

## A sustainable strategy

By i-FM News Team 30th April 2018



In light of the FM market's recent troubles, Tony Raikes tells i-FM that the outsourcing sector might have forgotten what it means to be sustainable.

As the sector continues to pick up the pieces from Carillion's liquidation, one of the most popular explanations for its demise is that the leadership was too eager to please shareholders to the detriment of everything else. Businesses, especially ones that operate in the construction or support services sectors, are like Jenga towers (though hopefully sturdier) – large, intricate structures with many individual pieces that keep everything together. Discard one piece and the threat of collapse is imminent. These organisations have multiple stakeholders that all have unique needs, and while those needs might not always align, they must execute a balancing act.



It is a responsibility that Tony Raikes, managing director of Vinci Facilities (left), knows all too well. "We can't satisfy our shareholders at the expense of all other stakeholders," he says. "If you don't have customers, you don't have a business. If you don't have good people, you don't have a good business. If you don't look after your brand by giving back to the community, you don't have a good business either. Keeping all those aspects in equilibrium is the challenge for business - and for businesses to be sustainable."

Raikes believes that this rests on the development of a necessary sustainable strategy. This does not mean sustainable in environmental terms – the word has largely narrowed its focus in recent years – but a strategy that ensures the business doesn't grind to a halt. "We want to be here for the long term," he says.

Compared with some of his peers, Raikes is in a fortunate position. While companies like Carillion faced overwhelming pressure to satisfy shareholders and therefore grow turnover, Vinci Facilities' MD is afforded a little more breathing space. "I think I'm very fortunate in the sense that I operate in a business that isn't driven by growth particularly," he explains. "It is desirable when the market conditions are right, but it isn't a requirement. I'm under no pressure from my chief executive and he is under no pressure from our parent in Paris to grow."

Raikes claims that Vinci is a significantly decentralised business. The part he now runs was formed out of Vinci's **acquisition** (<https://www.i-fm.net/news/tw-sells-construction-and-fm-business>) of Taylor Woodrow in 2008, a deal that included both its construction and FM divisions, and it has been able to maintain much of the same culture that originally made it successful.

When i-FM spoke to the business's former Operations Director, Nick Shaw, a decade ago, he emphasised the parent's inclination to keep its new acquisition as a standalone operation. "There are no big issues about being merged into a larger organisation. Basically, we were a business that they wanted, and the benefits will come not through integration but through synergies," Shaw said.

The company was "Vinci-ised" but there would be no move away from its Watford head office. And the parent kept its word: today Vinci Facilities is still based in that same Hertfordshire town. "We operate to our own specialism and expertise, and we are given the freedom to do that; but the guiding principle overlays all of the organisations that sit within the Vinci family," says Raikes.

That freedom and philosophy give the service provider an opportunity to work with clients that espouse the same view. If these customers are also trying to run a sustainable operation, they will care about their supply chain in much the same way as Vinci does. "This allows me to be selective about the clients I work with," he explains. "I'm not chasing turnover, ever."

And this philosophy does not represent a new direction for the organisation. It is not a response to recent volatility. In fact, Raikes claims that it can be traced back to 2012, at a time when much of the industry treated it like a quirk.

"We have pursued a balanced scorecard approach to running our business, which puts all our stakeholders in the centre ground," he says. "That philosophy started as a strategy, developed into a business model and has grown as a culture in the business."

#### **What's gone wrong in FM?**

There are parallels between the current state of the outsourcing sector and the performance of the construction industry over the past several decades: "The construction industry has had its own race to the bottom," says Raikes.

Among the scrutiny that has followed Carillion, it has been suggested that the failures of its support services outsourcing arm have been exaggerated and that it was the construction business that was responsible for its problems.

There is truth to that. A recent article on Carillion's collapse in the *New Civil Engineer* noted that the while UK contractors such as Carillion had "gone towards management contracting, where the risks are mostly subcontracted to specialists", French organisations like Vinci have maintained considerable technical skills in-house, which allows them to "control risk very effectively" and makes them "able to role with the punches." This is another aspect of that sustainable strategy.

Regarding where the blame lies for the race to the bottom in outsourced facilities services, Raikes claims that the answer is not black and white; it is multi-faceted. On the one hand, he says: "There are lots of customers who want the cheapest price and expect the supply chain to deliver excellent services for it, without understanding the quality aspect of the tenders they receive."

Raikes does make it clear that value-driven customers, on the other hand, come to market too: "There are plenty of clients that do operate on a value basis rather than a cost basis." The performance of his business is testament to that: "We have had a very successful few years of improving margins and improving cash balance by being selective of the customers we tender for and develop mutually beneficial relationships with."

Of all the customers that have driven down the value of facilities services, perhaps the biggest offender is the government. Cutting public services to reduce the deficit has been fundamental to its strategy, and this has had a notable impact on the price and quality of facilities services. Raikes puts it like this: "The government has driven a lowest-price philosophy for a number of years and an increasing risk transfer that is in my opinion unreasonable."

A line needs to be drawn, he says: "We are happy to take risks that we are best able to manage." And he goes on to acknowledge that service providers carry a responsibility, too: "Undoubtedly, contracting organisations have a duty to make the right decisions. If other organisations are bidding below cost or at unsustainable margins, then their managements should be held to account."

#### **What's the solution?**

Profit and sustainable business are not mutually exclusive goals. "Organisations have to make profit, but if they reinvest some of that profit in improvements and innovations, they can deliver better services in the future," says Raikes. "It produces a virtuous circle."

"On the flipside to that, if you are working with clients who only care about bottom-line cost and are propagating a race-to-the-bottom philosophy, then there is no room to create innovation and drive out cost in a managed way," he adds.

Raikes is encouraged by the response of the BIFM and the BSA and would welcome any effort by the government to change its procurement of facilities services from a cost perspective to a value perspective. But he understands that the polarised politics of the moment and the sensitivity around the issue of public services – spurred in no small part by Carillion's liquidation – make this difficult.

"If you look at the political environment, defining value and being able to explain that to the public when [a service] is not the lowest cost is quite a difficult political argument to make, especially when the opposition party would like to insource more," Raikes explains. "Therefore, a Conservative Party espousing a not-lowest-cost agenda is quite a difficult thing for them to do." Nevertheless, he believes this is an argument that must be won for the benefit of the entire industry.

Like many of his peers, Raikes is hopeful that good may eventually come from this painful period in the facilities services outsourcing sector. Good in the form of necessary self-reflection.

"There is an opportunity for clients to look at what has happened at Carillion and others and ask if their current procurement practices serve our best purpose in the long-term," he says. "It is very sad to see Carillion go the way it has gone, and it is very distressing for all the stakeholders involved: customers, shareholders, supply chain and employees."

Some good will come out of it if, ultimately, organisations reconsider what it means to be truly sustainable.