



**TRASCENT**

MANAGEMENT CONSULTING

# It Is Time To Talk Value

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Sundar Nagarajan, Managing Director  
Trascent Management Consulting, LLC

# IT IS TIME TO TALK VALUE

## Introduction

Outsourcing continues to be a significant strategy approach for Corporate Real Estate and Facilities Management (CRE/FM) leaders. Over the years, the main objective of outsourcing has been cost reduction. While cost reduction continues to be a central driver, the maturing supplier market has proven their ability to add so much more value. If your outsourcing sole focus is to reduce costs, you are missing out on the additional value you can bring to your organization.

With the improvements in suppliers' capabilities and developments in contracts and supplier governance, it is relatively easy to realize substantial cost savings in the early stage of outsourcing. The supplier will leverage spend, implement sourcing solutions, reduce energy consumption and reduce vendor spend by self-performing technical tasks. As one of our clients asked us, "Now that cost is relatively under control, what is next?"

## Not just Cost Anymore

Corporate Real Estate is no longer just a cost center, and suppliers no longer just offer a commodity service. Reducing operating expenses is not the only benefit of outsourcing. It's not even the biggest benefit. Even small increases in employee productivity can contribute significantly more to the company's bottom line than big improvements in occupancy costs.

With changing demographics in the workplace and the focus on talent attraction and retention, senior leadership's expectations of the CRE/FM function is increasingly becoming more people-centric. In this knowledge-based economy, organizations are accepting the principle that, people in the workplace are the organization's most important assets. In response, many suppliers are providing concierge-like services, and implementing performance measurements with end-user satisfaction as the key component.

As a case in point, one of Trascient's clients articulated the following end goal as a challenge to potential IFM suppliers as part of their selection process. "When a potential employee visits our headquarters, at the end of that interview session we expect the candidate to call his or her friend, spouse, mentor, etc. and say, 'I just found the best place to work, it is unbelievable.'" Our client recognized that in addition to the space design and fixtures, the services offered and the attitude with which they are offered, the client holds the key to the solution.

Suppliers are responding well to the changing requirements of the organizations by developing people-centric solutions that focus on Talent, Attraction, Retention, Productivity and Engagement (TARPE). Suppliers are also developing sophisticated end-user satisfaction surveys and using these survey results as a key measurement of their internal performance as well as a way to document the value they add to the organization.

## The Value Imperative

It is very difficult for companies to sustain cost reduction year after year. Although most outsourcing begins with cost savings as a primary goal, mature CRE/FM organizations focus on strategic gains, such as creating value. These companies have moved beyond mere cost savings and are focused on developing world-class talent, enabling best in class business models, continuous innovation, and improved end-user experience.

Trascent's experience has found organizations that reach higher levels of outsourcing maturity, utilize sourcing towards the following strategic goals:

- **Quickly acquire high talent globally.** Shortages of talent impede CRE/FM organizations ability to achieve high performance and to meet its goals. Organizations have quick access to highly talented and experienced resources from their suppliers and rely on them to build and retain talent in-house globally. Many CRE/FM functions deliver cost savings while leveraging their supplier's talent to deliver high value.
- **Implement industry best practices.** To remain competitive and best serve their business customers, CRE/FM organizations look to implement industry best practices. Their suppliers keep them updated on the latest trends, technology, processes and changes in regulations. Organizations concentrate on their core functions and rely on reputable outsourcing suppliers to keep them informed and to implement important changes and industry best practices.
- **Transfer risk to the supplier.** When CRE/FM organizations outsource business functions, the expectation is that the outsourced supplier is responsible for correcting failures in the underlying delivery systems at its own expense or it is liable to pay compensation to the company. Mature organizations know that regardless of the terms of the contract, it is almost impossible to fully insulate itself from all risk. Also, many practical legal remedies available may not sufficiently recompense the customer so the ultimate risk remains with the CRE/FM organization. Nonetheless, when the contracting is done right, the risk mitigation contained in most outsourcing arrangements is an attractive key benefit and value to the organization.
- **Boost innovation.** Innovation and continuous improvements are one of the key challenges in existing outsourcing relationships. However, some CRE/FM leaders have succeeded by incorporating many essential components in their outsourcing contracts to ensure innovation is achieved. These leaders understand their role in getting innovation ideas from their outsourcing relationships. The organization's internal processes and communication channels are essential for driving successful innovation. It is the CRE/FM leadership's responsibility to ensure that a climate of innovation is in-place so the supplier can implement compelling, value-added changes.
- **Enhance end-user experience.** Mature organizations understand the pivotal role CRE/FM plays in enhancing end-user experience and closely align CRE/FM with the organization's overall strategy. CRE/FM can create the optimal environment for the organization's primary functions by taking an integrated view of the business infrastructure and using it to deliver customer satisfaction, provide enhanced value to the core business. Leaders in mature outsourcing relationships focus on the important issues, such as providing the best value and customer satisfaction. Well-managed services help organizations to perform at its most efficient and effective level, offering real added value improvements to the organization's core business.

## Shift to Value

Many CRE/FM leaders understand these evolving trends and face increasingly higher expectations of bringing efficiency, adding value to their business customers. Many of Trascient's clients understand the downward spiral of excessive focus on cost reduction and are eager to shift the conversation towards value.

Here are some ways CRE/FM organizations can make that shift.

- **Get the basics right quickly.** CRE/FM leaders should execute their day-to-day operations flawlessly. If there are persistent operational issues, CRE/FM leaders find they have little creditability to engage their company leaders in strategic and value-add discussions. CRE/FM leadership should first get to a credible position or opportunities for strategic change will be lost.
- **Mature in outsourcing faster.** Outsource to get the basics right quickly. Being a follower has advantages in CRE/FM outsourcing. Fast followers learn from others' mistakes. There are sourcing models and vendor options today that didn't exist five or ten years ago, and this allows the followers to catch up. CRE/FM leaders can skip a few maturity levels to enable them to move to the value conversation quicker.
- **Challenge the status quo.** Regardless of a company's outsourcing maturity level, CRE/FM leaders should challenge the status quo. To avoid becoming complacent, even the most successful veteran outsourcers need to hold regular comprehensive reviews of their sourcing strategies and programs.
- **Promote value with new vocabulary.** CRE/FM leaders should actively promote the value they bring to their organizations. Successful CRE/FM leaders understand their value and find opportunities to articulate the significant contributions of the CRE/FM functions. Sharing and expressing this value puts these leaders in a position to partner with the strategic leaders of the organization. We have seen this play out in the past when CRE/FM leaders learned to articulate the value of moving to open, collaborative work spaces, and they must do the same thing as they promote their value in today's environment.
- **Make it a Priority.** The daily focus of a CRE/FM leader also determines his/her agenda. Although this appears as an obvious statement, it is an important finding. CRE/FM leaders should evaluate how much time in a day they spend on value versus cost.

## Conclusion

While cost savings is a large part of most IFM outsourcing arrangements, if CRE/FM leaders over emphasize these savings, this can devalue their relevance once the savings are met. Successful CRE/FM leaders understand the holistic nature of the outsourcing arrangement and shift the conversation to articulate the value they bring to the organization. Now is the time to talk value.



## ABOUT THE AUTHOR

**Sundar Nagarajan**  
*Managing Director*  
Trascent Management Consulting

## ABOUT TRASCENT

Trascent, a premier global management consulting firm, drives measurable performance improvements and generates quantifiable results in Corporate Real Estate and Facilities Management (CRE/FM). The firm's clients span biopharmaceuticals, consumer packaged goods, diversified industrials, financial services, high technology, media, oil and gas and other sectors. Main areas of focus include current state assessment, sourcing & outsourcing strategy and implementation, supplier governance, and CRE/FM shared services model implementation. Trascent also holds three annual CRE/FM best practice conferences in North America, Europe and Asia Pacific and are attended by CRE/FM executives and business leaders.

For more information, visit [www.trascent.com](http://www.trascent.com).

### Our services include:

- Current State Assessment
- Operational Improvement
- Organization Optimization
- Sourcing & Outsourcing Strategy and Implementation
- Supplier Governance
- CRE/FM Shared Services Model Implementation

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**To learn more about Trascent and our breakthrough performance solutions in CRE/FM, please contact:**

**Yvonne Liu, Global Marketing Director**  
+1 (646) 295-4299  
[yliu@trascent.com](mailto:yliu@trascent.com)  
[www.trascent.com](http://www.trascent.com)