

### A Collaborative Future

**How can FM providers deliver the level of efficiencies demanded by organisations in today's harsher business environment? Is it time for the next evolution of FM? Yes, according to Michael Cant. Jane Fenwick reports.**

Michael Cant is not one to rest on his laurels. The winner of the first Lifetime Achievement in PFM Award presented at last November's PFM Awards ceremony, Cant - arguably the FM sector's expert on service management - is on a mission to secure the radical model that delivers cost savings and defends the supply chain from inefficient and intrusive management, as well as delivering operational improvement on the ground needed in the delivery of FM services.

According to Cant, facilities management is at a watershed. He argues that the business climate emerging from the economic crisis is radically different from the past when the trend towards outsourcing FM services singly, bundled or under total FM contracts was the norm.

Business leaders are no longer satisfied with achieving 5 or 10 percent cost savings, he says. They are looking for at least 30 percent savings in support service costs. This, he argues, requires a fundamental change in approach, and it cannot be secured through adopting current approaches.

Cant explained that while FM has been able to provide outsourced services to client organisations for more than 20 years, its success can largely be attributed to improvements on what were highly inefficient business operations at that time. For organisations that outsourced their non-core services securing 10 or 20 percent savings on their cost base was not particularly challenging. However, research undertaken by the team at Larch Consulting find that subsequent process improvements seldom deliver more than about five percent savings in real terms, and this, he says, has tended recently to only be achieved by squeezing supplier's margins rather than delivering management efficiencies. "In fact, by creating additional management interfaces along the supply chain, this has ironically reduced savings potential even further."

"We have come to accept that this total FM model is 'sustainable' because it generates cost savings and increases management knowledge and efficiency. It does," he contends, "but only relative to the old business model - not to the next one. When you are facing a fundamental reduction of the cost base within organisations looking for 30 percent savings - not just 5 or 10 percent - you can't achieve this level of efficiency with this model without tearing service quality out of the frame."

Cant has been pondering this dilemma for some time, particularly in the last six months when he has been working to find a solution that meets the new economic environment facing decision-makers in leading organisations. "There is a need to fundamentally change the market. I have felt that this is such an important watershed in our sector that I have been devoting much of my time to this challenge. It is my investment back into the sector. Our sector will need to stand up to the test over the next few years," he says.

providers without the costly management interfaces. This attacks the management costs more directly and more flexibly."

His work with organisations to test this theory confirmed the opportunities in such a model. "When we analysed the costs of the management interfaces and inherent inefficiencies in their total FM models, it amounted to as much as 28-36 percent of the total cost of providing infrastructure services. This really stunned us. To think that you start in the first place with only about 60-odd percent resource or budget available for

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Cant has been working with some leading organisations to test his premise that the solution to cost reduction and service improvement lies with an 'ultra-thin' management and operational structure throughout the client and supply chain, and not by simply squeezing supplier margins alone - which plagues the mid-market providers at the present time. He explained: "Thinning down the management interfaces was not possible before because there was insufficient intellectual and technical knowledge of the principles and processes within organisations. Our work over recent years has come up with a different approach - one that rather turns away from the current 'outsource is good in-source is bad' concept."

Cant explains further "We have identified precisely what is required for managing in a 'thinner' client environment. Over the last decade this would have meant that a 'TFM' solution would be proposed, but in reality just getting a lead managing 'agent' and moving the number of suppliers from hundreds down to a few does not really solve the underlying problem. Now we can put in place the processes that maintain relationships with service

workplace activities was quite a shock. Once process management, operational constraints and other factors are considered, this declines to about 30-40 percent at best. This sort of fundamental inefficiency cannot be sustained."

His approach will enable carefully selected and prepared expert service providers to work directly with the client - and collaboratively with other service providers. He explained the process as "Intelligent clients working with intelligent suppliers working together to deliver essential services. We collaboratively re-engineer the client side and the supply side to mutual benefit. That is what Larch has been doing for over 15 years in an advisory capacity, but now it will be how I directly become engaged in the day-to-day of managing infrastructure FM for clients. The model is self-sustaining. It does not necessarily require mass staff or supplier turmoil - indeed it seeks to avoid this - because it only changes what really needs to be changed. I suspect this sets us somewhat apart from other FM models prevalent in the sector at the present time."

Is this the end for total FM model and total FM service  
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Michael Cant

- **Tillery Valley, part of Sodexo and a producer and supplier of chilled and frozen meals to the healthcare and education sectors, donated 55 tonnes of food in the last year to FareShare, the national food redistribution charity. Tillery Valley has also reduced its waste to landfill by half and increased recycling by more than half.**
- **Amalgamated Lifts is to provide lift maintenance services free of charge for the Demelza children's hospices in Eltham and Sittingbourne for the next five years.**

## Emprise makes Perfectus purchase

**E**mprise Services plc has acquired Perfectus Limited and Perfectus (UK) Limited, a security services company delivering security, front of house, helpdesk and integrated solutions to a number of blue chip clients, including Savills Commercial, GVA and MJ Mapp. The company holds SIA approved contractor status for the provision of security guarding, mobile patrol and key holding services and employed over 360 people.

Perfectus Limited and Perfectus (UK) Limited which employs 360 people were placed into administration on 5 February 2010, and Emprise Services plc acquired the businesses 10 days later as a going concern.

This strategic purchase comes shortly after the appointment of

Craig McGilvray as CEO and displays the company's push to enhance its proposition to market and strengthen its positioning as a mid-market specialist.

Commenting on the acquisition, Craig McGilvray said, "The acquisition of Perfectus is instrumental in the growth and development of our current security business, which is a key objective for Emprise."



Craig McGilvray

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### Economic shift

Cant points out that that for many organisations the economic shift to deliver service and cost improvements relative to the past will force change. However, for those organisations which have already implemented TFM/full outsource models, it will be quite a challenge to secure something quite different. Whilst the new approach offers another way forward that promises to deliver the kind of structural change that major corporates are now demanding,

it will not be for all.

He believes that expert service provider organisations know as much about their client's needs and business as anyone. The key, he says, is genuine collaboration – between the client and supplier, and particularly between suppliers. "I aim to work alongside suppliers that do their work well, and help them improve and bring alongside other suppliers as necessary. It is a collaborative model and collaborative management is what we will be doing. Suppliers are the experts; they know their service, and what is required, but they have not necessarily had the influence and leverage to help them make the service provision better, nor can they continue to reduce their margins in order that managing agents or lead TFM providers are able to retain their margins."

When speaking to these (usually mid-market) service providers, Cant reports that, "Everywhere I go, I get the same comments from the supply chain. 'You are going to be giving us the wings to deliver something special to the client by focusing on productivity

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while helping us defend our margins. You are enabling us to deliver a better service without beating us up all the time.' "

### Collaboration

Through merging client and suppliers into a SPV, JV or similar it will allow participants to jointly secure service cost efficiencies, whilst sharing in the capital appreciation in the venture. Cant explained that his role is to "structure and provide not only the lubricant and precedents to secure genuine collaboration between the parties, but to make sure it works. This is a finely tuned collaboration model that requires nothing other than a change of mindset and attitude from all parties. But all parties gain, and over a longer time frame."

"In future, businesses may not have any option but to think this way as main board directors must cut costs dramatically and make efficiencies, and quickly. An alternative model capable of being implemented quickly, minimising transition/migration cost, and with a sounder working philosophy – and able

to grow and evolve to mutual benefit – demonstrates that there really is another route beyond outsource/total FM."

"For me, going back into operational FM is a natural progression. I started there in the 1980's, and I'm enjoying being back to it, but able to use our consultancy precedents and client contacts and experience over many years in a more direct fashion. The Lifetime Achievement in FM Award certainly made me reflect on many things, but the most interesting reflection is that our sector will really only prosper if we offer different models to the market, and really collaborate in the future."

"The model isn't a secret formula like Coca Cola. It's simple rather than complex. Organisations facing the sort of FM challenges we are likely to experience can see this as an opportunity to test how this would compare with their current approach – and that's the real challenge I seek".

● **Michael Cant B.Arch MBA MRICS in Director of Larch Consulting Ltd**