An emerging FM delivery model
Introduction

Thirty years ago Facilities Management (FM) was a largely in-house affair. Organisations directly employed cleaners, security guards, maintenance engineers, handymen and catering staff, only turning to contractors for specialist work such as lift or air-conditioning maintenance. But as the market has matured, so have delivery models.

Although there remain examples of organisations retaining in-house services critical to their business, such as security in a banking environment, FM is now largely outsourced with few organisations employing no more than a management layer concerned with supervising service delivery partners. The general trend however, as reported in Changing Times in Facilities Management, the 2016 report from Sheffield Hallam University, is for greater levels of outsourcing in both private and public sectors, often with a pan-European or pan-global flavour. Research from Global Industry Analysts revealed that over 70% of end users plan to adopt multinational contracts by 2020, compared to only 40% in 2010.

The recent pressures placed on the FM sector by the uncertainty of the Brexit decision and the recent election of Donald Trump as US president, Government policies around the apprenticeship levy[1] and the new minimum wage level, are causing many organisations to rethink their FM delivery. This is particularly apparent in the public sector where local authority budget reductions and the development and delivery of the One Public Estate[2] programme is supporting local authorities and public sector bodies in the sharing and divestment of underused property.

Organisations are looking for simplified and modernised management of service delivery, including enhanced technology offerings with reduced expenditure but no reduction in quality. In this paper we explore the different ways in which FM services are delivered, and the evolution of a new FM delivery model and its impact on the market.

Traditional models

Over the past two decades the FM market has inexorably moved away from in-house delivery to an outsourced model in a variety of forms. Now 69% of the market outsources more than half of their facilities services. While many point to the unabated rise in bundling and integrating facilities management services, there remains a strong market for individual, specialist service delivery. Broadly, traditional FM delivery falls into six models:

1. **In-house FM** where the facilities are delivered by a bespoke in-house FM delivery team. It is rare for an organisation of more than 250 people to self-deliver all of its facilities services. Often there will be some element of outsourcing, even if it is simply to a local cleaning firm, or a self-employed handyman. Just 6% of facilities services are now delivered entirely in-house.

2. **Single services**: using a number of specialist providers which concentrate on, for example, waste management, concierge, cleaning or catering. While there had been a trend to move away from single services because of the time involved in managing numerous suppliers, there is increasingly a belief that best-of-breed suppliers can provide an ideal solution for organisations looking for high levels of service delivery, particularly in catering and front-of-house. This is born out by research that shows that single service delivery is now 29% of the market, compared with 22% in 2012.

3. **Bundled services**: one supplier will manage two or more services for a client, typically bunched into hard and soft services such as mechanical and electrical maintenance and lifts; or catering, cleaning, reception and security.

4. **Integrated services**: similar to the bundled model, but a number of services are delivered by one organisation under a single management lead.

5. **Total Facilities Management (TFM)**: where the entire matrix of service delivery is outsourced under a single contract to a single provider organisation that may subcontract or self-deliver some or all of the services. This model has seen an increase in popularity over the past few years increasing from 6% in 2012 to 12% of the market today.

6. **Managing Agent**: where a consultant is engaged to manage the service provision.

There is a widespread belief that while single service delivery will remain popular, facilities services will increasingly be delivered by a few multi-service providers. But one size does not fit all, and many client organisations are feeling let down by the models on offer, especially during a challenging economic and political period.
Pressure on current models

Changing economic and political times

Brexit has prompted concerns among employers over future labour supply which for estates and FM means that more effort, resources and thinking is going into workforce planning. Organisations appreciate more than ever that they need to take a more flexible approach to estates management, and corporate occupiers are increasingly focused on portfolio assessment and scenario planning.

With many businesses articulating a preference for the UK to remain within the EU, property teams are engaging with executive leaders to assess and review CRE strategy and taking a closer look at operational implications, risks and scenarios around Brexit.

Even prior to Brexit, there were external pressures in reviewing cost savings within Government organisations, thanks to the cuts to public expenditure. Those cost savings and efficiencies are also being driven by the way in which Government agencies deliver services to customers. As we move into the digital age, the numbers of staff required and where they will work are being reviewed. This is a major driver behind the estate rationalisation programmes within local and central Government.

At the same time the election of Donald Trump as US president has caused concern over his economic and political policies and how this might affect the UK economy particularly around trading with the US market.

New ways of working

From a wider global context, both public and private sector organisations are adopting more collaborative working approaches to improve efficiency and reduce costs across their estate footprints, finding ways to standardise the specifications and services that their FM providers deliver. The goal is that by standardising quality and the requirements that are being delivered, they achieve efficiencies which bring financial savings. The aim is to help drive down cost, but without impacting on high standards of service delivery.

Workplace technology

It’s been estimated that 5.5 million ‘Internet of Things’ – everyday objects with network connectivity which send and receive data – are being connected to network infrastructures worldwide every day. This universe of connected things will grow from an estimated 6.4 billion in 2016 to 20.8 billion by 2020.

We live in a world that is more globally connected than ever before and these technological advances are rapidly changing the way that organisations manage and use their real estate. These demands require the delivery of technology-enabled workplaces that allow for greater agility and flexibility for both organisations and their employees and puts the onus on outsourcing suppliers to embrace an on demand response to customer needs.

With all this technology available, there is another consideration: exactly how to manage all the additional intelligence that can be gathered from the data being accrued. An effective approach is to combine all the information gathered, and while balancing concerns of privacy and ethics, use this ‘big data’ approach to elicit high levels of workplace intelligence.

Facilities services providers are increasingly expected to provide state-of-the-art voice and IT systems along with the implementation and operation of building management systems that focus on maintenance optimisation, energy consumption and management, as well as the training of staff, client and the supply chain in the digital processes. This is placing enormous pressure on FM partners to be technologically innovative in their delivery of facilities services.
Core business

While the corporate real estate and the workplace more generally remains an important part of both an organisation’s spend and strategy, it is rarely their core business. Many FM delivery models require an organisation to keep a significant in-house FM team to manage several supply partners. Increasingly, client organisations are reporting that the ability to focus on their core business is their number one reason for outsourcing, followed by value for money. Emerging FM service delivery models must respond to this need.

Small and medium-sized enterprises

For the public sector specifically, there is pressure to support small and medium-sized enterprises – widely considered the engine room of the UK economy, employing more than half of all private sector workers and contributing 50 per cent of UK GDP – by bringing them into their supply chain. In February 2015 the Cabinet Office announced a new set of regulations making it easier for smaller businesses to win Government and other public sector contracts, to help to build on its intention in opening up public sector contracts to smaller suppliers. This has already meant a substantial increase in the proportion of Government spending going to SMEs.

However this is challenging for both parties. SMEs, which are defined as businesses employing fewer than 250 people, often find the process of tendering for public sector contracts time consuming and resource heavy, while public sector bodies are often frustrated at SMEs’ lack of experience in this area, and the lack of quality systems and processes which bigger businesses have as standard. For many SMEs the demand to meet service expectations while keeping costs to a minimum can be a challenge and there is a danger that the quality of their service can suffer if it is not managed correctly. The workload that a public sector contract generates can put disproportionate strain on a smaller supplier’s resources and any problems could create serious issues for the entire business. There is a need therefore to devise a strategy which helps an SME to manage their resources and ensure they deliver on expectations.

SMEs contribute 50 per cent of UK GDP

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13 Changing Times in Facilities Management, Sheffield Hallam University research report 2016
14 www.fsb.org.uk
Emerging models

One FM business model which is gaining ground and responding to these issues is The Integrator, offered by KBR, a global provider of differentiated professional services and technologies, across the asset and programme lifecycle within the Government services sector.

One outsourced organisation is responsible for offering the client a cohesive solution by integrating process, technology, reporting and performance measurement/management across all service providers in the supply chain. With this approach, a client may still opt to use any one of the delivery models listed above, but instead of the client organisation being required to manage what could add up to a large number of contracts, one company is appointed to oversee and manage the performance of all the service providers. The Integrator may or may not opt to provide some of the services directly, but whether or not they do does not affect the client organisation.

By providing a single system the Integrator’s helpdesk service becomes a single line of contact in the management of all scheduled, planned and reactive orders.

Broadly, the Integrator model is a matured and adapted version of the Managing Agent model. It provides the client with a stand-alone matrix of processes, resources, skills and knowledge to manage all of its services, which crucially meet their specific needs. The sourcing strategy is devised at the beginning of the relationship, and the supply chain is mobilised while day-to-day management is continually monitored.

The flexible nature of the Integrator means that it can deal with issues – anticipated or unforeseen – while still ensuring that FM services are delivered throughout the contract term as agreed. This flexibility means that the Integrator can use in-house skills, or appoint another delivery partner that has sufficient capability to deliver some of the range of services required. For example, the London Fire Brigade’s Integrator contract with KBR includes the procurement of all of the FM suppliers on behalf of the client. However, this service was not required for KBR’s partnership with the Home Office, which procures its own supplier chain through the Crown Commercial Services framework.

This level of flexibility means that the Integrator can alter its level of service to suit each individual client’s needs and there is enough manoeuvrability in place to cater for a fluid client team or a rapidly changing buildings estate.

By providing a single system the Integrator’s helpdesk service becomes a single line of contact in the management of all scheduled, planned and reactive orders. Monitoring is non-intrusive and the data accrued is simple to interpret and use. Full compliance is also assured because the Integrator can monitor all of the data and analysis that supports the client in their estate management, including energy management, cost, and estate utilisation.

An integrated service delivery model is also aligned to bringing SMEs into the supply chain. This ensures no additional burdens are placed on the client to manage numerous SME contracts by providing the client with a stand-alone matrix of processes, resources, skills and knowledge to manage the execution of its services. This means that SMEs can meet their Service Level Agreements (SLAs) while benefiting from the influence that an Integrator brings, thus alleviating the potential service stress of a major public-sector contract. When any issues arise, they can be identified and discussed with the provider who then makes changes as appropriate, ensuring the process of troubleshooting and optimisation is more straightforward for all parties and getting the job done. At the same time, the Integrator takes on the more onerous task of providing, and analysing, data around the service delivery and estate performance to the client. The Integrator is the single point of data connection.

Unlike a TFM contract, under an Integrator model the client contracts are forged directly with suppliers. This gives the client organisation final control over every contract – so if in the future they decide to end the Integrator arrangement, the contractual relationship between client and suppliers is unaffected.

Experience to date

Because the Integrator model is a relatively new concept, like any innovative product there has been a period of education – but its benefits have already been seen. In 2013, the Metropolitan Police Service (MPS) went through the biggest transformation of its estate to date. While working collaboratively with KBR, they developed an Integrator model which oversaw a total restructuring of its facilities management with the aim of saving £5 million pounds a year. Because the MPS believed in the model, they went to market with the new service and three years on are now seeing £8 million a year in savings.

Inspired by this success, the Department for Work and Pensions is tendering for an Integrator model while NHS Property Services has held soft market days and shown an interest in the Integrator model. The Ministry of Justice is also exploring the model.

The Integrator is clearly gaining momentum, particularly among organisations that have large footprints across a significant geographic area.

£8m

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Conclusion

A key driver for the FM market is the need to increase productivity and efficiency; so whether an organisation opts to rely on in-house teams or outsources all of its services, using an Integrator partner can help to streamline the performance of the entire organisation.

Communication is a key element of any fruitful partnership agreement between intelligent clients and their suppliers. With the Integrator approach, it will usually co-locate alongside the client teams so daily informal communication is maintained. On a more formal level, agreements will also be put in place for regular meetings to discuss performance against all of the KPIs, with strategic meetings an essential pre-requisite for the Integrator to align its level of services with the client's future requirements.

In an increasingly competitive and global business environment, there is greater recognition than ever that facilities management has a strategic role to play in order to have a place at the heart of an organisation, being fully embedded and absolutely focused on delivering its mission and vision. By adopting the Integrator facilities model, a client team is essentially freed up from supervising the operational facilities on a day-to-day basis and can take a strategic approach to their internal resources, systems, and processes. This gives them the scope to plan for the future whatever social, economic or political changes are yet to come.