

## Increasing focus on value in FM contracts

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### Value is now one of the most important words in the lexicon of support services and FM.

It has always figured somewhere in PQQ and tender questionnaires but, judging by reactions since the collapse of Carillion the perception around value is changing.

The FM industry is in the spotlight and needs to ask itself not just what it does, but why and how it does it. This does not mean abandoning the concept of outsourcing.

Organisations of all kinds in public and private hands will continue to benefit from focussing on their core operations and handing the management of non-core functions to expert service providers. What's required now is a thorough interrogation of how those services are provided and to what end.

What are the drivers? As FM providers we need to be wary when a potential client only admits to lowest cost as their driver for procurement.

Simply delivering more for less has consequences. The idea of sustainability is one to dwell on. In FM, for a contract to work well, it must be delivered as a partnership between client, FM provider and their supply chain, to benefit the client, the end users and the wider community.

The terms of an agreement will often define if that kind of relationship is sustainable i.e. will the contract succeed beyond its initial term and be extended delivering a sustainable and mutually beneficial partnership, or will it fail and end after that initial term and the client start over again?

The balance of risk is important. Suppliers should be unwilling to shoulder risks that they have limited ability to control or manage.

There needs to be a dialogue enabling each side to be clear about their abilities and obligations and identify any risks that can be managed together.

Too many procurers have fallen into bad habits, to the extent that the more enlightened clients who embrace the notion of one-team stand head and shoulders above the others.

It pays huge dividends for the client and supplier to be open with each other, transparent and honest about the commercial margins needed to make a project and the business of FM sustainable.

Both parties need to appreciate the others' needs and respective priorities and fundamentally understand each other's true business goals and requirements. Sustainable relationships occur when these business goals are explicitly discussed and aligned.



So, it is vital not to keep each other at arm's length and crucial for the long-term success of any service agreement to work together.

But one discussion must be addressed: what kind of service is required and how is value judged? We believe that every client and their respective end users – anyone from hospital patients, students, school pupils and their parents, office and factory workers to the public out shopping – should receive an excellent quality service.

But, once the procurement process is complete, the price agreed, and the new solution underway how will that service performance be measured?

For too many clients the initial focus on service falls back to the cost of delivery, this being the basis of the original procurement decision.

This leaves little or no room for the FM service provider to deliver the added value the clients would benefit from and the end users desire – it actually limits the opportunities to create workplace solutions that improve client productivity, boost end user satisfaction, enhance energy and asset management and enable medium and longer-term cost optimisation.

So, the measurement of FM contracts needs to be consistent so that all businesses that operate within the sector can be reviewed by the clients on a level playing field. Then we can see what value is added.

Which takes us back to how we assess that service? On price or an appropriate blend of quality and price?

Because that the final evaluation tells you everything you need to know about a client's drivers and the set of behaviours they are adhering to, or not.

This is where we as service providers must push back and ask tough questions of our clients. Only once we are agreed and collaborating as a team can we deliver great service that is reinforced with real added value.

Then, in time, we will have an industry universally recognised for these attributes.

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