

Framing KPI in Facilities Management – Measuring What Matters

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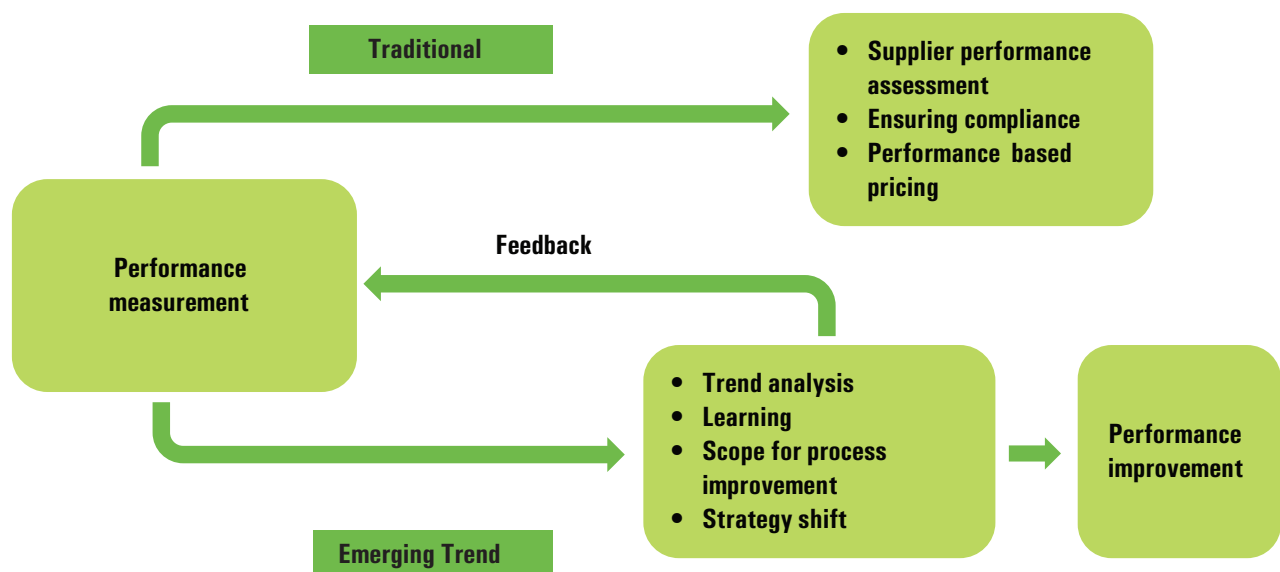
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Introduction

Facilities Management (FM) is gradually evolving into a more strategic business function, from being a simple non-core business function. FM as a business function has shown rapid growth and has become a spend area, capable of adding enormous value to the organization. Buyers and service providers are evolving and aligning themselves to this shift. However, this shift demands transformation in various strategic and tactical FM processes involving buyers and suppliers. A change in how we approach performance measurement including Key Performance Indicators (KPI), although probably, not the most important process; is definitely a necessary step and needs to be a top priority for all FM procurement managers.

Shift in the role of KPI and how buyers view it

Traditionally, KPI are considered a tool/process that measures the supplier's performance and ensures compliance. The process has mostly focused on past measurements, surveys and analysis. While they can be very insightful and interesting to look at, very few buyers have actually been able to convert those past numbers/data/measurements into actionable strategies to drive optimization, continuous learning and performance improvement, for the future. With consolidation and an increasing amount of spend with fewer suppliers, there is an ever increasing need to be able to do more with performance measurement. In a nutshell, there needs to be more focus on the utilization of measurement, to further optimize processes, reduce spend and drive more value from the outsourced FM.



From the buyers' perspective, more contracts allow the variable fee (part of the total management fee), to be based on the achievement of KPI. Although the non-achievement of KPI leads to savings, it is not considered an ideal practice. Buyers can, and should rather focus on whether the root cause of the failure in achievement is analyzed, to ensure that inefficiencies can be removed.

Choice of measurement - What to measure and what not to?

As with many other strategies in FM, there is no “one solution fits all” for the framework. A complete understanding of the buyer’s business and strategic objectives and supplier capabilities are critical for the success of the framework. When deciding on the actual KPI to be measured, care should be taken to individually analyze each KPI, and characterize it based on a few critical questions including:

Is it actionable?

- Defines the possibility of a direct change in process, in case of failures in achievement. For instance, measuring the output/outcome in cleaning services, rather than the input, would be more actionable

Is it measurable?

- Defines the easiness and accuracy of KPI. For instance, measuring the frequency of repairs in mechanical maintenance is easier and accurate than measuring actual equipment related data.

How valuable is it to decision makers?

- Defines the value of the KPI, in terms of capability to drive decision making.

Is it aligned with organizational goals?

- Defines the level of alignment of the KPI with the overall organizational goals. For instance, if a company has annual targets for sustainability (including carbon footprint), measuring the carbon footprint from individual soft/hard services and the use of green materials could be considered a more aligned KPI

Can the KPI be transformed into an actionable insight?

- Defines the potential of the KPI to provide a clear insight into supplier performance. For instance, measuring employees’ perception about the overall appearance and maintenance of facilities can assist in measuring and improving soft services performances such as window cleaning and floor cleaning.

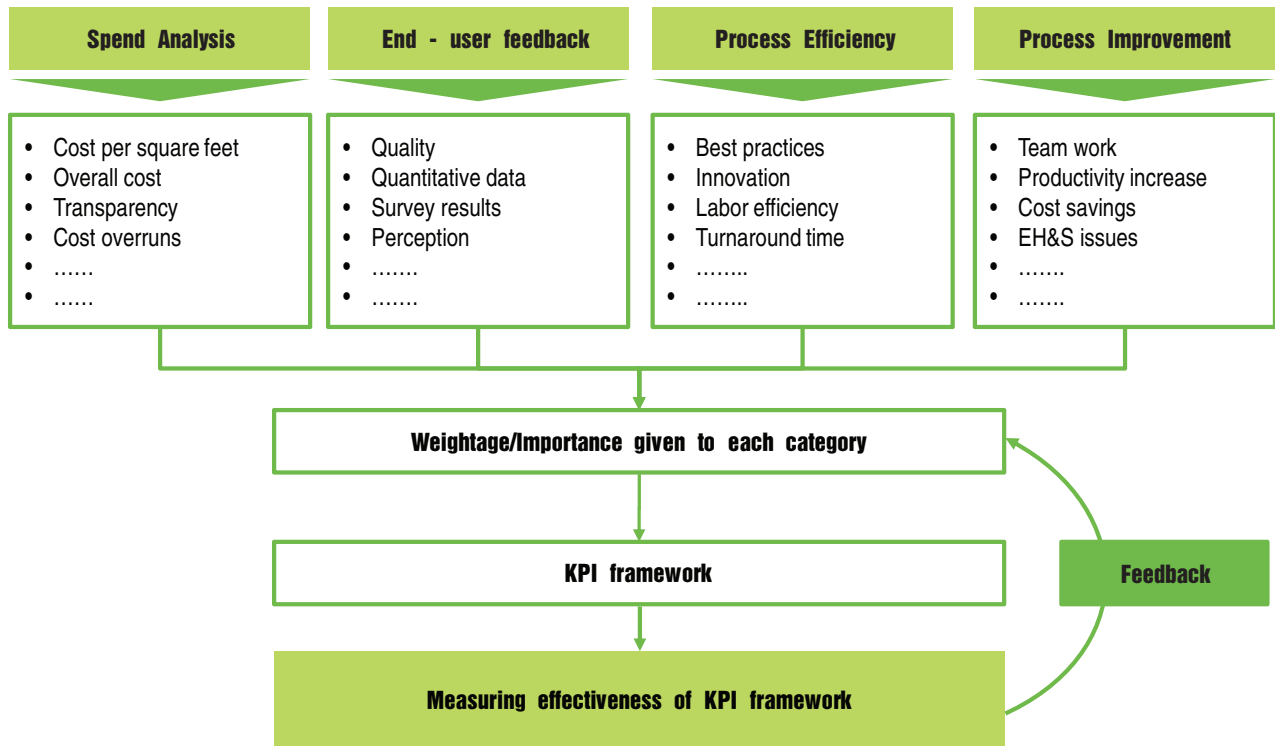
Who are involved in the measurement?

- Defines the number of employees involved in the measurement, organizational position of the employees involved, and the level of employee involvement. Involvement of all cadres is generally preferred, given the perspective each one can provide. For instance, feedback on cleaning services can be acquired from every employee in the organization, thereby increasing the accuracy of the KPI



Categorizing KPI - Understanding strengths and pain points

After finalizing on the KPI, it is important to categorize them based on broader categories to understand the effectiveness of the framework. While the broader classification of KPI cannot be fixed, it can be roughly divided into four categories, namely: Spend analysis, End-user feedback, Process efficiency and Process improvement.



The focus, in the past, has been on spend analysis and end-user feedback. However, matured markets have started giving importance to process efficiency and process optimization, as well. When combined, these two form a powerful framework capable of driving more value from outsourced FM, while also ensuring an alignment with the organizational and procurement team strategies.

Through the measurement of effectiveness, based on the KPI framework, changes can be made to the weightage/importance given to each category, to continuously improve the framework. For instance, if an analysis

of the framework and its impact on the organization indicates that the overall benefit from outsourced FM has not improved much (apart from delivering cost savings); more weightage can be given to the process efficiency and process improvement KPI. Continuous assessment of the framework also ensures that it is robust to external conditions and can always deliver desired results.

Choosing KPI by service – Ensuring optimization at service level

Given the adoption level of bundled services and IFM, buyers today outsource a range of services to a single service provider. Having a single KPI framework for the entire contract may become a hurdle towards optimization, at service level. However, having frameworks at the service level clearly brings out differences amongst services, and contributes to the overall success of the contract.

Soft services - Service level KPI

In aligning with the emerging concept of outcome-based services, KPI can also be more outcome/output based, rather than input based. Both employee perception and customer perception (in case of retail facilities) are very critical. It can have an impact on how others view the company, and can indirectly impact the top line.

Cleaning service is imperative for many companies and is usually an area of relatively higher spend. While outcome/output can be measured in terms of perception, it can also be measured in terms of air quality, presence of germs and other quantitative parameters. The frequency of measurement and the number of employees participating in qualitative surveys is very important. Measurement on a daily basis can support trend analysis to further optimize cleaning service. Participation by all employees is essential to increase the accuracy, especially given the objective nature of the KPI. A mix of qualitative and quantitative measures can lead to an optimum KPI framework for cleaning services.

Catering services also have a significant impact on the company, and is related to employee motivation and retention. Measuring the quality of the service through objective surveys are very critical to ensure that the service delivery is of desired standards. Quality can also be measured in terms of menu, ingredients used, experience of the chef and nutrition. Participation rate which directly indicates quality is another KPI, widely adopted by buyers.

Records management, a vital service in BFSI and healthcare sectors, demands a unique KPI. The focus here is more on the ease of accessibility of records, interface systems and security measures. The KPI can include turnaround time trends (time to access a stored record), frequency of occurrence of misplaced records, level of security at storage facilities & during transportation of records. Based on the scale of storage and criticality of records, importance has to be given to security issues, interface and accessibility. In electronic storage; security can, and should play a bigger role in the framework, especially in the healthcare and pharmaceutical industries.

Hard Services – Service level KPI

Hard services, requiring technical expertise from the service provider, are closely related to business operations (especially in manufacturing facilities) and environmental, health & safety issues. The focus here should be on having a right mix of input and output based parameters to evaluate the performance.

For electrical and mechanical maintenance, concepts such as preventive maintenance and reactive maintenance are witnessing increasing adoption. KPI framework should account for this shift, and ensure it measures what is actionable and aligned with current service level models. In case of adoption of reactive maintenance, KPI can include reaction time and the frequency of occurrence of maintenance issues. In case of preventive/predictive maintenance, the focus should be on the occurrence of maintenance issues. There is always a trade-off between the input (number of employees, frequency of maintenance work) and the occurrence of maintenance issues. The KPI should assist the buyer in narrowing down to that optimum level, where the cost (through reduced input) is minimized and also, the occurrence of accidents are minimized.



Conclusion

No single KPI framework can work for all companies. Effectiveness of the KPI is directly related to how customized and aligned it is to the company's business, organizational goals, FM goals and FM requirements. While KPI alone cannot transform processes, through careful selection and execution, it can definitely be a strong driving force towards it. With companies ready to grab every opportunity, to drive values from their sourcing activities, a look into effectively framing the FM KPI framework is definitely worth an attempt and can be very rewarding.

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