Key Performance Indicators that Drive Results

May 17, 2011
What are KPI’s?

KPI’s are meaningful yardsticks that contractors can see and use to effectively communicate the day-to-day operations of business.

Types of Indicators

- Liquidity
- Schedule Variance
- Scorecard
- Cash Flow
- WIP Indicators

Leading

- AIA billing index
- Housing starts
- Construction Backlog Indicator

Lagging
What do KPI’s do?

- Drive positive behaviors
- Build value for organizations
- Provide long-term solutions
- Define key risk areas
- Focus on operational excellence
- Integrate people, process, and technology
Types of KPI’s

Lifecycle Phase | Example KPI Types
--- | ---
Work Acquisition (Get Work) | • Backlog indicator  
| | • Marketing  
| | • Business development
Operations (Do Work) | • Change orders  
| | • Productivity  
| | • Margin variance
Corporate Services (Keep Score) | • Liquidity  
| | • Cash flow indicator  
| | • Safety measures
Who is FMI?

- Get In -
  Strategic Planning
  Buyer Representation
  Acquisition Integration

- Get Out –
  Ownership Transition
  Seller Representation
  Management Buyout / Valuation

- Get Work -
  BD Assessment
  Market Perception Studies
  Presentation skills

- Do Work -
  Productivity Improvement
  Project Partnering
  Risk Management

- Develop People -
  Leadership Development
  Management Succession
  Executive Coaching / Peer Groups

We build value for the worldwide construction industry
Work Acquisition (Get Work)

Work Acquisition indicators:

- Identify gross margins on future projects
- Identify effectiveness of business development
- Impact project pricing and project targeting
- Enable effective resource utilization

![Back Log Indicator Diagram]

- Weighted Average of Outstanding Proposals
- Proposals Awarded Unsigned
- Gross Margin in Backlog

- Monthly SG&A

- Jan | Mar | May | Jul | Sep | Nov
- 5   | 4   | 3   | 2   | 1   | 0

- Work Acquisition
  - Backlog indicator
  - Marketing
  - Business development

- Operations
  - Change orders
  - Productivity
  - Margin variance

- Corporate Services
  - Liquidity
  - Cash flow indicator
  - Accounts receivable
Operation indicators:

- Improve cash flow
- Capitalize change order opportunities
- Improve project communication
- Mitigate risk
- Increase accuracy of percentage of completion
- Assess productivity company wide

Productivity Indicator

- Improve cash flow
- Capitalize change order opportunities
- Improve project communication
- Mitigate risk
- Increase accuracy of percentage of completion
- Assess productivity company wide

Productivity Rate

- Poor Jobs
- Good Jobs
- Company Average

10 Jobs
15 Jobs
Corporate service indicators:
- Increase access to credit and bonding capacity
- Identify risks and corporate claims
- Improve owner communication
- Enhance ability to meet project deadlines
- Promote owner-financed projects

Schedule Variance Indicator

Areas Include:
- Finance / Admin
- IT
- HR
- Risk Management / Safety
- Legal
Group Question: What KPI’s do most profitable contractors measure?

- To measure both company and project performance
- To track both leading and lagging indicators
What KPI’s do most profitable contractors measure?

**Company:**
- Liquidity
- Cash Flow
- Backlog
- Customer Perception and Satisfaction
- Over and Under Billings
- Debt and Equity
- Corporate Service Performance

**Project:**
- Gross Margin Gain/Fade
- Labor Productivity per Work Activity
- Schedule and Percent Complete
- Earned Revenue
- Cost to Complete
- Under/Over Billed
- Change Orders
- Safety
Integrating People, Process, and Technology: Change Mgmt.

People
- Who reports information and when?
- Who sees what information?
- Who is accountable for outcomes?
- How often is information recorded?

Selected KPI’s and Change Management

Technology
- What tools do we use now?
- What technology is outdated?
- How can we use mobile technology?
- How can we utilize BIM effectively?

Process
- What information do we record?
- How do we input information?
- Where does the information end up?
- What reporting mechanism do we use?
# Integrating People, Process, and Technology: Change Mgmt.

## Example question set to begin integrating people, process and technology

<table>
<thead>
<tr>
<th>Work Acquisition (Get Work)</th>
<th>Technology</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>People</strong></td>
<td><strong>Technology</strong></td>
<td><strong>Process</strong></td>
</tr>
<tr>
<td>▪ Who is involved with Business Development?</td>
<td>▪ What reporting tools do we use to track BD efforts and where is the information stored?</td>
<td>▪ What inefficiencies and redundancies exist in the current process?</td>
</tr>
<tr>
<td>▪ Who gets BD information on a weekly or monthly basis?</td>
<td>▪ What are the leading tools in the market that are used to track BD and customer relationship data?</td>
<td>▪ Are we looking more at leading indicators as opposed to lagging indicators?</td>
</tr>
<tr>
<td>▪ Who aligns resources to future and potential projects?</td>
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</tr>
<tr>
<td>▪ Who is responsible for managing field crew?</td>
<td>▪ What type of field technology is available</td>
<td>▪ When to establish and review change order process with project team?</td>
</tr>
<tr>
<td>▪ Who monitors productivity information on field crew?</td>
<td>▪ Is mobile technology going to increase productivity?</td>
<td>▪ How often is information relayed to field crews?</td>
</tr>
<tr>
<td>▪ Who will directly report to the owner and design team?</td>
<td>▪ What tools will be used to communicate with project team?</td>
<td>▪ How often are meetings with project team conducted?</td>
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<tr>
<td>▪ Who communicates lessons learned and to who?</td>
<td>▪ What tools are we using to record project information?</td>
<td>▪ What type of project information needs to be stored and where?</td>
</tr>
<tr>
<td>▪ Who documents budget and schedule over/under runs?</td>
<td>▪ Will any analog information need to be transferred to digital?</td>
<td>▪ How can this information be used for future project success?</td>
</tr>
<tr>
<td>▪ Who records positive or negative subcontractor performance?</td>
<td>▪ How will project scorecard be determined and distributed?</td>
<td>▪ What are the major takeaways from the project and how can they be used to influence behavior?</td>
</tr>
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Identifies and measures project qualitative success factors

- Generated in project management based on identification and weighting of success factors

Why is this important to you?

- Foundation for continuous improvement of soft skills
- Quantification of qualitative performance and identifying skill gaps
- Identify compliance with processes and procedures