

# Measurement tools for team, client and sponsor

**Client:** Hertfordshire County Council  
**Designer and Project Manager:** Mace Limited  
**Case Study Ref No:** 266      **Date:** September 2004  
**Sector:** Contractors  
**Theme:** KPIs, Benchmarking, Continuous Improvement

## Profile – Mace in partnership with Hertfordshire County Council

Mace’s framework agreement with Hertfordshire County Council (HCC) is for the design and project management of a £100m school refurbishment and new build programme, over five years from March 2003. Mace adopted 45 people from a previous framework contractor under TUPE – the Transfer of Undertakings (Protection of Employment) regulations. There are also six framework contractors in parallel agreements for construction. The framework agreements can be extended by another five years, but subject to reaching KPI targets. Projects range in value from £100k to £750k, but can be up to £3m before triggering EU procurement rules.

The sponsor holding the budget and the end user client who will use the product can have quite different agendas. Understanding these positions is vital in framework contracting. In Mace’s framework agreement for Hertfordshire County Council, it deployed the Key Improvement Tool (KIT) to promote integrated team thinking and action, the Customer Alignment Tool (CAT) for understanding the client’s expectations, and Key Performance Indicators (KPIs) to measure the sponsor’s key success factors. The pay-off is a substantial performance-linked bonus and the option to extend the contract. The challenge is a rising set of targets based on the Construction Industry KPIs. Mace is geared for a steep climb.

### Lessons learned

- A system of key performance indicators is essential for managing a framework agreement.
- Bonus contract payments linked to KPI achievements are a powerful incentive to improve.
- Leadership is the most important skill needed to guide and encourage individuals to personally embrace change.

### Key benefits for team, client and sponsor

- KIT promotes integrated team thinking. It highlights recurring problems so the team know where to concentrate their efforts.
- CAT identifies the individual who is the end user client and flushes out hidden agendas. It helps the team to understand and ‘manage’ expectations and to guide the client towards what is possible for the money.
- KPIs track the sponsor’s key success factors.

HCC’s Quality Manager, Keith Jennings, says: “I knew we were on the right track as soon as Mace came on board. The work we have done together, setting up truly integrated teams, has shown improvements in time, cost and quality from day one.”

### Why the partnership adopted KPIs

The question was whether frameworks represent value for money. HCC estimated that if it continued to tender each project separately, the council and contractors would spend £1.2m over five years on tenders alone. Their needs – cheaper and quicker projects, predictable outcomes, zero defects and zero reportable accidents – coincided exactly with the Construction Industry ‘headline’ KPIs. And so they adopted KPIs for the tight and continuous regulation of future framework agreements, and set ambitious improvement targets that increase each year.

### Project process

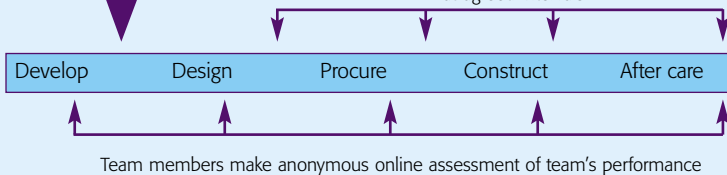
Contractors come into the design process quite early. HCC selects the contractor for each project via a transparent four-step process that considers the value of the project, the type of work, the financial commitment needed and workload considerations. The contracts are open-book with an agreed percentage or lump sum for overheads and profits, as well as incentives for achieving KPIs.

#### CAT = Customer Alignment Tool

CAT workshop asks:

- What is important to you?
- What does 10/10 look like?

Client scores project team using online questionnaire at agreed intervals



#### KIT = Key Improvement Tool

▲ Agree benchmarks for predictability indicators

▲ Measure predictability indicators

Improvement tools: KIT and CAT

The design team work through five 'gateways' with the contractor. Mace introduced an additional stage during the design (known as gateway 2.5) to run the CAT workshop, fix fees and set targets for design time, construction time and construction cost. As soon as Mace settles the accounts at practical completion, it measures KPI performance (see diagram). The team rely on the Building Information Warehouse system for storing project information, making comments and tracking approvals.

## What they measure

The standard Construction Industry KPIs, published by Constructing Excellence, apply to every project. The top priority indicator is Safety, followed by Customer Satisfaction and Defects. Failure to achieve in these impacts severely on bonuses.

The initial benchmarks for seven of the ten KPIs were inherited from projects in progress when Mace took over, and were in the range 17 – 57%. After just one year, these KPIs had jumped to the range 71 – 100%. Predictability of design cost and time (Mace's direct responsibility) show the best improvement, but predictability of construction cost and time lag behind. Although these indicators rose from about 40% to 70% in the first year, Mace knows reaching long-term targets of 80% for predictability of construction cost and 85% for predictability of construction time will be hard work.

The long-term target for the accident incidence rate is to suffer no more than 300 reportable accidents per 100,000 employees. This would be quite an achievement, being less than a quarter of the industry average for companies with turnover of more than £10m.

There have been no reportable accidents in the first year.

Long-term goals for construction cost and time are to fall by 5% and 15% respectively, year on year.

## Client focus

CAT was developed with Leading Edge Consultants. It has two phases – an alignment workshop during the design and then periodic online evaluation (see diagram). At the workshop, Mace introduces a template for customer feedback containing some 40 questions, each covering an aspect of satisfaction with the product, service and resolution of defects. The idea is to help the client communicate their ambitions and to monitor delivery in that light. The client rates each question by importance (to focus the team's attention on the client's key success factors) and by expectation (to give a benchmark to compare subsequent performance).

Neil Evison, Mace's Best Practice Manager in Hertford, says: "We want to work out what you can practically get for the budget that's been set. And we need everyone to understand the impact of decisions."

## Team focus

Everyone in the team is aware that hitting rising KPI targets is critical for Mace to earn bonuses and the contract extension.

## Next steps

### ■ About KPIs:

- Visit the KPIZone at [www.constructingexcellence.org.uk](http://www.constructingexcellence.org.uk).
- Read the fact sheet *Benchmarking* at [www.constructingexcellence.org.uk](http://www.constructingexcellence.org.uk).
- Attend a KPI Masterclass. Book via the Constructing Excellence Events Team, T 020 7592 1100.
- 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](http://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](http://www.ciria.org.uk).

Best practice focus groups with the six contractors highlight issues of sustainability, life cycle costing, integrated programming, standardisation, supply chain, managing expectations, and continuity of workload. Mace also has its own focus groups on sustainability, health and safety, professional development, peer review and design standards, and is active in the local Constructing Excellence Club.

Mace recently engaged Dale Carnegie Training who claim they can 'change fundamental core behaviours to achieve measurable improvements in people, performance and profits'. What emerged was the urgent need to identify and encourage individuals who could lead the team to meet the challenge that rising KPIs will present in later years. Evison adds: "We're forging a 'leadership' team rather than a 'process-management' team. We need to get people out of their silos to make things happen. We're seeing how we can all be involved in change by working in teams, being more flexible and less inclined to cover backsides." Another subtle yet dynamic variation is defining key result areas for individuals and monitoring achievements monthly instead of just annual performance reviews.

## What happens next

The Customer Alignment Tool was demonstrated in the Firs and Havers Schools Amalgamation Project. Mace will select more demonstration projects to give everyone confidence in emergent new ideas.

Mace is gradually introducing innovations used at Hertford to other local education authority clients who they hope will replicate the whole process.

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