

Successful Relationship Management in FM

How relations create value in FM

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Overview

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- A short introduction

2. Relationship Management

- A key challenge in FM

3. Key Components of Relationship Management in FM

- A management perspective

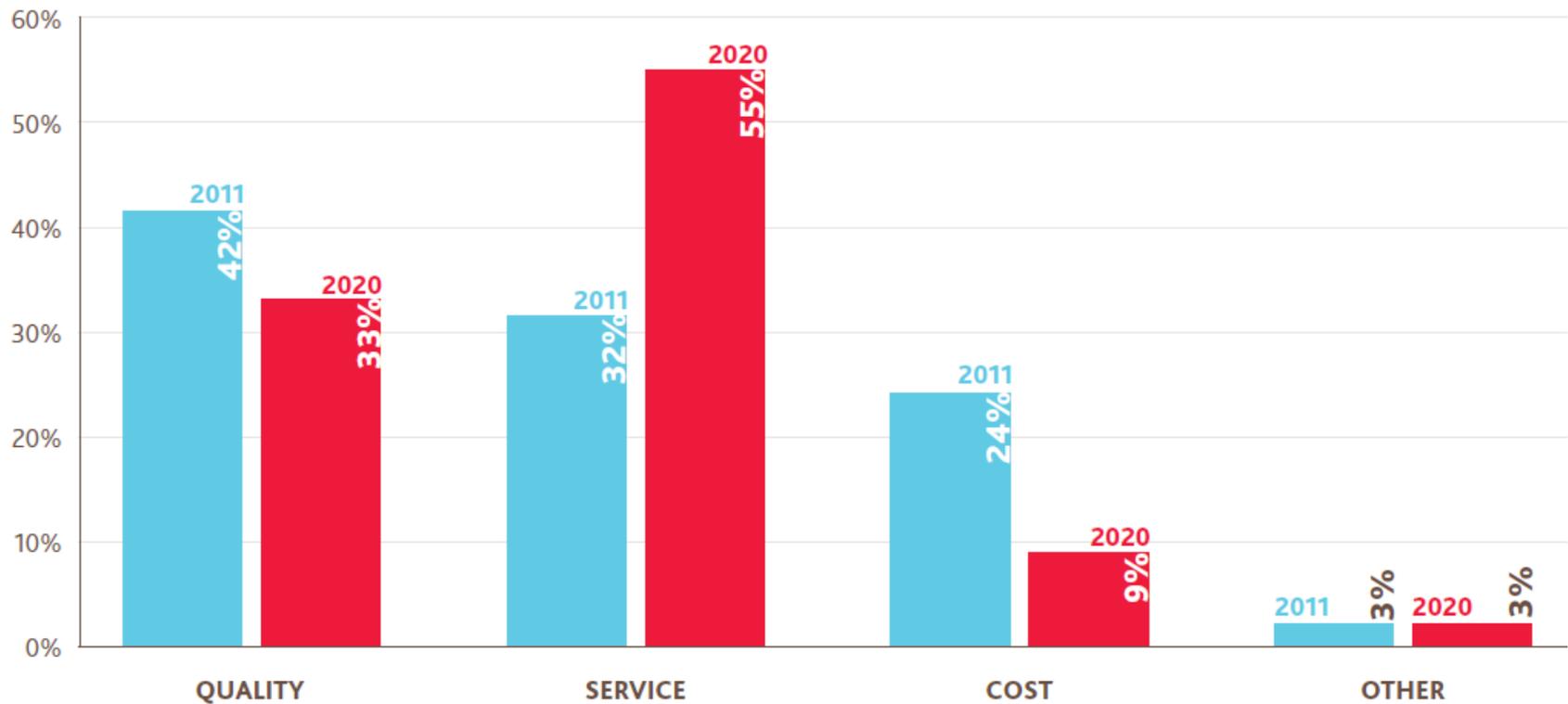
Service Value Management

A short introduction

Need for upgrading service to stay competitive

Service as ultimate differentiator for clients

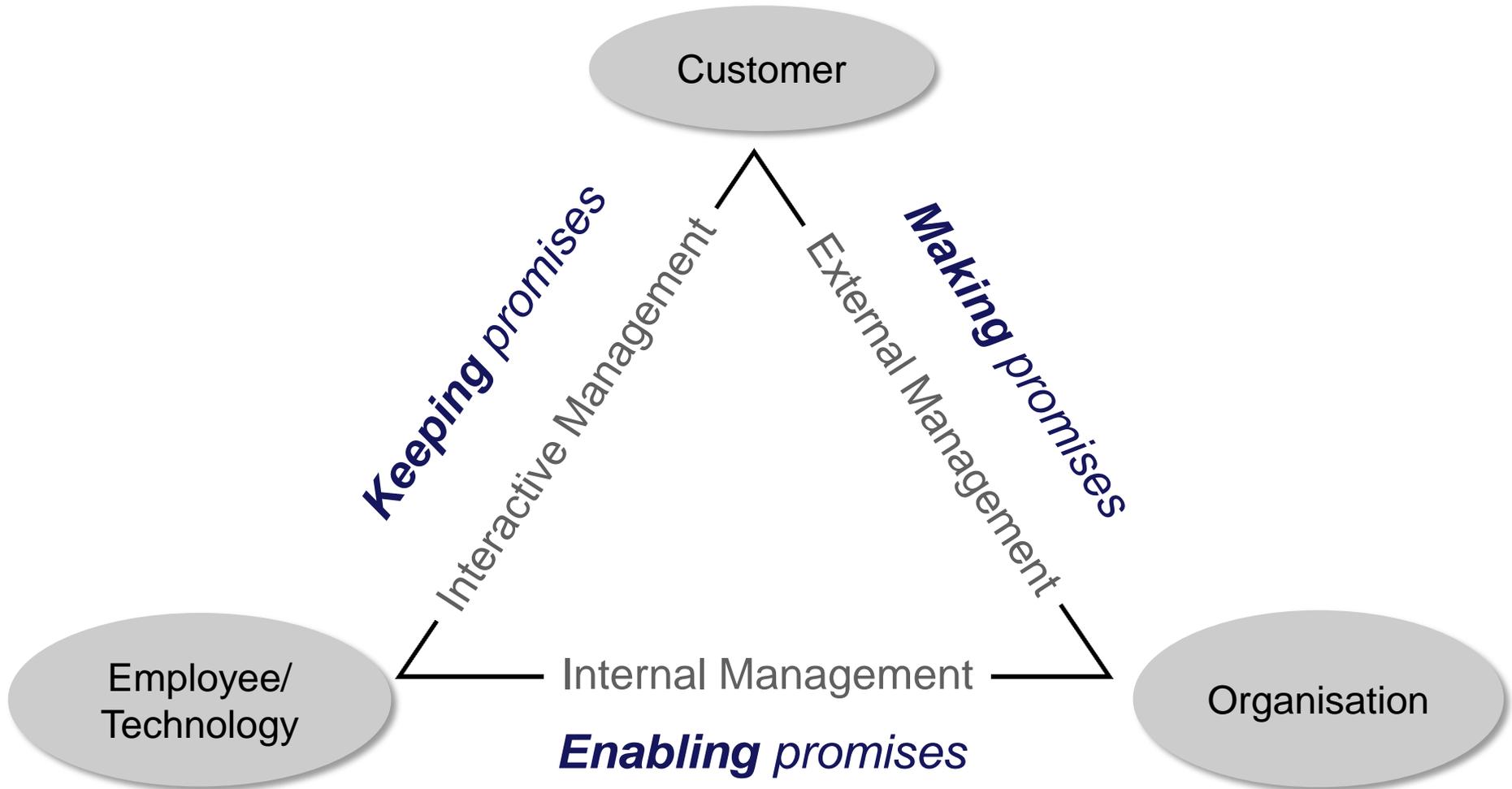
On what basis does your company primarily compete now, and what do you expect in 2020?"



Source: similar to Economist Intelligence Unit (2011): Service 2020 – Megatrends for the decade ahead, London.

Services Management

Making, Keeping and Enabling Promises



Management Approach of FM

EN 15221-1
Definition

Facility

tangible asset that supports an organisation

Facility Service

support provision to the primary activities of an organisation, delivered by an internal or external provider

Facility Management

integration of processes within an organisation to maintain and develop the agreed services which support and improve the effectiveness of its primary activities

Management
Approach



Source: similar to Coenen, C./von Felten, D./Waldburger, D. (2012): Beyond Financial Performance: Capturing Relationship Value in FM, in: Jensen, P./van der Voordt, T./Coenen, C. (Eds.): The Added Value of Facility Management, pp. 105-122.

Terminology

*“ ... the term ‘Facility’ (...) is used in the sense of ‘**facilitation**’, to provide services, assets, tools and consumables to make work easier/to support the primary activities. (...) Facilities like a building or a sheet of paper are always **embedded in activities and the provision of services.**”*

Source: EN-Norm 15221-4 (2011): Taxonomy, Classification and Structures in FM, p. 10.

Value as a Trade-Off:

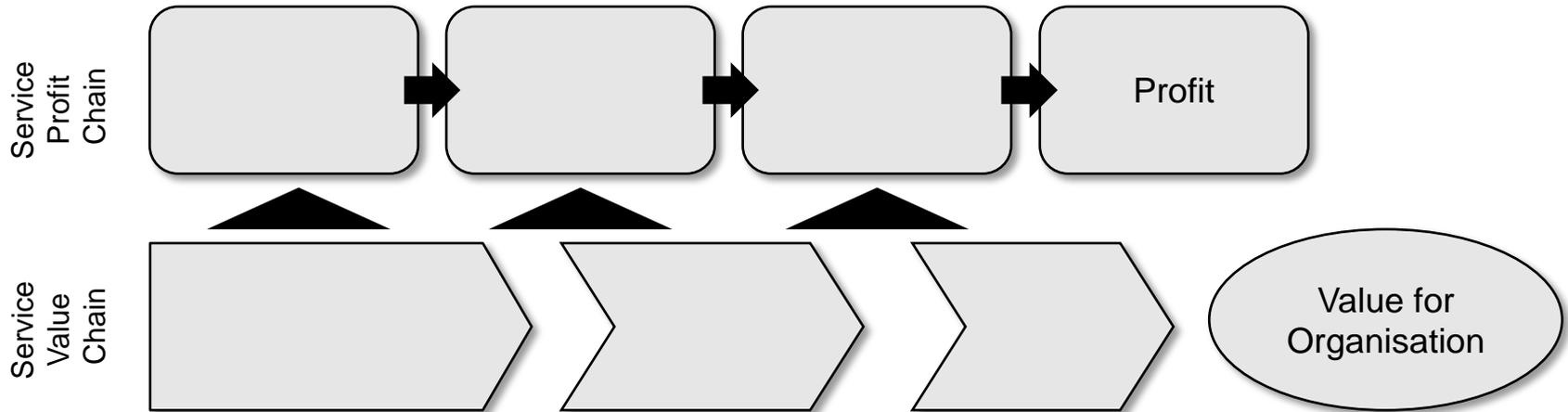
What you get vs. what you give

- Value can be used in various ways and does not necessarily have the same meaning to all involved parties.
- To **suppliers**, value often relates to customer organisations that are loyal and profitable.
- To **customers**, “*value also has a perceptual dimension, for example, trust, commitment and attraction*” (Grönroos, 2011, p. 242)
- Value can be described as (Lindgreen/Wynstra, 2005)
 - Getting high quality service and customized products
 - Experiencing social and special treatment
 - Perceiving a reduced sense of anxiety, because of trust

Source: similar to Coenen, C./von Felten, D./Waldburger, D. (2012): Beyond Financial Performance: Capturing Relationship Value in FM, in: Jensen, P./van der Voordt, T./Coenen, C. (Eds.): The Added Value of Facility Management, pp. 105-122.

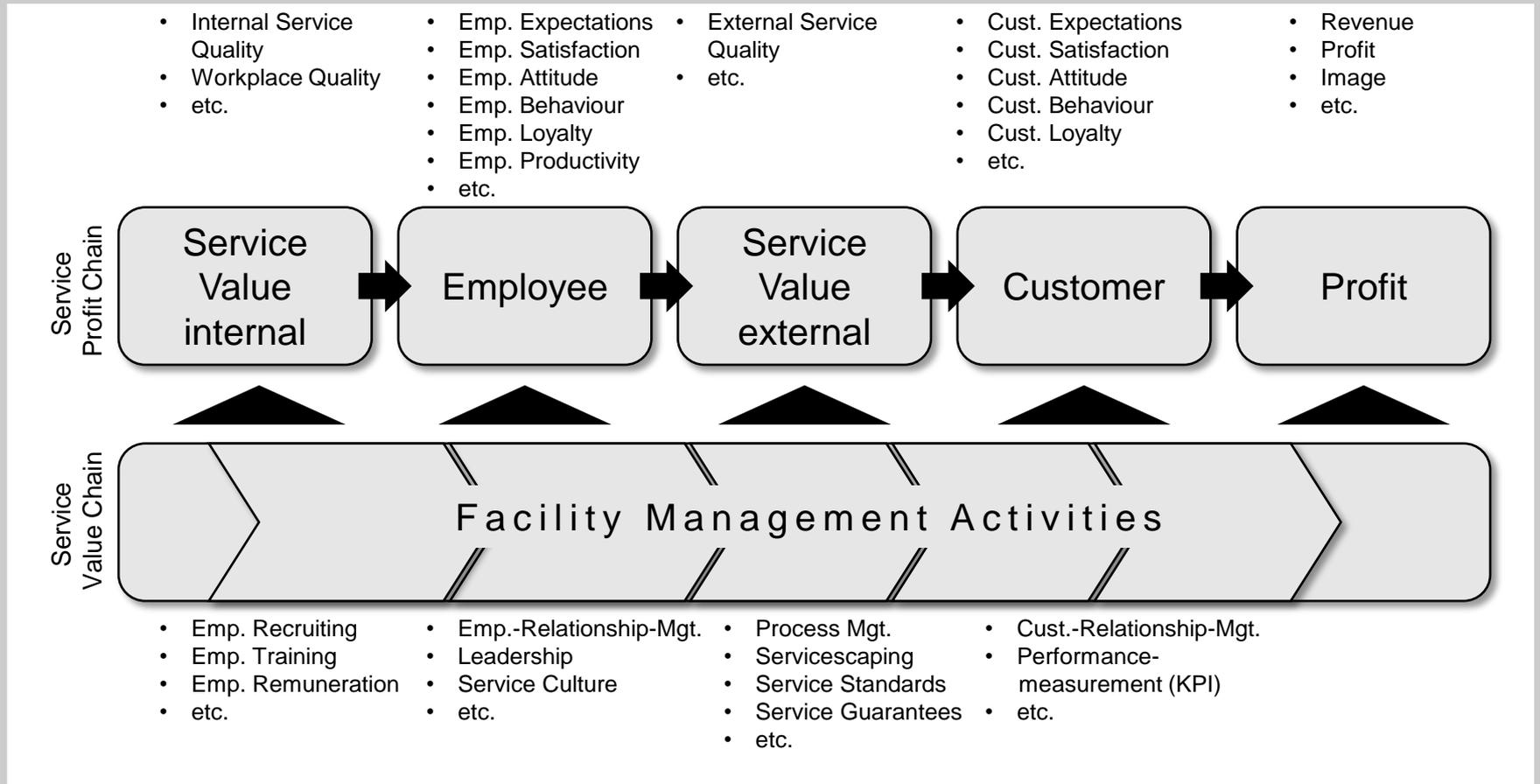
Service Value Management

Conceptual Framework



- *Service Profit Chain*: Customer behaviour results in profit
 - *Service Value Chain*: Organisational activities to create value
- ➔ The **service value chain** encompasses activities/processes, while the **service profit chain** offers a structure to describe the impact these activities/processes have for the customer.

Service Value Management Conceptual Framework

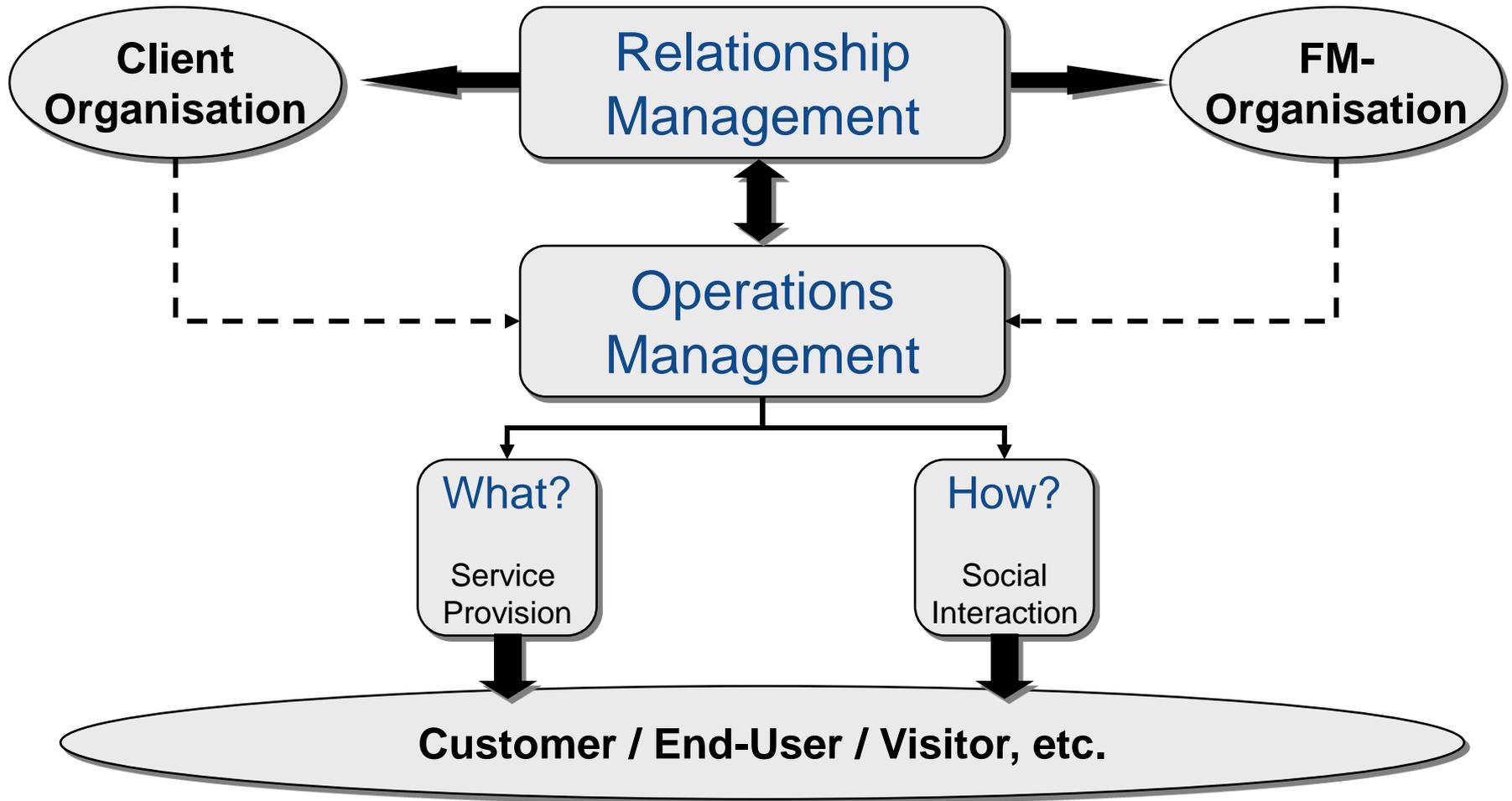


Relationship Management

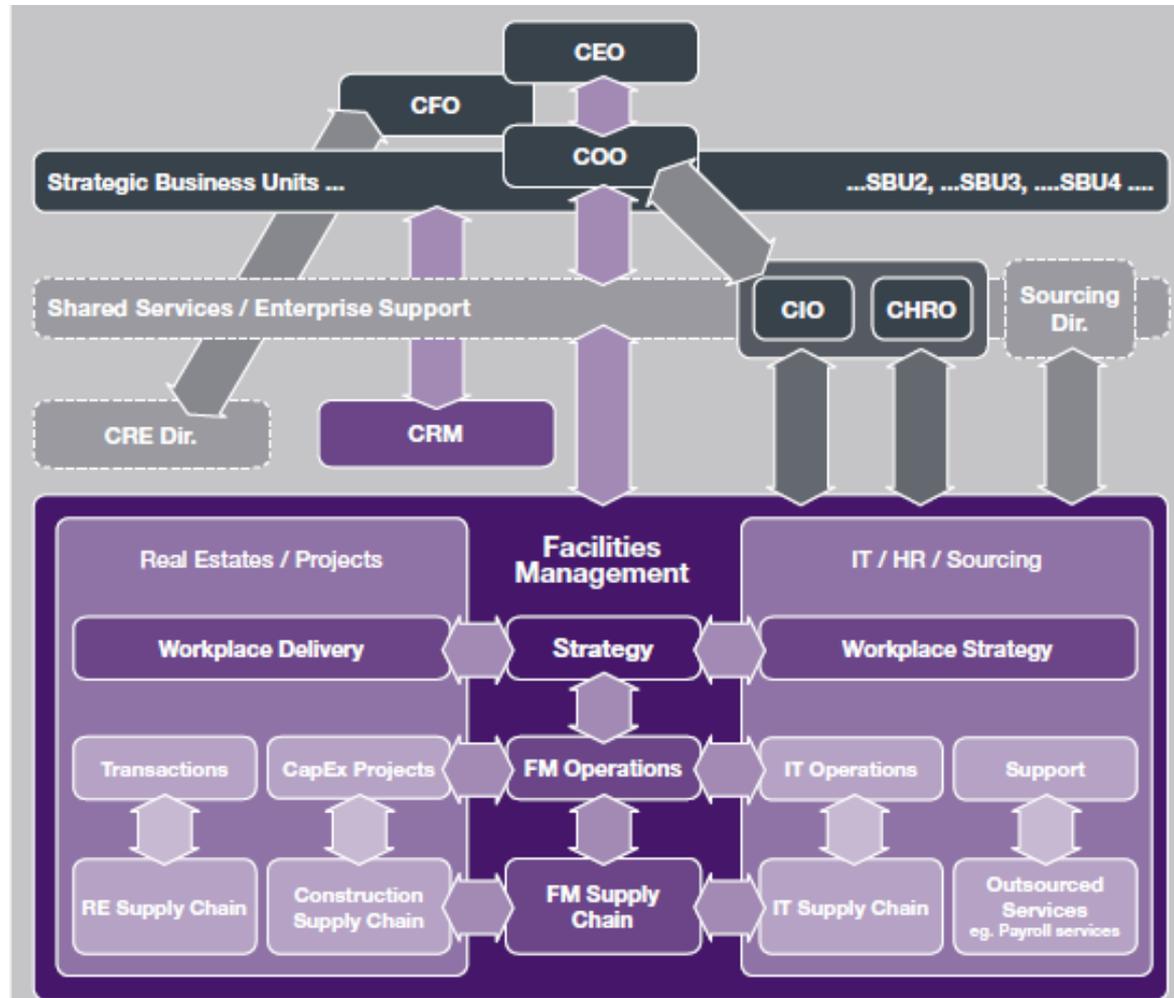
A key challenge in FM

Framework

Operations + Relationship = Performance



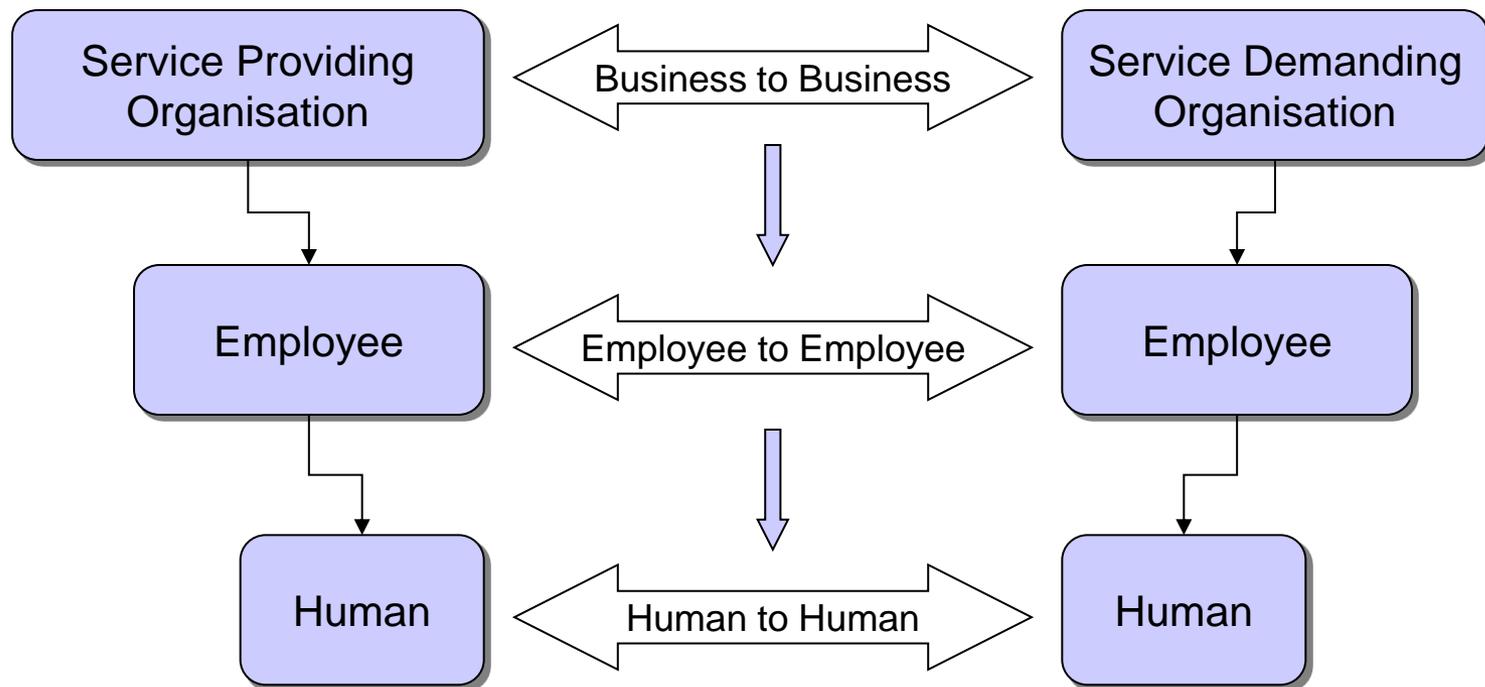
Complex web of relationships in Facility Management



Source: similar to Ware, J. and Carder, P. (2012), Raising the Bar: Enhancing the Strategic Role of Facilities Management – *RICS Research Report*, London, November 2012, p. 14.

B2B → E2E → H2H

Hierarchical model of customer contact between two organizations



→ FM = Business-to-Business-for-Consumer Management Discipline (**B2B4C**)

Need for different competencies

“ ... the competencies needed for **managing an outsourced service** are different from those needed to **manage FM operations**.

Strategy, policy and performance management become more important than ‘operations management’ or FM technical skills.”

Source: similar to Ware, J. and Carder, P. (2012), Raising the Bar: Enhancing the Strategic Role of Facilities Management – *RICS Research Report*, London, November 2012, p. 10.

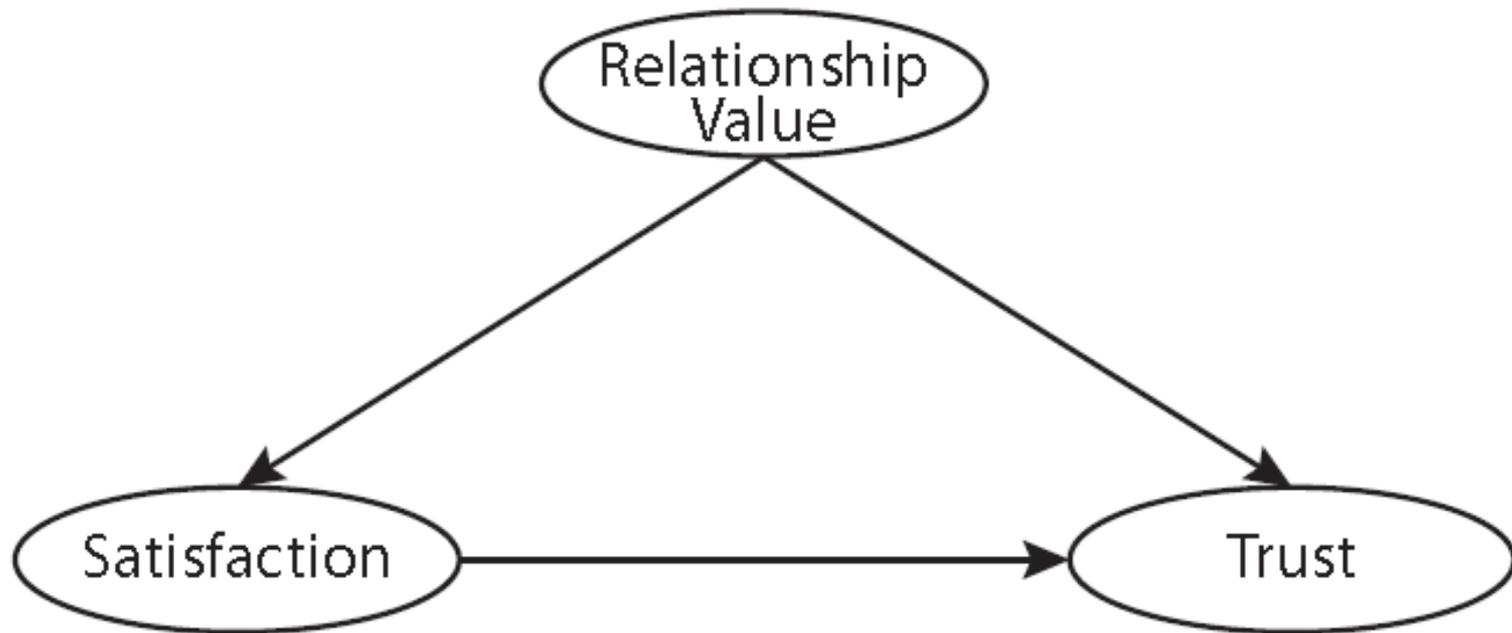
Selecting is only the beginning ...

- **Selecting a supplier** can be a complicated and costly process, but it is only the first part of the story.
- Once the contract has been awarded, it is essential to **establish a mutually beneficial working relationship** between the parties that **generates value for both**.
- The **total cost of relationship (TCR) or total value of relationship (TVR)** - not the negotiated bid price - should be considered when selecting a supplier.
- **Non-monetary costs** should not be neglected.

Relationship Value

Trade-off between benefits and sacrifices

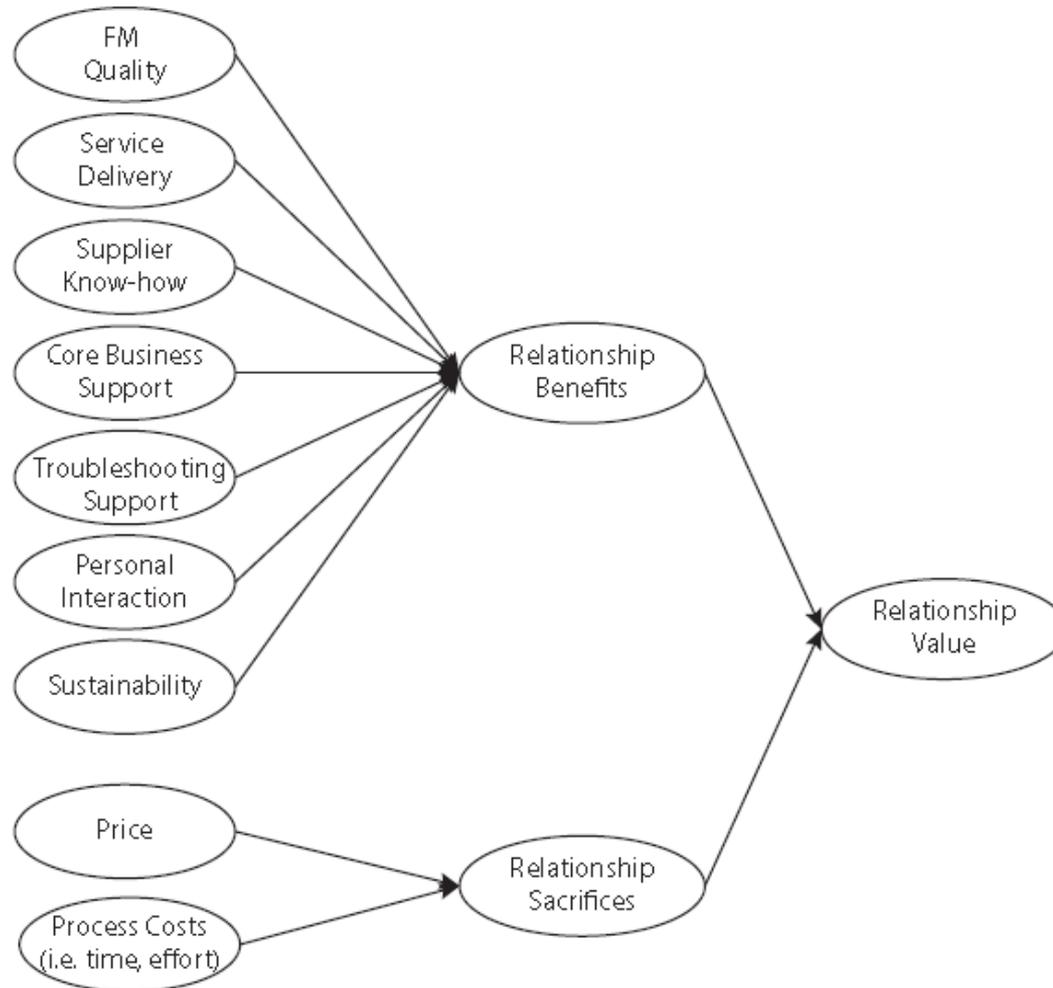
Relationship Value as Antecedent to Satisfaction and Trust



Source: similar to Cui, Y. (2013): Relationship Value in FM: A Customer Perspective, based on Smith (1998); Ulaga/Eggert (2006).

Relationship Value in FM

Dimensions of Benefits and Sacrifices



Source: similar to Coenen, C./Cui, Y. (2013): Relationship Value in FM: A Customer Perspective, EFMC 2013, Prague.

Relationship Value Drivers

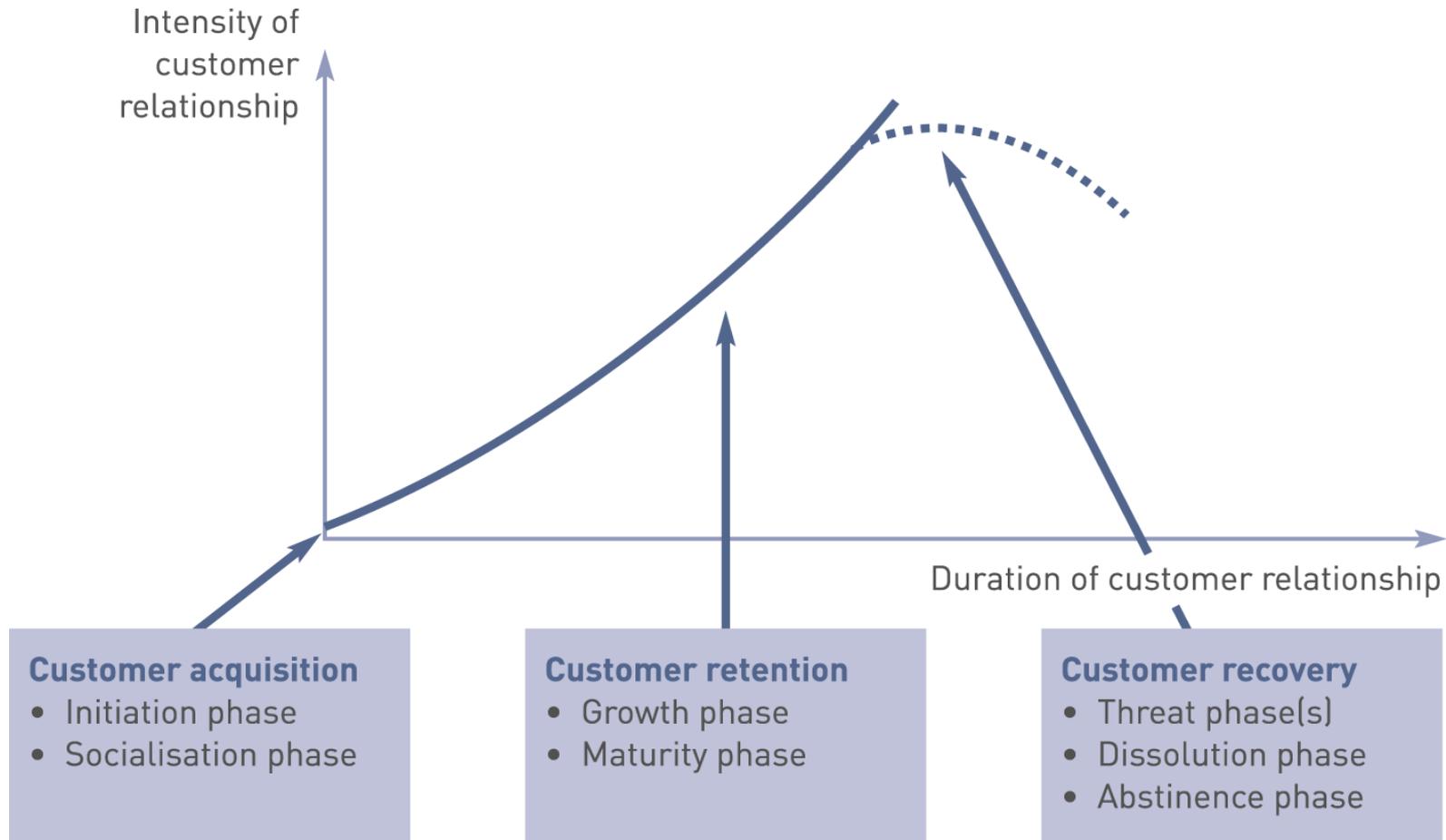
- **Ease to do business with** supplier
- **Availability** of supplier
- **Flexibility** of supplier
- Supplier's **responsiveness** to needs
- Supplier's **innovative** capability
- **Speed** of information provided by supplier
- Information **appropriateness** provided by supplier
- **Handling of quality problems/service failures** by supplier

Source: similar to Coenen, C./von Felten, D./Waldburger, D. (2012): Beyond Financial Performance: Capturing Relationship Value in FM, in: Jensen, P./van der Voordt, T./Coenen, C. (Eds.): The Added Value of Facility Management, pp. 105-122.

Relationship Life Cycle

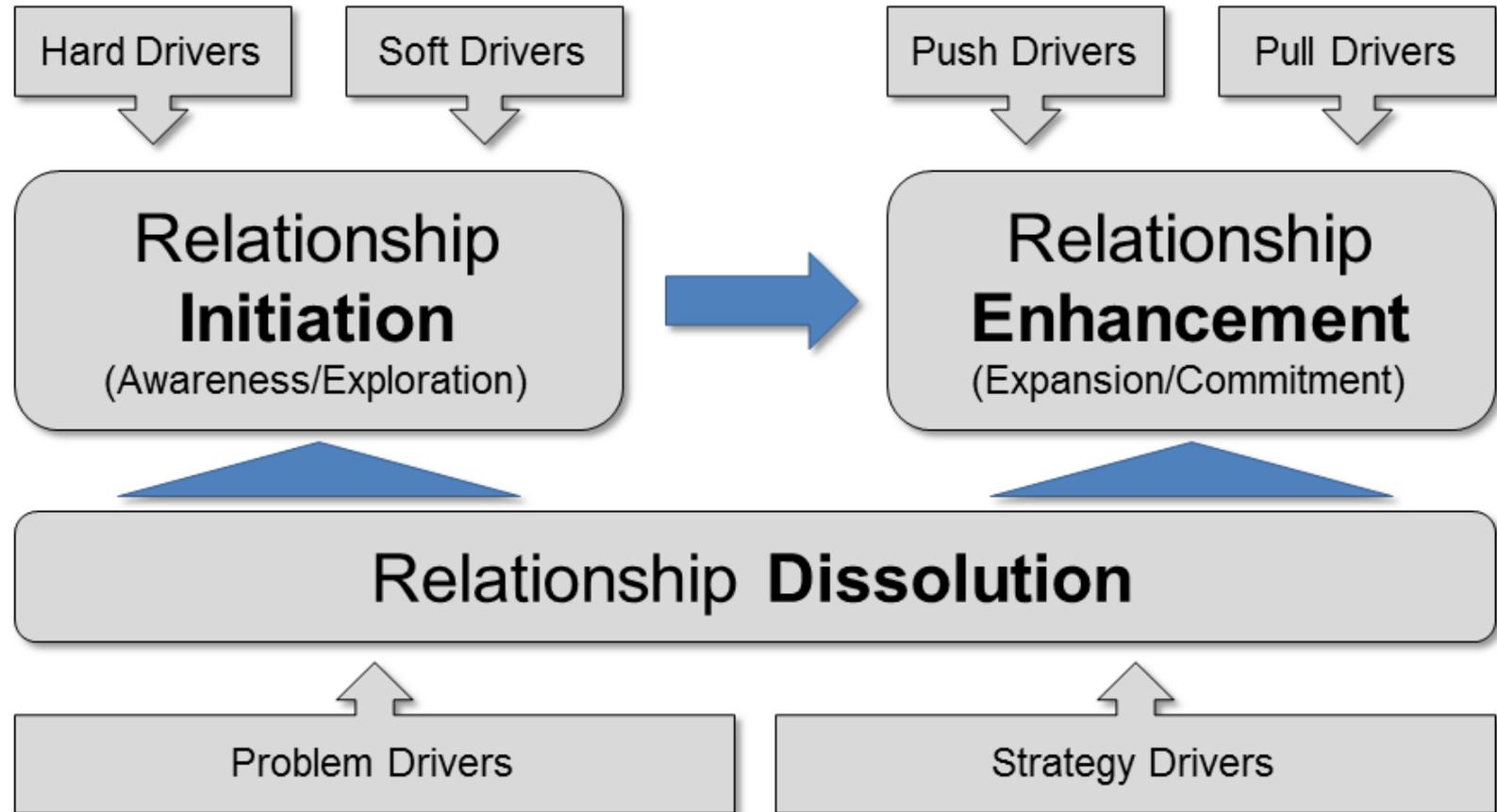
What drives value along total lifecycle?

Customer Relationship Lifecycle



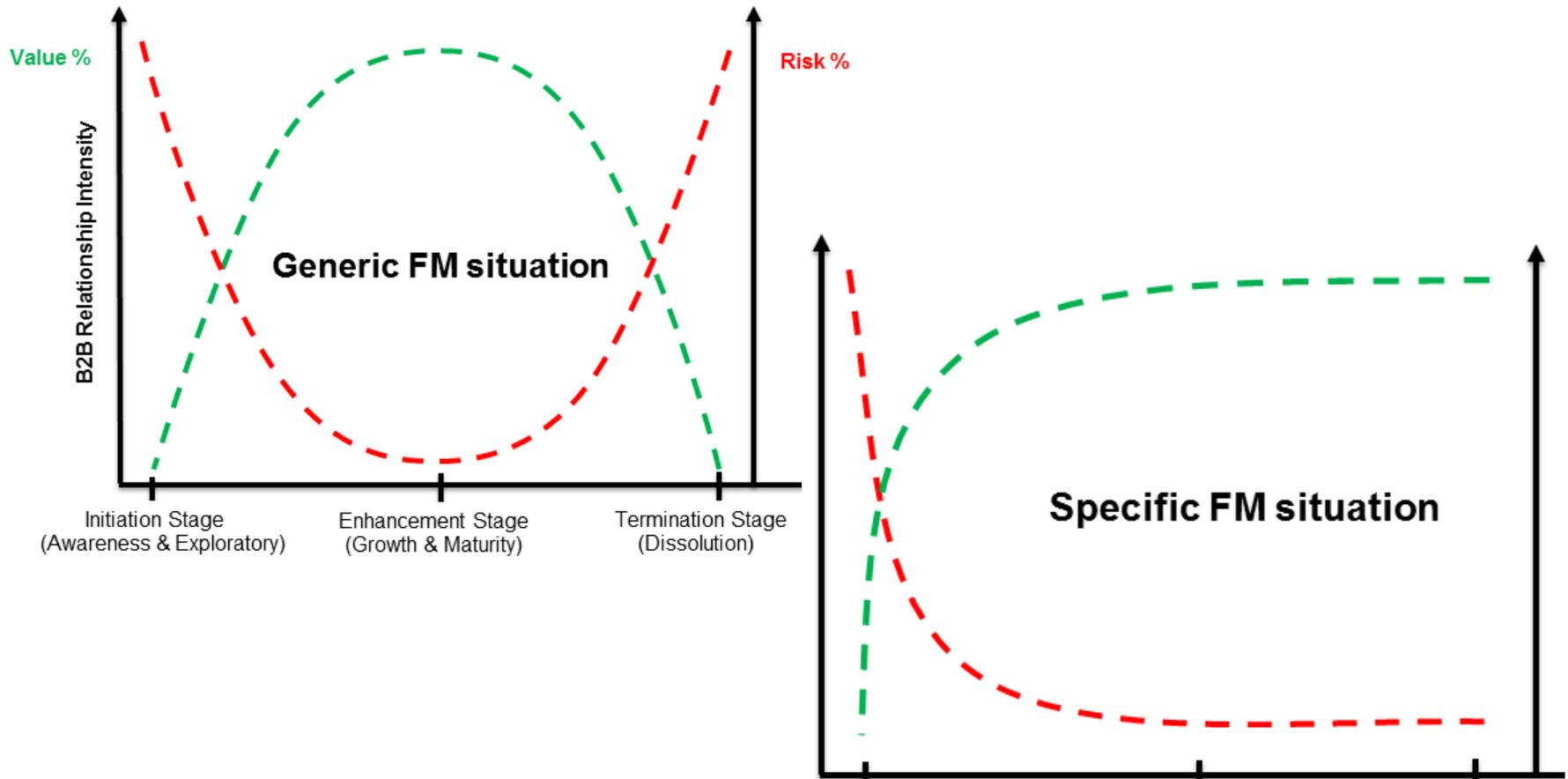
Source: similar to Bruhn, M./Georgi, D. (2006): Services Marketing – Managing The Service Value Chain, Harlow, p. 115..

Relationship Lifecycle in FM



Source: similar to Coenen, C./Nwana, P. (2014): Discovering the Relationship Lifecycle in FM - Phases & Drivers of Client Value Perceptions, EFMC 2014, Berlin.

Balancing Value vs. Risk along Lifecycle



Source: similar to Coenen, C./Nwana, P. (2014): Discovering the Relationship Lifecycle in FM - Phases & Drivers of Client Value Perceptions, EFMC 2014, Berlin.

Relationship Switching Barriers Entrapment/Lock-In of Clients

Switching Barriers in B2B Relationships

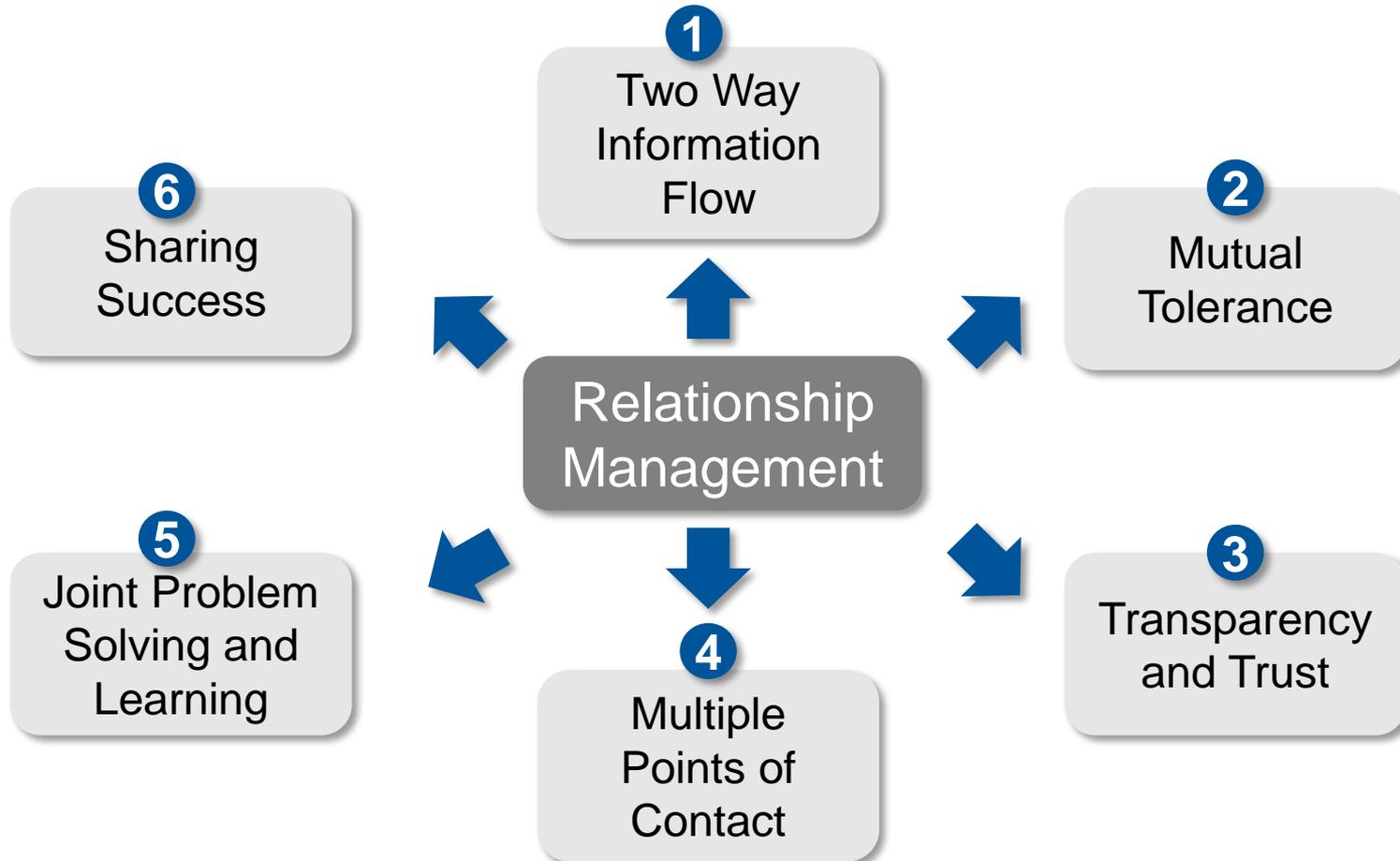
1. **Switching costs** (monetary, non-monetary)
2. **Interpersonal relationships** (strong personal bonding)
3. **Availability and attractiveness of alternatives** (choice)
4. **Service recovery** (showing the extra mile)
5. **Inertia** (passivity)

Source: similar to White, L., & Yanamandram, V. (2007). A model of customer retention of dissatisfied business services customers. *Managing Service Quality*, 17(3), 298-316.

Key Components of RM in FM

A management perspective

Key Components of Relationship Management in FM



Source: similar to BIFM (2015): BIFM Supply Chain Relationship Management – Guidance Notes for Facilities Managers, January 2015.

Key Components of RM in FM

1. Two Way Information Flow

Customer Responsibilities

- Ensure that the supplier has **all of the information necessary** for delivering the service or goods.
- SLAs/KPIs partially fulfil this requirement but it is also important that **details that could impact on the supplier** are communicated in a **clear and timely fashion**, e.g. headcount alterations or planned change of use for premises.

Supplier Responsibilities

- Inform customer of any internal **issues that could affect the supply** of goods and services. This could be related to resources or materials but it is important that the customer is **aware of any potential risks** to the delivery of goods or services in advance.
- Rather than damaging the relationship this will **enable contingency plans to be put in place to avoid disruptions** or inconsistencies.

Source: similar to BIFM (2015): BIFM Supply Chain Relationship Management – Guidance Notes for Facilities Managers, January 2015.

Key Components of RM in FM

2. Mutual Tolerance

- Both parties must **agree to how the services or goods will be delivered and when.**
- Need to be **tolerant of any changes that may be necessary** to the initial agreement and be prepared to adapt in order to fulfil the contract.
- If supplier and customer are **both mutually supportive of the occasional problem** then there is likely to be a better outcome in the long term.
- For example, it is **not uncommon for a supplier to be asked to exceed their contractual obligations** from within the customer's organisation without the correct authorisation. This often has a **knock on effect** to the delivery of the services, either from a cost or resources point of view therefore a tolerant approach from both parties will enable a **mutually acceptable solution** to be found.

Source: similar to BIFM (2015): BIFM Supply Chain Relationship Management – Guidance Notes for Facilities Managers, January 2015.

Key Components of RM in FM

3. Transparency and Trust

Sharing information in a **clear and open way** enables trust to build between the supplier and customer however this **can take some time** to develop and can be a **fragile part** of a relationship.

This element is the **hardest to develop** and maintain and is usually the **main reason why business relationships break down**.

Three stages of trust:



- Basic level
- Belief that there is more to gain from trusting than from not trusting



- Better understanding/knowledge
- Anticipating behaviour, few surprises



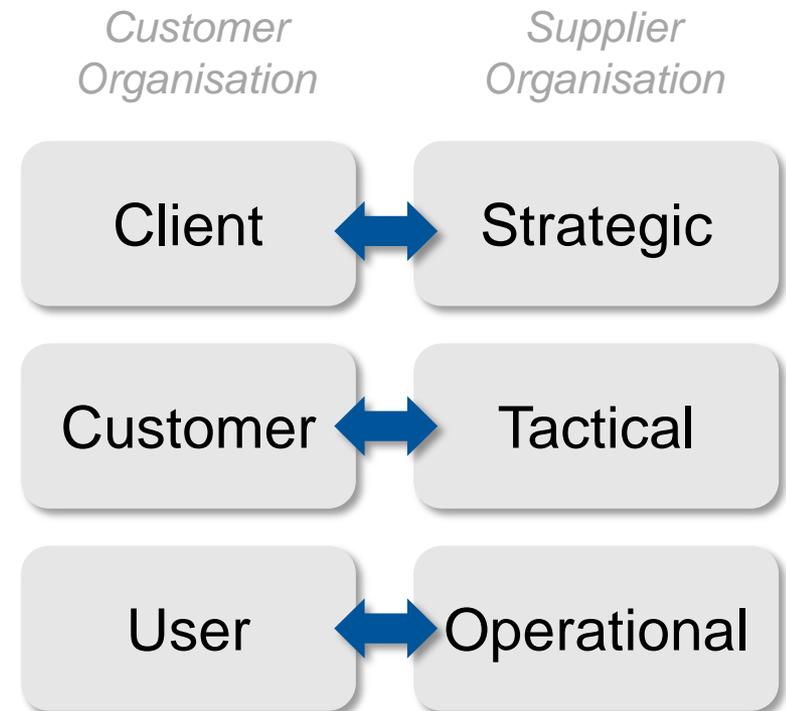
- Shared values, moral codes and ethics
- Emotional connection

Source: similar to BIFM (2015): BIFM Supply Chain Relationship Management – Guidance Notes for Facilities Managers, January 2015.

Key Components of RM in FM

4. Multiple Points of Contact

- A **multi-tiered approach** is desirable for creating a close working relationship.
- Multiple points of contact between the supplier's and customer's organisation will **facilitate open dialogue at different levels**, which binds the two organisations together.
- The nature of the communication may vary between each **person to person** relationship, combining **formal** and **informal** approaches.



Source: similar to BIFM (2015): BIFM Supply Chain Relationship Management – Guidance Notes for Facilities Managers, January 2015.

Key Components of RM in FM

5. Joint Problem Solving and Learning

- Relationships **rarely run smoothly** however **resolving difficulties or problems can often strengthen relationships** rather than weaken them. Working together to find solutions provides an **opportunity to earn respect and build trust** as long as the process is entered into on an equal footing.
- Both parties should be able to **share their views** on the problem and **put forward suggestions** for remedying in an honest and non judgmental way. This **builds cognitive trust** and **encourages risk taking and innovation**.
- A **joint approach to learning** about the services or goods will further strengthen the relationship. Although the customer has no need to understand the technical details, **having an appreciation of what is involved** will enable them to take part in any joint problem solving.

Source: similar to BIFM (2015): BIFM Supply Chain Relationship Management – Guidance Notes for Facilities Managers, January 2015.

Key Components of RM in FM

6. Sharing Success

- It is important that both suppliers and customers **believe they will be more successful working together** rather than separately.
- **Removing the need for opportunistic behaviour**, with one party exploiting the other to gain an advantage is necessary to create the environment described in the previous points.
- A mechanism for **sharing success should be agreed in advance**, which will encourage co-operation and supports transparency and trust. A **fair and open system for assessing the success** of the delivery will need to be established in order to agree a risk and reward structure. If both parties share an equal responsibility and desire to make the relationship successful then this will be evident in the service or product being delivered.

Source: similar to BIFM (2015): BIFM Supply Chain Relationship Management – Guidance Notes for Facilities Managers, January 2015.

Conclusion

- Services Management is about **making, keeping** and **enabling** promises.
 - Service Value Management means handling the **Service Value Chain** by impacting the **Service Profit Chain**.
 - Relationships in business are established between **organisations**, but they are actually managed by **people** who make a relationship **work** or **fail**.
 - FM has to consider **relationship value drivers** along the **customer life cycle**.
 - Both parties should be aware of **switching barriers** within the relationship.
- ➔ Only FM providers who are able to **not only manage the agreed services**, but also have expertise about **successful relationship management** will be able to satisfy their customers and outperform their competitors in a sustainable way.

Conclusion

*“ ... the relationship is like an actual **marriage** and the do’s and don’ts are like those in an actual marriage:*

*I would recommend the provider to stick to the promise he made (...) be honest, trustful and create **partnership.**”*

(Interviewee, FM-customer)

Thank you for your attention!



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ZHAW - Zurich University of Applied Sciences

Institute of Facility Management

- Lecturers and professors: 25
- Additional staff: 30
- BSc in FM students: appr. 250
- MSc in FM students: appr. 40
- MAS/DAS/CAS students: appr. 50



Research & Development/ Consulting, e.g.

- Workplace Management
- FM in Healthcare
- Energy Management
- Service Value Management

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service is my business

Successful Relationship Management in FM

How relations create value in FM

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