



# Performance management – Delivering a single version of the truth

Chris Coan, managing director, Visualmetrics

*Housing Technology recently interviewed Chris Coan, managing director of Visualmetrics, on what drives the adoption of performance management systems, the tangible and intangible benefits of doing so, and how to integrate your performance management system with other core business applications.*

## What are the business influences behind the adoption of a performance management system?

The drivers for enhancing performance management fall into four categories. First, we have executive drivers, key among which are tenancy engagement, government and regulatory compliance, executive command and control, monitoring finance and budgets, and delivering a single KPI-based view of performance linked to strategic objectives.

While regulatory compliance and government initiatives do not dictate how a housing provider should measure business performance, they inevitably influence strategic goals at an executive level. These must be cascaded down to operations and a best-practice performance management system must flex and grow to support them. The Affordable Housing Development initiative will create a need for companies to deliver insight from the top (executive) to the bottom (operational) of how long-term capital developments are performing.

Equally, the change in regulatory compliance metrics that follows the disbanding and replacement of the Audit Commission and TSA could be weighted to place particular emphasis on any key area of operations to ensure cost-effective service delivery. In turn, this will affect a company's ability to ensure operational reporting and executive strategy are aligned, if the system they currently use cannot adapt.

As many organisations in the housing sector look to consolidate or merge to deliver more cost-effective services, the challenge of delivering a single view of group performance – from operational to executive levels and from multiple people, processes and technologies, and leverage combined data assets – often drives a requirement to enhance performance management.

The second key area is the greater need for performance management systems to deliver

both operational and executive insight into core processes around housing operations, developments and repairs processes as well as finance and cashflow management.

A pertinent example would be the changes in the housing benefits ceiling, where the need to monitor and manage tenant arrears will become acute in certain areas. Only by having the information to quickly respond to arrear trends, will housing providers be able to minimise the financial impact these changes could bring.

Operational and functional drivers (information aggregation, user self-service, time-based analysis, financial comparatives, drill to detail, etc) and technical drivers (data integrity, integration, automation, traceability and security) are the final two areas that influence the need to enhance performance management. It is the lack of operational and functional capabilities, or the technical configuration of the current system, to deliver against either executive or business area drivers that result in the need to enhance reporting systems.

## What are the quantitative benefits of a performance management system?

Alongside the cost savings arising from information automation, the increased opportunity for cost of service delivery optimisation completes the quantitative business case.

The focus has to be driven from improving income from assets while effectively controlling expenditure. Key areas for analysing returns include voids and arrears reduction, enhanced efficiency in all aspects of the repairs process, better control of income and expenditure, ensuring more effective capital and revenue expenditure, driving increased reserves/surplus, and where appropriate, better insight and control of financial management across the life-time of commercial developments.

Creating a mutually-agreed RoI model between the supplier and the customer ensures that the performance management system not only delivers against the functional and technical requirements, but also that business adoption is properly promoted to support and drive business change, thereby ensuring the financial benefits are fully realised.

## What are the qualitative benefits of a performance management system?

While a quantitative business case should support the decision to invest in enhanced performance management, many of the benefits of doing so cannot be measured individually. Instead, cross-sector reference data for these combined qualitative benefits provides assurance of their business benefits.

- Executive benefits include: enhanced tenancy engagement, streamlined and automated performance management processes, increased staff motivation, assurance of regulatory compliance for inspection, and alignment of strategic goals with operational measures, metrics and reporting;
- Operational benefits include: time-based analysis and trending, comparatives of plan versus actual, multi-dimensional analysis, real-time information alerting, mobile device deployment, user self-service, and drill to detail.
- Technical benefits include: enhanced data integrity, integration, automation, auditability, traceability and security – some of which are becoming quantitatively measurable as companies begin to understand better the value of information as a business asset.

## What should potential buyers of a performance management system look for, in terms of functionality and corporate credentials?

Above all else, a proposed partner for the delivery of a performance management solution must understand the customer's exact requirements. No two companies are the same, and it is only through consultation and project scoping that a solution can be delivered that ensures it addresses a customer's specific challenges.

A performance management system must have the design flexibility and scalability to change as the business evolves through organic, acquisitive or external forces, such as the affordable rent or the (planned) option-to-buy initiatives. Other requirements include sector knowledge, a proven approach to designing and delivering performance management projects, and a technical knowledge of operational applications and associated software tools.

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While technology should always remain a secondary concern to fulfilling the business requirements, a partner with the ability to exploit current technology investments and deliver a system using whichever software technology fits best, whether it's SAP BusinessObjects, IBM Cognos, Oracle or Microsoft, will maximise the business benefits and mitigate the risks.

Finally, the vendor must have the philosophy to engage in a partnership that is flexible enough to cope with changing business demands over time.

### How does performance management fit within the pantheon of 'core' business applications?

Every company analyses its performance; it is already a core activity. How well it does so, whether it's through anecdotal manual information or a best-practice performance management system, will determine its success.

Best-practice performance management provides a summarised KPI view of a

company's business performance state to complement and overlay with the operational applications. By drawing data from the housing, financial, asset management and other operational applications, it provides an 'information viewfinder', giving business users an intuitive and understandable way of monitoring performance metrics in line with the executive strategy and to streamline and enhance performance.

Best-practice performance management must support the information demands of all user communities; the better a company exploits its data assets and feeds information to its employees, the more cost efficient its services can become.



# Business coordination with performance management

Richard Bayley, research & planning director, Places for People

*If anyone thinks that the future housing business will be unaffected by structural changes in the economy and government policy then they are strongly advised to think again. Yes, there is and will continue to be strong demand for housing, but anaemic economic growth means that the government deficit is not reducing as quickly as planned and financial institutions face a new wave of problems, even if a sustainable solution is found for the Eurozone.*

Historically, the housing sector's response in times of recession is to increase the amount of rental properties on offer and keep the rent increases at or slightly higher than RPI (retail price inflation). This time it is slightly different. A combination of more restricted commercial lending by banks together with pressure on disposable incomes will mean that housing providers will have to manage their businesses more efficiently.

## Business influences

So what does this mean for the way housing providers are managed? In practical terms, it means that there needs to be greater focus on monitoring business performance to ensure that year-on-year efficiency improvements are achieved. The table below outlines some performance risks facing housing providers together with some potential responses.

Performance risks	Performance responses
Higher arrears due to reductions in government benefit payments	Cash management
Higher arrears due to lower growth in real disposable incomes for non-benefit payment customers	Cash management
Tighter corporate/mortgage lending pushing up real interest costs	Profit margins
Higher growth in maintenance costs due to increased costs of materials	Profit margins
Lower growth in house price inflation	Asset management
Little or no future government grant	Asset management

Let's look in a little more detail at the performance responses in the table above:

- Cash management – arrears is the obvious performance issue, not least because good income management reduces need for housing providers to borrow more from the banks;
- Profit margins – tighter management of specific geographic areas will allow housing providers to make cost savings in maintenance and management (such as staff, office space and void turnover);
- Asset management – targeted investments to maintain or increase the value of existing properties will allow housing providers to either leverage future capital receipts or increase their borrowing capability.

Customer service sits over and above these performance responses, not least because customer retention reduces the void turnover costs incurred when people move on but also because it is a good measure of reputation for other stakeholders such as investors and regulators.

## Core business applications

So how can performance management systems (PMS) help with dealing with these issues? Essentially, the PMS strategy should be to interact with and interrogate the plethora of core business applications and databases.

In order to succeed, the PMS will increasingly need to integrate with the core business applications as follows:

- Housing systems – more analysis of customer profile information for targeted action plans to reduce arrears and void turnovers;
- Maintenance systems – greater focus on forward planning for non-emergency responsive repairs in order to save procurement and travel costs;
- Mobile working – more use of tablet PCs for inputting and reporting housing and repairs information;
- Asset systems – more analysis of the profit and asset values from implementing planned and major repair programmes;
- Finance and risk systems – greater focus on predicting the benefits of taking proposed actions from financial and risk perspectives.

In fact by integrating in these ways, the PMS provides enables a balanced scorecard approach by delivering overall coordination from top to bottom and across the different aspects and geographies of the business, such as down to neighbourhood level.

## Quantitative & qualitative benefits

Historically, the value of a PMS in the housing sector has tended to be assessed in regulatory terms and not necessarily in overall business terms. Companies have often relied on pre-configured reporting from core business applications which not only then required manual intervention to produce management information but also often only looked at one element of the business, thus reinforcing a silo approach.

In future, difficult choices need to be made about the allocation of scarce resources when housing providers develop their business plans. The quantitative value of a good PMS is therefore not just about achieving improvements in cash management (arrears), profit margins (bad debts, void turnover, management and maintenance savings) and asset management (leveraging value from existing properties). The PMS should also be capable of providing overall coordination by monitoring the execution of the business plan together with identifying the financial and risk implications of having to vary the plan during the year. Qualitative value will also then be enhanced by increasing brand reputation with key stakeholders such as lenders, customers and regulators.

## Summary

The future economic and political risks facing the housing sector mean that it needs to focus more than ever on improving performance levels. This can only be achieved through the implementation of effective performance management strategies and technologies which are commonplace in other business sectors.

Richard Bayley is research & planning director at Places for People.



# Who's afraid of Universal Credit?

Chris Coan, managing director, Visualmetrics

*There is little doubt that the introduction of Universal Credit is one of the biggest threats this decade to a housing provider's income. The change to benefits being paid to tenants, and the new responsibility for housing providers to collect the credit allocated for rent, is one that few providers are equipped to tackle.*

Many people have likened the change to a ticking bomb and certainly left to take its toll, Universal Credit will cause havoc. However, if it is dealt with correctly, the introduction of Universal Credit is much more straightforward to deal with than the hysteria would suggest.

At an operational level, I would expect that most organisations will be well underway in solving the transactional challenges. However, I would like to pose the question: how do we ensure we effectively monitor our arrears in future?

## What do we need to be measuring?

Information insight will empower housing providers to maximise the total income they generate while mitigating the risks of lost income through arrears. While each organisation might need to measure different things, there are a number of core metrics that will be common in analysing arrears and income performance.

For all of these measures, it will be vital to be able to compare trends over time and slice the data by areas such as geography, division and tenancy type to find the critical causes to be addressed. Five examples of the core arrears measures are:

- Total rent in arrears;
- Arrears as a percentage of debts;
- Percentage of arrears due to outstanding benefit;
- Arrears collected by payment method;
- Method of arrears escalation.

These measures are the high-level executive KPIs that should form the backbone of an arrears dashboard. Through them an organisation can understand the arrears trend and forecast, the reasons behind the arrears and which methods are effective in dealing with poor performance. Beneath these executive KPIs there should be a hierarchy of supporting metrics,

responsibility for which will be cascaded down through the organisation.

A series of secondary executive KPIs which will ensure success following the implementation of Universal Credit break down into two categories – rental incomes and void loss performance, and maximising rental income potential.

## How do we dive down into the numbers?

Alongside what we need to be measuring, who needs to see what information and the format of that information are also critical. The executive KPI dashboard described above delivers the '40,000 foot' view of performance but the information communities' needs change as we go down the organisation hierarchy through senior and middle management, operational staff, contractors and analysts.

For each of these communities, specific reporting outputs and the granularity of detail need to be tailored to support their individual roles. Functionalities such as alerting via email or text message, ad-hoc query capabilities, predictive analytics and mobile report distribution need to be added to ensure all users have access to the right information.

As part of a best-practice scoping exercise, the requirements of these communities need to be understood and built into the solution blueprint. Responsibility for the reports and KPIs they will monitor need to be allocated as part of the cultural change process to ensure everyone takes responsibility for performance success.

## So what technology do I need to measure arrears performance?

Clearly a reporting toolset capable of delivering all the aforementioned functionality is a given. Whether it's BusinessObjects, Cognos, Oracle or Microsoft, functionality and fitness for purpose must be the key deciding factors, weighed against cost and current investments.

The toolset selected must also be able to grow and adapt to cope with changing business conditions, whether that's a shift in the KPIs being measured, the inclusion of new users, greater demand

for functionality or a merger with another housing provider.

Under the reporting toolset is the data warehouse, the repository in which all the key information for reporting is integrated and stored for time-based analysis. As the data required for effective arrears reporting is typically stored in multiple applications (predominantly the housing management and finance applications), this data will need to be extracted, cleaned, integrated and stored long-term for time-based analysis, and a data warehouse is the most cost-effective and robust solution for doing so.

Over time the data warehouse can be scaled to provide the single source for all reporting, with responsive repairs, planned maintenance or leasehold management data being introduced, and the reporting toolset scaled to service those communities.

## How should I implement a solution?

The most important thing to remember is that no two organisations are the same; operational applications, reporting measures and KPIs, terminology and data definitions, and functional and user requirements will vary considerably. A solution aligned to an organisation's unique requirements will deliver far more value than one which is prescriptive in structure and supposedly designed to service all organisations. A detailed scoping exercise to reveal the organisation's exact needs, and an implementation, training and roll-out plan in partnership with a trusted advisor will ensure cost-controlled success and mitigate the obvious risks.

## So I shouldn't fear Universal Credit?

Whatever the approach used to deliver effective insight into arrears performance, the problem of analysing service delivery incomes is common across many sectors. Universal Credit should not be feared; there is an opportunity to prepare and implement effective solutions to ensure control of arrears and rental incomes well in advance. The answer is to be proactive now, and mitigate the future risks long before they happen.

Chris Coan is managing director of Visualmetrics.



# Data warehousing for better performance

Tom Hughes, business development & alliances, Visualmetrics

*Why has performance management in the social housing sector failed to deliver?*

*Traditionally, performance management and reporting has focused on boardroom measures and regulatory compliance. In most cases, gathering and distributing this information is a manual process, resulting in a substantial drain on time and resources and making it costly to produce, prone to errors and of limited value by the time information is presented. The results are static, such that the measures cannot be drilled down into or expanded on to understand the root causes or underlying trends.*

Further, the KPIs that prove goal fulfilment – those measures that senior management, operations and analysts should be measuring and monitoring – are unavailable, and what's being analysed at a management or operational level fails to support those executive goals. Operational or departmental reporting, such as performance measurement of responsive repairs, voids and arrears, is typically left to overworked analysts, again manually extracting, integrating and manipulating data in spreadsheets.

The result is organisational misalignment and an information vacuum causing decisions to be made on intuition rather than with insight.

Changing regulations, the recession's impact on the availability of funding and tenant/customer incomes, a number of new initiatives and funding challenges, such as the Universal Credit and housing benefits ceilings which will present housing providers with new opportunities to generate revenues as well as threatening existing ones, are all driving a need for housing providers to empower their employees with greater information access.

## Data warehousing for performance management

A data warehouse is the fundamental repository in which all the necessary data from multiple sources is consolidated to deliver the organisation's reporting. It contains all the information that the

board, regulators, senior management, departmental heads and analysts need to make informed decisions. Without a data warehouse, a performance management system is nothing more than a redundant tool, and if the data queried by the reporting tool is poor quality, then the report will have little value – 'rubbish in, rubbish out'.

Data warehousing has matured significantly in recent years, and the timescales, costs and risks associated with design and delivery have diminished considerably. They have become rapid to deliver, robust and scalable – if your data warehousing project is scheduled to take longer than ninety days, then there is something wrong with the project scope and the technology being deployed.

A data warehouse is the essential component in delivering an organisation's complete information requirements – automated and trusted information for all consumers aligned to their role. There are some simple criteria by which to test its necessity:

### 1. Combining data from multiple applications for reporting

Traditionally, organisations with multiple business applications, such as housing management, repairs and maintenance, finance and CRM, have solved the problem of combining data from these sources for reporting through complex manual processes. As the volumes of data have grown exponentially, these processes have struggled to deliver against the business demands for information. They have become high cost, low value processes for report generation.

A data warehouse solves this by automating the process of data extraction, transformation, integration and error resolution.

### 2. Reduce the IT burden & empower business users

The performance management toolset enables end-users to build their own

reports and queries, with the data warehouse removing the need for them to perform data extraction, manual integration and de-duplication exercises, which they may well lack the skills to perform effectively. Reports and queries can then be saved and scheduled to further reduce the time/cost burden, freeing analysts to analyse, rather than servicing reporting demands.

### 3. Time-based analysis & long-term information storage

Best-practice analysis requires the ability to report performance over time (e.g. total arrears today vs. last month or last year) but the functions of business applications often means this data is not retained in order to avoid operational system lag, or because it is overwritten as operational facts change, such as the previous occupant of a property will typically be overwritten by the new occupant. The data warehouse ensures that this information is preserved, enabling time-based analysis. Equally, 'slowly-changing dimensions' can be used for changing other characteristics, such as a tenant's marital or employment status.

### 4. Alleviating the burden on business applications and systems

The response times of transactional applications are critical, and reporting applications perform intensive processes. Automating the extraction of data from the business applications minimises the impact on operational systems and moves the reporting burden to a separate infrastructure.

The server technologies used to produce rapid-response reporting, such as star schemas and bit-mapped indexing, may also further hinder business application performance.

### 5. Data cleansing and meta-data management

The processes by which data is extracted, transformed and loaded (ETL) into the data warehouse, and the tools that report on error corrections and ensure consistent

## Data warehousing for better performance

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business terminology, deliver one trusted repository for information. Errors from multiple applications can be cleansed and standardised, such as mismatched address fields between the housing management and finance applications.

### *6. Streamlining the delivery of future reporting applications*

Changing business conditions frequently demand the creation of new reporting applications – the data warehouse streamlines the introduction of new data feeds and allows for multiple universes or ‘views’ to be created for each information community. At first, an organisation may only need reporting views for the executive, finance and repairs areas, but business expansion, acquisitions or the introduction of a new function, such as a development division, will require the rapid creation of new reporting lines.

### *7. Information on demand*

One of the key benefits of extracting data from transactional applications and using a web-based performance management toolset is that it enables the delivery of reporting capabilities to anyone, anywhere. Information on-demand allows organisations to extend the reach of reporting tools and information quickly, safely and efficiently.

### *8. Single group view*

For a housing provider with a group structure and multiple business applications performing the same function across its divisions, it is almost impossible to deliver a single, group-wide view of performance. The data warehouse automates the integration of these data sources, delivering a single view of performance which can then be queried by division, geography, tenancy type, etc.

If achieving pervasive information delivery across the organisation, aligned to the executive strategy and ensuring that consumers at all levels – executives, department heads, managers, operations and analysts – share the same trusted source for reporting, then a data warehouse is fundamental.

It is the principle foundation of a best-practice performance management solution, and ensures automated, accurate and trusted information is available to everyone.

*Tom Hughes is responsible for business development and alliances at Visualmetrics.*

# Are you ready for Universal Credit?

## How will you measure your arrears performance?

### visualmetrics will help you

- Monitor your total rental arrears
- Understand the common causes of arrears
- Measure arrears recovery methods & effectiveness
- Visualise tenant payment profiles & preferences

visualmetrics | Social Housing Performance Management & Data Warehousing specialists, focussed on collaboratively designing and delivering automated reporting solutions that meet a customer's unique requirements.

If you have an information challenge, if you need to enhance your arrears reporting, call us because together we can solve it.



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# Balancing Your Drivers

## For Social Housing Performance Management



*"We required a tailored solution, not a product; aligned to our unique requirements, not someone else's"*



*"We needed to align our strategic goals to our operational measures, to drive cost efficient services"*



### EXECUTIVE

- Regulators & Government
- Executives & Strategy
- Management Functions
- Finance & Budgets
- Tenant Engagement



### BUSINESS AREAS

- Tenancy
- Asset Management
- Compliance
- Repairs
- Developments



Optimised  
Performance Management

### OPERATIONAL

- Information Aggregation
- Drill to Detail
- Time-Based Analysis
- Financial Comparatives
- User-Self Service



### TECHNICAL

- Integrity
- Integration
- Automation
- Auditable & Traceable
- Security



*"We wanted one scalable information platform where we could start small in one area, but think big"*

*"We had to be able to automate data integration from multiple sources, to deliver one version of the truth"*



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