

GLOBALISATION FORCES A PARADIGM SHIFT IN FACILITY MANAGEMENT

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In 2006, ISS continued the pace of acquisitions from last two years and completed 104 acquisitions in 30 countries. The activities acquired were diversified across all regions of the world and covered all main service areas like cleaning, catering, office support, property services, as well as security. In addition, ISS acquired several broad-ranged service companies and the major acquisitions were: Pegasus Security Holdings Ltd in the UK with 1,600 employees; Tempo Services Ltd with 17,000 employees expanding ISS in Australia to national coverage providing integrated services; Norfolk International Ltd in Israel - a catering company specialising in institutional and in-flight catering; Edelweiss Facility Management AG - one of the largest facility services companies in Switzerland; and DEBEOS GmbH - the former DaimlerChrysler German internal facility services company.

This is a part of the strategy by ISS A/S, a hundred year old business, reputedly the world's largest cleaning company, to re-position itself, in the short term, as the world's largest integrated facilities services company. In 2006, cleaning services provided merely 57% of global revenue. The supply of single, multi and integrated services was to achieve significant stakeholder values such as: to reduce costs for end-users whilst providing service excellence, to increase profit margin to the benefit of share price by moving services up the value-chain, and to increase employer engagement through shared values of equity, honesty, transparency and to increase livelihood. ISS stated that there was a large, nearly untapped market for this client led demand.

ISS A/S is not the only global company to repeat this mantra. International companies from the construction industry, such as Amec, Mowlem, Bouygues; or from technical/ engineering backgrounds, such as Dalkia, Haliburton, Wisag; or from single-service histories, such as Compass, Sodexo, or ISS: are acquiring others and citing sales of multiple or integrated services as their strategic rationale. This is not merely a fine-tuning of a production process, not merely the adoption of a new technology but also a wholesale reappraisal to identify truly who are the stakeholders in outsourced services, what are their values, what is the function of the industry, and how to achieve an increase in true values for customer and supplier to their mutual benefit.

ISS A/S and others are reacting quickly to a fundamental change in the client's global business environment. Business risk today is pervasive, fast moving, and relentless. The fundamental driver for increased outsourcing and for integrated facility services is the business need for flexibility in an increasingly risky world. The 9/11 terrorist attack in New York, the global impact of communicable disease such as SARS, or today, Avian Influenza,

can bring normally healthy markets to a standstill. Furthermore, business experience in those crisis events demonstrated that the companies with the highest ratio of fixed to variable costs suffered greatly. On the contrary, outsourcing of facilities services is an effective means of converting operational fixed costs to a variable.

The integrated services management model is a reflection of what has worked successfully in the airline industry, in the hospitality industry, and in broad sectors of manufacturing where response to change is paramount for survival. In addition, procurement of infrastructure requires a one stop solution and a total supply of all skills, services and resources, that a company needs to use, to prosper its core business: deployed in skill sets that best suit the client's needs at any time and place, is needed. This is to take place within a long-term relationship, where the core and non-core activities are seamlessly interwoven.

CONCLUSION

Globalisation impacts every company. The market-driven ripple effect of a catastrophic event in one locality is fast moving and relentless in its consequences elsewhere. Therefore, hedging or managing risk is now a desired shareholder value. As a result, the service industries in combination with facility management are finding an increasingly open market for the adoption of outsourcing as a means of achieving management innovation, integration of work practices, and mitigation of risk. For example, international operations expanding into the BRIC markets are looking to this model to enable them to make faster green-field start-ups. Besides, the supply side from the service industries are creating a new service orientation for infrastructure management that draws heavily from the hospitality industry to create service managers focusing more on the customer experience and less on professional accreditation or qualification. As a result, operational management is driven further down the organisation structure and our industry has an urgent need to develop and supply management skills at all levels of the organisation structure. We also have an urgent need to implement information technologies operating at the local level but providing managerial controls over geographies extending from national, to regional and to global bounds.

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