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Performance|z*raising contractor revenue*

Contract Performance Reviews



Why should customers and contractors review service performance after the fact?

It's already taken place, why bother?

Here's why.

Outsourcing by its nature is an implied trust.

Customers do their thing and trust contractors are working for them - doing what they need done. With that handoff comes the need to ensure its working as expected.

Daily chats and check-ins work on the tactical level. But fulfilling strategic objectives takes more.

That's where performance reviews come in. Unfortunately, they're not as easy as they seem. Down in the weeds performance reviews get tricky.

They're overwhelming to beginners, overly time consuming to sophomores, but to the experienced, reviews are an oasis in the desert.

This month's Revenue-IQ article helps customers and contractors tackle performance reviews - getting the most out of their time and effort.

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What's to be gained from performance reviews?

Performance reviews are a true "win-win" opportunity for customers and contractors.

With thought up front and a couple under the belt, reviews that is, they become a powerful management tool. With experience they're an absolute necessity.

CUSTOMERS GAIN

Customers win big with performance reviews.

Performance reviews reconfirm customers received value and can easily share that info upstream in the customer's company.

They're great at attracting positive attention, focusing the Oscar spotlight on the customers' achievements. And with that come recognition, promotions, and bonuses to those responsible.

Here's what performance reviews can provide customers.

@ the Basic Level

- Confirm receipt of delivered service as seen in KPIs
- Recognize value delivered, costs saved & quality improved
- Learn contractors site challenges & provide help
- Address contractors' shortcomings
- Recognize contractors' positive achievements
- Formally communicate expectations & timelines

In 2nd Gear

- Acquire formatted data for reporting upstream in company
- Provide direction for contractors' upcoming initiatives
- Share upcoming company challenges & direction

Super-sized Benefits

- Present performance success upstream to your boss
- Increase knowledge of contracted service
- Future visibility into environmental, economic, regulatory issues
- Update contractors to company's strategic direction

CONTRACTORS GAIN

Contractors win big with performance reviews.

Reviews are the best way to retain customer contracts. If account retention is on a contractor's radar screen, contractors will want to bake a review into every account, sizing content and frequency to fit.

Here's what performance reviews can provide contractors.

@ the Basic Level

- Prove contract compliance & service delivery with data
- Address current site issues & upcoming obstacles
- Resell contractor's value & validate customers' choice
- Begin positioning for inevitable rebid

In 2nd Gear

- Add positives in customers' mind rather than complaints only
- Demonstrate honesty by presenting the ugly truth
- Propose cost reductions, improvements, scope changes
- Work forward together to optimize value exchange

Super-sized Benefits

- Contractors execs to reconnect with customer
- Prepare customers to become referrals & references
- Share current situation in labor, regulatory & market
- Raise customers' understanding of service challenges

What performance data is reviewed?

What's reviewed varies greatly among customers, contractors and services. Customers indicate the data they want to review, contractors collect and prepare it.

The broader the range of data reviewed, the more comprehensive the picture of performance. This doesn't necessarily mean lots more data, just from diverse sources.

Here are several data categories that help spotlight value exchanged between customer and contractor.

- Service performance
- Vendor performance
- Business impact

Service performance data shows contractor activity serving the customer's end-users (rate, degree, and history of service tasks).

Vendor performance data shows how well the contractor served the customer (helped or hindered).

Business impact data shows where contractor's service impacted customer's end-users performance (higher end-user piece rates, higher online/uptime, fewer defects).

Business impact data is the hardest to capture, and may not be available in some customer industries.

For example, in commercial office settings is difficult (if not impossible) to directly correlate cleanliness with lease rates or occupancy levels.

KEY PERFORMANCE INDICATORS (KPIs) ARE KEY

KPIs are the core of most performance reviews. They help make intangible services real to the touch with numbers. KPIs are an entire topic by themselves, and more can be found [here](#).

Here are a few KPI considerations:

- Limit KPIs to those the contractor controls
- Stick to the vital few, not the useful many
- Use Effort/Impact analysis to select KPIs
- Chart trends over time to account for seasonal fluctuations

MORE THAN KPIs

Performance is more than just "what" was delivered. With services, "how" they were delivered is almost as important.

Numbers by themselves might not tell the whole story. Performance reviews should include stories, observations, and other qualitative info to complete the picture.

Here are common review components:

Highlights

- Major accomplishments, milestones, successes
- End-user commendations
- Awards achieved
- Positive company, contractor company, or media recognition
- Hero stories

Low Lights

- Honestly share what went wrong
- Demonstrate proactive corrective actions & improved results
- Actions taken to prevent recurrence

Hurdles

- Past problems & how they hindered performance / costs
- Future concerns
- Seek customer help in overcoming / preventing

Initiatives

- Current status of in-progress projects
- Future projects impacts, revisit business case
- Nominate future initiatives
- Seek customer participation in future initiatives

How to present review data?

Reviews are more than static handoffs of data. They're working meetings.

They carry the potential for agreement, dissention and misunderstanding. They're about connecting emotionally and intellectually. They require back and forth conversations, sometimes delving into sensitive areas.

Performance reviews, as they're defined here, are best done in person, with a slideshow and a report for consumption afterwards. Don't fall into the trap of making the slideshow the detailed report.

Follow presentation best practices as outlined in [10 Tips for Great Presentations](#).

IT'S A CONVERSATION

The presentation of performance data requires stopping to answer questions along the way. And it's expected to diverge off the agenda and touch on tangential topics.

The presentation is the starting point for the conversation. It's also the agenda and provides the structure to accomplish what's needed in the meeting.

If a performance review isn't needed, then exchange data in a report. Contractors can email customers a detailed report and avoid wasting meeting

time.

When to review performance?

Review frequency should be relative to several factors:

- Size & complexity of the contract
- Performance-based (fee at risk) contracts
- Dynamic conditions of the customer's company or industry

However, customers determine how often they want to hold reviews. Contractors can and should request a different frequency (more or less) based on their performance concerns.

FREQUENCY RULE OF THUMB

- Large contracts review performance quarterly
- Medium sized contracts between once & twice per year
- All contracts should have performance reviews at least once per year

Remember, reviews can be very short and concise. Actually the more successful reviews are just that.

SLIPPERY SLOPE OF SUPERIOR SERVICE

There's a downside for superior contractor service. When customers trust their contractors, they tend to bail on the regular reviews.

Customers figure they can spend that time on more pressing issues. They fully trust their contractor to deliver. And that's the contractor's slippery slope.

Without customers hearing contractors' positives, they end up hearing only complaints. Not pleasant. And unfortunately all too common.

For several ideas about avoiding this, read [Heartbreak in Contracts](#).

How much time to meet & review?

Again, scheduling the amount of time for a review meeting depends on the customer. Typically, the contract size, and complexity of the customers' business and industry also factors into that.

Some customers, high-tech in particular, are used to long review meetings. They may want as much as a four hour meeting. That means there's going to be a lot of data to report and issues to work through.

Other customers want to get through the in-person presentation with the contractor in an hour. Then review the detailed report later at their leisure.

Meeting times tend to shorten the more experienced both customer and contractor get in reviewing performance.

However, nothing's in stone. Exceptional situations, or periods can have unusually long review meetings, more than the normally allotted time.

Who should attend performance reviews?

With successful review meetings, customers will want to invite their peers to

join them as appropriate topics or achievements are covered.

For example, a facility director could invite their company's:

- Purchasing agent to witness exceptional contract value received
- Finance's business analyst to see cost savings / avoidance
- Safety or HR to see contractor's positive contributions

With consistently high performance, customers bring their immediate boss into the meeting and share the good news. This informs the boss and shows well on the customer.

Of course this means the customer has:

- Reviewed contractor's report & is OK with results
- Confidence in the contractor's presentation skills
- Certain the review reflects well on them
- Ensured the meeting is worth their boss' time

Contractors must bring their appropriate executives to review meetings to:

- Have the personnel in the room to answer questions
- Demonstrate customer's importance to contractor's business
- Work through the immediate, pressing issues of the day

Summary

- Performance reviews communicate & validate service value
- Quantitative KPIs & qualitative anecdotes paint a full picture
- Present performance data in-person
- Work through agenda & leave detailed report behind
- Review large contracts quarterly, medium 1-2 times/year, others 1/year
- Customers dictate meeting length, 1-4 hours prox.
- Customers include peers or their boss if it shows well
- Contractors include the "important" execs

About Service Performance

We help raise contractors' revenue through sales planning, training, collateral, proposal and presentation upgrades. Our clients secure contracts more frequently and retain more of the accounts they already have.

- For more info on how to review performance call Chris Arlen @ 206-780-2963, or email carlen@serviceperformance.com
- More contractor insights, visit: <http://www.serviceperformance.com/blog>
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