

## Outsourcing can add real business value

Contributed by Matthew Pease - Watkin, Managing Director, Sodexho FM, July 2004

For such a large, multi-billion pound industry, the outsource sector of the Facilities Management market is still a very long way from reaching full maturity. Innovative management approaches, flexible pricing arrangements, the 'bulking' of contracts, creative service solutions, internationalisation and the growth of shared risk and reward partnerships are all welcome signs of a vibrant, healthy industry.

Here at least is one market where that grossly-overworked term, 'partnership', really means something. In our experience, flexibility and innovation are the real keys to a strong and progressive relationship. Any service provider prepared to bring an open and creative mind to discussions about contracts and services will find a ready ear among FM directors and managers. Obviously, this assumes that the provider has been able to meet or exceed stringent health and safety, quality management and environmental requirements at the pre-qualifying stage of the bidding process.

Changes in mindsetThe Sodexho relationship with Ford Motor Company is a case in point. Over an eight-year period, the range of services provided has expanded steadily, reflecting the high level of trust between the two companies. What began with mechanical and electrical maintenance now also encompasses everything from building fabric and grounds maintenance to reception, helpdesk and other office support services covering more than 100,000 Ford staff at six locations.

As part of Ford's strategic objective to obtain year-on-year cost savings and greater efficiency in non-core operations, there has been a strong focus on reviewing and changing working patterns, retraining, re-engineering and multi-skilling.

Ford's FM management team acknowledge that there has been a big mindset change on both sides as the contract has developed. Whenever problems have arisen, as they are bound to do with a contract of this size, they have been kept in context. By dealing with them together and openly, a clear win:win relationship has been maintained.

Savings are ring-fencedShared risk and reward lie at the heart of the FM relationship with HR Wallingford, a niche research and constancy organisation specialising in water hydrology and its effects on the physical and built environment. For the past four years, Sodexho has had full responsibility for delivering catering, building services and planned preventative maintenance, cleaning and janitorial duties, waste and utilities management at the company's head office.

The entire contract is covered by clear Service Level Agreements, which are measured by realistic Key Performance Indicators. These have been developed jointly as part of programmes aimed at achieving ISO 9001:2000 and ISO 14001 accreditation. Cost savings are a further measure of progress. Any savings made over the life of the contract are ring-fenced, to be shared equally by the partners.

This style of contract can be highly attractive, not least because a clear open-book approach creates and fosters genuine partnership and trust. And that provides a healthy environment in which continuous improvement in cost-effective service delivery will thrive.

Sometimes, going back to basics in assessing what a service needs to achieve can have a significant impact on cost. For one manufacturer, a redefinition of service levels to reflect standards of cleanliness rather than a rigid clean-frequency and a move to team-based night cleaning reduced costs dramatically.

Improving 'quality of lifeAlthough outsourcing can often deliver cost savings of 20% or more, it is also the contribution to improved 'quality of life' that is striking chords in boardrooms across the UK. A third party specialist may be better qualified to provide new services such child care, a health and fitness resource or an on-site shop.

Research has shown that around 60% of employees are looking to their employer to provide more services in the workplace. Many of them go further - with 80% saying that support services make them more productive and more efficient.

But as employers embrace initiatives designed to improve the work-life balance for their staff, there are clear implications for service providers. The introduction of flexible working patterns is among the most obvious examples.

One size won't fit allThe 'bulking' of contracts and internationalisation continue to be a strong feature of the FM landscape. The principal driver remains the 'one-stop-shop' attraction of dealing with a single supplier for a range of services at a number of locations, and/or in a number of countries.

In our experience, there are major synergies in outsourcing to a single partner across a range of sites, whether in one or more countries. By building a migration model, based on Gantt charts, we have been able to streamline and simplify the

entire process of expanding service delivery from one location to another.

However, flexibility assumes paramount importance to avoid the trap of cutting corners by equating the one-stop-shop with one-size-fits-all, because it doesn't work. What will reap dividends is applying best practice principles across the entire contract.

**Huge logistics challenge** In the public sector, there has been a sea change in attitudes to FM outsourcing, with many contracts being so broad in scope that they have required expert consortia. Being part of the FM consortium at Aldershot Garrison has provided Sodexho with immense insight into the opportunities for innovation.

A total of 42 services are being provided at the Garrison, covering accommodation and stores management; domestic services; office support; works services; medical; and transport. In scope, they range from the supply of furniture and equipment for every military house and building in south-east England to the management of guns and ammunition. It is among the most complex and logistically challenging FM contracts ever awarded.

This is a gainshare relationship, in which both parties have an equally strong incentive to find new opportunities for generating revenue. Any profits, after operational costs, are shared with the Army. The success of the partnership with the Army continues to attract attention from business and government agencies at home and abroad.

**Impact of PFI and PPP** Clearly, the introduction of PFI and PPP has opened the way for very large, very long-term FM contracts in the public sector. They have also prompted numerous examples of innovative thinking.

The Romford Hospital project for Barking, Havering and Redbridge Hospitals NHS Trust is typical. Under a 36-year contract, Sodexho will be providing both hard and soft facilities management services at the new 859-bed acute hospital when it opens in 2006. Services will include catering, domestic and housekeeping, portering, security, reception, switchboard/helpdesk, car parking, window cleaning, pest control, estate maintenance and grounds/garden maintenance.

Innovations here will include: an outpatient call system that will allow patients to move around the facility without fear of missing an appointment; a fully air conditioned environment; and the introduction of a dedicated FM transit routes to reduce the risk of contamination. At the management level, there will be a paperless worksheet system utilising Palm technology as well as a comprehensive web-based FM reporting system.

**Opportunities in education** In Scotland, Fife Schools have provided their own specific challenge in operating and managing a consortium of three schools. Here, the overall business driver was identified as the need to make synergies in the service delivery and logistics of these schools. It was also recognised that this could only be achieved by encouraging site ownership and accountability. To achieve this, the staff were retrained and re-skilled to fulfil a new and different range of tasks, each driven by key performance requirements.

The Fife Schools project is part of 25-year PFI/PPP deal that is well underway and meeting all its targets: testimony to the strength of the relationship between the management and staff of all parties concerned. It also underlines the potential presented by the education market.

**The way forward** As the ability to self-perform becomes more and more important in every sector of the FM market, it is vital to demonstrate the parallel ability to add real value to a client's operation.

Although the 'big bang' approach to outsourcing can be beneficial to certain parts of private and public industry, it is important to take cultural factors into account. Evolution rather than revolution represents the more normal route to success. This recognises that the integration of services to form seamless, strategic partnerships with shared goals can be a long process as well as a little fraught at times. The potential benefits for all concerned make the journey worthwhile.