

# The Performance Gap.

*How to deliver better performing built assets - CE's asset management group lessons learnt*

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CE asset management task group chairman.



# Introductions



John O'Brien



# The CE vision

*“Improving industry performance to produce a better built environment.”*



**Construction  
Clients' Group**  
CONSTRUCTING EXCELLENCE



## “Better together” – our vision of excellence for 2014 and beyond

### The challenge

The built environment sector is increasingly being driven to do more for less, and to think globally and long-term, not just locally and short-term, about the solutions it offers. We face major challenges in delivery, for example in housebuilding, schools, low carbon refurbishment, water and rail programmes.

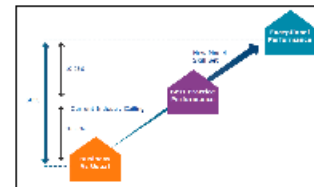
Informed, forward-thinking client organisations and their supply-side partners, are responding to economic, regulation, technology, sustainability and global factors. For example, they are:

- increasingly thinking internationally and long-term, about programmes not projects,
- demanding detailed data about assets and their performance,
- trialling new procurement regimes,
- building alliances with their delivery organisations,
- incentivising teams to deliver more efficiently, more predictably, with better outcomes.

The requirements of informed clients centre around:

- Efficiency – the ability to strip out all non-value-adding activities and process,
- Performance – the ability to measure value and to use data to drive performance improvement,
- Outcomes – the ability to define value and to organise around, and deliver outcomes,
- Predictability – the ability to control and mitigate risk.

The industry as currently organised will not be able to achieve exceptional performance as experienced by other industries. Current client-supplier relationships and supply chain business models create a barrier to achieving performance beyond best practice and the opportunity to secure perpetual efficiencies on their programmes and projects.



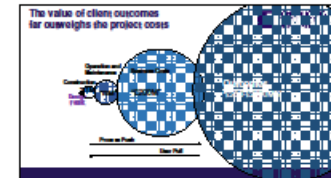
Increasingly it is inappropriate to talk of the 'construction industry' as though it is separate to the needs of investors, customers or end-users. Our buildings, infrastructure and landscape not only

need to be planned, designed and created, they also need to be appropriately financed and then managed to deliver value throughout their useful lives before being efficiently decommissioned or redeployed.

### A 'burning platform'

The UK construction industry needs to make a step change in delivery. The economy has created a 'burning platform', a fundamental challenge to the way we do business and the future prosperity of our industry, and leading players need to respond radically. We need to move beyond incremental efficiency improvement and so-called best practice to achieve genuinely exceptional performance so that it figures among the world's leaders. These leaders will:

- have increasingly global, long-term business models,
- be data and knowledge-rich,
- be able to fund, deliver, operate and manage at higher levels of risk,
- be coordinated – not fragmented – and collaborative in their approach to innovation, and
- as a result, be rewarded for the value they create.



Reward by value will become the basis for getting paid. The business relationship between client and contractor will be revolutionised. Businesses will only survive if they can deliver client outcomes and create improved performance that allow the UK industry to thrive at home and to compete at a global level.

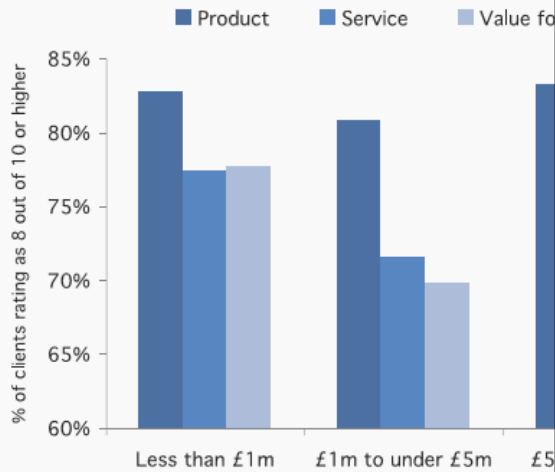
The industry needs to be remodelled to create the clear, predictable and sustainable long-term value that will be increasingly demanded by investors, customers and end users.



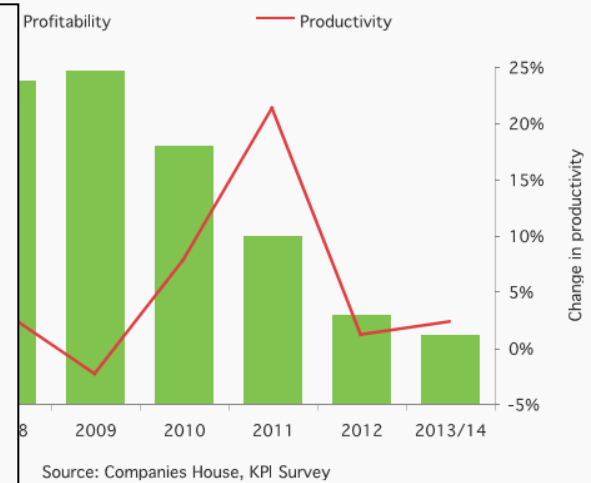
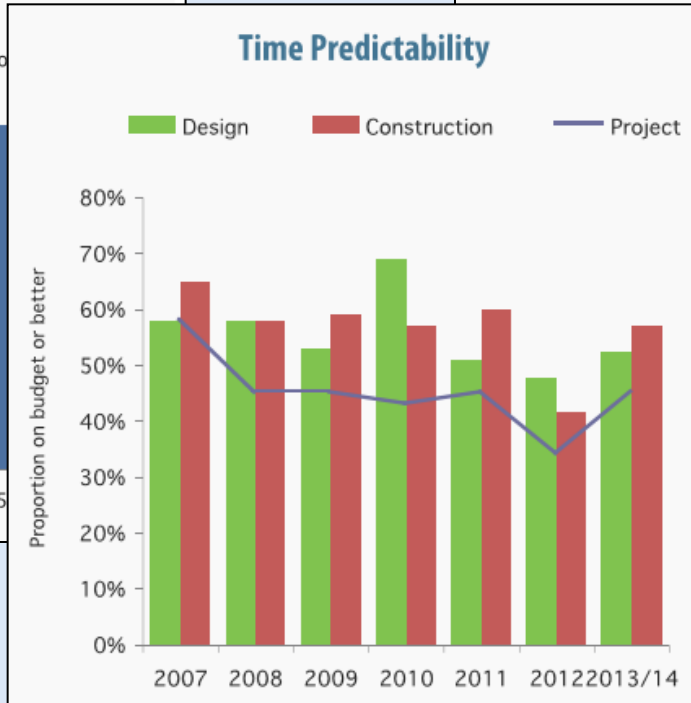
# UK Industry Performance Report

Based on the UK Construction Industry Key Performance Indicators

## Client Satisfaction by Project Size, 2013/14



## Profitability & Productivity



# Context – the background to CE task group

- Clients recognise need to dramatically improve capability to better define, procure and assess ‘performance in use’
- Performance gap in asset performance
- Structural disconnect – between procurers, constructors, operators and users

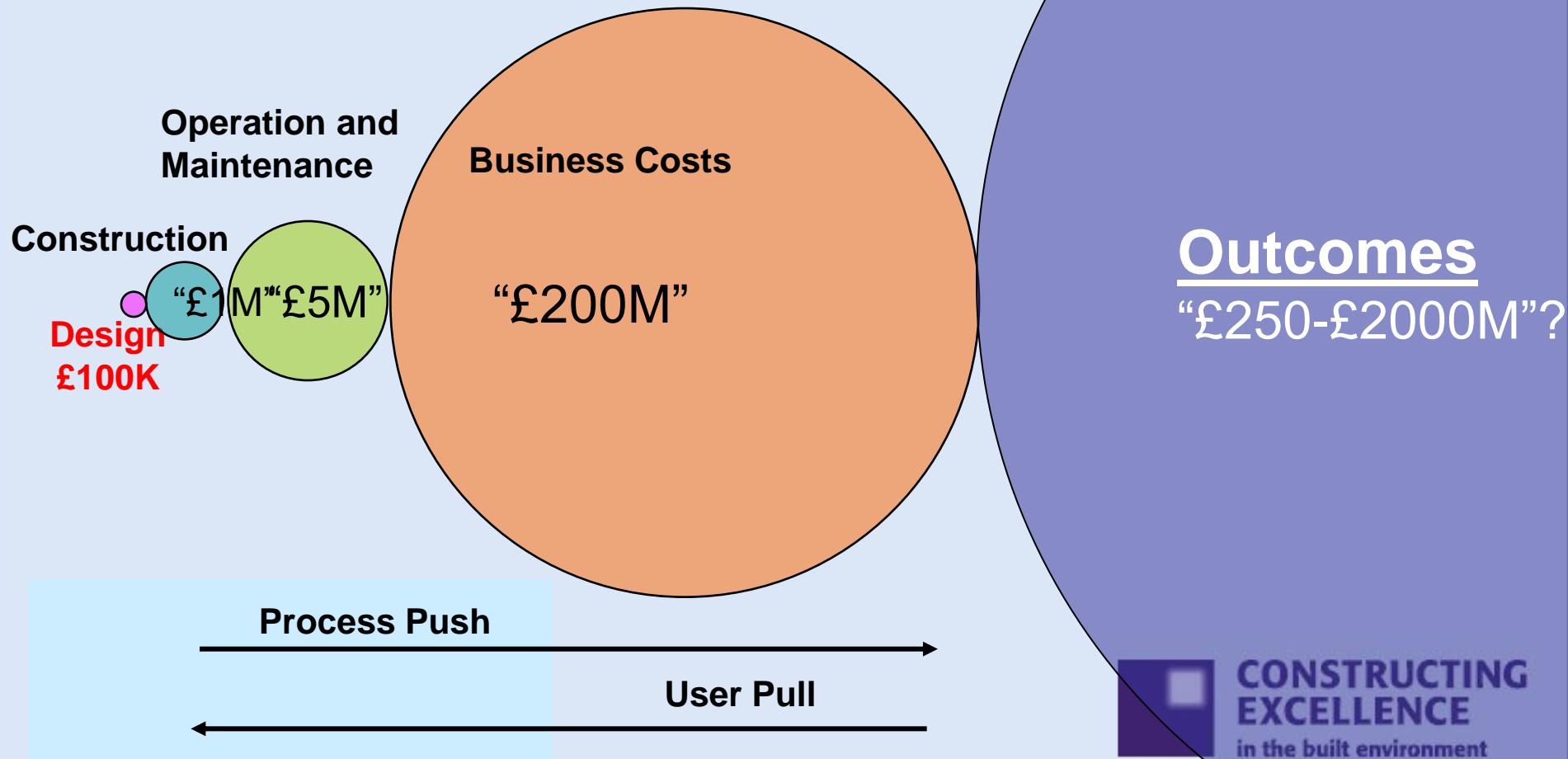




# So, why do clients invest in buildings?



# Building costs and value



**CONSTRUCTING  
EXCELLENCE**  
in the built environment

# The benefits of better delivered buildings

- Improved asset performance – user satisfaction, space utilisation, resource efficiency
- Improved energy and sustainability performance
- Reduced capital investment, reduced operational cost = improved return on investment
- Improved productivity and outcomes





# The performance challenge – client feedback

- too many suppliers in the construction industry are currently paying lip service and servicing clients poorly
- clients need to play a stronger role to push their construction supply chains into delivering their required outcomes and performance
- to deliver successful project/asset performance, clients need to stay in control of time, understand project/operational risk profiles and have a knowledge and information strategy in place that allows them to get the data/info they need to effectively operate their assets



# The performance challenge – client feedback

- there are real organisational and process difficulties in optimising capital and revenue spend to deliver optimum whole life cost for clients on their projects/assets
- there is an appetite to understand and influence the BIM, soft landings work of Government
- people know what project excellence looks and feels like but not yet operational excellence

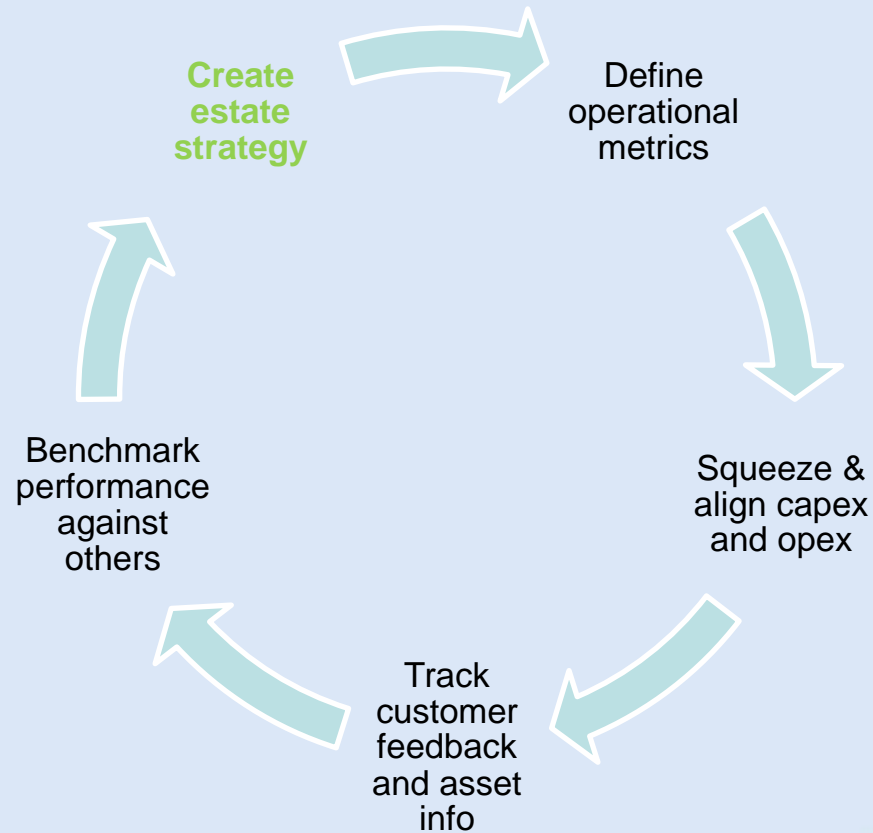


# How to deliver better performing buildings

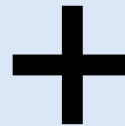
- **Invest in an estates strategy** – articulate and agree with stakeholders how the operation of your estate will support the organisational aims, measure and track progress
- **Become an intelligence client** – resources and information
- **Future proof any capex** – users, flexibility and adaptability, alignment with all requirements
- **Simplify user interfaces, commission assets and train users**
- **Structure, manage and review your asset information**
- **Benchmark your operational performance against peers and your estates strategy**
- **Listen to your customers, ask for and act on feedback, build strong open relationships and communicate regularly**



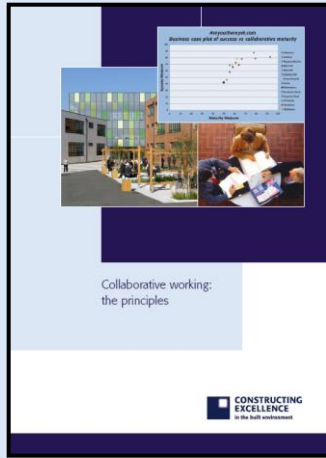
# Delivering better buildings CE operational excellence model



# What does this mean for the supply chain?



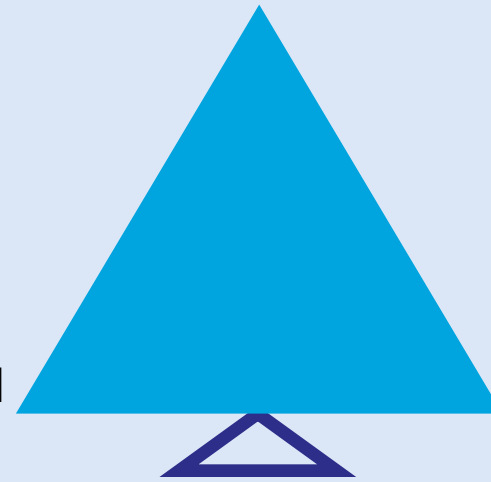
# What does this mean for the supply chain?



Common vision  
and leadership

Culture and  
behaviours

Processes  
and tools





# Summary

- Clarity of purpose
- Whole life thinking
- Joined up supply chain
- Improved productivity and outcomes



# Q&A?

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