

# Performance Management in Facility Management. Top Key Performance Indicators in FM.

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Performance management is frequently defined as a process by which the company manages its performance in line with its corporate goals and functional strategies. In Facility Management, the objective of that process is to provide an integrated control system, where the corporate and functional strategies are transferred to all support processes, activities, tasks and personnel. Key component of that control function is the provision of reliable feedback and information through the performance measurement system. The final objective is to improve corporate performance, excel in FM service delivery and provide the means for informed and effective management decisions at all levels – strategic, tactical and operational. The most valuable instruments of the performance measurement system are the Key Performance Indicators. KPI could be defined as measure that provides essential information about the achievement of a desired level of results in Facility Management.

## **If you can't measure it, you can't manage it.**

“Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it.” This view of H. Harrington lies in the core of contemporary performance management and the KPI system.

Every business leader in area of Facility Management would like to provide the best services on the market and develop a high quality performance organization. For that purpose, facility managers should establish quality assessment platform that integrates internationally recognized quality standards (for example, the CEN 15221 Standards) of FM services, which are clearly translated to KPIs and aligned with the corporate strategy.

## **Competitive Advantages of High Quality Performance Companies in FM**

A corporate strategy with priority to provide facility services with excellent quality creates business advantages and gains benefits. The leading companies in the sector are distinguished most often by at least three competitive advantages: *first*, professional commitment to the needs of the customer/end user; *second*, capacity to provide effective and financially efficient services and *third*, an organizational culture, which enables the continuous strive for excellence.

What are the features of exemplary performance that make the FM leaders stand out among their competitors? They:

- Enhance operational effectiveness and efficiency;
- Consistently monitor and control the quality of performance;
- Maximize Return on Investment (ROI);
- Sustain optimal Total Cost of Ownership (TCO);
- Reduce operational costs;
- Maximize asset value and extend asset life cycle;
- Proactively improve FM processes;
- Systematically recruit, retain and support the professional development of best employees.

### Facility Management KPIs

In order to achieve outstanding FM services it is necessary to assess the gap between the current state and the desired state of FM functions and identify performance strengths and weaknesses. The working KPIs system would be an essential tool for conducting effective GAP and SWOT analyses.

It is neither beneficial, nor practical to attempt listing exhaustively all KPIs in FM, due to the interdisciplinary and complex character of the segment and the significant scope of services provided. Rather, it would be more useful to focus on the most frequently monitored KPIs in business practice today. The presented below KPIs reflect my professional experience, as well as research and reported best practices by The KPI Institute,

**Not everything that can be measured, counts ... and not everything that counts can be measured.**

Anonymous follower of Albert Einstein

Euro FM and IFMA. What are the most often used KPIs in Facility Management currently? (*KPIs are not presented in order of importance or priority*)

### Top 20 FM KPIs

- |   |   |
|---|---|
| ➤ € Gross FM Costs (TCO) / 1 m <sup>2</sup> of Gross Floor Area (GFA), annually | ➤ % Occupancy rate (Net Floor Area)   |
| ➤ % Return on Investment  | ➤ % Net Floor Area from Gross Floor Area                                      |
| ➤ € Operational Costs / 1 m <sup>2</sup> of GFA or per 1 user/tenant            | ➤ % Utilization rate of Working Places  |
| ➤ € Capital Costs / 1 m <sup>2</sup> of GFA                                     | ➤ # Net Floor Area in m <sup>2</sup> / 1 working place or per 1 user          |
| ➤ € Maintenance Costs / 1 m <sup>2</sup> of GFA                                 | ➤ # Electric Energy Consumption – kWh / 1 m <sup>2</sup> of GFA or per 1 user |
| ➤ % Maintenance Cost / Replacement Cost   | ➤ # CO <sub>2</sub> Emissions, ton, annually                                  |
| ➤ % Planned maintenance vs Reactive maintenance Ratio                           | ➤ % Employees Turnover  |
| ➤ € Utility Consumption Costs / 1 m <sup>2</sup> of GFA or per 1 user/tenant    | ➤ % Churn Rate of Customers with Subscriber Based Contracts                   |
| ➤ € Cleaning Costs / 1 m <sup>2</sup> of GFA                                    | ➤ # End User Complaints   |
| ➤ € Security Costs / 1 m <sup>2</sup> of GFA                                    | ➤ % Degree of Satisfaction of Users from FM Service                           |

## KPI Rules and Selection Criteria

What are the basic guidelines and selection criteria for identifying, developing and utilizing KPIs in Facility Management? KPIs are:

- **Clear and specific** - KPIs should be defined by using clear and intelligible terms. When possible, avoid the use of management jargon. It has to be clear what the KPI exactly measures. There has to be one uniform definition of the KPI; it must be accepted with consensus within the company to guarantee that the different users interpret it in a uniform way.
- **Measurable** - The KPI has to be measurable; it should define a standard, budget value or norm. It should be possible to measure the actual value that could be compared to the target value. That is why, a suggested international standard in naming KPIs recommends starting with the symbol of the selected measure. *Example: € Operational Costs; % Occupancy Rate; # Maintenance Requests.*
- **Achievable** – Every KPI has to be realistic within selected time frame. It is really important the acceptance within the organization that the target value or standard is achievable. There is nothing more discouraging than making every effort for a result that would be never reached.
- **Relevant** – KPI should be aligned with corporate strategy and must be significant for the specific area of services or activities, or particular group of clients/customers/users. The measurement of many, insignificant indicators, with weak relation to the planned result is the most common pitfall of performance measurement.
- **Time phased** – Every KPI becomes meaningful when its value is monitored in time periods. *Example: Reduce Percentage of Reactive Maintenance vs Planned Maintenance Ratio to 30/70 within the next 12 months under the leadership of the Maintenance Manager.*
- **Assigned to** – The responsibility for monitoring and managing the feedback from KPIs within the concept of Plan-Do-Check-Act must be assigned to specific unit/position. Software and automation systems could facilitate, but cannot manage or lead. *Example: Under the leadership of the Maintenance Manager reduce the Maintenance Costs as a percentage of Asset Replacement Value to 3% by the end of Q1, FY 2016.*
- **Balanced** – An integrated KPI system must be balanced by offering indicators that measure quality and quantity; effectiveness and efficiency; including indicators that measure objective and subjective domains. It must employ objective measurement methods as well as techniques that capture and report subjective opinions and reflections. *Example: # Net Floor Area in m<sup>2</sup> per 1 Workstation, Level of Satisfaction of Users from Help Desk Service; % Maintenance Overtime, Level of Employee Engagement.*

How do we apply these rules and criteria? Figure №1 presents the technique of defining and documenting KPIs by using specific examples.

## KEY PERFORMANCE INDICATORS TECHNIQUE

### Definition

*Reduce Total Cost of Ownership with 10% by the end of FY under the leadership of the Facility Manager.*

### Objective



- Task → Reduce TCO
- KPI → % of annual TCO
- Target → 10%
- Timeframe → By Financial Year End
- Responsible → Facility Manager

### KPI Documentation

**Name:** % Occupancy Rate

#### Definition

Measures the percentages of Net Floor Area that is occupied by tenants/end users, from overall Net Floor Area.

#### Calculation

A = # m<sup>2</sup> of Net Floor Area that are occupied by tenants/users    B = # m<sup>2</sup> of overall Net Floor Area

Calculation formula:  $(A/B)*100$

Trend is negative, when: **< 85%; 95% >**

**Type of KPI:** Rate

Target: **90% to 95%**

Figure №1