interviewed a range of companies to analyse in detail how they had implemented and used performance measurement. Some were using the Construction Industry KPIs; others had developed bespoke performance indicators to meet their particular business needs. The insights gleaned from these interviews, together with experience gained from dealing with the industry since 1999 is now consolidated into this Best Practice Guide.

Constructing Excellence is grateful to these companies. The researchers were shown much data in confidence which has obviously been omitted from this publication. However, the essential elements of best practice have been distilled. Understanding these will enable more organisations to make effective use of KPIs and benchmarking as tools for performance improvement.

<sup>1</sup> Available from Constructing Excellence – Tel 0845 605 55 56 or [www.constructingexcellence.org.uk](http://www.constructingexcellence.org.uk)

## The companies we interviewed

The nine companies selected for the case studies were known by Constructing Excellence to have successfully implemented performance measurement in their 'normal business'. Most had persisted with it over several years. They represent different sectors of the industry - clients, contractors, a consultant, public and private sector, and were both large and small. The companies interviewed for the case studies were:

- Babbie Group Ltd and Kent County Council
- Lovell Partnerships Ltd
- Warings Contractors Ltd
- Buro Happold
- Connaught Property Services
- Mansell plc
- InteriorExterior plc
- Makers UK Ltd
- Axis Europe plc.

In this Best Practice Guide, these organisations are referred to as 'best practice companies'. A short case study has been written about each organisation to convey the unique approach they have taken to performance measurement. These are published on the Constructing Excellence website<sup>2</sup> and available in the KPI Pack<sup>3</sup> and Housing KPI Toolkit<sup>3</sup>.

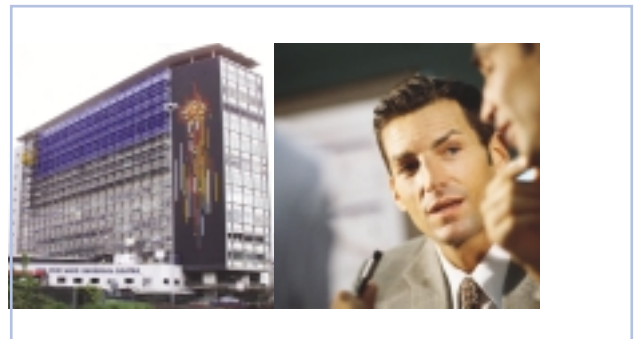
## What we found

During the research, nine practices were noticed to be in common use by the best practice companies. We call these 'best practice principles':

- Believe in measurement
- Start simple
- Measure what's important
- Communicate effectively – let the data speak
- Have clear responsibility, not bureaucracy
- Use appropriate technology
- Become a data-based decision maker
- Action, not data, drives improvement
- KPIs and partnering go together.

This Guide describes how the best practice companies applied these principles, and should be read in conjunction with the individual case studies.

The final section looks at the question of whether using KPIs makes organisations more profitable.



<sup>2</sup> See [www.constructingexcellence.org.uk](http://www.constructingexcellence.org.uk)

<sup>3</sup> Available from RDFX, Tel: 01702 393200

# Believe in measurement

## With the advent of every new technique, the cry goes up for 'top management commitment'.

We discovered in the best practice companies that senior managers firmly believe that measurement and target-setting are essential to communicate their goals and aspirations, and help to keep the pressure on their people to continuously strive for improvement. Tools such as the Construction Industry KPIs were adopted as simple mechanisms to reinforce this underlying presumption.

### Insight

Warings publish a lot of data about the performance of their projects ranked in order of achievement. The data sparks off healthy competition between project teams to deliver better. No-one wants to be 'bottom of the pile'.

## Measurement as a management style

In Mansell for example, we found that performance measurement is routine, and that senior management look at the results and crank up the targets each year during the strategic planning process. In Warings, the managing director is renowned for touring the company and

constantly enquiring how the various departments and projects are performing. He is seen to 'walk the talk'. In the case of the partnership between Kent County Council and Babbie, performance measurement isn't just a formality to meet contractual obligations; it is seen to underpin improving performance and demonstrating achievements (the end-goal being renewal of contracts based on a high level of achievement).

However senior managers in the best practice companies don't just 'drive by watching the dashboard', but are using a variety of methods as well as KPIs to manage their businesses.

In contrast, it is clear that many organisations have no fundamental belief in performance measurement and senior managers are lukewarm to the idea of driving performance

### Insight

Buro Happold takes measurement so seriously that it engages an independent consultant to interview a sample of clients and rate their satisfaction on a scale A to E. Directors then devise individual customer strategies from the feedback.

improvement in this way. Such organisations may start to use KPIs simply because clients or other stakeholders demand them or they have become 'flavour of the month'. In these organisations, the performance measurement system soon withers and dies as managers fail to take the actions signalled by the measurements.

### Conclusion:

- Managers of best practice companies are convinced that performance measurement helps them set goals, measure achievement, and unify the direction of the organisation. It meshes naturally with their management style, and the organisation responds positively.
- However, they do not rely solely on performance measurement to steer their business. KPIs are one of a range of tools they use to support their corporate objectives.



# Start simple

## Senior managers interested in performance measurement and committed to action often struggle with the two questions: “How do we start?” and “Where do we start?”

Many companies start with the Construction Industry KPIs because they provide a menu of the more critical KPIs, complete with definitions and a simple method of benchmarking. Some organisations develop bespoke systems which yield valuable information about their own performance, although the results cannot easily be compared against the rest of industry.

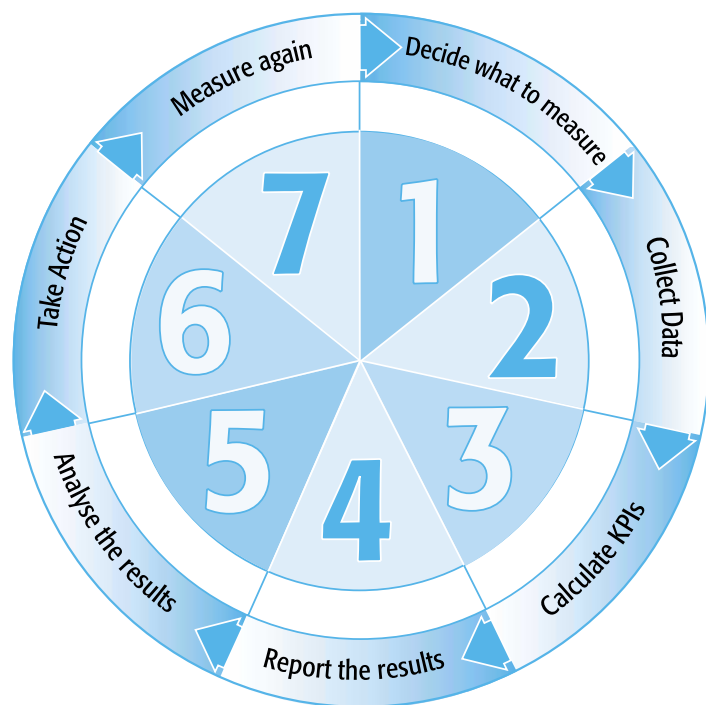
### Insight

The typical number of KPIs in use within Best Practice Companies is 10 per business area.

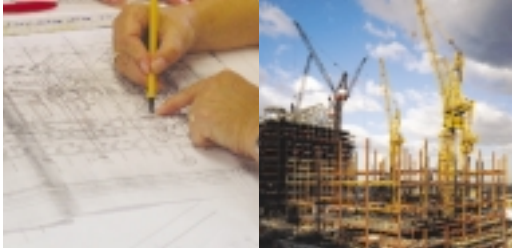
All the best practice companies started simply, and then developed their systems over time. Some of the key features that we noticed are:

- **Business focus** guides the selection of KPIs. This aligns the performance measures with what the company is aiming to achieve (see Measure what’s important).
- **A limited number of KPIs** (many organisations started with four or five KPIs) expands as they gain experience of reacting to what the data is telling them.

- **Client focus** is the usual starting point. Many organisations use client surveys to gather and analyse feedback from their clients. Predictability of cost and time, safety and profitability are often measured too, although none of the best practice companies use the Construction Cost and Construction Time KPIs which can require complex calculations.



The Seven Steps to Implementing KPIs



■ **Companies Mix and match** the Construction Industry KPIs with a range of their own KPIs specifically developed to meet local business needs. Connaught, for example, uses thirteen KPIs, of which nine are aligned with the industry KPIs.

■ **Constructing Excellence supports** many successful companies. Starting with free information and KPI wallcharts from the Helpdesk<sup>4</sup>, many of the best practice companies they go on to purchase KPI Packs Housing KPI Toolkits, and then follow up by attending an 'Introduction to KPIs' workshop.

■ **Don't rush to use complex technology.** Many start by using simple spreadsheets (some still use them) before moving on to more complex technology such as bespoke software or web-based systems. They carry out pilot trials before finalising their systems (see Effective use of technology).

#### Insight

Axis is a small company and it started with just four KPIs measuring client and resident satisfaction - implemented by following the 7 steps outlined in the KPI Handbook.

#### Conclusion:

- Many organisations rush from measuring too little to trying to measure too much. The message from best practice companies is: start small and simple, and build slowly on the system as expertise develops.
- There is plenty of help available from Constructing Excellence so companies don't need to reinvent the wheel.
- Client satisfaction is an easy and important place to start measuring performance.
- It is relatively simple to set up a KPI system. The trick is to realise that the constraint is the organisation's capacity to handle the actions that stem from the KPI results.

<sup>4</sup> Constructing Excellence Helpdesk – Telephone 0845 605 55 56



# Measure what's important

**Before 1999 there was little easily accessible data that a company could use to set up KPIs and start benchmarking. The Construction Industry KPIs and the benchmarking clubs<sup>5</sup> have changed all that, so now organisations are often spoiled for choice.**

Many public sector organisations also have performance indicators imposed on them from the outside which adds to the potential complexity.

## Insight

Some best practice companies achieve 85% returns from their customer surveys. Ingredients for success are persistence, simple forms and feedback to respondents. Some companies give a donation to charity for each survey form returned.

The consequence of this can be that organisations veer from measuring too little to trying to measure too much, resulting in a nasty dose of 'analysis paralysis'! The best practice companies are consistent in that they measure the things strategically important to their organisations, and are unafraid to keep the number of performance indicators relatively small, especially when starting out (see Start simple). At InteriorExterior, for example, client satisfaction is of utmost importance. Starting with only three KPIs which could be measured from existing data, the system evolved to the point where the company now tracks sixteen customer satisfaction measures from proposal to final account.

## Insight

Warings performance measurement culture applies at the strategic (overall company) level and on their sites where overall achievement and the progress of individual activities are measured.



## Conclusion:

- Best practice companies are clear about where they are going, and put in place KPIs to monitor progress in achieving important objectives.
- Best practice companies manage to find the correct balance between too few KPIs (which leads to an unbalanced focus on the business) and too many KPIs which can paralyse the organisation.
- Companies that do not know what they are trying to achieve usually start by measuring too many things. They soon find the system fails as it becomes too unwieldy to take effective action.

<sup>5</sup> A list of benchmarking clubs can be found on KPIZone at [www.kpizone.com](http://www.kpizone.com)

# Communicate effectively - let the data speak

## One of the main reasons why companies use KPIs is to communicate to their customers, wider stakeholders and to their own people.

They need to tell them what's important (those are the issues they are measuring), what the targets are, and how they well they are doing. No single best practice companies can be held up as the ultimate example of good communication. It is clear that the way performance data is presented and communicated depends on what the organisation is comfortable with and gets used to seeing. The best communication practices we noticed are:

- **Data is shared** openly between all project partners. It is common for clients to share data with their entire supply chain, and for contractors to share with their suppliers. In this way, each party sees the whole picture. We

### Insight

Axis publishes customer satisfaction reports to its staff in pie-charts with three zones. Customers scoring the company's performance 8 – 10 out of 10 are rated 'very satisfied', those scoring 4 – 7 are 'neutral', and those scoring 1 – 3 are rated 'very dissatisfied'.

were given several examples of high performing companies passing on knowledge in order to bring other members of the partnership up to their level of 'best practice'.

- **Consistency is important.** For example, Babtie present their results in the form of a radar (or spider) chart which shows several previous years' performance alongside the current year.
- **Senior managers are interested** in results and receive and review KPI results regularly.
- **Many companies publish** the latest results on the walls of their head office reception and site offices.
- **The best examples show trends** and the targets to which the company is aspiring.
- **The number of KPIs is limited** to a handful of important issues (see Start simple). Best practice companies realise that if they try to communicate too much they end up communicating nothing!
- **The latest web-based software**<sup>6</sup> makes performance data available to project teams and managers any time, any where.
- **Several companies measured client expectation** as well as delivery. The standard of service

### Insight

Kent County Council communicates KPI results to the Elected Members. By keeping them in the same format for several years, Members become familiar with the indicators and the messages they are giving.

expected by their clients is derived from interviews, and as actual performance data comes in, a 'gap analysis' is carried out to identify the discrepancies between expectation and actual performance. However, one company found that its clients were only prepared to say they expected the very best performance on all aspects of performance when interrogated at the start of the project.

### Conclusion:

- Good communication is vital. The data has to 'paint a picture' of the performance, and clearly show progress towards the organisation's goals.
- Best practice involves consistent and open presentation, and a willingness to modify and develop to meet the organisations needs.

<sup>6</sup> See page 17 for suppliers of web-based software

# Have clear responsibility, not bureaucracy

**The great fear for many organisations, when starting with performance measurement, is that the system will require significant resources and a whole new 'department' to capture, analyse and report the results.**

The evidence from the best practice companies is that once set up, a properly designed and organised system takes very little resource to run it. Every best practice company appointed someone to be a clear point of focus – an individual charged with the responsibility of collecting (and chasing) data, making

sure it was on the system correctly, and for issuing reports on time. In all cases this role is carried out as part of another job.

The job title of this key person varies. In one company it is the Residents' Liaison Officer, in another it is a member of the administrative staff, and in another it is a member of the Quality Department.

There is no rule, other than the person is competent, has the backing of senior management, and is known to the rest of the company.

## Insight

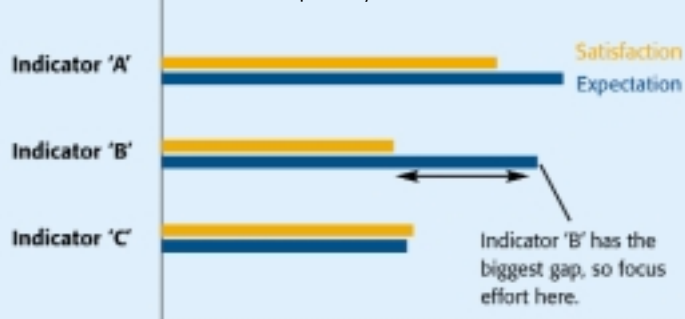
Costs of operating a performance measurement system in the best practice companies are low, in the order of 0.005% to 0.1% of turnover.



## Conclusion:

- Best Practice Companies spend time and effort piloting and then making their measurement systems slick. They can then be operated with minimal staff, although there is always a clear point of responsibility for the overall system.
- A well-designed measurement system costs a tiny fraction of turnover to operate.

Gap Analysis



## Insight

From its unique position working for three clients Lovell has taken the lead in setting up a common approach to KPIs for the 'WYSPA' project and their Partnering Manager is running the process. He says: "The client put us together and now we're seeing the benefits of collaborating with other contractors. In our industry, people do respond to league tables. It's a naturally competitive environment."

# Use appropriate technology

## All the best practice companies have formal systems to record, analyse and present their performance measurement data.

A number of organisations report that they started with a simple spreadsheet. It seems clear that in the early stage this is useful to develop ideas about what should be measured and how results should be presented. The advantage is obvious – the software is widely available in the office and on site, as is the expertise to use it. As organisations develop their systems and as more data is recorded, spreadsheets can become unwieldy and inflexible, and companies tend to seek more sophisticated solutions. In the best practice companies, we saw three higher-level systems in use:

- **Databases:** Some organisations have in-house capability to develop their own database and are efficiently inputting data and generating a suite of reports which for distribution to various levels of management for study and action.
- **PC-based software:** Several companies are using the *Contrack Best Practice* software from Building Software Ltd<sup>7</sup>

to check their performance against the Construction Industry KPIs as well as a range of organisation-specific measures.

- **Web-based systems:** One company uses a state-of-the-art web-based system – *e-Benchmark* from Building Software Ltd. (During the research we saw another system demonstrated, called *The Info-Exchange* from Enable Info-Matrix Ltd<sup>8</sup>). These systems are designed primarily for large, distributed organisations, but as the technology develops they be useable by smaller organisations too.

### Insight

Makers pride themselves on their advanced use of IT. Their KPI data is collected as an integral part of their customer care process.

The advantages of these emerging web-based systems are clear:

- Data can easily be entered from remote locations through a standard web-browser.
- E-mail can be used to ask individuals to enter data, and the data-entry screen can be accessed by the click of a computer mouse.
- Data is loaded directly into a central database and analysis is done in 'real-time', providing an immediate and up-to-date picture of performance.
- There is no need for paper either to collect data or present reports (although copies can be made if required).
- Everyone in the organisation or partnership can see how they are performing in real time.

### Conclusion:

- Best practice companies carry out pilot trials of their data collection system.
- They then use modern technology to make it easy to collect and analyse data and to report performance.
- Immediate feedback improves the level of interest in the data, and professional presentation sends out a clear message to the organisation: "Performance measurement is important."

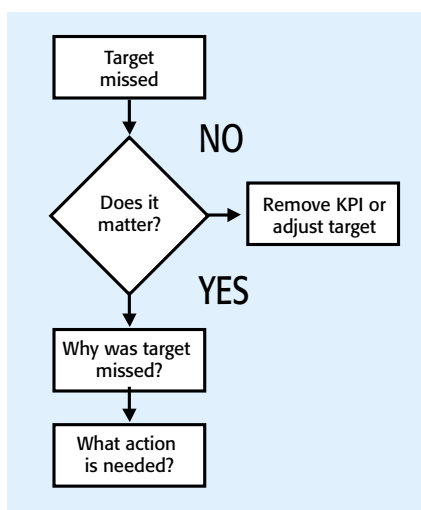
<sup>7</sup> Building Software Ltd - telephone 01884 841 884; website [www.buildsoft.co.uk](http://www.buildsoft.co.uk)

<sup>8</sup> Enable Infomatrix Limited - telephone: 01789 208060; website [www.info-exchange.com](http://www.info-exchange.com)

# Become a data-based decision maker

**A common reaction, when companies measure their performance against the Construction Industry KPIs for the first time, is surprise that their results are not as good as expected.**

This leads to a defensive reaction such as “I don’t believe the KPI data” or “Did our clients really mean to score us so poorly?” From the companies that Constructing Excellence has dealt with over several years, there appears to be a natural progression from ignorance about the organisation’s performance, through ‘awakening’ and ‘disillusionment’ before reaching the stage where measurement becomes a useful tool.



Questions asked when a target is missed

## Insight

When Connaught first entered into a partnering agreement based on KPIs with West Wiltshire Housing Society, scepticism was high. A lot of effort was put in by all parties to getting the system right, and now, several years on, the partnership is delivering results – for Connaught and the client.

## Stage 1 – Awakening

At this stage the company has a very limited number of performance measures (such as profit and cash flow), but realises that many other important issues are not measured, and it has no data to benchmark its performance against the wider industry. It therefore decides to measure and compare its performance much more widely.

## Stage 2 – Disillusionment (blinkers off!)

When the first set of benchmark data arrives, the initial reaction is often “I don’t believe we are as bad as that!” There is clearly a need at this stage to check the data – mistakes are often made when setting up new systems, and the organisation needs to be sure that it is looking at a true reflection of its performance.

However, after the checking is done, many companies have to come to terms with the fact that their performance is fairly ordinary when compared to the industry at large. By definition, 50% of projects or companies perform below the median, but it often comes as a shock to organisations to find their performance is below par when they have believed (in the absence of information to the contrary) that they have been doing pretty well until now!

Another important issue is that overall, the industry’s performance is not as poor as commonly thought. Over five years, the Construction Industry KPIs have shown that there are many good projects undertaken each year across the UK; they just don’t hit the construction press headlines *because* they were delivered when the client wanted, and to the client’s expectations! The projects that are consistently highlighted by the newspapers are those that fail (the spate of difficulties with some PFI projects for example), and the only time that early delivery is mentioned by the press is when contractors are accused of declaring overly-generous construction periods, then bringing the projects in early to avoid financial penalties!



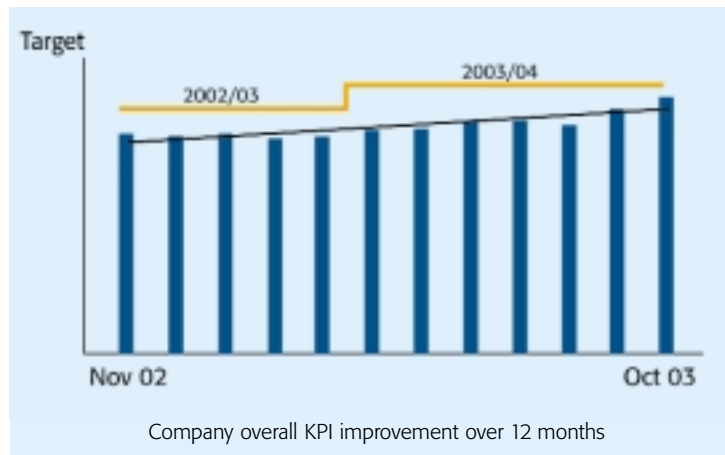
So there is a general assumption that projects are usually late and fail to satisfy clients. In other words the bar is thought to be fairly low and most companies think they jump over it with ease. The first set of benchmark data may shatter this illusion.

### Stage 3 – Measurement becomes a useful tool

The best practice companies have gone beyond the stage of doubting the figures and doubting themselves, and are using performance measurement to make decisions, set goals and to measure progress. They deal well with sometimes

anomalous results. For example, Makers had benchmarked performance on projects where a client had changed requirements, leading to cost and time over-runs (and consequent poor benchmark scores). Rather than argue over the inadequacies of the

measurement system, they discussed the opportunity it presented for future clients if, when requirements changed, they could value-engineer jobs to keep them within time and cost targets.



#### Insight

Kent County Council and Babbie are looking to extend their measurement system beyond internal measurement to assessing the public's perception, something they would not have considered doing before they had gained experience measuring their own performance.

#### Conclusion:

- Organisations that succeed in using KPIs are those that rapidly go through the 'awakening' and 'disillusionment' phases and get on to making measurement a useful tool.
- Best practice organisations accept the challenge presented to them if performance results are not as good as expected, and take action to improve.



# Action, not data, drives improvement

## What factors did we find that led to exceptional performance? The pleasant surprise is that the best practice companies are achieving remarkable things.

Most notable are those achieving high scores for client satisfaction; several companies showed us client satisfaction surveys which included a string of results for overall satisfaction that were 9 or 10 out of 10.

### Insight

Clients generally score 'defects' lower than other factors, even in best practice companies!

How were these scores achieved? A common factor is the underlying ethos of these companies to maintain excellent relationships with their clients (customer care was mentioned frequently), so that nothing destroys the relationship between them.

### Insight

8 out of 9 of InteriorExterior's KPIs are above industry average, and many are around the top quartile.

Predictability of cost and time generally improve where organisations work in partnership. Mansell is clear that improvements in predictability are more difficult to achieve in its non-framework business.

Part of achieving high performance is about internal discipline. One contractor told us how senior managers instructed significant remedial work to be carried out before handover after they inspected the finished product and were themselves dissatisfied with the quality. While it is clearly better to 'get it right first time', this is a very practical example of the care that the best practice companies take to preserve relationships. It is not surprising that when their clients are surveyed, the scores reflect this level of care.

One company we interviewed – Buro Happold – has gone beyond number-based surveys. It uses in-depth customer interviews to collect the client's detailed feedback and impressions in an attempt to 'read the client's mind' and so refine their service to even higher levels.

### Insight

Examples of actions taken to improve performance include containerising components for easy installation, getting rid of under-performing suppliers and improved training.

### Conclusion:

- It is fairly easy to achieve 'average' performance. But to achieve top quartile performance within the industry (benchmark scores of 75% or above), companies need to 'think out of the box' and not to be content offering the 'standard industry fare'.
- Best practice companies set and achieve highly challenging performance levels. The actions they take vary, but in many cases there are quick, simple improvements that can be made.
- Joint action between clients and suppliers may be needed to achieve long-term, sustained improvement. Work processes may need to change.

# KPIs and partnering go together

## **KPIs work well where organisations have common goals and are committed to working together for a reasonable period of time.**

That way, teams are established long enough to set up and run the measurement system, and there is time to learn and take action as the results come in. Best practice companies are willing to spend time working with their clients and suppliers discussing and agreeing as a team how performance will be measured, and what targets are achievable. This somewhat laborious and slow start pays dividends in the long term by gaining trust and commitment to the system.

KPIs don't work well in an adversarial environment. That isn't to say there won't be disagreements when implementing a system, but the climate in which this is done needs to be one of constructive debate.

### **Insight**

In Connaught's partnership with West Wiltshire Housing Society (which had implemented KPIs to support a long-term strategic alliance), a large percentage of the agreed profit is paid to contractors when they achieve high levels of performance against the agreed KPIs. Regular meetings are held to review performance and look for ways to improve.

### **Conclusion:**

- KPIs work well in an atmosphere of true partnering where they can be used to help a committed team to excel.
- Longer-term partnering and framework agreements provide sufficient time to set up and run an effective performance measurement system.
- KPIs used in an adversarial environment are destructive and often lead to disagreement and distortion of results.

# Does using KPIs make you more profitable?

**The answer to this frequently-asked question is 'not necessarily'. In the same way that people who weigh themselves regularly don't all lose weight, so the use of a performance measurement system is no guarantee of increased profitability.**

A KPI system is only a way of assessing performance and, particularly in the early stages, may simply tell the company that it needs to do something urgently to improve. To enhance profitability there needs to be a substantially better strategy than just 'implementing KPIs'.

So how can KPIs, performance measurement and benchmarking help to improve profitability? The best practice companies' experiences showed that KPIs help in several ways:

- **Profit linked to KPI results:** Companies such as Connaught Property Services show that profit can be increased where high KPI performance is achieved in a suitably incentivised contract.
- **KPIs help companies win new work:** When an organisation can show evidence of all-round performance capability, it takes

some of the emphasis off price as the decision-making criterion. Babbie report that they are using their experiences with Kent County Council to try to win new work in other areas of the country.

- **KPIs can help win repeat business:**

A number of companies report that successful delivery demonstrated by performance results leads to repeat business from the same clients. One company reports that performance results attract around one-third of the marks that a particular client assigns in the selection process.

- **KPIs lead to improved**

**efficiency:** KPIs can provide a harsh 'wake-up call' to the company that it is seriously underperforming in one or more areas. If taken seriously, this will

lead them to address long-standing deficiencies. A well thought out set of KPIs also provides a mechanism to keep the pressure on people to perform.

Many of the best practice companies report improved profitability over the past few years and expect improved opportunities for winning future work. It would be incorrect to say that this is directly because they were using performance measurement. However, these companies recognise that using KPIs helps to enhance their business when adopted with other strategies, and none would be complacent enough to assume that performance measurement on its own is enough to ensure their continued success.

## Conclusion:

- KPIs can help improve profitability where suitable incentives are used.
- KPIs can help companies win new work by demonstrating their benchmark performance on a wide range of criteria.
- Satisfactory KPI performance can provide the evidence on which repeat business is awarded.
- KPIs can lead to efficiency improvements.
- However, there is no simple correlation between using KPIs and improved profitability.

# Acknowledgement

This Best Practice Guide was prepared following visits to the companies listed below. Constructing Excellence wishes to thank them for their participation and for permitting information about their achievements to be published. The information from these companies was supplemented with information Constructing Excellence has gathered over several years supporting the industry in its use of KPIs and benchmarking.

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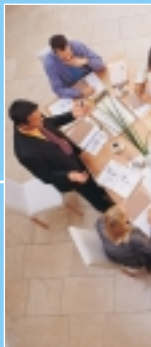
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