

# Service Value is the End Game

## Advanced Facilities Performance Management (Part 1 of 2)

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### Introduction

In UK industry Performance Management is high on the agenda. Of course in Facilities Management (FM) we are all too familiar with key performance indicators (KPIs), service level agreements (SLAs) and cost based benchmarking but perhaps less familiar with (a) the resource implications of effectively managing KPIs in a multi-service/multi-location environment or more importantly (b) the significance of performance management and the role this plays in determining value in the service levels delivered to the core business: effectively the end game in FM performance management.

In considering (a) we typically turn to CAFM solutions in the shape of Helpdesks and/or Asset Management systems but then find, due to the operational nature of this information, ourselves extracting information from these data sources into spreadsheets to manage KPIs – because we do not fully understand the FM performance management process nor the intended end game.

The contemporary approach to measurement in FM tends to be at unit cost measures e.g. cost/m<sup>2</sup> and/or a limited number of operational KPI's, driving performance measurement, rather than performance management.

Table 1 summarises some of the challenges in FM performance management and demonstrates the issues Facilities Managers face when managing performance using CAFM systems and spreadsheets.

Table 1

Large property portfolios and dispersion	Multi service and supplier environment
Time and labour consuming spreadsheet use	Delay of vital information to target audience
Consumption of valuable resource time	Performance analysts not analysing
Difficulty retrieving, trending and comparing data	Difficult to determine value in service levels

The problems in FM performance management lie with methods and styles of measurement where current structures and systems are resource intensive making correlation and determining value more difficult than necessary relative to effort. Too often they are subjective; rarely is the information collected and clustered into KPI groups and Key Performance Outcomes (KPOs). Data is collected traditionally using excel spreadsheets, a time and cost consuming method providing only raw performance measurement information.

Measurement however, is not an end in itself and possesses significant weaknesses when used independently. It demonstrates a lack of objectivity with regards to the selection of actual processes, operations, services, people or other variables to be measured. Leading to a deficiency of strategic alignment, lack of clarity in terms of continuous improvement and how this should be achieved. Measurement in itself will not provide an organisation with what it needs to optimise performance; this is achieved when measurement is used as a tool to support performance management.

A new technology based model is required to achieve advanced FM performance management and work towards the end game of service value.

Limitations of conventional FM performance measurement and benchmarking stem from their inability to be linked to business objectives and business culture.

The FM strategy needs to be driven from the top in line with business objectives and the FM performance measured and managed in direct relation. Historically key performance indicators have been operationally focused and driven by operational databases allowing a disconnect between management objectives and information. Marrying the two has been practically and technically difficult. The traditional spreadsheet approach is ill suited to multi-service/ supplier/ location environment.

It is easier at operational level to isolate and concentrate on contracts. However contract orientated culture as opposed to service value driven culture affects definition and use of KPIs. Would your organisation pick up potential problems if they weren't in the contract?

It is also easier to focus on unit volume measures for example cost/m<sup>2</sup> and cost/head but the cost in isolation gives no definition on the specific level of service required by different building uses. Measuring cost can be too general and benchmarking against cost in isolation has related risks.

## **What are the challenges of Advanced FM Performance Management?**

We operate in a dynamic environment and a performance management system needs to be able to adjust to answers that change with time. We need to consider:-

- Which business processes depend most on the appropriateness of a certain support service?
- Which service investments return most business value?
- Which services can be manipulated for savings or increased capacity or agility?
- How do you balance between services for different needs, and across the business cycle?
- How do you integrate strategic and operational dimensions?

## **Considerations in Advanced FM Performance Management**

- Does least cost represent value?
- How frequently do end using organisations ask to be provided with an average service?
- Who decides what risk is and bears the downcosts?
- Do your measures identify that you are potentially 'gambling the core business' when low level (outsourced) functions/engineers are left in control of business-critical facets supporting the organisational process/infrastructure?
- Are you measuring the right things?
- Dislocations between cost centres and value centres.
- Are you operating contract-oriented (this will affect the KPIs and usage)
- Are you operating a service-oriented culture (this will affect the KPIs and usage)

## **Move towards Advanced FM Performance Management**

The move towards Advanced FM Performance Management means working toward Performance Optimisation where:-

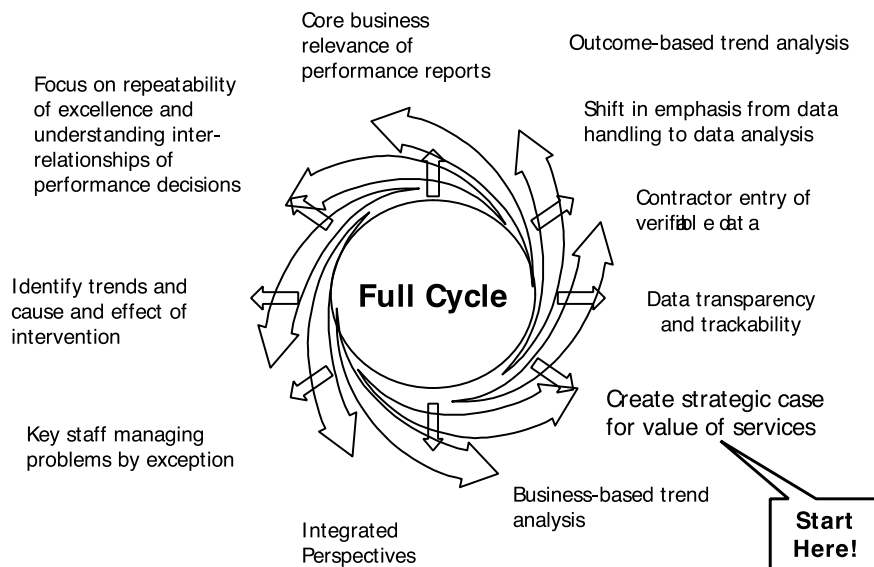
- Formative and summative evaluation are linked using action learning (a systematic form of trial and error)
- The aim is to manage the convergence of the FM service profile with the core business-needs
- Allowance is required for 'futuring' to cope with shifting targets is required
- We start with managing variance of key issues against bespoke performance-chains
- The relationship with business expectations, tolerances and value is established?

The first step in Advanced FM Performance Management is the meaning of quality & value – 'conformance' against 'fit for purpose' - in this regard we need to consider what the core business requirements are, how will the business climate and business cycle affect these, are the requirements actually the same across all business units and what might happen in the future.

Consider using Taguchi's 3 stage process for designing a system for FM.

- Stage 1 - System Design - what matters for FM quality
- Stage 2 - Parameter Design – a focus on business drivers
- Stage 3 - Tolerance Design – manage by exception, trend and variance

## Stage 1 – Advanced FM Performance System Design (Cyclical Model)



### Strategic FM Performance Cycle

## Stage 2: Parameter Design

In designing the parameters we need to be thinking of what to measure, how to measure it and how to analyse this for meaning and for strategic performance management.

- Appropriate Key Performance Parameters require:-
- Repeatability and consistency may matter less than the degree of fit of the service to a varying business need
- High value FM may major on adaptability, support for new processes & timeliness
- No down-time of operationally-critical facilities and services
- Optimising value against budget?

### Key Performance Parameters to Tackle These Issues

- Choose indicators that illustrate the degree of alignment between FM and business need
- Be aware that different KPIs may be needed for different elements of the same client organisation and for different sections of the Facility Management organisation
- The weightings of similar indicators and the levels of acceptable performance may also differ

### Business Oriented Indicators

- Comparisons with competitor business support strategies
- Correctly balancing current needs and scope to adapt to organisational growth
- Appropriate degree of flexibility in the organisation's operational property portfolio
- The effectiveness versus the affordability of property
- Correspondence between business support trends and advance strategic planning
- Mapping risk, service and business culture (and reasonableness)
- Corporate Social Responsibility

### Stage 3 - Managing Exceptions, Variances and Trends

More tangible evidence of FM improving overall business performance is needed where we fill the gap between the design of performance standards and basic reporting on whether they have been fulfilled or not. In FM we need to be looking at things from a business perspective.

In practice advanced FM Performance Management means providing information for managing both the organisation (internal/external) delivering the service and the end user (client/customer) who is expecting the service, where we are able to solve problems of multiple services or dispersed teams in a 'why is it good in one location and not in the other'.

Reporting is more effective in the form of high level shorter trend based reports which can be drilled into if and when necessary. Allowing for audit and feedback beyond just FM personnel starts the journey towards understanding service value. Additional reporting with prompters on exceptions and the ability to run scenarios - providing a learning tool for cause and effect mapping – starts to drive service value considerations balancing service performance and customer satisfaction.

Beyond this the introduction of a reverse engineering approach to PM based on a Business Risk Analysis and Weightings Model helps to optimise value against budget in turn helping to improve the scope for strategic conversations with clients to improve the realism of expectations – leading to a simplistic outlook, if the service is ok and supports the business there is no need to be in the 'very, very good' bracket.

### The Performance Management Application

Considering the foregoing it is accepted that a technology driven solution is required beyond the operational CAFM solutions and spreadsheets.

The technology should be capable of:-

- Managing in multiple location, service, supplier, dispersed team environment
- Eliminating the resource intensive spreadsheet approach
- Providing information timely and not using valuable resource time
- Getting performance analysts analysing
- Being readily able to retrieve, trend and compare data
- Providing transparency for communication & suppliers input
- Involving Customers in measures & reports
- Providing the holistic view of performance but able to filter and identify where problems (exceptions) lie
- Helping to determine value in service levels
- Interface with operational systems and data sources.

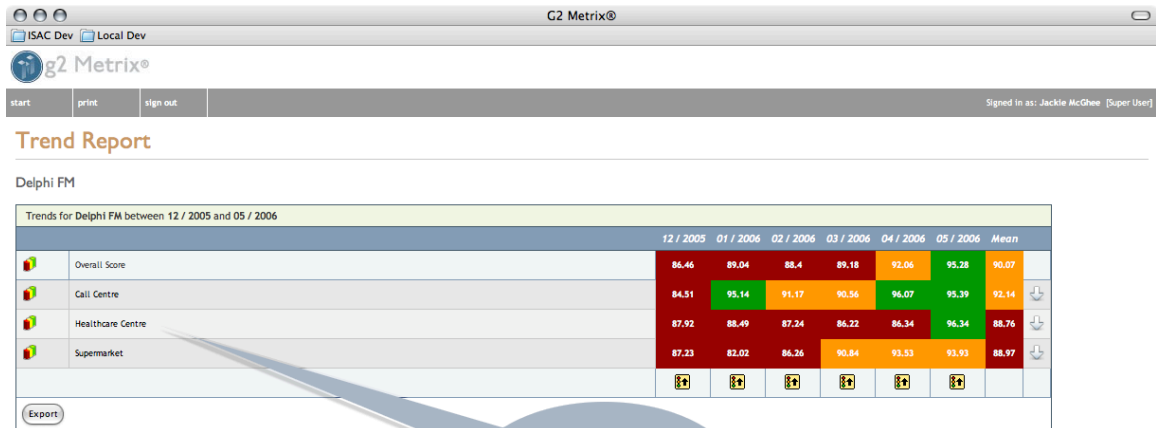
Table 2 summarised the business case for a technology based solution.

Table 2 – FM Performance Management Software Application Objectives

Reduction in time and cost	Administrative burden removed
allows resources to focus on performance not data collection	Timely information to aid decision making
Transparency and Information Share	Trend, benchmark and compare data
Correlation of different components eg service v's customer	Reduce risk with key issue focus for decision making
Manage by exception	Maximise efficiency and effectiveness

## The Service Value End Game

Consider the figure below showing a sample trend report from an FM performance management solution. Focus on the Healthcentre Performance Trend.



Does this sample performance trend suggest the Healthcentre has a poor FM performance, a volatile business need or both.

Is this simply poor performance improving over time or is this the correct level of service and that the customer expectation is out of phase with the contracted service level. Possibly it is the Facilities service level that misaligned to the business need - these are all valid examples of the Service Value End Game.

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