**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

Lagging

Leading

- AIA billing index
- Housing starts
- Construction Backlog Indicator

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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

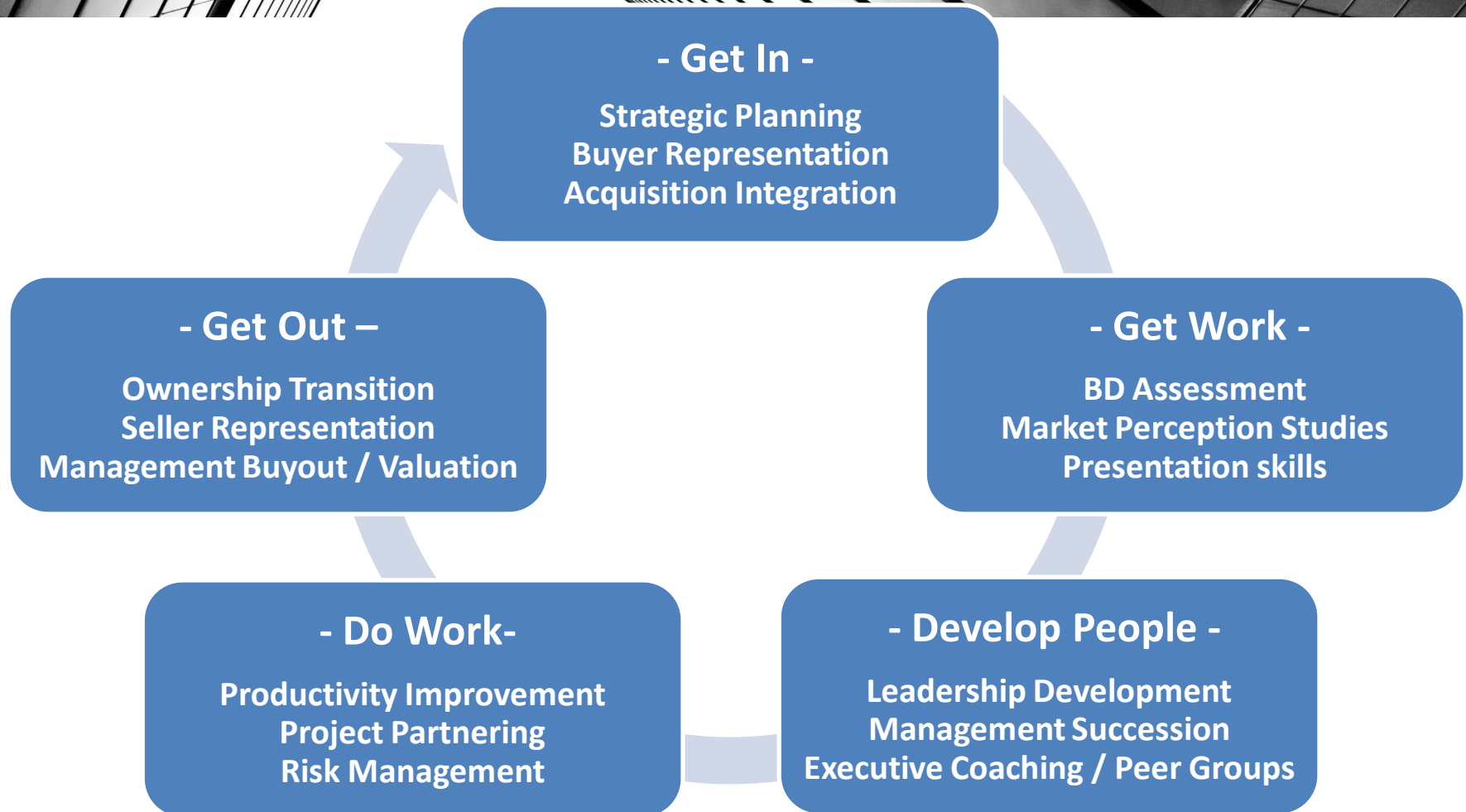## Lifecycle Phase   Example KPI Types

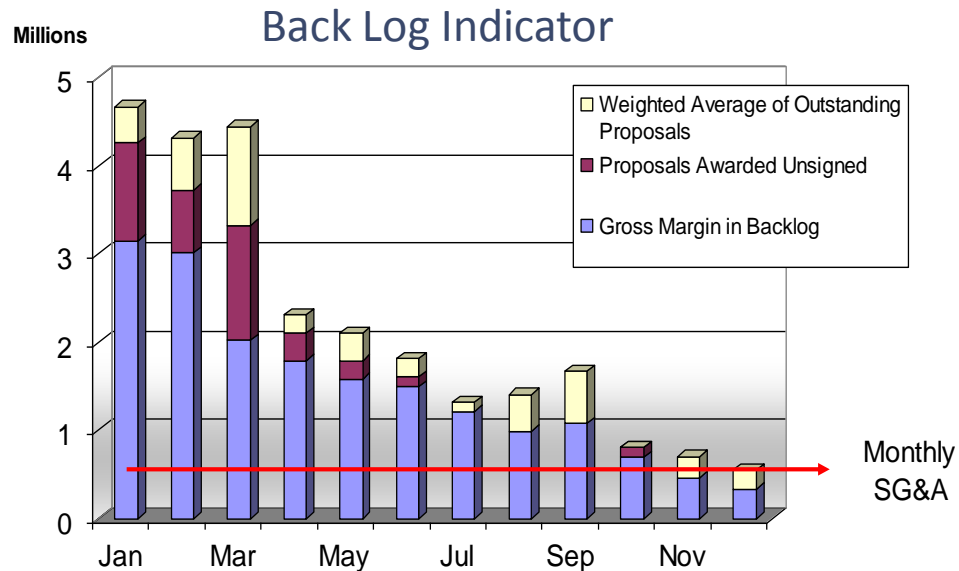| Work Acquisition (Get Work)	• Backlog indicator • Marketing • Business development
Operations (Do Work)	• Change orders • Productivity • Margin variance
Corporate Services (Keep Score)	• Liquidity • Cash flow indicator • Safety measures

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- Get In -

**Strategic Planning
Buyer Representation
Acquisition Integration**

- Get Work -

**BD Assessment
Market Perception Studies
Presentation skills**

- Get Out –

**Ownership Transition
Seller Representation
Management Buyout / Valuation**

- 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 indicators:

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

Millions

Back Log Indicator

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

Monthly SG&A

Work Acquisition	• Backlog indicator • Marketing • Business development	
Operations	• Change orders • Productivity • Margin variance	
Corporate Services	• Liquidity • Cash flow indicator • Accounts receivable	

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Operation indicators:

◻ Improve cash flow

◻ Capitalize change order opportunities

◻ Improve project communication

◻ Mitigate risk

◻ Increase accuracy of percentage of completion

◻ Assess productivity company wide
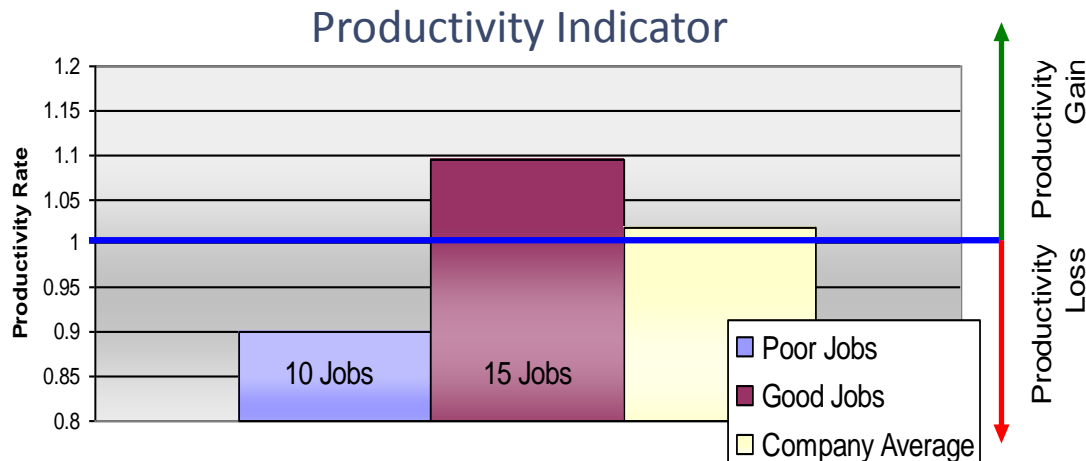
Productivity Indicator

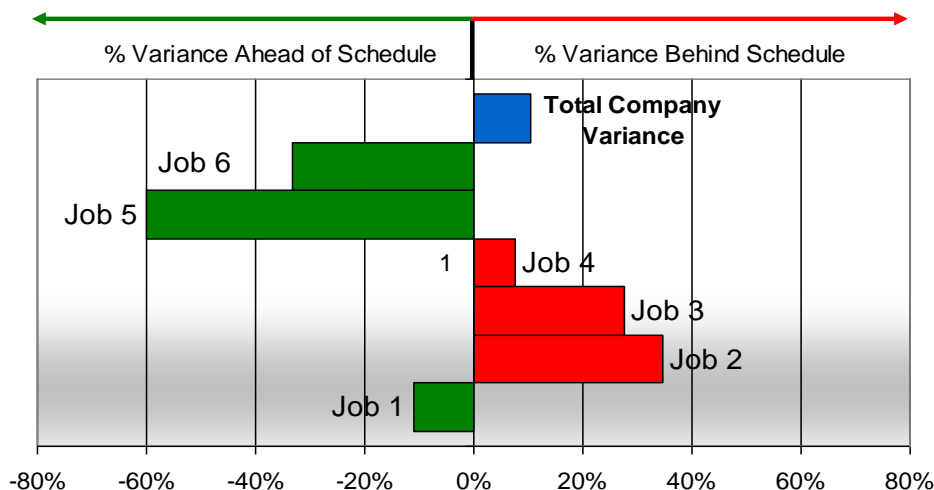| Work Acquisition | • Backlog indicator
• Marketing
• Business development |
| Operations | • Change orders
• Productivity
• Margin variance |
| Corporate Services | • Liquidity
• Cash flow indicator
• Accounts receivable |

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

Areas Include:

- Finance / Admin
- IT
- HR
- Risk Management / Safety
- Legal

Schedule Variance Indicator

% Variance Ahead of Schedule — % Variance Behind Schedule

Total Company Variance

Job 6

Job 5

Job 4

Job 3

Job 2

Job 1

-80% -60% -40% -20% 0% 20% 40% 60% 80%

Work Acquisition	• Backlog indicator • Marketing • Business development
Operations	• Change orders • Productivity • Margin variance
Corporate Services	• Liquidity • Cash flow indicator • Accounts receivable

Group Question: What KPI's do most profitable contractors measure?

- To measure both company and project performance
- To track both leading and lagging indicators

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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

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?

Example question set to begin integrating people, process and technology

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

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

Project Delivery Scorecard Indicator