



Strategický pohľad na Facility management

Konferenčný príspevok

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Principal, A.T. Kearney*

Bratislava, 1. júna 2011

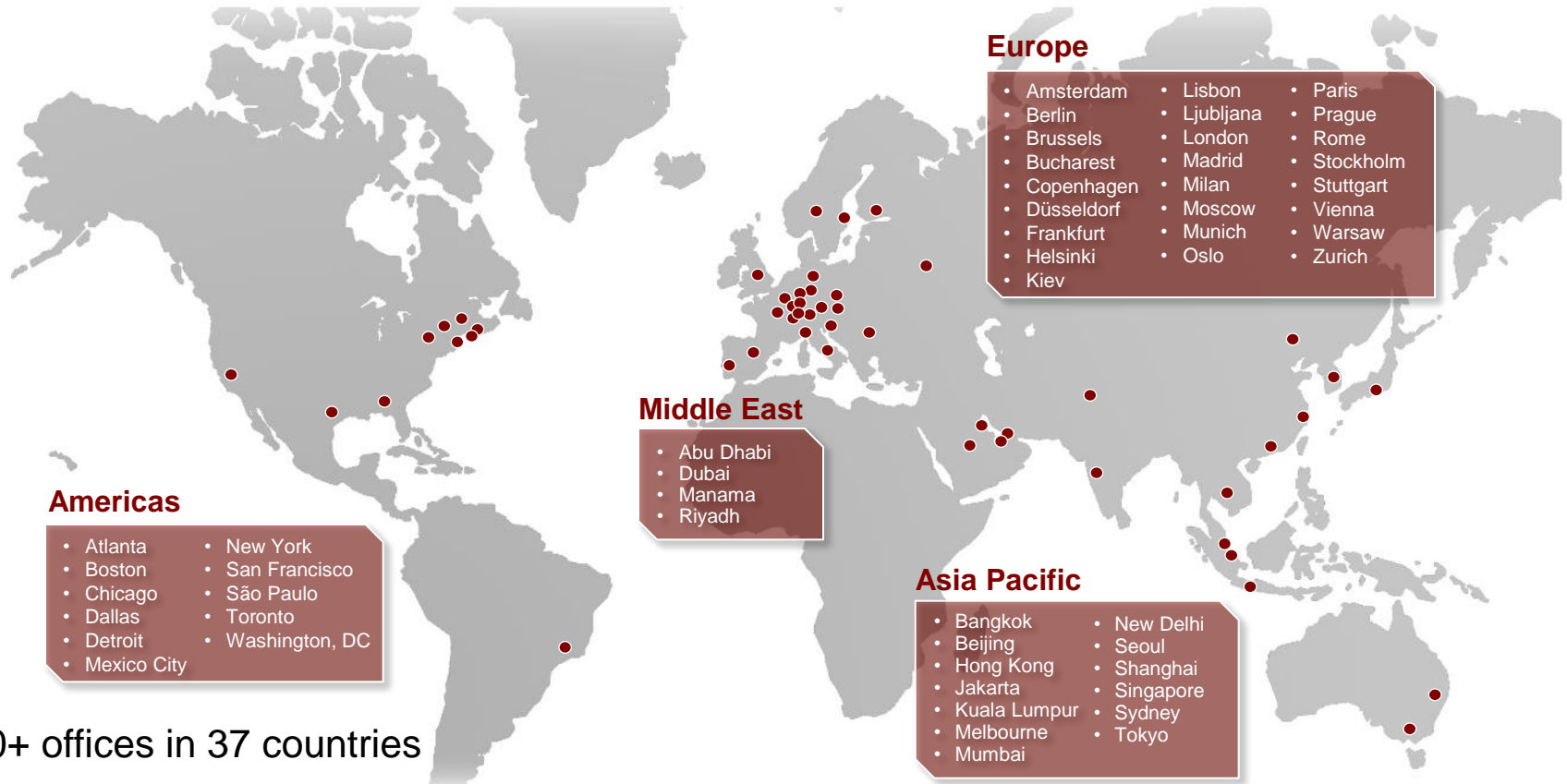
Agenda

- Introduction
- Selected trends in Facility Management
- Key success factors of building of strategic partnerships

Introduction

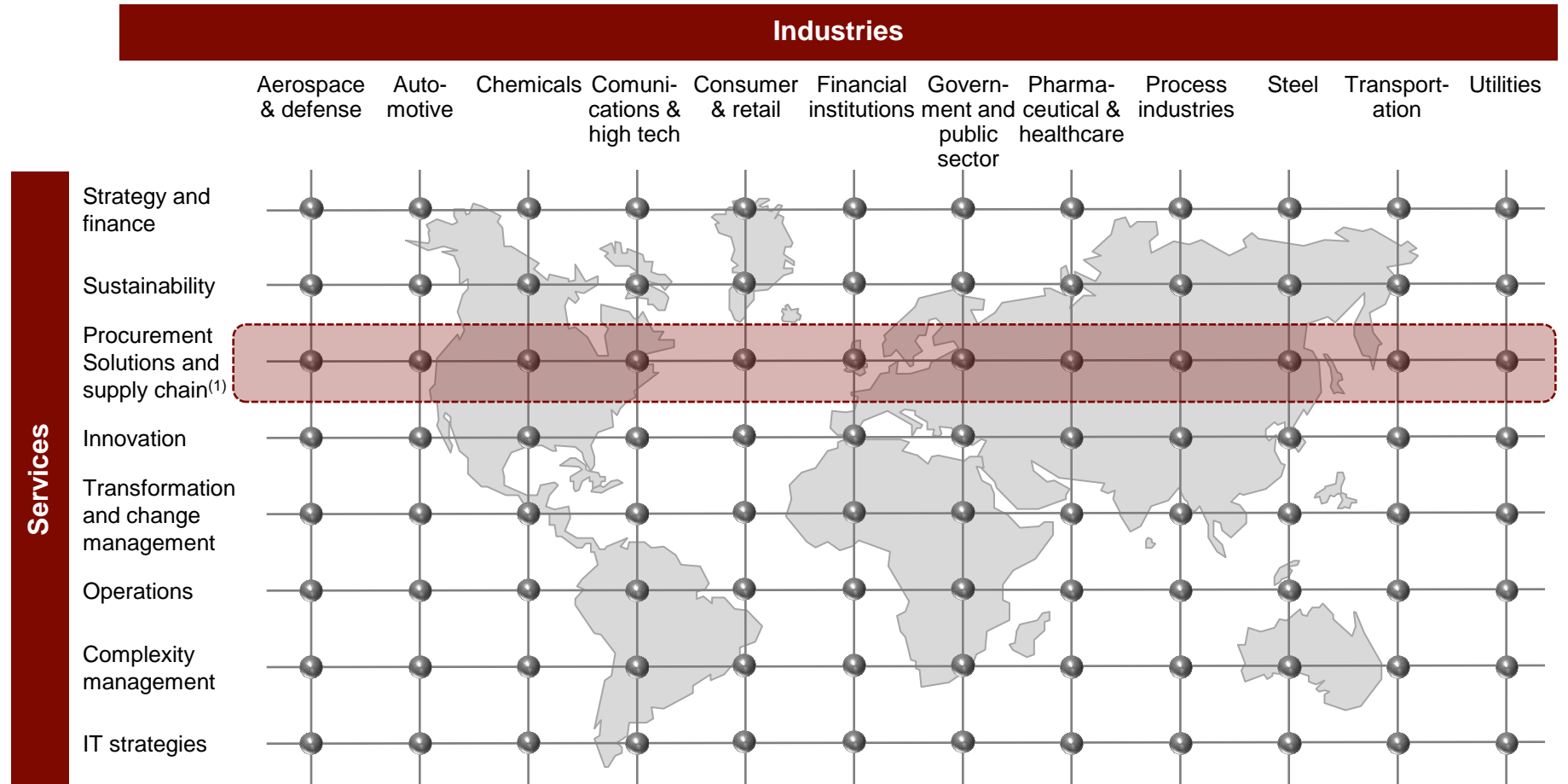
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Our global presence



- 50+ offices in 37 countries
- More than 2,500 colleagues
- Growing 1 billion USD revenues company

Our problem solutions are generated through combination of market know-how and functional competence



Also in the Czech and Slovak markets we worked for major companies across various industries

Client examples from the Czech and Slovak market

Selection

Types of projects
<ul style="list-style-type: none"> • Strategies & Restructuring <ul style="list-style-type: none"> – Business strategies – Pricing – Support of M&As, PMI – Performance benchmarking – Process re-engineering • Operations <ul style="list-style-type: none"> – Procurement organization and strategic sourcing, incl. facility mgmt – Production strategies – Supply chain • Strategic IT usage <ul style="list-style-type: none"> – IT compliance with business targets – IT security and competitiveness – CRM strategy

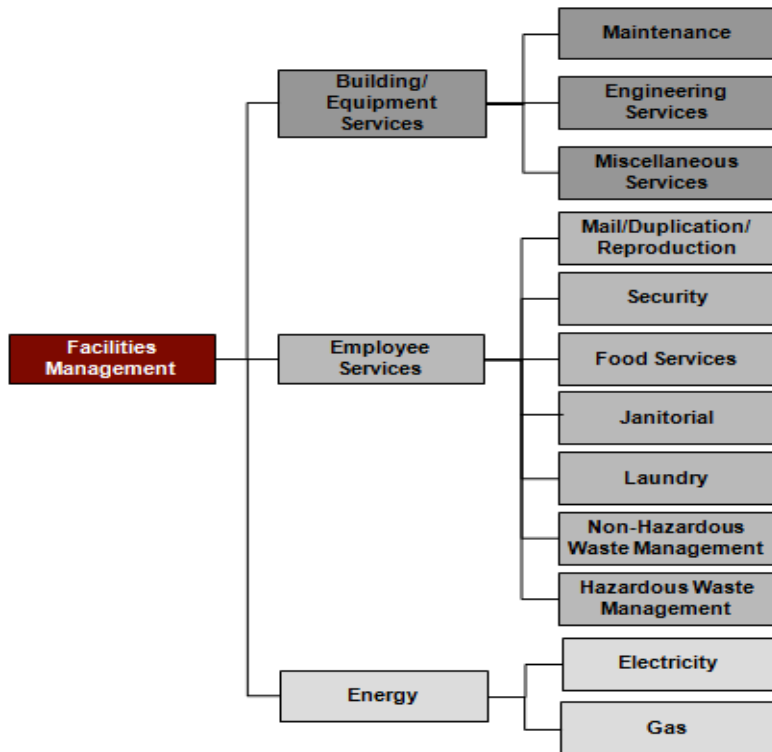
Selected clients

Selected trends in Facility Management

Current trends encompass moving from FM to growing IFM services based on changing outsourcing models and more complex pricing

Selected trends in FM markets

FM category tree

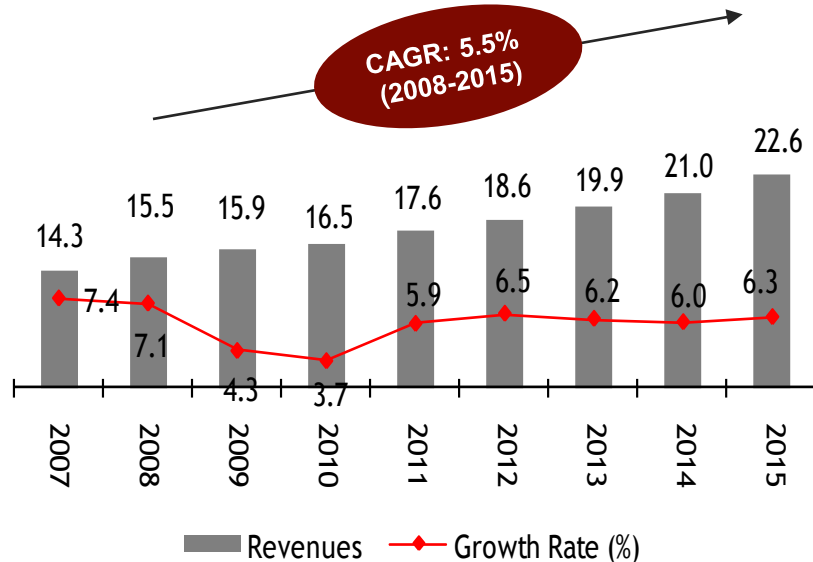


- FM industry is moving towards Integrated Facilities Management (IFM), which comprises internal and outsourced facility and maintenance services
- IFM industry is expected to grow in Europe at slower rate than NA, with the UK representing about 46% of the total market (*see below*)
- European IFM industry is moderately consolidated, top 3 players in the European IFM industry account for 28% (*see below*)
- Outsourcing models change while playing more and more importance
- Price models are getting more complex - shared incentive pricing model is gaining popularity as it rewards the IFM SP for superior performance and results in cost savings for the customer

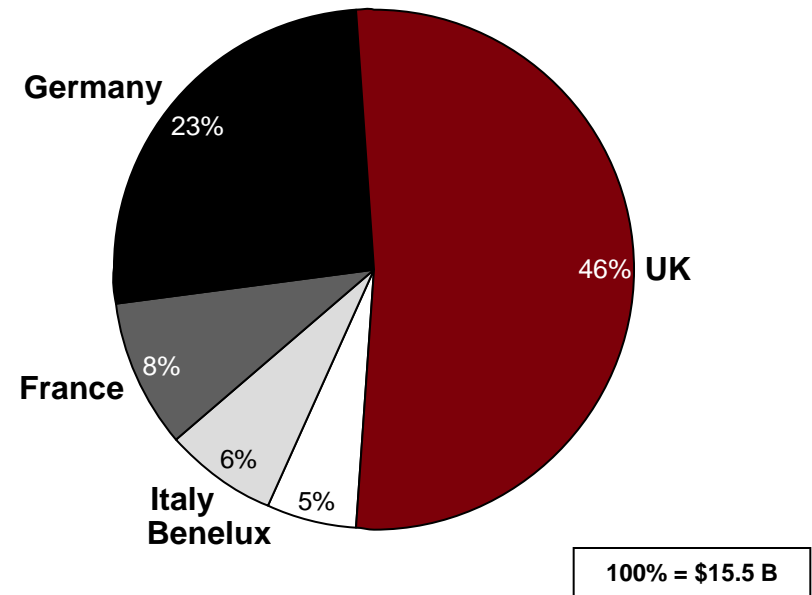
European IFM industry is expected to grow at a slower rate than NA, with the UK representing about 46% of the total market

IFM services market in Europe

Integrated Facilities Management Services Market, by Value (\$ B)⁽²⁾



Europe Integrated Facilities Management Market Share, by Country (%)⁽²⁾



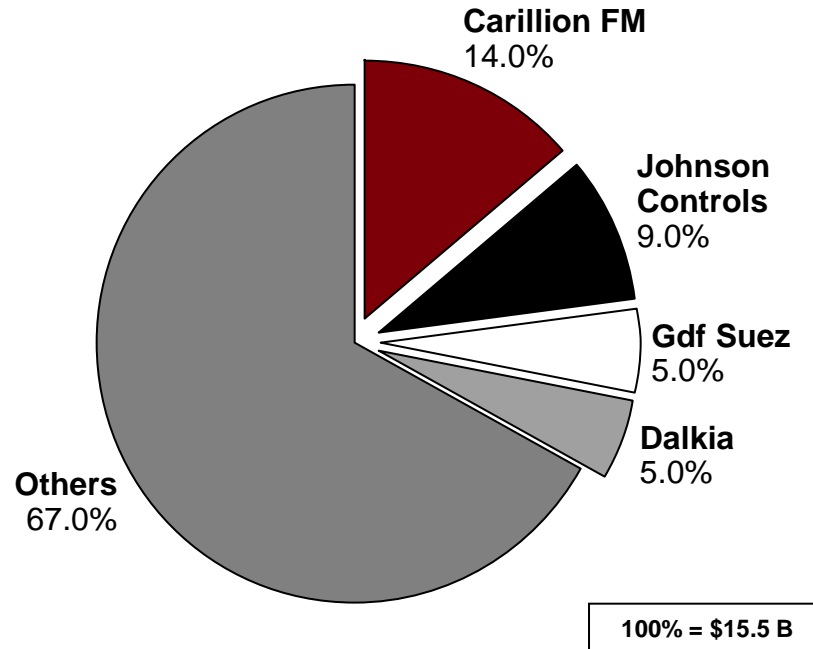
Notes: 1) All currency conversions are at 1 EUR = 1.33 USD as on January 18, 2011

2) Some of the figures in the graph may not match due to rounding off; Base Year is 2008

Source: 'European Integrated Facilities Management Markets', Frost & Sullivan (June 2009)

Top three players in the European IFM industry account for 28% of the market share, making it moderately consolidated

Europe IFM Market Revenues, by Players (%)⁽²⁾



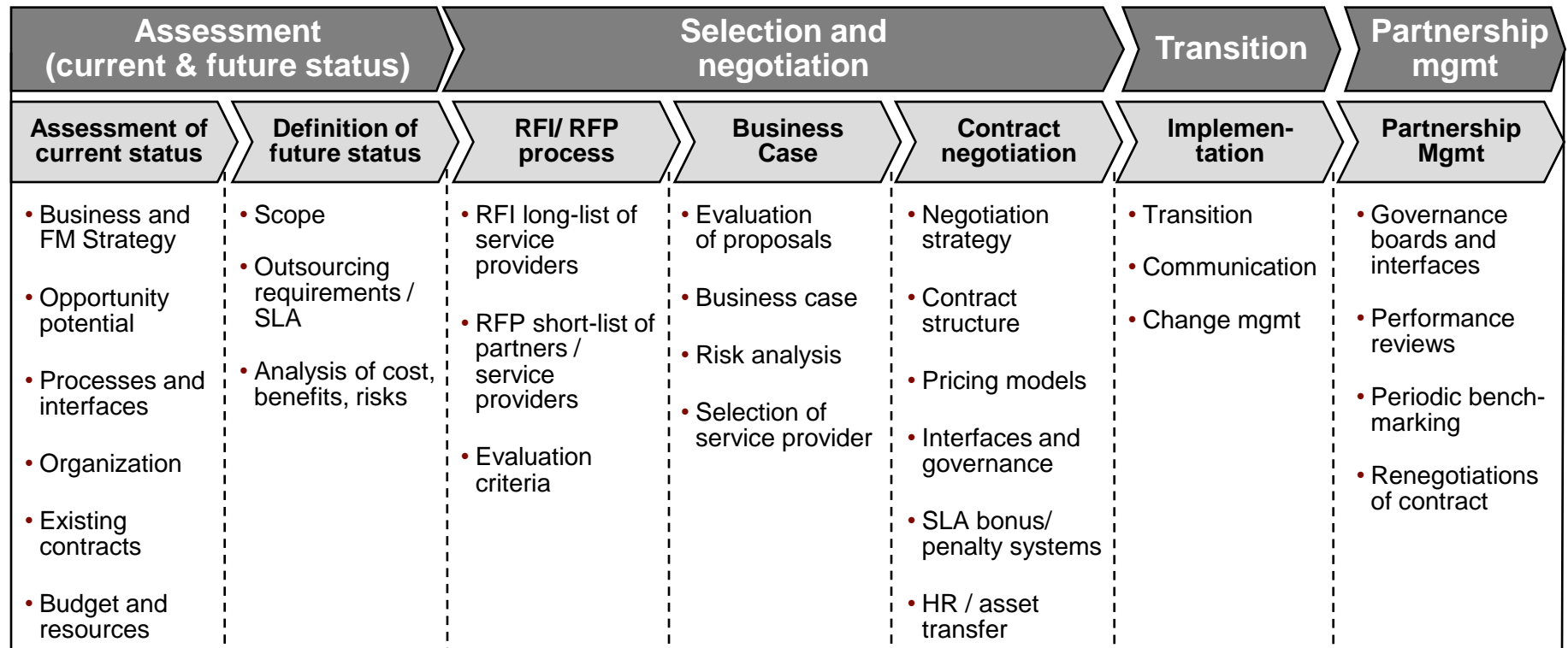
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Key success factors of building of strategic partnerships

To build a strategic IFM partnership we recommend to follow a structured well-defined approach

Building of strategic partnerships

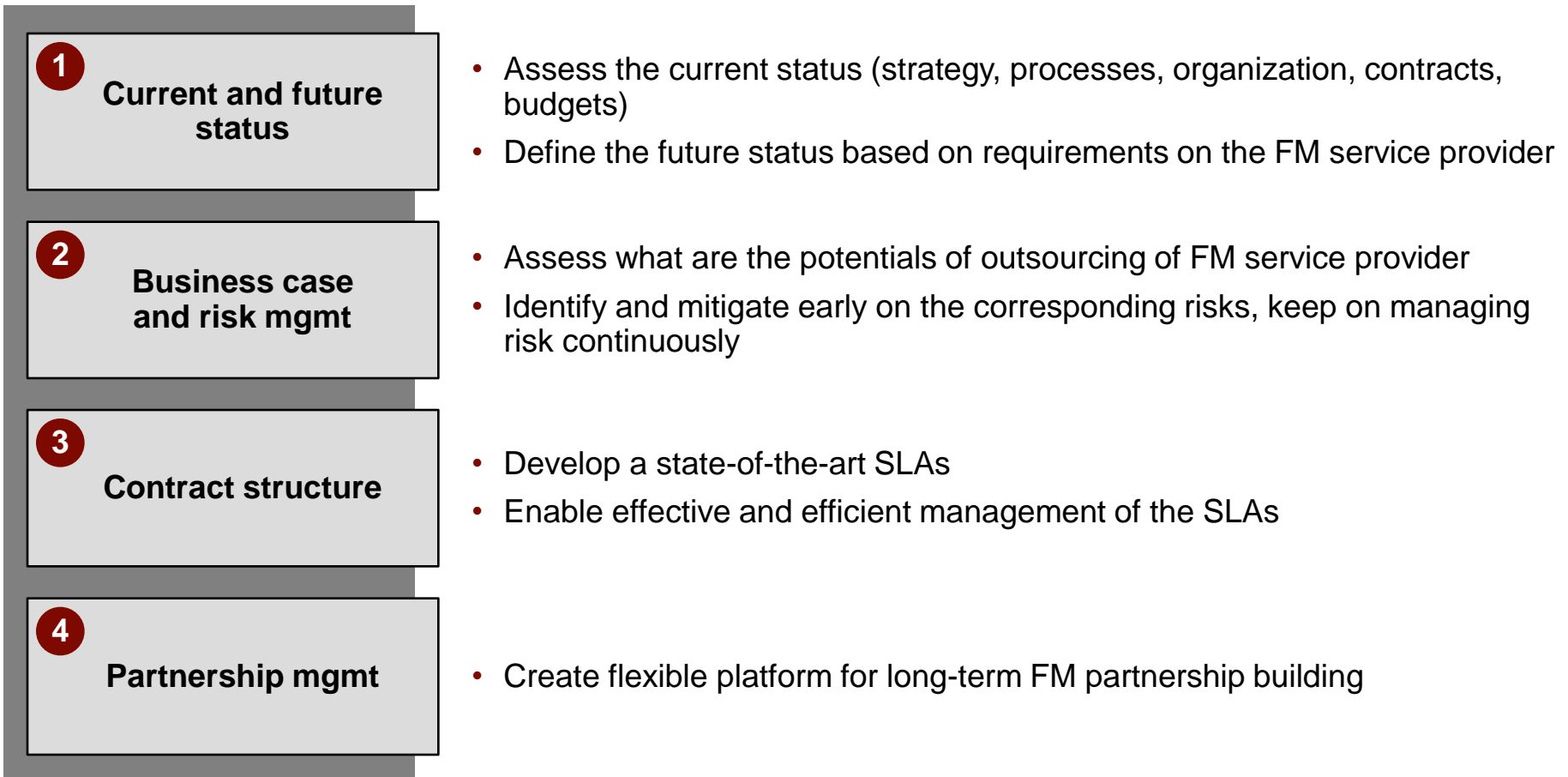
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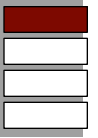
Note: IFM – Integrated facility management
 Source: A.T. Kearney knowledge database

To ensure successful realization several imperatives need to be fulfilled

Selected key success factors (KSF)



At the beginning diagnose your current status and outline the future strategy and concept



1 Current and future status

KSF area

Strategy definition

Tactical considerations

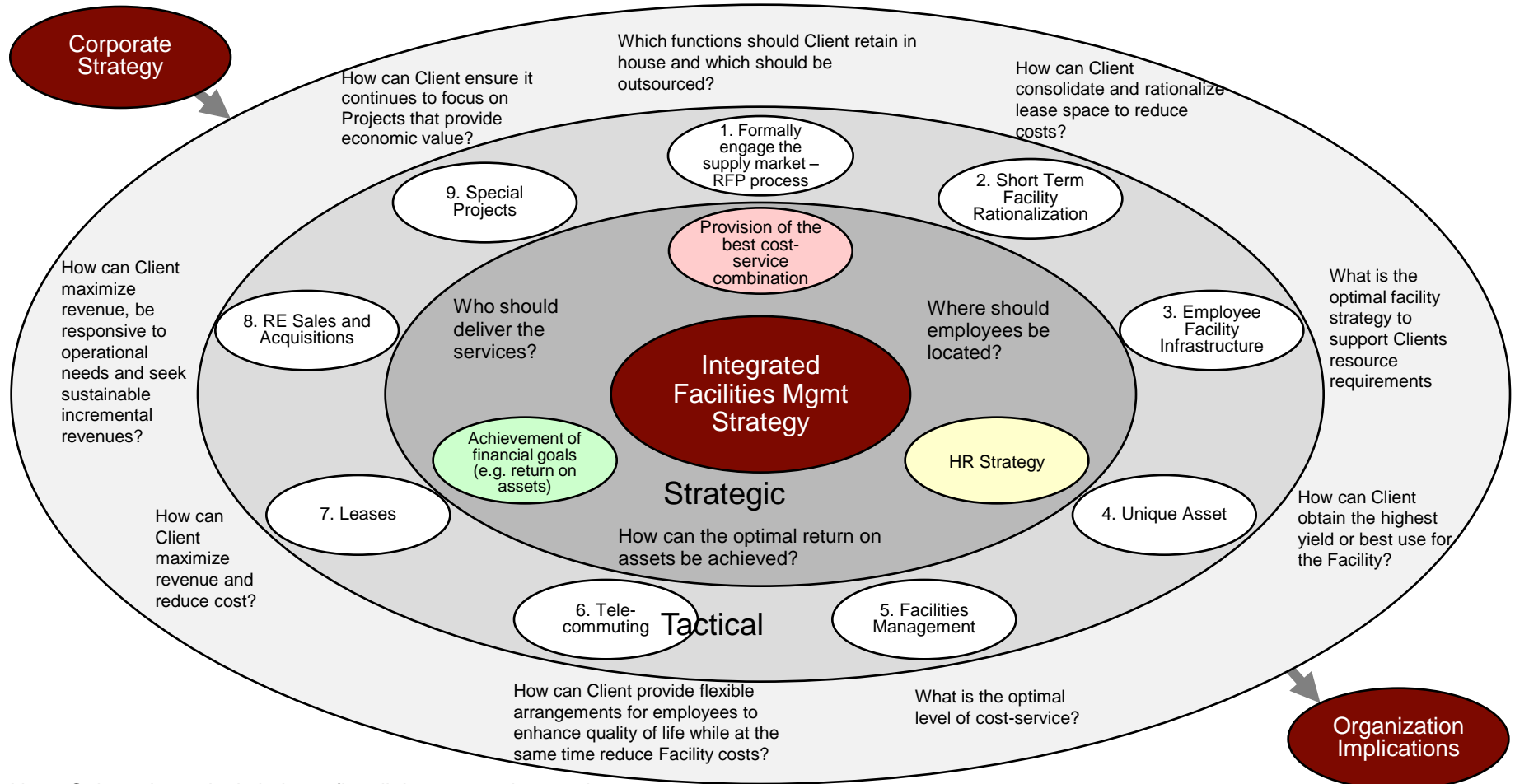
Optimization of ROA

Typical client questions

- What are the key strategic considerations for building an IFM partnership?
- How shall we derive the IFM strategy from the business strategy within the context of our organization?
- Which tactical topics need to be taken into account?
- How shall we operationalize the IFM strategy?
- We strive for maximization of ROA? How shall we proceed?
- What are the main levers to optimize ROA?

A number of strategic and tactical initiatives form part of the Integrated Facilities Management Strategy

Strategy definition – Model of Integrated Facility Management



Note: Colours in tactical circles reflect link to strategic question

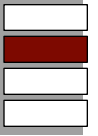
Source: A.T.Kearney

A number of levers were identified to maximize return on assets

How can we achieve the optimal return on assets (ROA)?

	Decreasing Costs			Increasing Revenues
	Corporate Location Strategy	Real Estate Financing	Operations	Sales and Leasing
Key Considerations	<ul style="list-style-type: none"> • Corporate logistics <ul style="list-style-type: none"> – Alignment with Corporate and HR strategy • Surplus land and buildings <ul style="list-style-type: none"> – How to maximise revenue opportunities 	<ul style="list-style-type: none"> • Own vs. lease • Sale/leaseback • Run-rate/financial engineering • Real Estate Investment Trust • Monetization of revenue stream from key assets 	<ul style="list-style-type: none"> • In-house vs. outsourced service • Internal process improvement (sourcing, vendor mgmt, project mgmt) • Asset data - Asset locations, types, square footage, equipment values, preventative maintenance, market/book values, etc. 	<ul style="list-style-type: none"> • Owned assets <ul style="list-style-type: none"> – Lease-up potential—land vs. buildings – Alternative revenue sources—signboards, parking, etc. • Leased assets <ul style="list-style-type: none"> – Rationalization of space requirements allowing sublet at current market rates
Deliverables	<ul style="list-style-type: none"> • Departmental Needs Assessment • Alternative locations analysis • Current lease analysis • Relocation strategy • Identification of potential revenue opportunities • Quantification of value-in-use 	<ul style="list-style-type: none"> • Options analysis on core assets <ul style="list-style-type: none"> – Highest and best use • Identification of ownership options 	<ul style="list-style-type: none"> • In-house performance benchmarking • Outsourcing strategy and quantification of opportunity • Sourcing (RFIs and RFPs) • Governance plan • Implementation plan • Business case 	<ul style="list-style-type: none"> • Identification of revenue opportunities • Benchmarking of current performance versus market
Benefits	<ul style="list-style-type: none"> • Cost savings • Increased revenues 	<ul style="list-style-type: none"> • Increased revenues 	<ul style="list-style-type: none"> • Savings • Focus on core business 	<ul style="list-style-type: none"> • Use of assets to smooth earnings

To make a qualified decision assess thoroughly the alternatives, incl. their corresponding risks



2 Business case and risk management

KSF area

Financial and risk assessment

Business case

Risk management

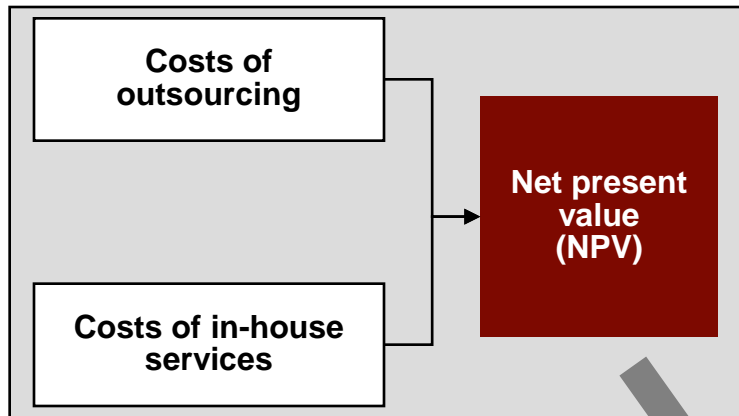
Typical client questions

- How shall we get an assessment of the IFM partnership in the most efficient way?
- Is the corresponding business case not enough? Why?
- How shall we structured business case in case of building a strategic IFM partnership?
- How can I leveraged my IFM strategy, incl. maximization of ROA?
- Everybody speaks about the risk management shall I really invest in it?
- We did identified risks, how should we maximize our efficiency in managing and mitigating them?

When assessing outsourcing alternatives we consider a combination of financial and risk indicators

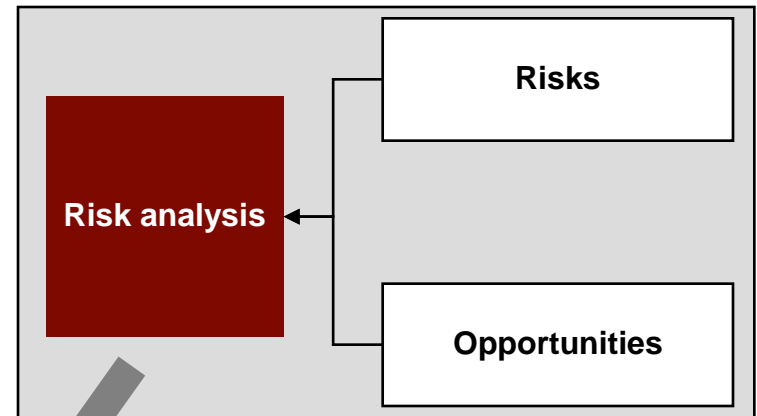
Assessment of outsourcing alternatives

Financial assessment



Risk assessment

Client example



Final assessment

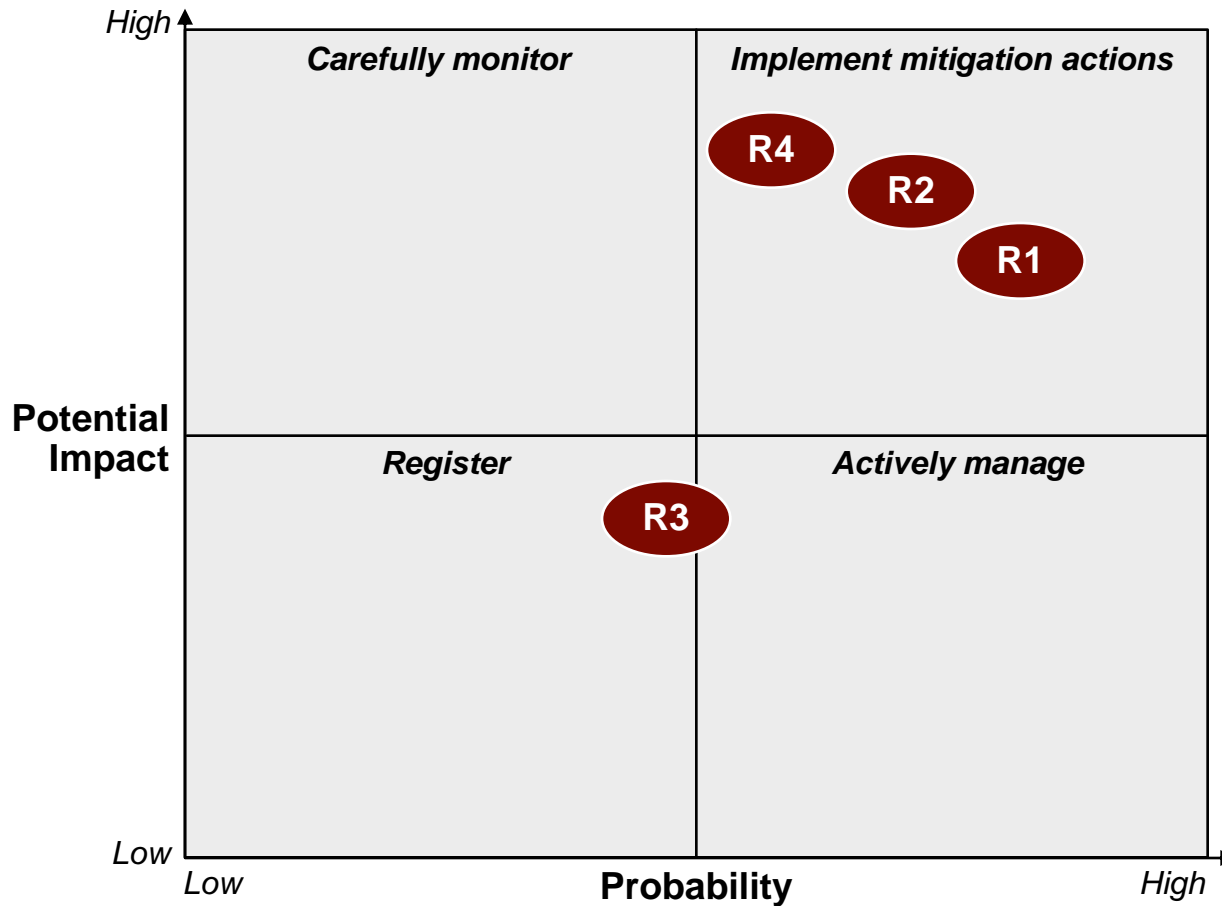
Outsourcing possibilities	NPV (€ mil.)		Risks	Opportunities
	Present	Optimized		
Full	9,8	7,2	●	●
Partial	8,9	6,3	◐	◐

● High
○ Low

For every risk probability of occurrence and impact on the company has to be determined

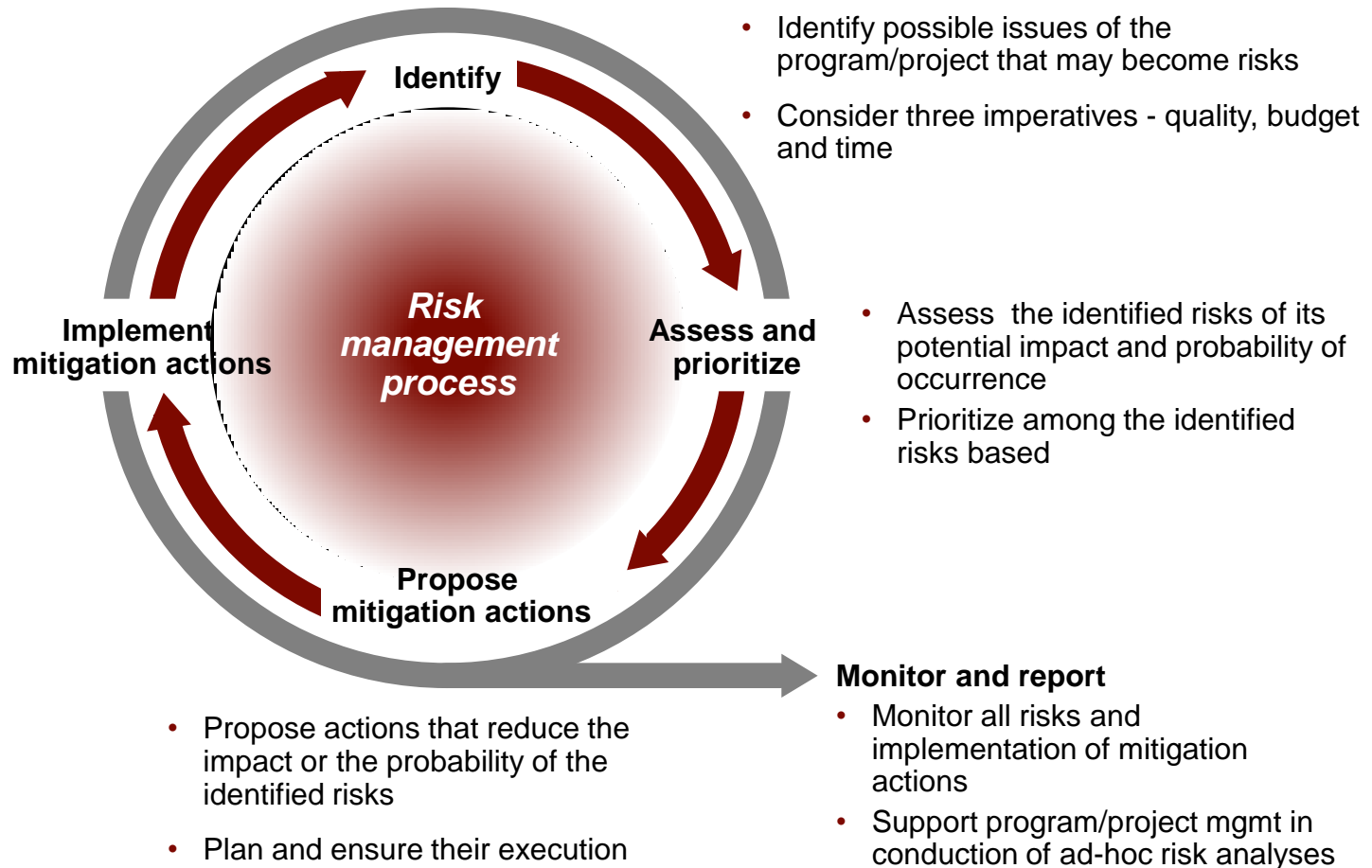
Probability and impact of identified risks

Illustrative

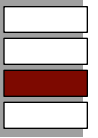


Risk management process is a continuous process with regular reporting

Risk management process



Invest in development of the contractual terms and conditions based on sound SLA definition



3 Contract structure

KSF area

SLA definition

Performance targets

“Supporting” functions

Typical client questions

- There are different ways to defined SLAs, which do you recommend?
- The service catalogue is a nice piece of documentation. How can I leverage it? Do I need to have a service catalogue at all?
- How to use KPIs in the most pragmatic way?
- How to set up performance targets, which are fact-based?
- How the performance shall be interlinked with pricing (bonus/malus)?
- There are many “*supporting*” functions which are rather tedious (e.g. reporting, implementation of changes). How should I conduct them?
- How and where shall we defined the set of “*supporting*” functions?

Well-defined ownership enables transparent (i.e. SMART) specification of SLAs

Specification of service level agreements (SLAs)

Nr.	Service specification	Service inputs/assumptions		Service output		KPI ¹⁾	SLA ²⁾ (incl. values of KPI)		
		Specification	Responsible	Specification	Responsible		Target	Tolerance	y/n ³⁾
						▪ ...			
						▪ ...			
						▪ ...			

Description of selected items

- (1) Key Performance Indicators (KPI) define measurable parameters, which indicates level of service provided, usually in the following categories: quality/quantity, time, efficiency, backlog, etc.
- (2) Service Level Agreement (SLA) is a formally negotiated agreement of two parties, service provider and its customer. Its aim is to establish a unique understanding of the service quality (usually based on a set of KPIs), priorities, responsibilities, etc. SLAs may cover many different aspects of a relationship between service provider and its customer.
- (3) Indication whether or not a given SLA is a part of the pricing mechanism, esp. the part related to annual bonus/malus.

Note: SMART - Specific, Measurable, Aligned, Realistic/Relevant, and Timely.
 Source: A.T. Kearney

“Supporting” functions and activities have to be treated in the same way as „ordinary“ services provided by SP

“Supporting” functions and activities – Examples & Principles

Examples of so-called “supporting” functions and activities encompass various testing, development and administration of documentation, participation on projects

Principles

Definition

- Has to be part of service catalogue
- Need to be underpinned by dedicated SLA (based on a set of KPIs)

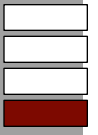
Scope

- The scope of providing “supporting” functions may not be reduce to the actual activity, it needs to encompass:
 - Preparation
 - Support of mgmt and control
 - Monitoring & reporting

Evaluation

- Regular evaluation of reported KPIs, incl. ad-hoc/root-cause analysis
- Annual/Semi-annual analysis of customer satisfaction (interviews, questionnaire)

Sound contracts, incl. structured SLAs are not enough, we all strive for efficient and effective long-term partnerships



4 Partnership management

KSF area

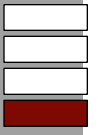
“SLAs are not enough!”

Long-term partnership

Typical client questions

- I did not have structured SLAs and the cooperation was not optimal. Now, I have detailed SLAs and I still do not feel comfortable...
- How can I ensure required flexibility in the contractual relationship with my service provider?
- How shall I sustain the long-term partnerships, while still keeping the control with the service provider?
- What are the efficient and effective ways to manage and nurture partnership?

To ensure the efficient governance we recommend to create a Partnership Oversight Committee, with well-defined role



Typical roles of Oversight Committee

<p>Establishing Policy</p>	<ul style="list-style-type: none"> • Determination of IFM services strategy • Provision of guidance regarding clear roles and responsibilities
<p>Demand Management</p>	<ul style="list-style-type: none"> • Identification of demand and prioritization of demand levels • Resolution of conflicts (e.g. differences in interests of internal customers)
<p>Supply Management</p>	<ul style="list-style-type: none"> • Decision on functions provided by IFM SP or FM sub-contractors • Definition of guidelines for continuous improvement of service delivery
<p>Performance Measurement</p>	<ul style="list-style-type: none"> • Determination of performance targets and approval of annual plans • Supervision of regular monitoring and reporting of IFM SP
<p>Service Pricing</p>	<ul style="list-style-type: none"> • Validation and approval of pricing mechanisms and budget changes • Validation and approval of contractual changes

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