

KPIs keep housing business stable and predictable

Organisation: United House Limited

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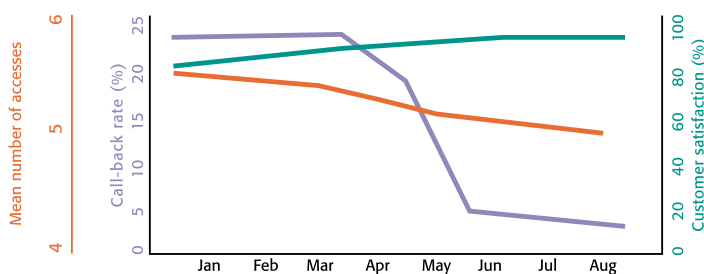
In 2000, United House Ltd (UHL) upped its commitment to partnering by introducing a performance measurement regime across its community refurbishment works for housing associations and local authorities. They learned from the Housing Forum that the indicators of customer satisfaction which the industry often fails to deliver are value, quality of construction and finish, meeting deadlines and dealing well with defects and snags. These are the issues they focus on improving.

UHL is also well ahead of many firms in having had its own logistics centre for many years. It delivers pallets of complete dwelling kits of kitchen, bathroom and heating systems 'just in time' to installation teams. The logistics centre also segregates and recycles waste returned from sites by the same vehicles.

Benefits

- Key performance indicators (KPIs) underpin lasting relationships with clients.
- KPI thinking supports the company's drive for quality of earnings rather than size of turnover.
- KPIs enable continuous performance improvement in areas that matter to clients, customers and other stakeholders.

United House has shown that developing a 'right-first-time' culture benefits both supplier and customer. The Portsmouth Central Heating Partnership (Constructing Excellence demonstration project No.1116) shows, via its KPIs (see diagram), how customer satisfaction shot up by 20 percentage points. Customers' perception of quality increased because the work was done to a higher standard and in fewer visits, and UHL's costs improved through better efficiency.



Relationship between KPIs on Portsmouth Central Heating Partnership

Paul Greenwood, Best Practice Director, says: "Customer satisfaction has become a real driver for contracts. Ultimately, it is the resident who must say 'yes' to the order for work to be done. Hence customer satisfaction is an essential measure of business success."

United House profile

Founded in 1964, United House claims to have transformed the homes of more than a million residents. The £100m turnover company has 340 employees as well as many long-term subcontractors, some for up to 20 years. It specialises in new-build and refurbishment of social housing in London and the South East, favouring sites that can be economically served by its logistics centre at Swanley, Kent. UHL's clients number more than 50 housing associations and local authorities and some 80% of work is under long-term partnered contracts. The business strategy is to concentrate on the quality of work and earnings rather than high turnover.

Lessons learned

- Before accepting client-imposed KPIs, discover what the client really wants to achieve. Then you can agree mutual objectives, what to measure/report, and how to do it.
- KPIs are not useful in themselves; it's what you learn and improve on that counts.
- There is an element of faith in using KPIs. Return on investment in a system is often hidden in individual project accounts. However, without systematic measurement it is unlikely that performance will improve.
- Maximise the return of customer feedback cards by giving residents several methods of returning them, for example by post or collecting on the doorstep.

Why United House adopted KPIs

By the late 1990s, United House was looking for more stable business with predictable earnings from its social housing market. *Rethinking Construction* was the catalyst for social housing clients to discuss long-term relationships, but they still needed convincing. UHL realised that it must produce evidence that partnering works for all and did just this in its 2000 programme.

Greenwood asks: "Why should anyone invest in long-term relationships if results are not going to improve and provide a payoff? That's why we don't do claims; we want continuity and continuous improvement - sharing the benefits with clients, customers, staff and other stakeholders. The key to this is culture change. Every new member of staff is briefed on *Rethinking Construction*; they learn that performance measurement is part of the job."

What they measure

In keeping with best practice advice, United House measures only a few critical performance indicators. Greenwood cites the six they regard as key:

- client (commissioner) satisfaction
- customer (resident) satisfaction
- cost predictability
- time predictability
- defects
- safety – Accident Incidence Rate (AIR) and site-inspection scores.

UHL also measures contract-specific indicators, such as recycling. Greenwood explains: "From our involvement with Audit Commission inspections, we know how the government measures our clients, for example environmental impact. We then ask what targets do you want to meet and how would you like us to handle waste? Can we compact it? Can we recycle it?" (See Logistics centre, below.)

How they do it

United House measures and reports KPIs on every project (set of dwellings) monthly. Company figures are aggregated from project data. Reports rank projects in order of performance so that Directors can praise the best and take action on the worst.

The headline indicator of product and service quality is customer satisfaction – what residents tell United House shortly after work is done in their home. UHL has a feedback card with questions that residents answer on a five-point graduated scale, with smiling faces deteriorating across the page into miserable ones. Very satisfied faces score 5 out of 5 (100%), faces that are neither satisfied nor dissatisfied score 3 out of 5 (60%), and so on. This way an overall score is built up for the project. Scores are generally in the 90s and any project falling below a company threshold (currently 85%) is investigated.

The questions UHL asks its customers are focused on aspects which the Housing Forum says are frequently rated poorly across the industry. These include quality of construction and finish, value, meeting deadlines and dealing with problems.

UHL uses an indirect, yet effective, measure of defects. "Defect reports that go down to how many screws are missing are not that useful," says Greenwood. "We take a more customer-focussed approach and measure the number of times we have to go back into someone's home, as this is what really drives our customers' satisfaction." The figures show that people do take notice and take action. For example, data from the Portsmouth project shows that over three months the call-back rate plummeted from a terrible 25% to fewer than 5%. Initially, it was the call-back KPI that highlighted the problem. Drilling down into the details showed that boilers were often faulty. The remedial action (appointing a new supplier) was so effective that within a year, boiler problems were insignificant.

The Safety KPI tracks the AIR (a lagging indicator), and the scores from risk-based site inspections by a visiting inspector (a leading indicator) prompt the actions needed for UHL to prevent accidents. This helps

Next steps

■ About KPIs:

- Visit the KPIZone at www.constructingexcellence.org.uk.
- Read the fact sheet *Benchmarking* at 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.

■ Constructing Excellence has:

- a network of consultants 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.

them to maintain an AIR of better than 500 for its social housing refurbishment partnerships (a top quartile performance).

Logistics centre

United House is one of the few contractors with its own logistics centre. All the components for each kitchen, bathroom and heating system upgrade are batched on pallets and shrink wrapped before delivery by small lorries to the front door just in time for work to start. The founding Chairman, Geoffrey Granter, established this process because he believed it was the best method. Greenwood points to benefits such as reduced component loss and damage, no multiple handling and storage at site, and no large articulated lorries making deliveries.

An important side benefit has emerged; the same vehicles that deliver pallets pick up waste which is returned to the logistics centre for segregation and reuse or recycling. Hence UHL is better placed to win contracts where recycling is critical.

What happens next

Greenwood says their improvement regime follows Kaizen (a Japanese business philosophy of continuous improvement) rather than any great technological innovation. "New performance indicators (PI) are trialled on a project, lessons are learned and improvements made. PIs that started on Excel spreadsheets are gradually migrated into core business systems. We now measure some secondary PIs at sub-contractor level, such as equality/diversity which we previously only used within the company, and report the results to clients who have a specific agenda for culture change. We sometimes let clients have our operations PIs, like time in property and number of accesses, so they can see how their activities affect us and what they could do to help us to improve the overall performance."

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