

## Broad Horizons: New Approaches to Global Consulting

*The FM marketplace is rapidly becoming an international forum, with many major clients now issuing cross border service contracts. Suppliers have lots of experience and resources to support this, but how do clients obtain the right advice to allow them to manage the tender process effectively, and where do they get the experience to negotiate with bidders on such a scale? And, how do consultants need to change their offer, skills and networks to meet the needs of these clients? Building on many years experience in specifying, procuring and providing FM services across Europe, Dave Wilson CFM looks in detail at the challenges facing client teams who are responsible for international contracts, and suggests ways in which they can deal with those problems, and what consultants need to do to meet the challenge. The presentation will consider new models and methods for procuring cross-border FM, and how internal facilities and property managers can deal with the huge workload of data gathering, supplier assessment, and the tendering process.*

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The decision to utilise consultants to support a Facilities Management outsource is, at first glance, a strange one. It is, after all, usually expected that the client organisation's facility management team are already expert in Facility Management. That team would usually be assumed to know both about the organisation they serve and about the technicalities of the services which it requires to operate, the constraints and challenges it faces, and about the corporate objectives behind change decisions. Indeed, in many cases the Facility Management professionals will have defined and be leading the change process. So what value does it add to introduce external expertise to the process?

That fundamental question is one that both client team and the consultants themselves should be able to answer, because they are ultimately responsible to the organisation for the outcome of any project - and of course for the additional cost of employing the consultant organisation. This paper looks at ways of ensuring that additional value is delivered from the project, and the barriers to doing that in a world in which global contracts are becoming unexceptional, and the procurement of service provision contracts which

### **Key factors for client success**

- Select the right advisors – not the cheapest!
  - Good technical capability
  - Market understanding in every territory
  - International presence
  - Cultural and legal knowledge in each territory
  - Language skills for each country
- Have complete and accurate data ready
- Have your internal project management team ready to lead
- Have clear objectives aligned with organisational strategy
- Communicate incessantly!

cross national borders is the norm for corporations.

There are, of course, sound reasons for using consultants, of which most senior managers will be aware. They include:

- The short term provision of a key specialism giving advice and skilled support in a technical area which is not required as a routine established element of the core staff structure. In that, facilities management consultants are no different to lawyers, architects, or any other highly skilled professional discipline.
- The short term provision of additional resources, to meet temporary increased demand for routine services. This may be providing interim management, for example during maternity leave or sickness absence, or it may be to provide support during brief periods of intense corporate activity. These roles are more general in nature rather than specialist, but they allow organisations to meet cyclical or short term demand without incurring long term cost commitments.
- Strategic reviews, in which the introduction of an external perspective and the skills to challenge and test assumptions can be applied to help an FM organisation develop its position, services, standards, capabilities or capacity to meet the needs of its customers, whoever they might be.
- Change management, where the consultants act to plan and facilitate change within an organisation. This is not so much a question of adding technical skills, but of bringing experience of change to bear, leading the customer communication, and genuinely facilitating the process of personal change within the organisations FM team so that changes in culture, attitude, structure, process and responsibilities can be achieved with the minimum of disruption and the maximum benefits for all concerned.
- Board / Senior Management communication experience – it being often the case that facility managers are unused to communicating at Board / C-Suite or senior VP level, consultants can be used to prepare and present key strategic communications and support the FM team in getting their message framed, received and understood by senior staff in the organisation

There are, of course, other rationales for using consultants which may be less virtuous: for example, it is quite often useful for an internal team to have someone to give bad news on their behalf, who won't be around to bear the negative reactions, and (perhaps) doesn't have the emotional commitment to the organisation anyway; or, equally, consultants can be used as scapegoats, to not only deliver bad news but to take the blame if things go wrong ... but those are not, it has to be said, typical reasons for suing consultants!

The unanswered question so far, is: do consultants add value in what they do? Because I contend that the way consultants are sometimes used is merely as a signpost: to confirm what the organisation already knew but couldn't say, or wasn't prepared to execute without expert approval. But really adding value means much more than that. In today's corporate world, being a facility management consultant requires more than just technical expertise and experience: it means:

- Understanding the core business of the organisation you are working with
- Understanding their corporate strategy
- Comprehensively understanding processes behind the core business activity

- Being able to assess and interpret the market pressures driving the organisation into requiring change
- Being fully equipped to understand and deal with internal cultures and decision making

#### **Challenges for professional advisors**

- Market demand is changing very quickly
- International procurement is becoming the norm
- International knowledge and capability is essential
- Must have demonstrable systems and processes
- Need resource depth and high calibre people in many territories
- Must be credible to Board level management

In other words, there is much more to facility management consultancy than mere skill in facility management! It simply isn't enough any more for FM consultants to be technical experts: to deliver value they must be much more wide ranging management experts. That implies a need for a solid grounding in, for example, organisational psychology, management and organisational development tools, interpersonal skills, customers service techniques, communication, and business strategy.

Because what matters is not what consultants can do, but what their customers need. What is that, in the modern marketplace? I'm going to focus on larger organisations, and especially those which operate on an international / global scale. But it is important to remember that most organisations in the developed world now find themselves competing on a global scale, even if their delivery is only in a single locality. There is a resulting need to access and understand what constitutes best practice, and to be able to gain insight into peer and competitor solutions so as to inform the development of internal FM capabilities, whether you operate only a single facility or a global empire.

Many organisations are actively operating (and thus competing) in many countries, across many borders, cultures, languages and customer expectations. Their facility operations, therefore, are large scale whether they are consolidated or run as individual operations, and the challenges they face to achieve the right balance of service and cost are considerable. Especially in the market at this time, cost is a key driver, and it follows that many organisations are opting for bundled services contracts through a Total Facility Management (TFM) approach, often driven by senior management who believe almost instinctively that an international customer requires an international support operation. Leaving aside for now whether the benefits of that approach can yet be evidenced, this reality is what Facility management teams within organisations face. The problem which flows from that, which often requires consultant support, is that such TFM contracts are:

- Complex to specify and procure
- Complex to manage, measure and change
- Complex to price and control
- Difficult for customers to influence
- Perceived as remote from the core business

The good news, of course, is that there are ways of dealing with this, not least by using reputable consultants like those in IFMA's Facility Management Consultant Council. But to do that, we must first summarise customer requirements to meet the challenges above. I suggest that clients must be looking for consultant organisations which can demonstrate and deliver:

- Market leading intelligence
- International presence and capability
- Consistent and proven processes
- Great communication
- Deep knowledge across many services
- Local market and culture knowledge
- Cost effectiveness

In recent years a number of ways of obtaining such support have developed, and I want to consider the strengths and weaknesses of those options next.

In essence there are three main sources of such support and advice: specialist FM consultancies; major management consultancies (PCW, Boston Consulting, McKinsey, Accenture and so on); and the FM service providers. I will take those one by one.

I would, as you'd expect, argue that a specialist FM consultancy offers particular strengths. Primarily, of course, they know about FM. They are also routinely cheaper than the management consultancies by some margin, although I believe that the imbalance of cost and benefit renders that difference largely irrelevant, especially if senior directors feel more comfortable with the credibility of a larger management consultancy. However, it has been the case (and this is only just changing) that most of the specialist FM consultancies are simply too small to meet the client's needs. That affects not only their capacity to deliver on large projects, but their skills and experience in dealing with large TFM contracts and their ability to deliver internationally. The way they deal with that – and the way I used to deal with it – was through informal networks, usually based around my IFMA colleagues. The problem with that is that corporate clients need – indeed, demand – much more consistent standards of service, process and documentation than these informal groups can deliver. So they go to the larger consultancies – it is, in some ways, the old “no-one ever got fired for buying IBM” approach. But it does reflect a reality in which the small FM consultancies struggle to meet the challenges, in particular in their ability to understand and respond to corporate strategic positioning, and the ability to talk and be seen as credible players at Board level. If you add to that the difficulty of finding a consultancy which has a real presence in the major marketplaces, then most dedicated FM consultants have, on balance, a significant problem to overcome.

So do the management consultants offer a better solution? They certainly offer a much wider geographical presence, and can offer a capability which is seen as credible in the “C-suite”. But I would argue that the downside of that is an absence of any deep knowledge of the FM market, or of how FM impacts on corporate operations. In practice, what I have seen of these organisations – and I've had to “sweep up” after several of them, to retrieve failed change activities – is that they are expensive; that they over promise; that they use inexperienced (albeit very intelligent) junior staff to deliver the outputs; that they don't understand the complexities of FM; and above all that they offer simplistic solutions which often ignore the business impact of their advice because they treat FM as non-core, when in fact it is fundamental to business operations and thus

requires some real skill and experience to address the real impact carefully. All this, for very high fees.

The third potential source of advice is the facilities management outsource providers. The positive aspects of this option, of course, include genuine depth of knowledge combined, quite often, with a real geographical diversity and presence. However, their advice is too often tainted by the fact that the solution their consultants create and offer all too often happens to be the solution which their main business sells. The other key shortcoming, at least in my view, is that their consultancy teams are often primarily technical facility managers – by which I mean experts in the practice of FM – sometimes seconded to consultancy while awaiting a new permanent role, rather than senior highly experienced people who can deliver genuine developmental advice and have the credibility to deliver at Board level.

Remember, that reason all this matters is because there is a real trend, accelerating over the last five years, towards international FM contracts of significant scale, high value, and high complexity. That has inevitably been matched by internationalisation of the supply market. Especially in Europe, but of course involving North American client businesses and North American suppliers, this major shift in the buying and selling markets has not yet been reflected in changes in the advisory support available to buyers. So how does all this impact on those buyers, and what do they need to know? To assess that, we use a model to assess business preparedness for pan-national FM provision<sup>1</sup>, shown in figure 1.

What this model seeks to demonstrate are the key factors which, in our experience determine the extent to which an organisation can successfully extent it's organisation of services beyond a simply "in country" (that is, single country) basis.

**Figure 1: Assessment for readiness for pan-national procurement<sup>2</sup>**



<sup>1</sup> Note that, although we are discussing this in terms of procuring services, the same issues apply if the service is internally managed.

<sup>2</sup> © Agents4FM International Limited, 2010

Those determinants are:

- the availability of funding – this effects both the practical process of procuring and integrating services across a wide geography, and the ability to fund the continuing management supervision and presence to introduce and maintain common standards and processes across the geography. This is key because the pay-back period from the start of the project may be two or more years: the results and impact of introducing best practice not only take time to be realised, but often require some ‘cost of change’ to be incurred at the outset. So, although cost savings may result in time, no-one – and especially the project sponsor at Board level – should expect instant savings.
- Similarity of property size: while it might initially not seem evident, it is quite clear from experience that if properties are radically different in size, the resources available and applicable to undertake change are impacted. A project to introduce change into a small number of large locations require a very different resource number and skill set to introducing that same change into many small locations (think perhaps about the difference between retail operations and manufacturing as an example).
- Activity similarity: for the same reason, the challenges involved in introducing change into diverse operational environments are also magnified when the properties contain different functions (for example, think production plant as against offices). That’s not only because of the obvious different impact that FM solutions can have on the core business operations, but also because the approach, attitude, education and simple readiness for change is almost always very different between the occupiers and users of the types of space.
- Corporate culture: We consider this as an issue because a very strong corporate culture can mitigate or overcome the issues of diversity referred to above (see Collins and Porras<sup>3</sup> for examples).
- Centralised management – it is clearly the case that devolved management authority, where for example “in country” managers have responsibility for their bottom line, or just hard to achieve production or sales targets, mitigates against an international provision of FM, whether internal or external. Experience tells us that powerful local management like to have local solutions to their FM needs, and are not generally susceptible to the promises of future savings if the process is seen to jeopardise their results. On the other hand, organisations with a strongly centralised command structure will normally find the single source provision of FM uncontroversial and will support its introduction.

Where this leads us is that superficially similar scale operations may actually require very different solutions. So the importance of intelligent and experienced advice to allow the correct selection and design of a solution, rather than a “one size fits all” approach, is key to success. There are, of course, infinite combinations of solutions, but there are a two key options which have emerged from the supply market which seem to be attractive to buyers.

- Total Facilities Management (TFM) – which is also known as multiservice in mainland Europe – is the provision of all key service streams from a single supplier, with only a minority of small value specialist services procured by the main

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<sup>3</sup> “Built To Last”, Jim Collins and Jerry Porras (Random House, 2000)

contractor. It is the typical (but not only) model for pan-national procurement, because it offers a consolidation of financial and management reporting, with, theoretically, the optimum use of management resources. Suppliers using this model have often emerged from a single service discipline like cleaning, engineering or catering. It offers significant nominal savings, although the implementation costs and ongoing supervisory costs can be high, offsetting savings. Promised process commonality is often undermined by a combination of cultural resistance, different national legal requirements, and customer resistance to change.

- Principal Contractor (PC) Management – this combines the application of management processes across the portfolio, but with service delivery procured on behalf of the client by the Contractor, acting as Principal. This model has been much used by the Real Estate providers moving into the FM market, since it plays to their strengths. It allows the PC to procure “best in class” support - or at least the most appropriate service delivery provider - in each geography, and can be used to tailor differential service levels to meet local needs. However, management costs can be high because of the need for more supervision than is required under the TFM model; and some clients dislike it because the PC remuneration is often calculated as a percentage of total expenditure, raising fears that the PC is incentivised to keep costs up rather than drive them down.

It may be clear by now that there is no simple single solution to the conundrum of how best to procure FM services across a wide geography. But corporate pressure is still pushing firmly towards reducing supply chain numbers, driving down costs, and increasing service consistency across the portfolio. Even if you can work out the right strategy from all this, implementation is often constrained by some basic process constraints.

Surprisingly often, the absence of basic data is a significant issue. Put simply, the data that is needed to run “business as usual” FM operations is not the same as that required to put the services to the market for pricing and service proposals. One key function of experienced consultancy advice is to understand exactly what *is* needed by bidders for contracts, and to present it in a coherent way which allows potential bidders to accurately price the services. Given the complexity of FM operations, this is something that genuinely requires experienced advice and support; and because the data is often embedded in hard-to-find crannies of the client business, and may also be secondary data (by which I mean, it's derived from something other data set and needs to be calculated, estimated or assessed), the most effective solution often requires a combination of technical expertise and field experience, together with the need for additional staff resources to do the research and analysis, which only consultants can provide. Sadly, many clients (and again especially at senior level) have little or no conception about how little accurate data is easily available. It is, of course, never really in the interests of the internal FM team to expose its data shortcomings, but we should be honest that most in-house operations are not required to measure or report performance in the way we expect out-sourced providers to do, so they don't collect volumetric usage data or measure and report performance in the same way. Of course many in-house facility managers believe that it is enough simply to *know* what goes on in their facility, rather than having to show it. While no-one suggests that is good practice, it is not atypical, especially in smaller facilities. It is, in some respects, a good example of the cultural resistance to change that I referred to earlier.

Another common problem is that a change to a wholly outsourced approach requires financial base lining and reporting which is wholly different to internal requirements. I have, for example, worked with an organisation which only reported three lines of expenditure for FM: property, staff, and suppliers, with no “drill down” of the component cost elements. That is almost wholly useless for facility management purposes, but to get at the underlying

costs, or to get the finance department to assist in that research, requires significant senior management support.

Another common constraint which we encounter is that there are rarely detailed service specifications, at least in the sense that these are needed for an effective outsourcing project. This is because few internal teams have the time to write down what they do as a matter of routine. And, as a consequence, there is almost never any measuring or reporting of performance standards and service levels.

The final area of concern, which is probably evident from all that has gone before, is that the pricing models needed to underpin any multi-property, multi-service, international procurement are both highly complex and highly detailed. Creating these without advice is almost certain to lead to failure, either in that the supply side will be unable to provide complete and binding costs, or that the service costs will be unmanageable once the operation is in place, or that variations cannot be adequately priced and managed.

Taking all these issues into account, what impact does this have for organisations looking to procure across borders? How can they move from the status quo to their desired position with any confidence in the outcome?

Internally, that is within the client organisation, I believe there are some key understandings which must be accepted, leading to requirements and commitments which must be made:

- The change process will almost certainly be beyond the experience and capability of the internal facility management team
- Nonetheless, they have to lead the project because they have to deliver the results in the long term, and they are key to the knowledge of the internal users and the core business processes; they have the stakeholder relationships; and they can obtain raw data more quickly than anyone else
- There must be clear and measureable internal objectives to be achieved
- The internal stakeholder team must include senior level sponsors and obtain the commitment of finance, HR and procurement teams within the organisation
- Good quality data is vital to success and must be gathered quickly
- So, good advisory support is needed to support the internal team, provide quick access to good documentation, processes and experience, and provide the additional resources needed to move the project through to completion
- The cost of this change needs funding, since in-year savings will not normally be adequate (bear in mind that the process can take a year from inception to the contract start date, so savings won't even begin until year two of the project)
- Because some internal staff may well have their roles replaced by the outsource provider, the organisation needs to take time to review the probable structural issues *before it starts the project*, and consider how to deal with this. Those staff may well be key to delivering the projects outcomes, so their commitment is key; and thus what happens to them after the start date is also key. In Europe, of course, staff are protected under the Acquired Rights Directive and can transfer their employment and all their terms and length of service to the incoming contractor. Even in jurisdictions where this mechanism is absent, the current employer organisation might want to think about contractually protecting those staff, in whatever way is legally possible, both as a



“good employer” and as a means to retaining their skill, knowledge and expertise during and after the transfer of services.

In terms of project management, the buyer organisation now has some access to much more coherent and wide ranging services (both in terms of technical expertise and geographical spread) than was the case even five years ago. Nonetheless, buyers need to be clear what they are getting when seeking consultancy support. The bottom line is to find advisors who can show:

- Technical competence in FM and property issues
- Understanding of the supply markets in all the regions where the organisation operates
- Understanding of cultural and legal issues in all those locations
- Strong systems and processes, underpinned by experience in procuring international FM services
- Depth of high calibre resource to support the project in all its phases and in all locations

Finally, what does all this mean for consultants?

As suggested previously, the market demand has changed significantly. While it would be an unwarranted exaggeration to say there is no place for advisors with purely technical FM knowledge and experience, it is certainly fair to say that those who can combine that with strategic understanding and a genuinely international delivery capability will be at an advantage, and will probably be able to parlay that added value into higher fees because corporate buyers will both understand the value proposition and be able to set those fees against much larger savings potential than “in country” projects can achieve. That demand side need and pressure is likely to result in consultants having to form more stable enduring international partnerships, and (we might hope) rise again the levels of professionalism within this sector of the FM industry.

Taken together, all this means that significant pressure to change previous practice exists for both buyer FM teams and FM advisors. It is no longer enough to cobble together consultancy teams and deliver sub-optimal outsourcing projects as a result: organisations need and demand the highest level of support to deliver high end results from high value projects, configured around their corporate needs. In the maturing FM marketplace, nothing less than this will be good enough.

**Dave Wilson CFM** is a founding director of Agents4FM International Limited, an expanding specialist FM consultancy with branches in the UK, Belgium, Denmark, Qatar, Australia and operations across Europe, the USA and Asia. Dave is an ex-Board member of IFMA's Facility Management Consultant's Council, past President of IFMA UK, and former Deputy Chair of the British Institute of Facilities Management and a former Board member of EuroFM. He has worked extensively on major outsourcing projects for international businesses over the last fifteen years, as well as advising facilities service organisations on new market opportunities.