



safma

Conference & Exhibition
21-22 August 2018

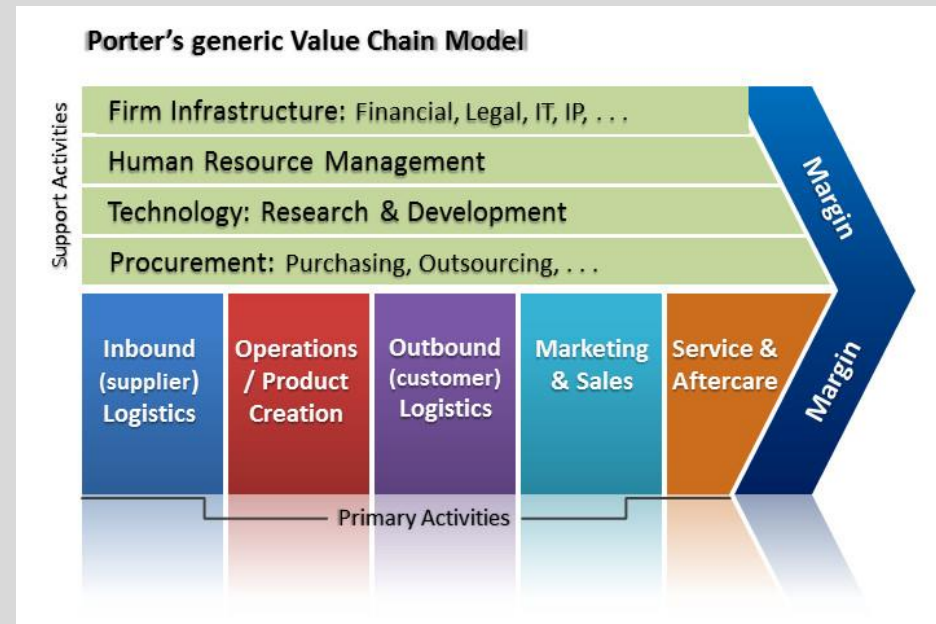
Andrew Mason

**FM a Cost Burner or
Value Earner?**

1985 – Porter's Model



- Porters Value Chain Model **emphasises outsourcing** non-core activities
- FM is seen (and promoted) as **'non-core'**.
- Clients want **non-core services** to be **reduced**, de-risked optimised and efficient.
- So FM is **target for cost-cutting**
- **Lower margins**, Shorter terms
- **Race to the bottom** approach
- The **non-core** narrative keeps FM *'in its place'* & **away from** leadership and **strategy**



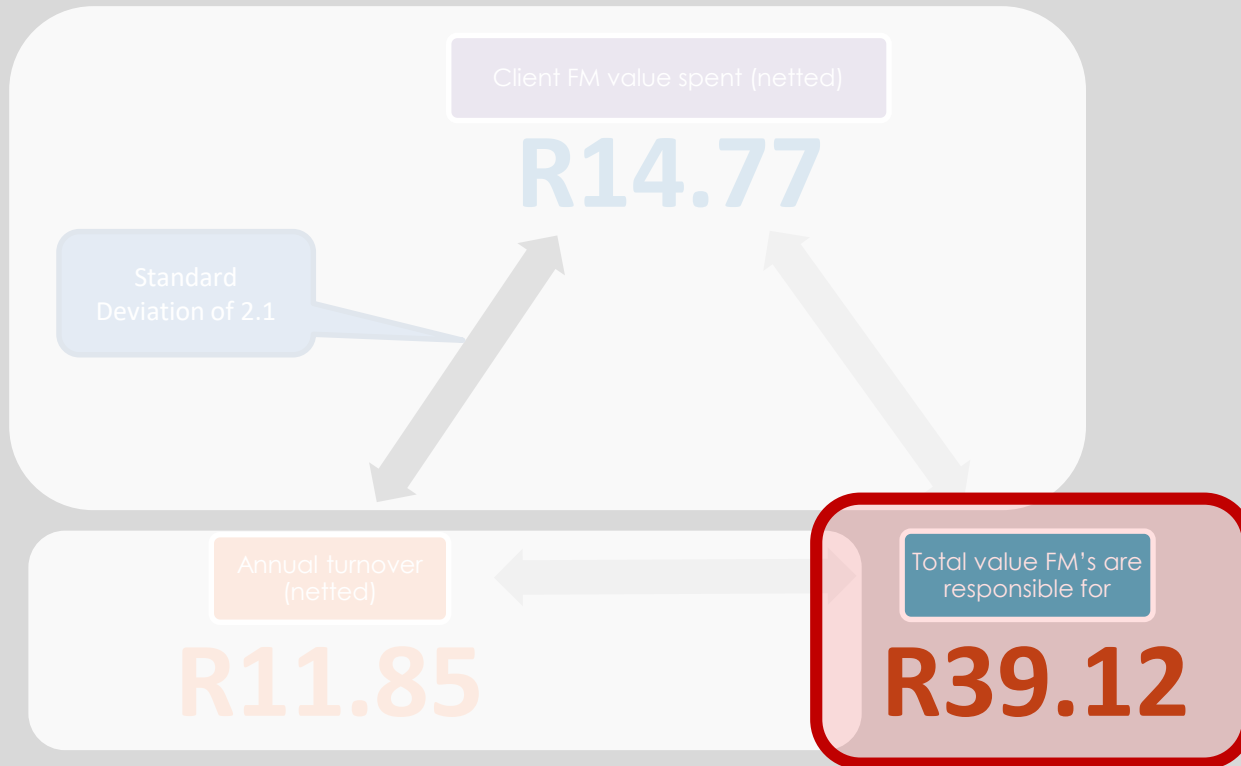
FM 'Built on Sand' ?

- In the absence of a UVP
Customers will buy cheap
- We have allowed FM to become commoditised
- FM **cannot survive** with this lack of a value proposition
- We need to shift thinking about the **value provided** as opposed to the **cost incurred**
- Unless we address this we are an industry '**built on sand**'.
- **We need a new story.**



THE SIZE OF THE SA FM INDUSTRY IN R Billion

The industry sizes below will be explained in subsequent slides.

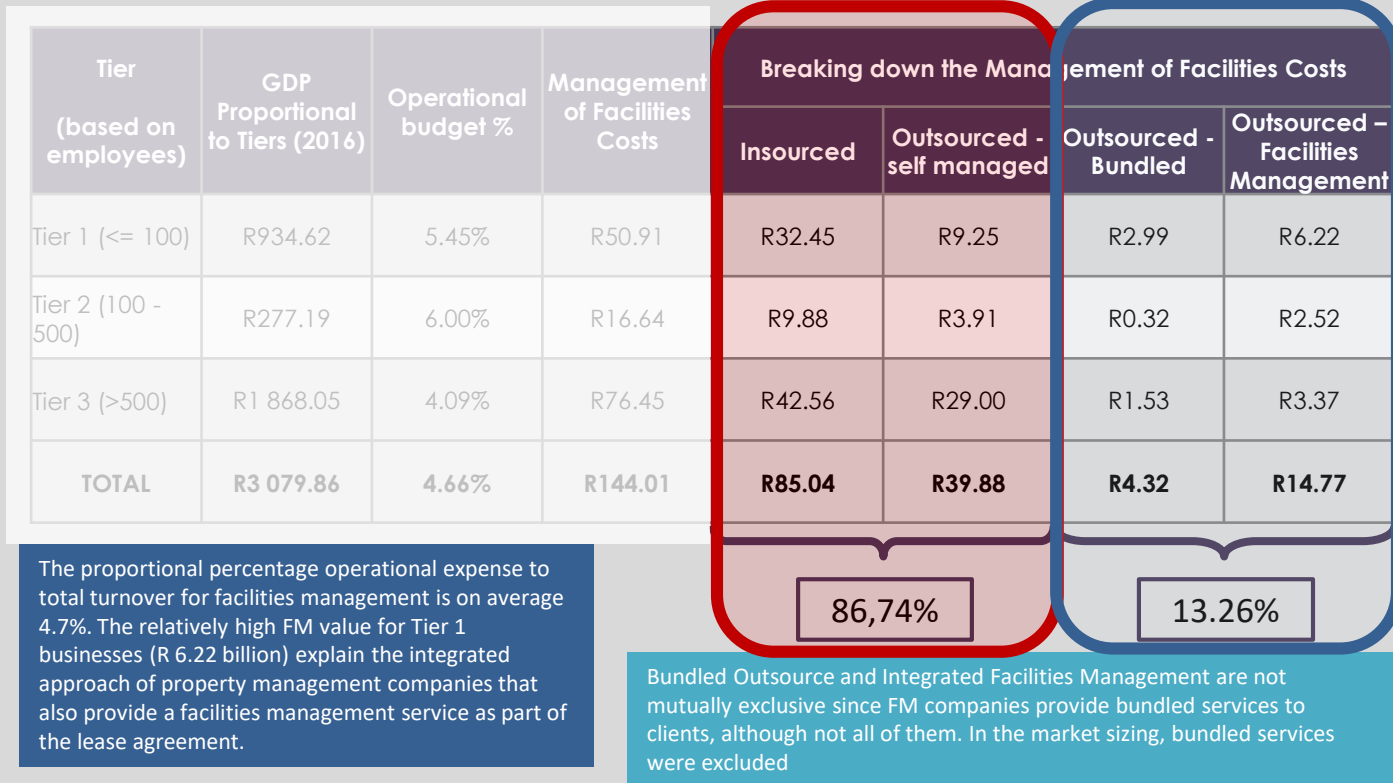


All values in R billion

Sources: 2016 SAFMA industry survey
StatsSA, BER, SAMI

FM INDUSTRY PROPORTIONAL BREAKDOWN

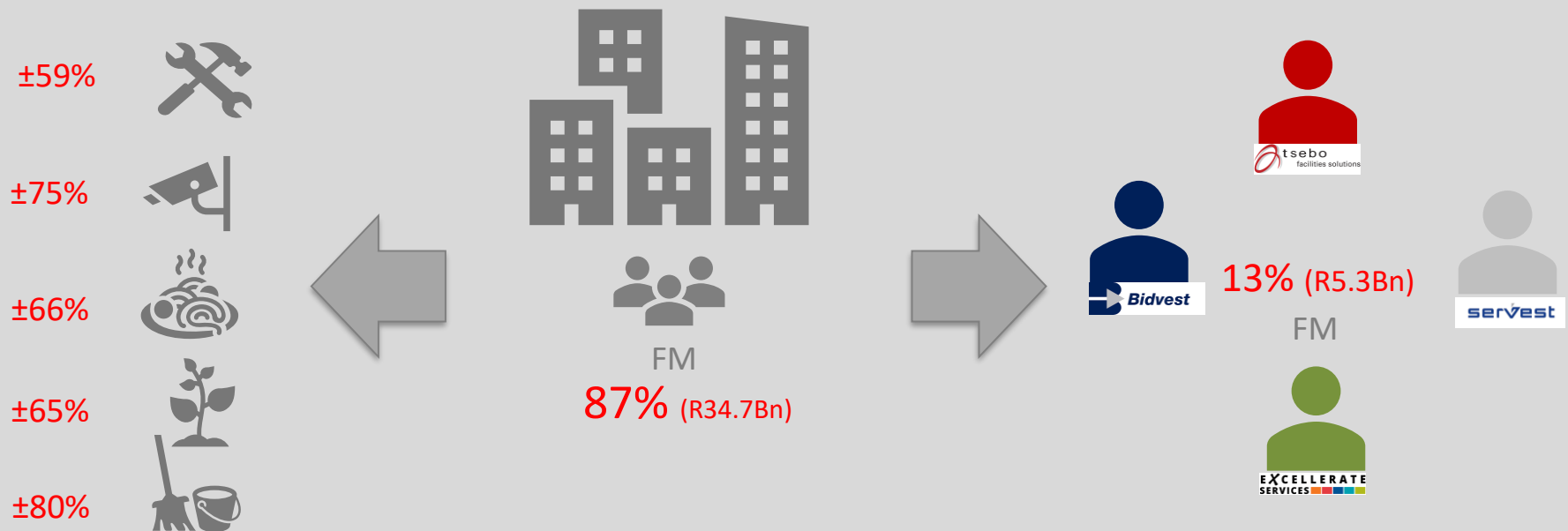
Based on the proportional spend, 87% is managed by the businesses themselves (insourced or outsourced – self managed) and only 13% is outsourced either in a bundled or as a fully integrated FM model.



All values in R billion

Sources: 2016 SAFMA industry survey
StatsSA, BER, SAMI

Insource v Outsource



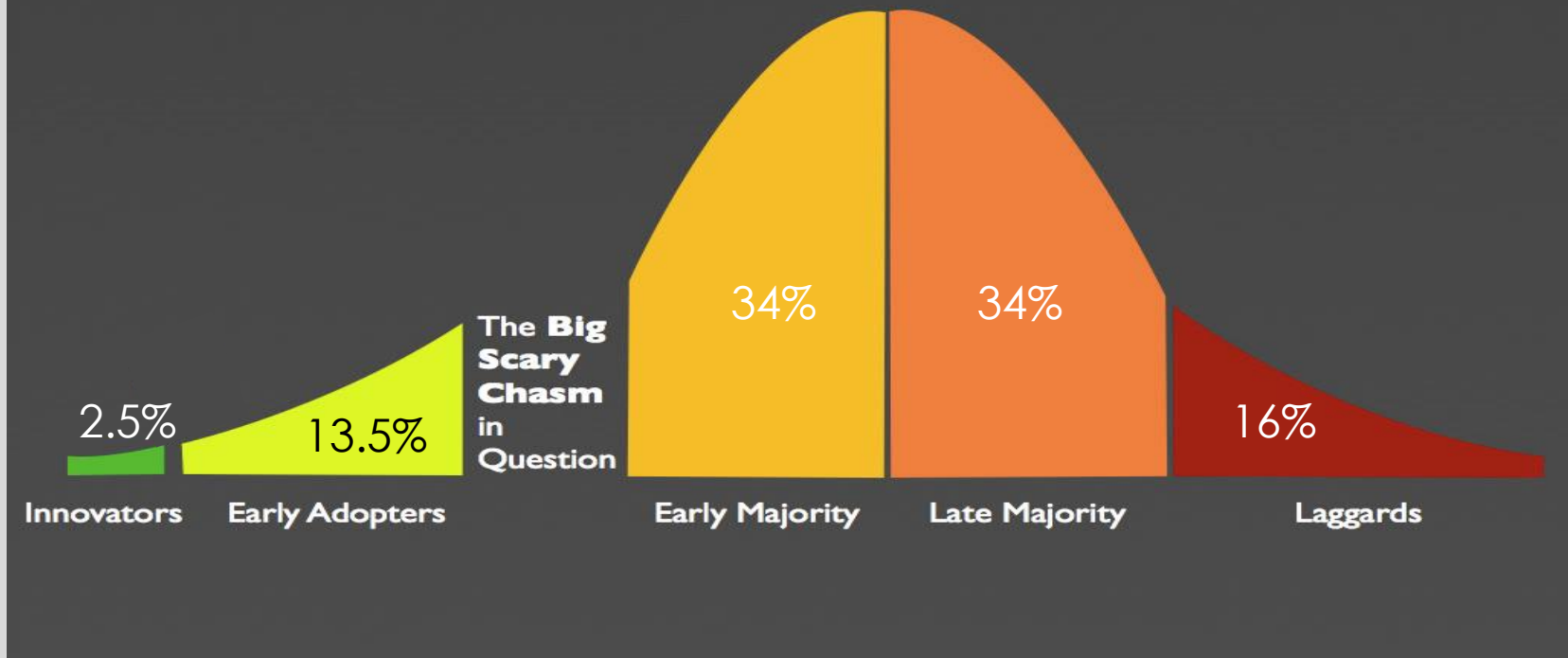
The problem is **not** simply **FM Product Development or Innovation**

It is FM Product **Penetration** of an **Outsourcing VP**

Crossing the Chasm

Crossing the Chasm

Geoffrey Moore - 1991

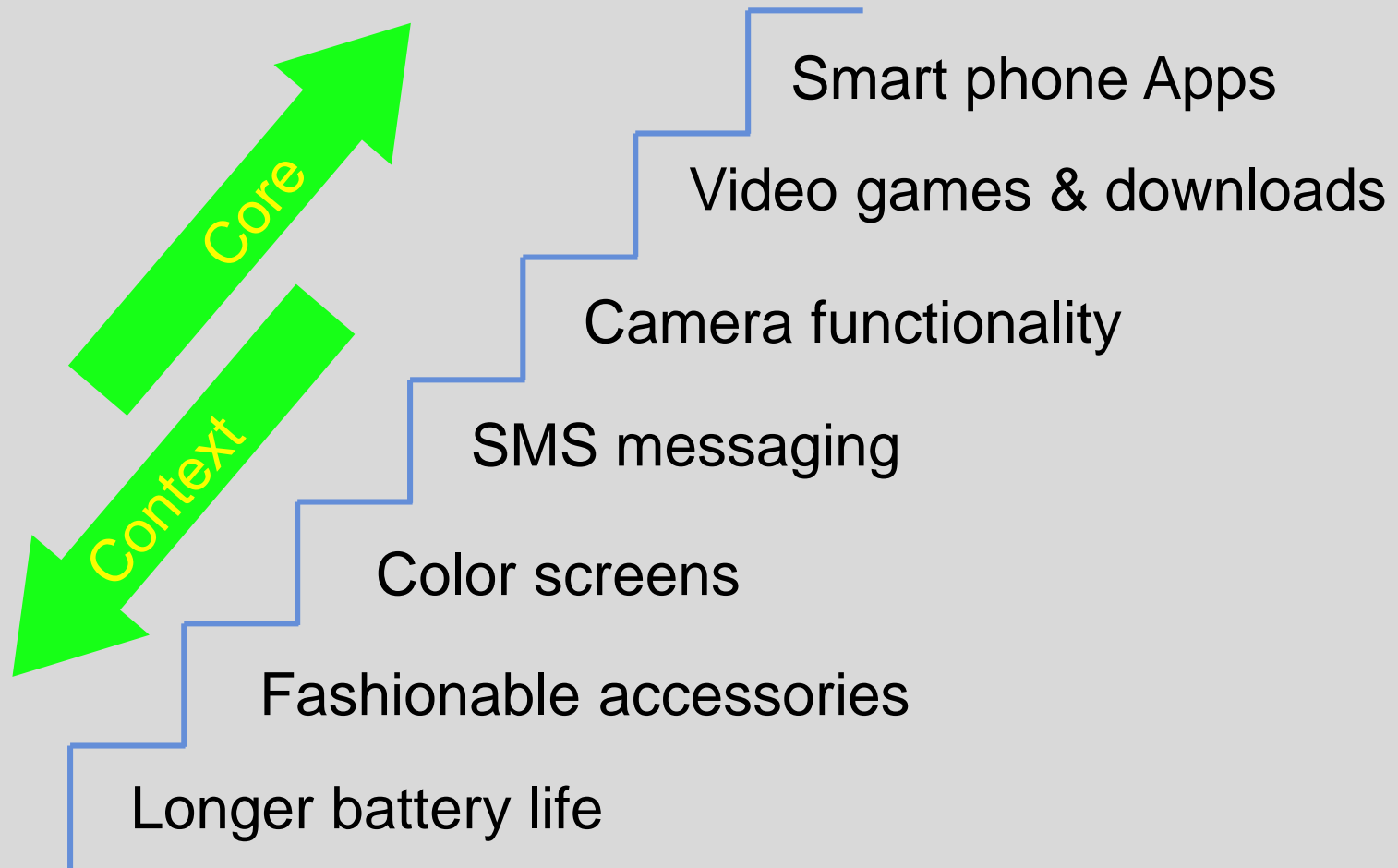


Core V Context

- All Businesses have **Core** and **Context**
- **Core**- is anything that differentiates you from your competitor i.e. **competitive advantage**.
- **Context**- Everything else
- Need to **Invest in Core** for competitive advantage
- **Extract in Context** for Hygiene
- Context builds over time

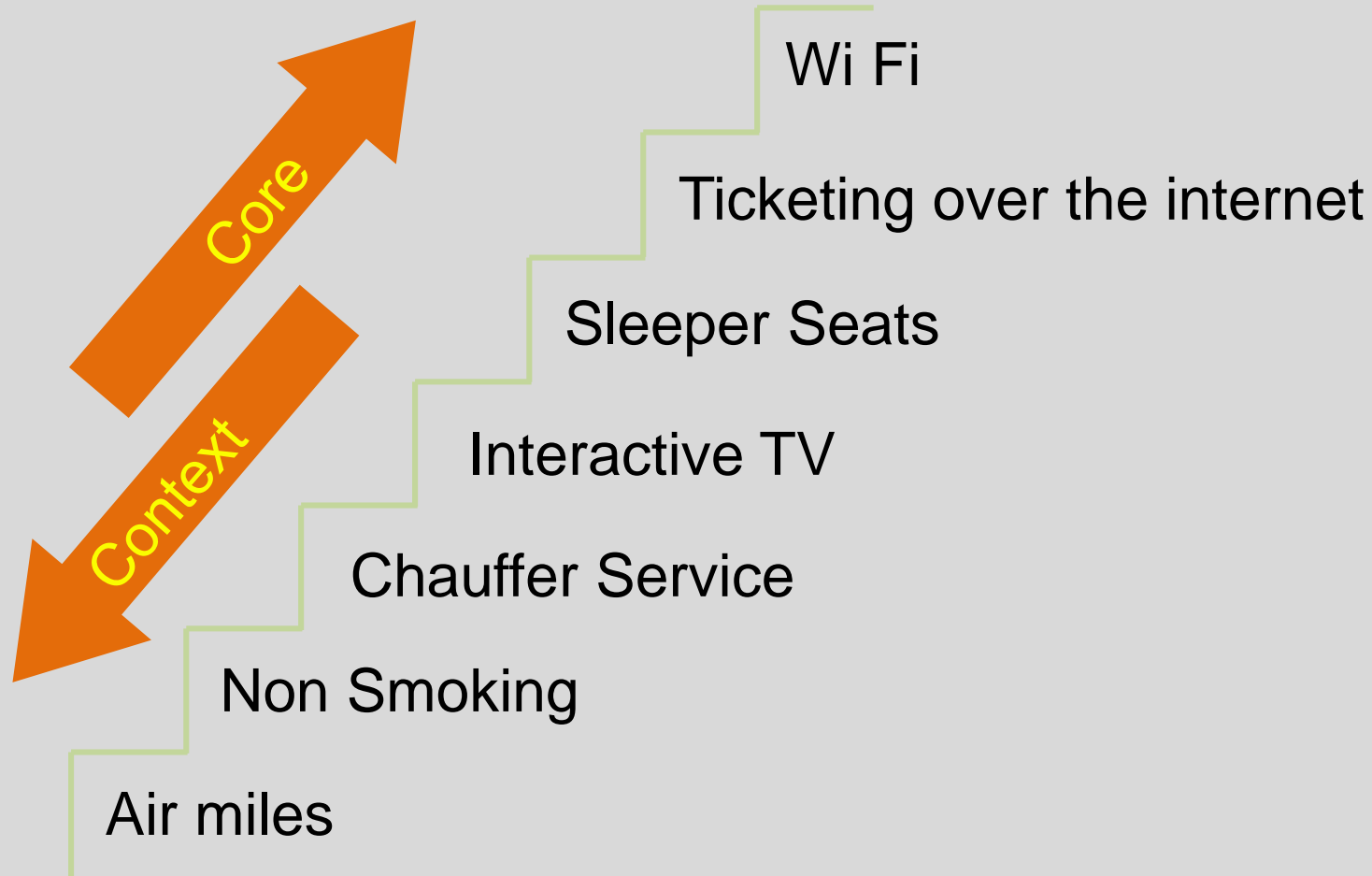


Core Becomes Context Over Time



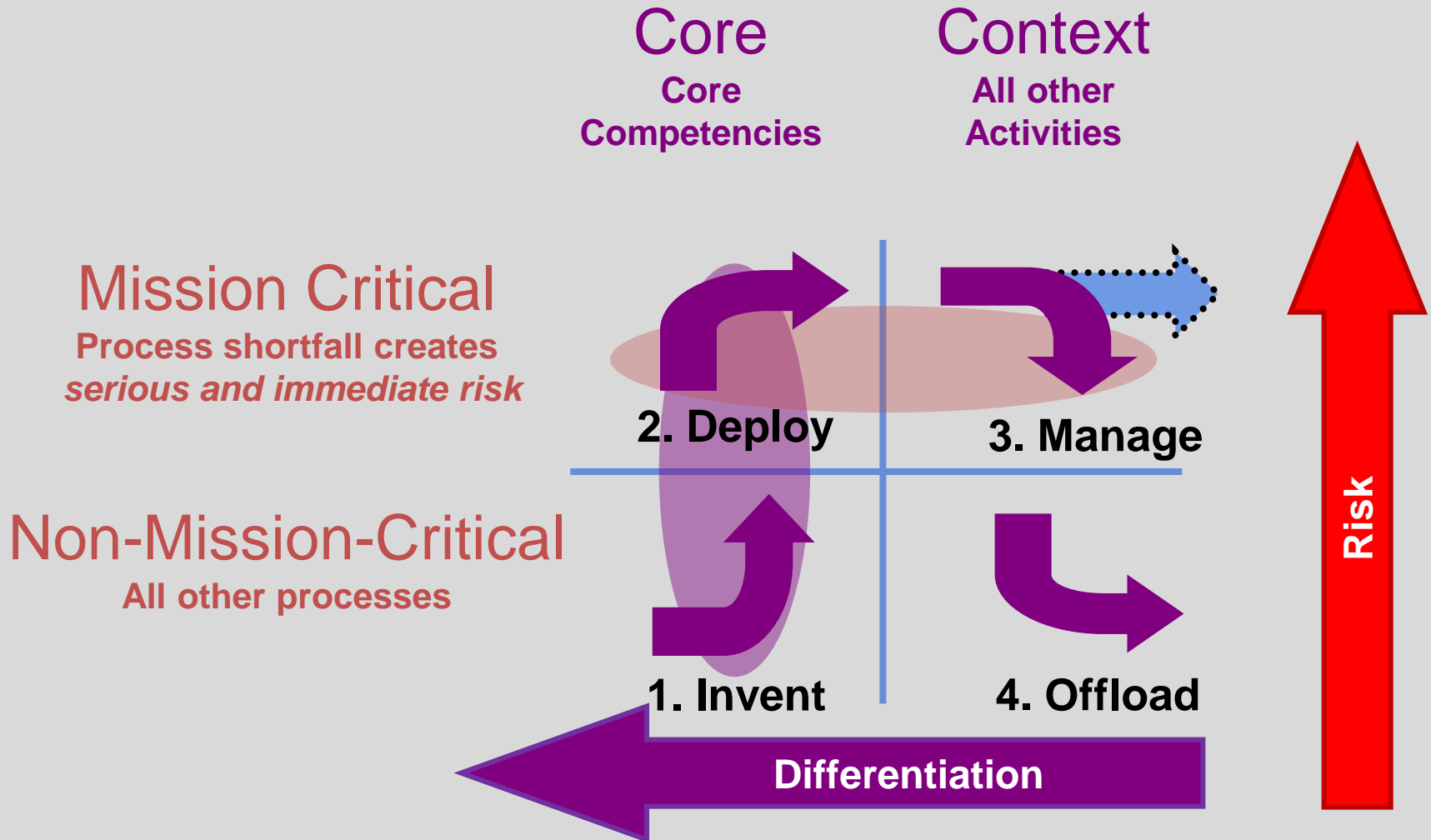
Cellular Telephone Example

Core Becomes Context Over Time

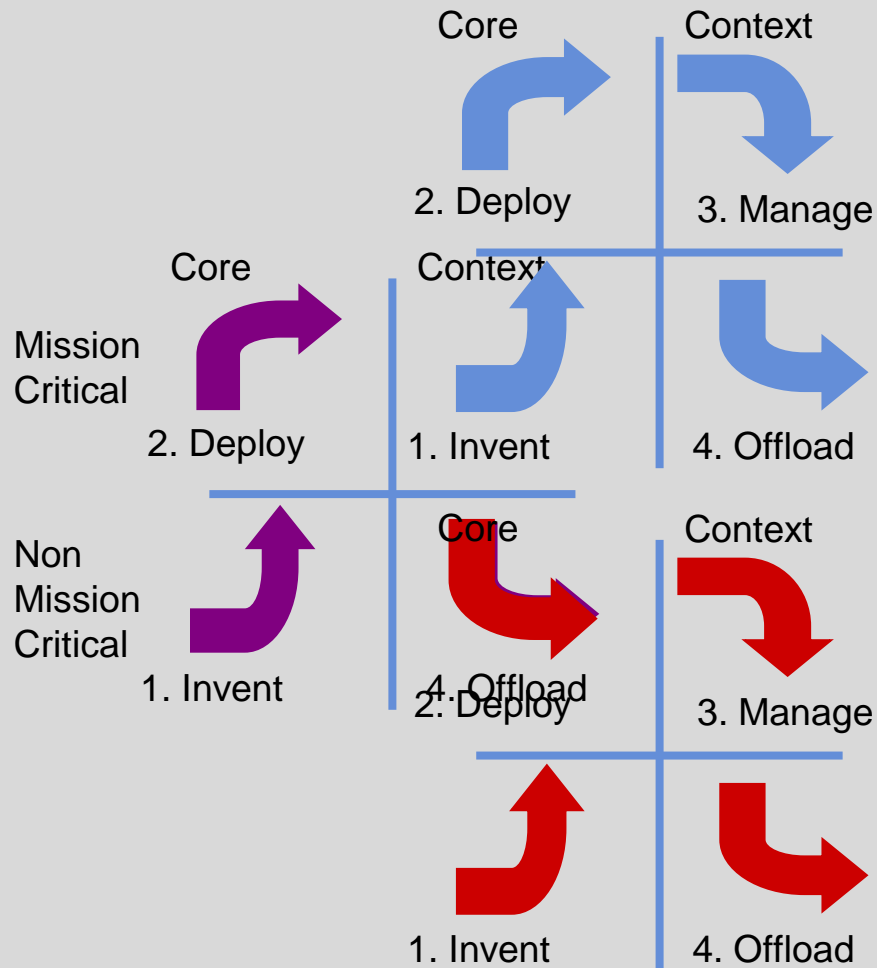


Airline Example

Core & Context



Your Context = Our Core



- Outsourcing
- Partnering Approach
- Value Discipline = Customer Intimacy
- Effectiveness
- Core Competence – Relationships & Access to Markets
- Outcome based
- Strategic Focus
- Integrated Offering
- Risk Transfer
- Differentiated
- Value Focus
- High Margin
- FM Partner

- Out-tasking
- Contracting Approach
- Value Discipline = Operational Excellence
- Efficiency
- Core Competence - Systems & Functionality
- Input (output) based
- Operational Focus
- Bundled/Single services
- Limited Risk Transfer
- Highly Commoditised
- Cost Focus
- Low Margin
- FM Contractor

FM Growth Strategy- 'Sticky' Partnerships



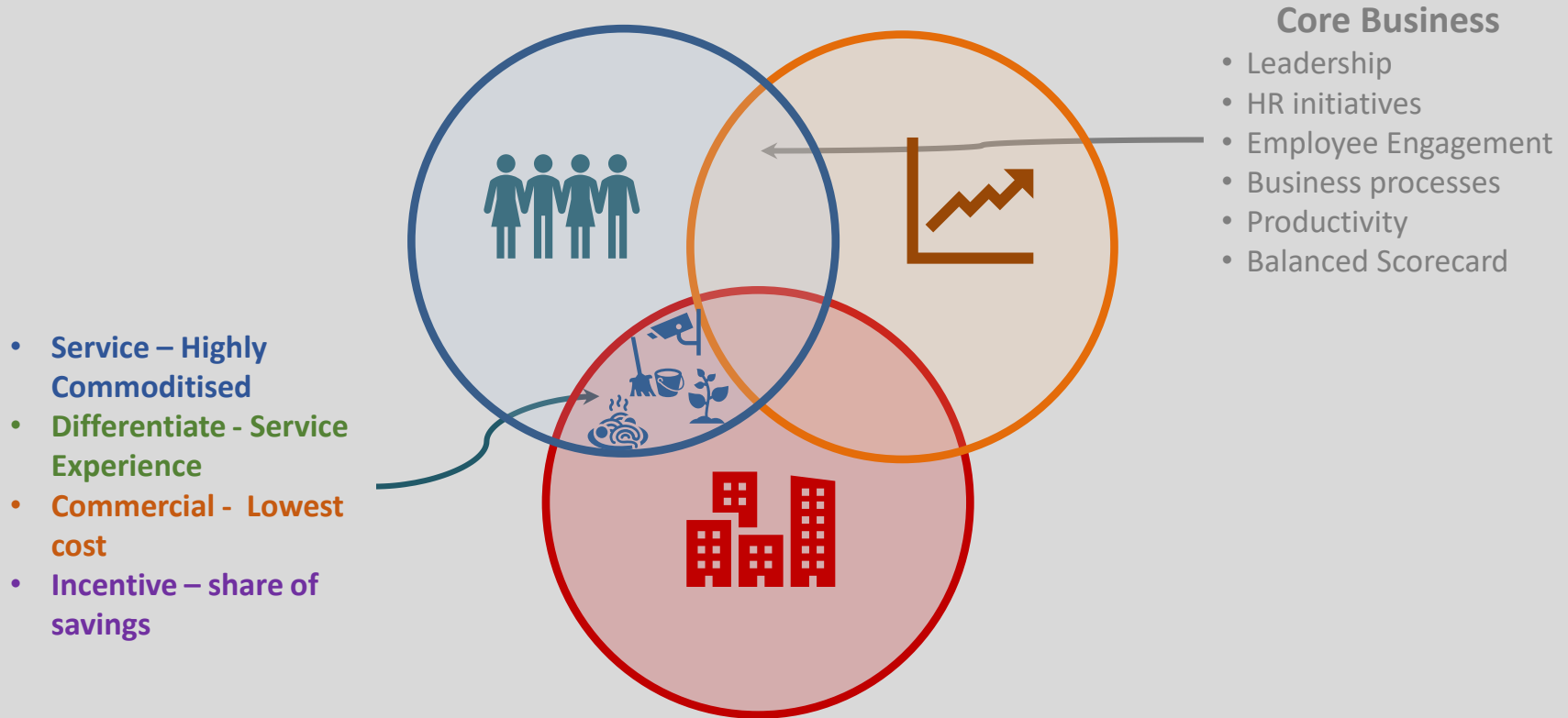
- **Cost optimisation supplier** to **strategic value added partner**
- Move FM up the value chain to focus on **enabling work (core/ mission critical)** rather than manage assets (non-core)
- FM to emphasise impact on **business performance**
- Better returns for the Customer = **Better margins for FM**
- **Better long term value** from FM through '**Vested**'*/ISO 44,001 type partnership approaches
- Key focus areas to deliver
 - Business Language & Skills
 - Co-collaboration
 - Workplace Experience builds Loyalty
 - Customer Journey Mapping
 - Key Account Management

JTBD Thinking

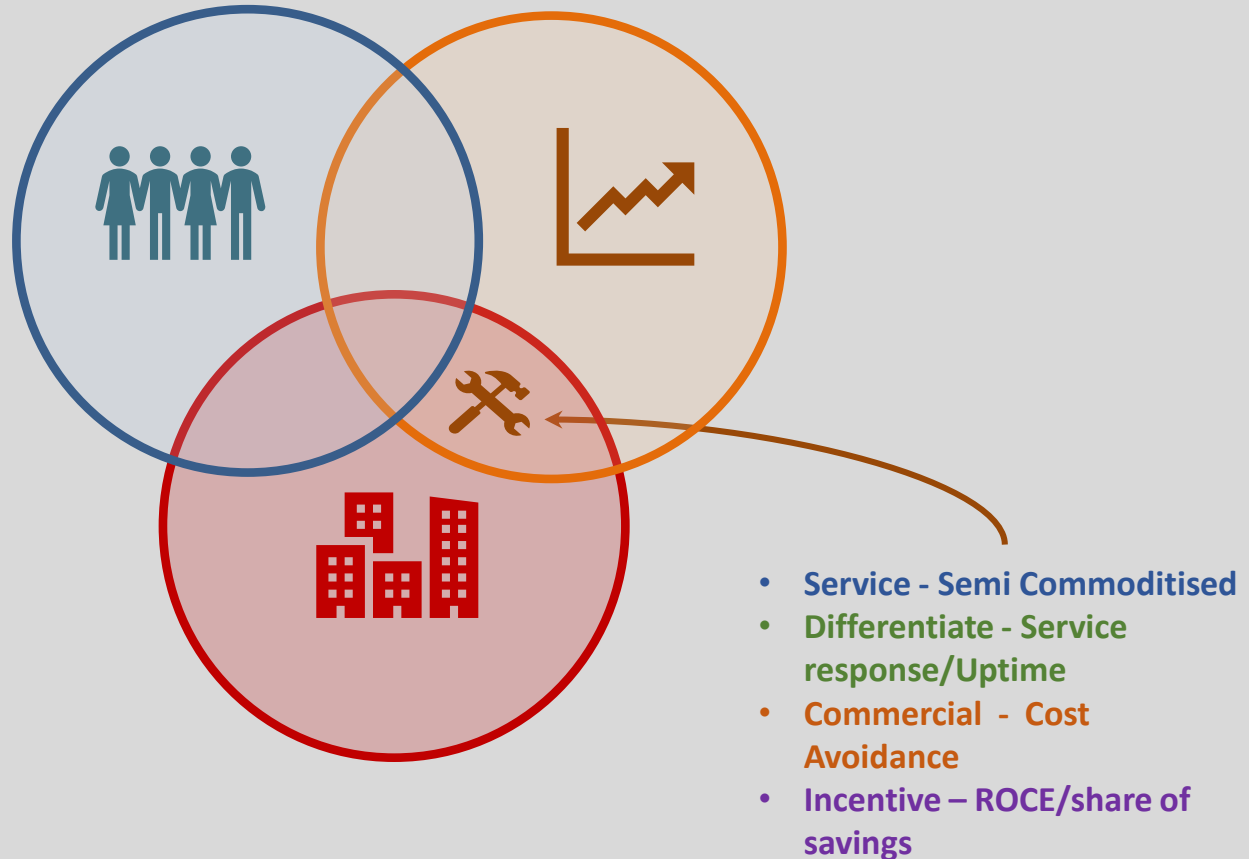


- A JTBD is **not** a product or a service.
- JTBD is the **higher purpose** for which customers **hire** products, services, and solutions
- Understanding the **customers JTBD** = new **insights** to create growth
- “What Job did the Customer **hire** Outsourcing to do” ?
- “What Job did the Customer **hire FM** to do” ?

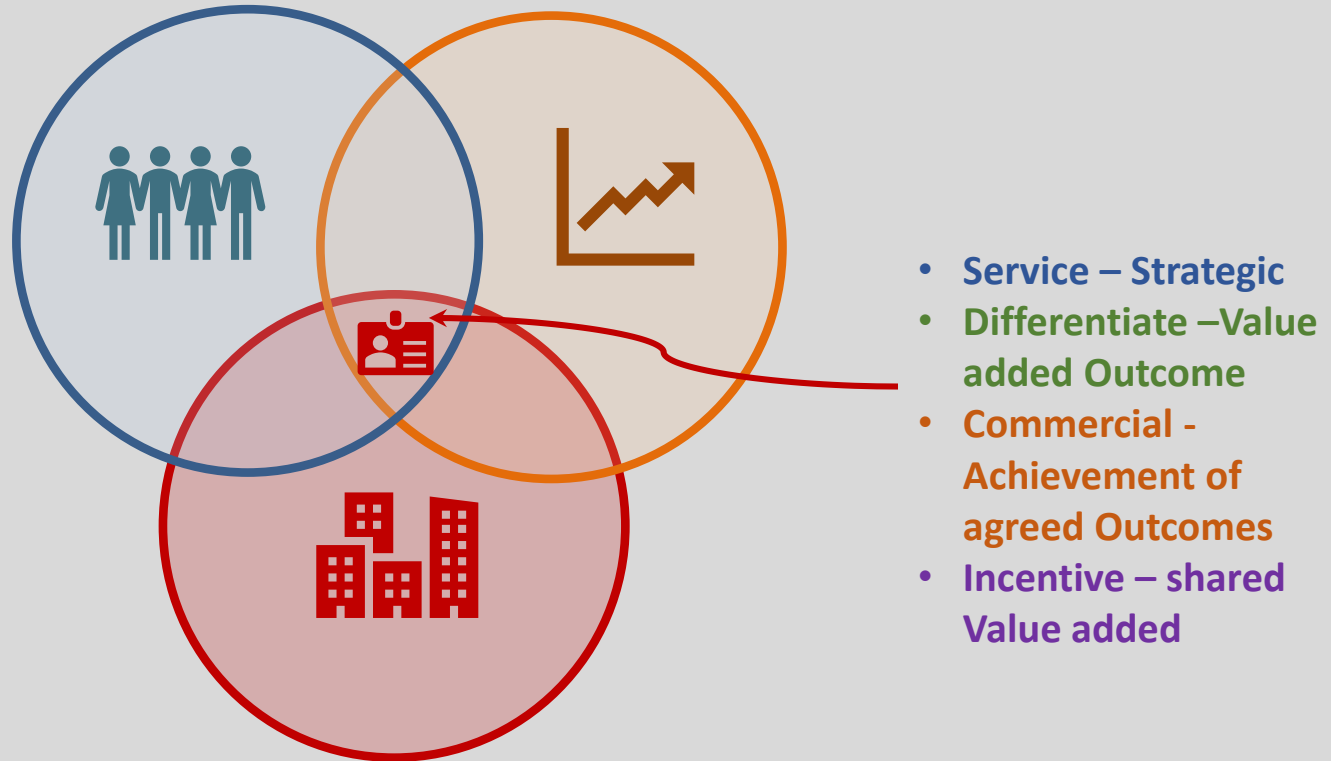
Workplace – Business Relevant FM



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Workplace – Business Relevant FM

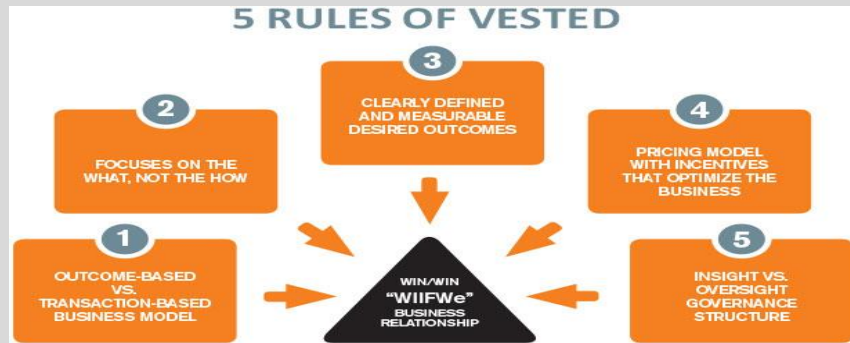


Workplace - Mission Critical Context



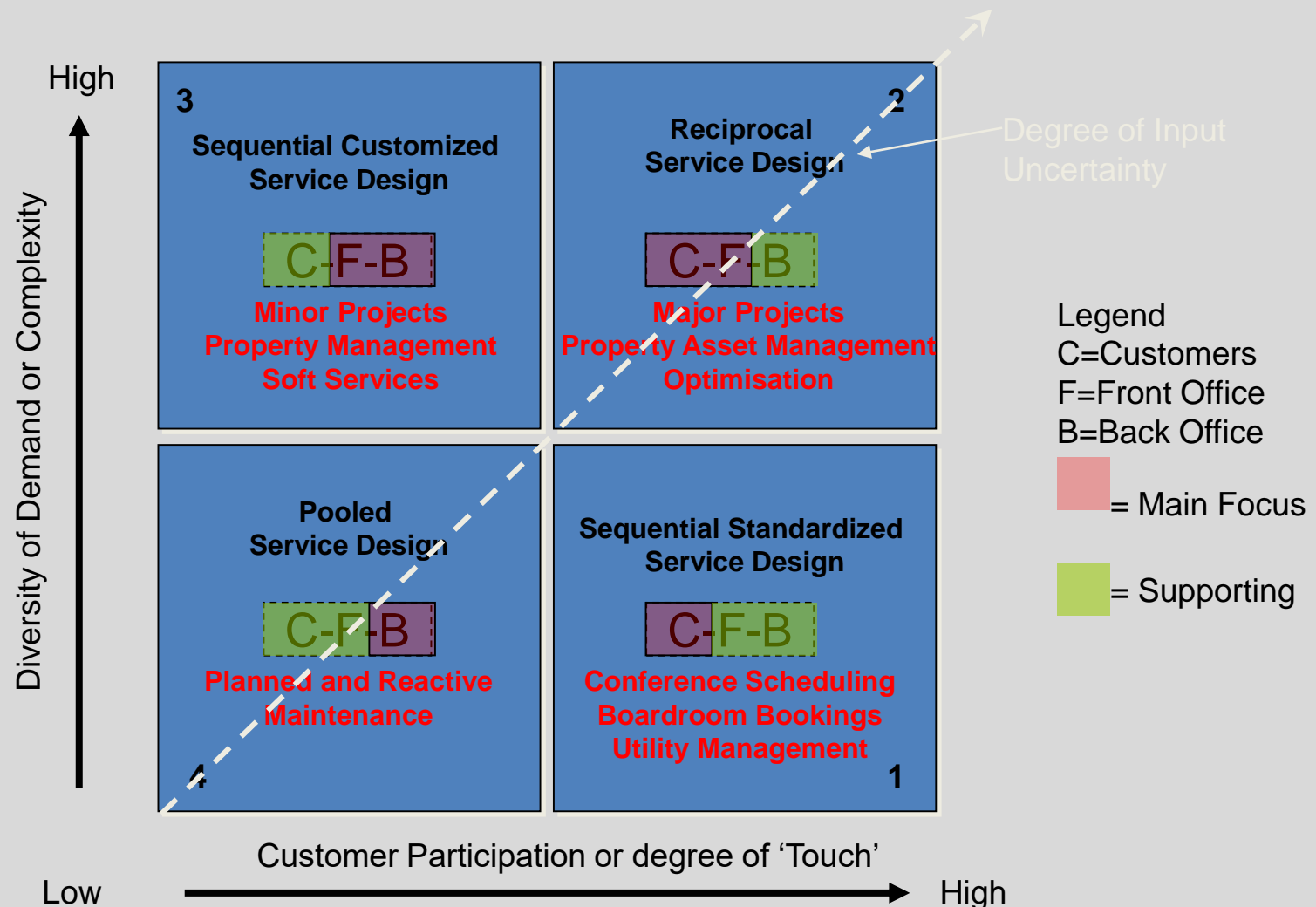
- BIFM Changing name and focus to **Workplace & FM Institute**
- **IFMA and RICS** are also considering
- Increasingly **workplace** is a **core enabler** for organisations
- Workplace is a tool that helps deliver on **strategic intent**
- **Workplace is a more business-relevant version of FM.**
- So FM can become a **value adding partner vs cost optimising contractor**
- Tech is the future that will create both cost savings but also better **workplace experience**

‘Sticky’ Partnership Models

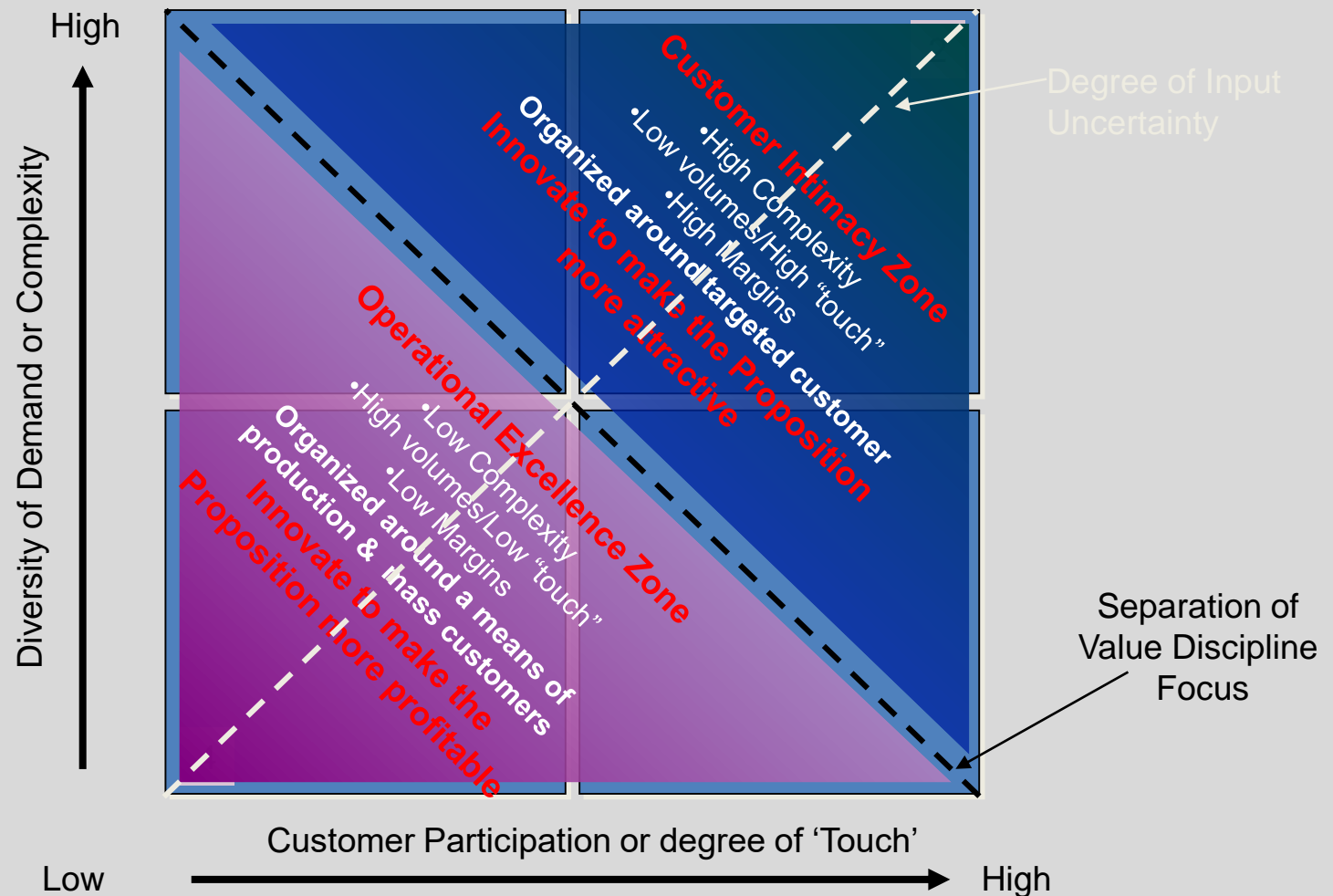


- ISO 44,001 and Vested* are **collaborative** business models
- **Relationship roadmaps**
- Foundation for a more robust **long-term partnership**
- Increased customer confidence from a **smart relationship** based on **joint outcome related objectives**.
- Promotes increased levels of collaboration to achieve **more significant** levels of **value**.
- **WIIFWe** approach

Interdependency Matrix



Value Discipline Focus



Complexity of Services

		Low	Moderate	High
Touch' (or degree of Customer interaction)	Inseparability	Low touch situation where Service delivery is pre-agreed and customer is rarely present during service delivery	The customer is generally only present when providing instructions.	High Touch situation where the Service cannot be created without detailed Customer involvement
	Co-production	Service is almost totally produced without customer involvement.	The service is produced in accordance with Customer instructions and will generally be 'signed off' by instructing Customer	Customer is actively participating in co-creating the service
	Heterogeneity	Low degree of variance due to highly procedural environment and low customer involvement in service delivery	Medium degree of variance due to greater degree of Customer involvement	High degree of variability due to active involvement and potential inexperience in specialist areas of Customer.
Business Model		Organized around a means of production and a mass market solution generating a number of standardized offers	Interactive Customer facing unit offering commoditized solutions based on standard offerings	Highly consultative service organized around cultivating relationships with a targeted customer and integrating their specific business requirements.
Customisation		Services and Processes are heavily standardized and provided in accordance with pre agreed criteria and	Customer inputs customize a standard Service	Detailed Customer consultation guides a highly customized /personalized service
Volume		High number of low value transactions- Low Margins	Provision of Service is 'ad hoc' and is variable	Low number of High Value transactions per annum – High Margins
Examples		<ul style="list-style-type: none"> •Planned Maintenance •Certain Emergency and reactive Maintenance •Soft Services 	<ul style="list-style-type: none"> •Churn •Property Management •FM Services •Minor Projects and repairs 	<ul style="list-style-type: none"> •Major Projects •Property Asset Management •Optimisation Initiatives
Value discipline		Operational Excellence		Customer Intimacy

Thank You



Call to Action

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 [@workplacefundi](https://twitter.com/workplacefundi)

- We have been at reducing cost since Michael Porter introduced us to Outsourcing nearly 50 years ago
- My company have been around since this time
- We have achieved a lot and continue to do so
- we have seen space utilization rates have fallen from the cellular office of the 1980 to rates of
- 1 person /6m2 and agile working meaning that a desk may have as many as 3-4 users in any given week
- but there is flip side
- despite massive improvements in technology
- we are becoming less and less productive
- Badly executed space Optimisation schemes have seen Staff treated like Walmart stock.....
- Space utilization is mistaken for space productivity
- we are fixated on benchmarking costs
- measuring the cost of the workplace is simple BUT THIS IS THE PROBLEM
- easy to measure where the light is brightest.....measure costs and costs are all that will be managed
- Facilities are of no value unless they support the strategy of the Organisation
- need to measure the contribution of the workplace to Organisational performance
- World leader in Workplace Productivity Leesman tells us that only 53%.....
- so 1 in 2 People go to work....
- Worse still.....
- In the 30 year life of a building2%.....6% and 92%....
- So it follows if >90% of the costs is related to people Organisations should be concerned with anything to do with their productivity
- but that's too difficult despite it being 15 times more effective?
- Stoddart review ...3.5% increase in productivity = 70 billion pounds
- RSA = \$10.5 billion
- In RSA we have a crisis of engagement
- Globally disengaged 2:1 RSA 5:1 just 9% engaged at work
- So focusing on Optimising Property costs WITHOUT understanding the impact on Productivity seems to me to be insane.