

Motivating Success

A Toolkit for Performance Measurement

Major Projects - Contractors

Version 4.0
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Structure of this Document

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1. Background

The Highways Agency's Corporate Plan "Customers First" sets out our vision for providing a continually improving service to all our customers. It reasserts the importance of forming close working relationships with our Suppliers and improving the way we measure and realise the benefits of all contracts.

The Highways Agency's Procurement Strategy makes it clear that measuring performance, learning the lessons and delivering continuous improvement are vital to the achievement of best value. The Agency has made a strong commitment to long-term relationships with its Suppliers and we need to ensure that the benefits of these relationships are maximised for all. Performance Management should be used to underpin continuous improvement within a collaborative working process.

Maximising performance against Performance Indicators that are closely aligned to business objectives for the lowest actual cost will help to ensure best value is achieved. In order to achieve continuous improvement, we need to measure the performance of all of our contracts. This Toolkit gives guidance on the measurement and management of performance on Major Projects. The scores created by the use of this toolkit will directly inform future supplier selection.

The Toolkit is one of a number in use by those involved in delivering the Agency's contracts and provides a consistent method of performance measurement across different Directorates. Performance can then be analysed in a variety of ways and action taken to drive continuous improvement.

This MST (Version 4) is to be used for contractors on Conventional or Managed Motorways (MM) schemes from the start of the Development phase to the end (final certificate) of the Construction PCF phase (Version 3 was developed for use on MM schemes – Version 4 combines all previous learning into one toolkit covering all types of MP scheme).

The new MST workbook allows selection of scheme type and phase via dropdown menus; greying out any Performance Indicators that do not need to be completed. The 'detail of evidence' and printing functions have been made more user-friendly, and the 360 Degree Feedback section has been extended. Also, guidance notes, glossary and score history with options for graphs and tables have been added.

2. Areas of Performance Measurement

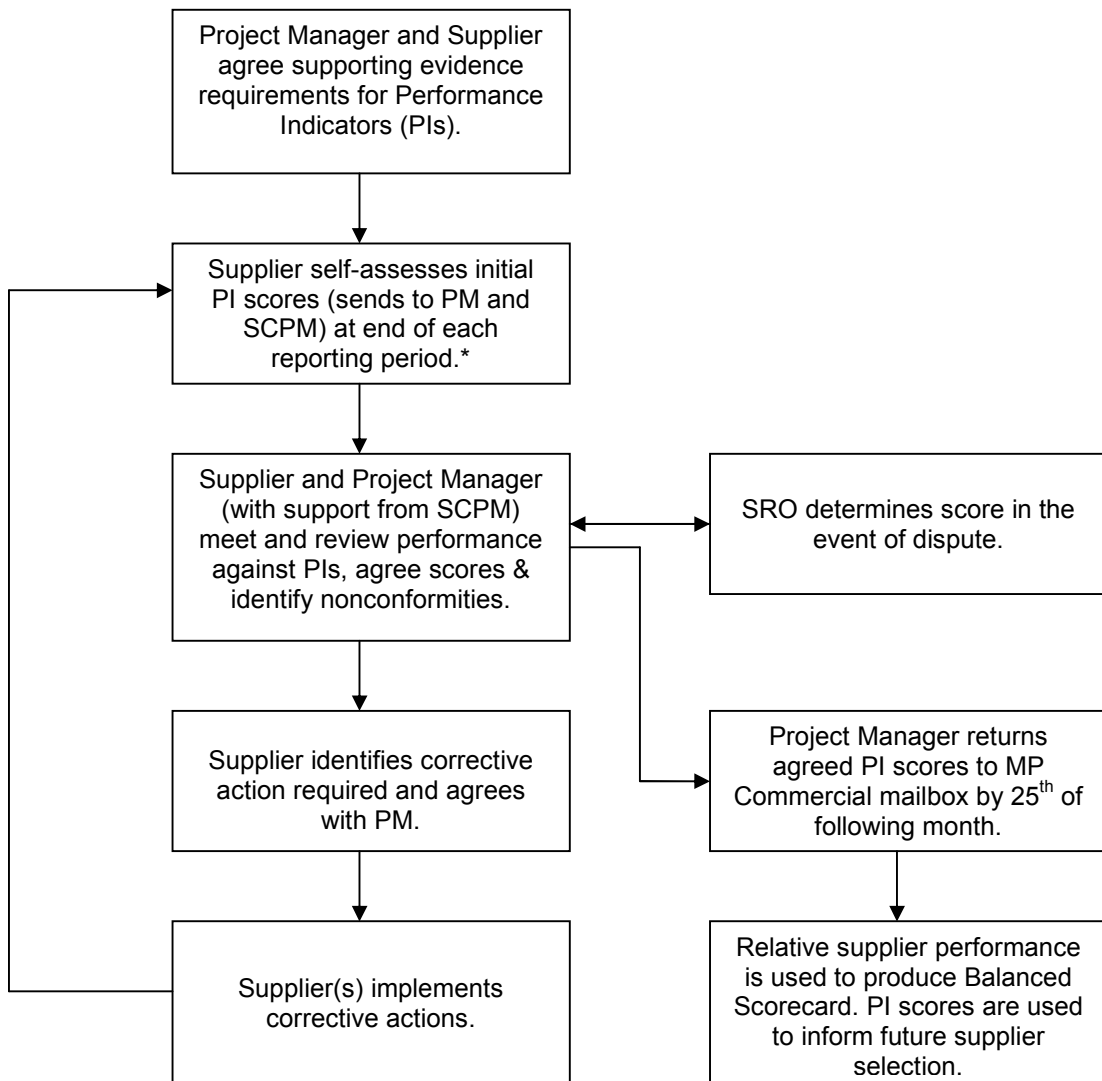
The Toolkit looks to measure performance of the following, throughout the entire lifecycle of the Project:

- Suppliers on all Areas of Measure (ie. Product, Service, RFT, Cost, Time and H&S).
- The Employer's team by the use of the 360 Degree Feedback.

No.	Area of Measure	Description
1	Product	Measures how satisfied the Client is with the delivered Product (ie. <i>what</i> is being produced).
2	Service	Measures how satisfied the Client is with the Service provided (ie. <i>how</i> it is produced).
3	Right First Time	Measures the effectiveness of arrangements to manage quality.
4	Cost	Measures cost control, including the application of Earned Value Management (EVM).
5	Time	Measures time control, including the application of Earned Value Management (EVM).
6	Safety	Measures aspects of Health and Safety for schemes.
7	Client	Measures the performance of the Agency in fulfilling its Client role under the contract using the 360 Degree Feedback Report (uses the same scoring as the rest of the toolkit).

These Areas of Measure are designed to capture a holistic approach to contract performance. The Areas have been broken down into Performance Indicators which are a balance of inputs and outputs and involve all key members of the Integrated Project Team.

3. The Performance Measurement Process for Major Projects



* The toolkit should be completed:

- Bi-monthly for schemes in Development.
- Monthly for schemes in Construction.
- Quarterly for schemes Open for Traffic (until issue of final certificate).

4. Scoring Mechanism

The score for each performance indicator should be agreed on a satisfaction scale in accordance with the table below, based on evidence provided to demonstrate achievement against the indicator. The form of this evidence needs to be agreed with the Project Manager and early agreement as to the form of the evidence and the mechanisms to provide it should be set out in the Quality Plans to reduce the possibility of disagreements regarding the score to be awarded arising later. All performance indicators within the toolkit are weighted the same.

Score	Satisfaction	Quality Criteria
10	Extremely satisfied	All aspects exceed HA expectation considerably.
8	Highly satisfied	All aspects are satisfactory and there is evidence that some aspects are exceeding HA expectation.
6	Satisfied	All aspects of are satisfactory or, where they are not, are balanced by others being exceeded.
5	Neither satisfied nor dissatisfied	This is to be used in exceptional circumstances where HA is neither satisfied nor dissatisfied with contractor performance. The rationale for scoring 5 should be documented by the project manager.
4	Slightly dissatisfied	Some minor aspects are currently unacceptable and slightly outweigh those which are satisfactory to the extent that the project manager seeks improvement.
2	Very dissatisfied	A key aspect is currently unacceptable to the extent that the project manager considers that significant intervention is required.
0	Totally dissatisfied	More than one key aspect is currently unacceptable to the extent that it calls into question the supplier's capability.

Individual Performance Indicators have a more detailed description for the Quality Criteria than the generic text in the table above. A score of 6 should be seen as a good score as it shows that expectations are being met. The measurement within the Performance Indicators may have been raised to support the Agency's policy of continuous improvement. This may mean that it is now harder to achieve the next highest score or even a score that was previously being awarded; this will be the same for everyone using the Toolkit.

5. Measurement and Management

Throughout the scheme contractors should be looking to improve performance as their experience and capabilities develop. The use of this Toolkit will allow performance to be managed and help to ensure that the benefits of longer term relationships are realised.

The methodology used to integrate performance management and measurement is by use of a 'corrective action report' – any element of performance that requires improvement including those identified by the use of this Toolkit, is deemed to be a nonconformity, and these are recorded. For each nonconformity there will be a corrective action report, prepared and managed by the relevant Supplier for their respective actions, but with input from the HA Project Manager (PM). This report must show how and when the nonconformity is going to be removed and reoccurrence prevented. The Quality Plans will be adjusted as required to include such preventative action.

It is vital to create a culture that is supportive of measurement to avoid an over-reliance on intuition and opinion about what drives performance. This includes:

- Objectivity – about the performance data and the indicators.
- Commitment to improvement and goal setting.
- Honesty and openness about performance.
- Collaborative problem solving.

6. Selection

Performance data will be used to produce a Balanced Scorecard to compare Supplier's performance. It will also be used to inform the process of selecting Suppliers and to help to deliver improved performance of Suppliers. The selection process will use performance data to identify the better performing Suppliers. Those Suppliers who demonstrate the best performance along with strong and improving capabilities will be the most likely to be selected to supply Goods, Services and Works to the Highways Agency.

7. Poor Performance

If a pattern of supplier performance is emerging that is below acceptable levels then Project Managers should raise the matter at a project level as directed by instructions within the Quality Criteria scoring text. Action should be taken as laid down in the Managing Poor Supplier Performance procedure (this can be found on the MP Commercial Performance Management WwW portal). If a situation arises whereby a Supplier's performance is falling below acceptable standards there may be an immediate need to raise concerns at a company level and consider restricting their future tendering opportunities.

If a Supplier's performance in relation to service provision behaviours or attitudes cannot be resolved by the usual procedures then this should be reported to the Procurement Officer and to Strategy and Supplier Development (SSD) team who will take action as laid down in the Poor Performance procedure. This allows action to be taken quickly to address such issues and requires immediate attention in respect of poor Health and Safety performance and defects identified post-handover.

8. Responsibilities

Joint Responsibilities of the Integrated Project Team

As an overarching principle, the requirement to act as an Integrated Project Team is an important element of all Agency contracts. Although the responsibility to perform the requirements of the contract(s) ultimately rests with the PSF Consultant and MM Delivery Partner/ECI Contractor, it is the responsibility of the Integrated Project Team to ensure that performance not only meets the minimum requirements of the contract(s) but also to deliver Continuous Improvement. This requires collaboration between all team members.

- The primary responsibility is to ensure requirements set out in the PCF are delivered to the specified quality, to the right cost and within agreed timescales.
- Regularly keep and record evidence to support their proposed performance scores and keep appropriate records to show how the performance scores have been derived.
- Both the Project Manager and Suppliers may raise any concerns that the performance management process in general is not being conducted in a fair and open way.
- If there are significant differences where a performance score cannot be agreed between the Project Manager and Supplier then the issue should be passed up the project-partnering ladder. Where agreement still cannot be reached the Highways Agency SRO will moderate to agree the final score.

Responsibilities of the Project Manager

- The Project Manager will ensure that policies and procedures are implemented in an open and transparent way, and should establish a regime that achieves this.
- The Project Manager should review and validate the Project Performance Assessment, scoring and reviewing the Performance Indicators in monthly MST scoring meetings prior to the monthly progress meetings. Agreed MSTs should be sent to the MPPerformanceTeam@highways.gsi.gov.uk mailbox by the 25th of the following month.
- Project Managers should raise specific performance issues with the Supplier as and when they arise, and if warranted should be included by the Supplier in the corrective action report. The corrective action report should list the improvement areas, actions required, and target date for the conversion of the actions. The Project Manager should monitor achievement of the corrective actions and ensure that appropriate issues are recorded in the scheme risk register and escalated.
- After a corrective action report has been agreed between the Project Manager and Supplier, it is the Project Managers responsibility to put the required actions of him into place in the specified timescales.
- Key lessons learnt and improvement strategies will be captured and recorded and communicated to Supplier as appropriate.

Responsibilities of the Supplier

- The Supplier should programme all work in advance and prepare a fully costed detailed work breakdown structure on which the programme should be based.
- The Supplier should undertake the performance assessment at the required intervals ie. bi-monthly in development, monthly through construction (to completion) and quarterly

until the issue of the final certificate, review the performance for the previous month and issue the results to the Project Manager prior to the monthly progress meeting.

- The Supplier should be open and honest about their performance.
- After a corrective action report has been agreed between the Project Manager and Supplier, it is the Supplier's responsibility to put any required actions identified for them into place in the specified timescales.
- To complete the 360 Degree Feedback Report on the Clients Performance.

Responsibilities of MP Commercial Division

- Supply Chain Performance Managers (SCPM) will normally attend project scoring meetings as observers and will offer advice to the Integrated Project Team with the objective of consistency of interpretation and avoiding disputes.
- Performance Data will be recorded and stored on an electronic database for analysis and future reference.
- PI scores will be analysed and relative performance reflected in the Balanced Scorecard.
- Key lessons learnt and improvement strategies will be captured and recorded by the SCPMs and communicated to Suppliers as appropriate.

Responsibilities of Highways Agency Procurement

- Procurement will have access to data from projects on a monthly basis to inform trends and for benchmarking.
- Performance data will be used along with the Capability Assessment Toolkit (or its replacement) to select Suppliers for future work. Details of trends and/or exceptional performance may also be used in selection.
- The SSD Team will use data for corporate level performance feedback and advice on Supplier development.
- Regional Procurement Representatives will use data for regional level performance feedback and advice on Supplier development.

If you have any queries comments or suggestions for improving Motivating Success a Toolkit for Performance Measurement then please contact MPPerformanceTeam@highways.gsi.gov.uk