

FM OUTSOURCING – A consultants overview

Over the past 20 years there has undoubtedly been a revolution in outsourcing. At first we experienced single services like catering and cleaning go to market, these morphed into bundled packages and at some point transformed into Facilities Management and encompassed all support services from maintenance to the creche.

One of the main drivers of FM has been the emergence of the Government's Private Finance Initiative programme which offered a managed service model to the NHS, Education, Prisons and so forth.

However, the revolution has gone further and grasped hold of what were considered core company functions. BPO (Business Process Outsourcing) provides solutions for credit control, procurement, invoicing, lease management, HR, office space – nothing is sacred.

So what is or isn't FM? There are many definitions and to me it is simply about non-core activities, like those described, which others can do better than you - so you concentrate on your core business and your brand.

Companies who survive the Credit Crunch must be agile and reduce their fixed and variable cost burden. If they don't they will certainly face the painful dilemma of firstly, trying to stay in business; secondly, maximising resource utilisation in a declining market and thirdly being able to respond quickly to the demands of that market as it picks up.

So whatever you manage - hotels, hospitals, schools, universities, manufacturing, logistics, a supermarket chain and so on, and you still operate largely an in-house or partially outsourced operation, can you seriously afford to do that any more? Is it a case of pride vs common sense?

Why would you want to outsource support services?

- Cost reduction
- Statutory compliance
- Risk transfer
- Expertise
- Reduced administration
- Sustainability

One of the clear attractions of FM outsourcing is unlocking savings potential of up to (and sometimes beyond) 20% from both direct and indirect costs. With the UK FM market reputedly worth over £130bn that's one hell of a dividend!

That's the background – but what's the reality?

FM is a fusion of companies from different and frequently mismatched sectors such as construction, corporate real estate, project management, catering, cleaning, security, engineering and so on. Names as diverse as Serco, ISS, Johnson Controls, Capita, Carillion, Ecovert, Compass, Sodexo, MITIE - all have a significant FM presence. Run a tendering exercise, you can easily get over 50 expressions of interest.

Whatever your current view, you need to take a cold hard look at your business model – does it really work? What are the internal and external factors which will affect your long-term survival? How important are the non-core activities to your business – for example, do you feel comfortable handing over your reception to a third party? How much does it cost you to process an invoice?

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Where will ultimate responsibility for this sit? All too often this is with someone too high in the organisation, like the Finance Director or COO; too junior, like a monitoring officer or too general, like procurement or HR. As you can work out, no one has either time or appropriate skill sets to work through the strategy.

As the Client you must own the decision. Expert help is out there with a number of consultancy firms who can develop the strategy which can go on to process review, procurement, implementation, performance management and running the change management process.

Each case will be different. For example currently in the NHS there is a move towards in-house because the raft of cleaning and nutrition guidance and pay equalisation makes outsourcing less competitive. However, in retail or workplace, it is very attractive to tender everything and you start wondering what can't be delivered through a supply chain.

It's a buyers' market - plenty of companies out there eager for new work. However, you need to have a clear vision of where your business is going and how much you determine is non-core. Focus on the art of the possible – and as described you can outsource virtually anything.

Your requirements must be clearly enunciated and backed up by data needed for bidders to respond to e.g. asset & condition surveys, hospitality numbers, cleaning frequencies and the like. Ensure you have a simple and effective performance measurement focused on the key indicators. And before you go to market, cost it to see if you can actually afford it, if you can't, then prioritise.

Dusting off an old spec is a complete waste of time as your business will probably be performing differently than 5 years ago - even over the last 6 months.

So take action now, take that leap of faith. A strategy review shouldn't take that long and you quickly realise that there's value in your business to be released.