

gleeds

Facilities Management

Comparison of FM Delivery Models

September 2020

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Overview

TFM vs. MA: An overview

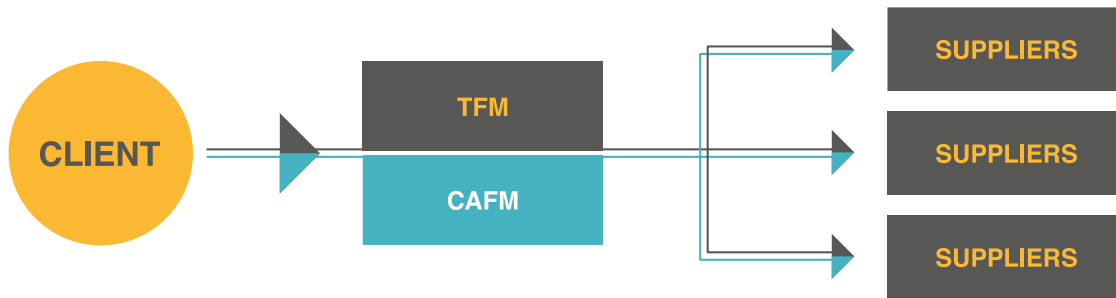
FM Delivery Models, High Level Background

- Within 30 years, the FM market has evolved from an almost entirely in-house, self-delivered service to a position where 69% of the market outsources more than half of their facilities services (Sheffield Hallam University, 2016). In the private sector, this outsourcing figure is considerably higher
- Outsourcing's popularity increased largely through the perceived commercial and operational efficiencies provided by competition and innovation
- Although there are other models for delivery, the two most popular models for outsourcing delivery of an organisation's FM are:
 - **Total FM (TFM)**
 - **Managing Agent (MA)**



TFM vs. MA: Organisational Models

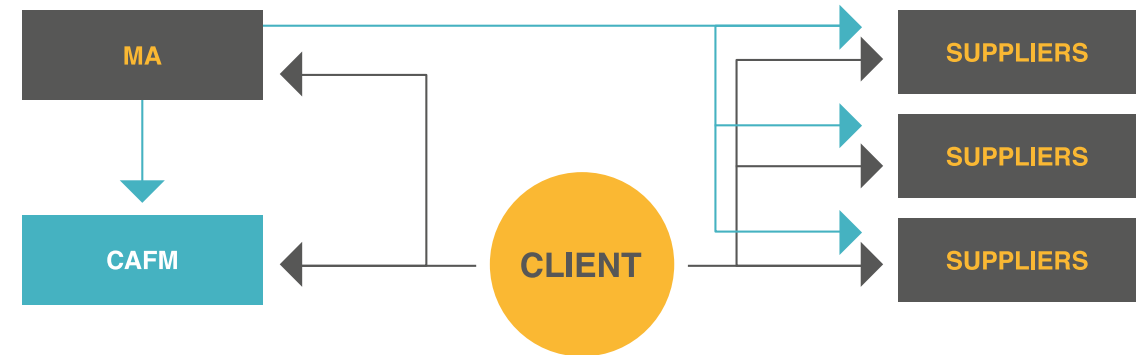
TOTAL FACILITIES MANAGEMENT (TFM) MODEL



Examples of TFM Service Providers

- Carillion
- Integral/JLL
- Interserve
- Bellrock
- Mitie

MANAGING AGENT (MA) MODEL



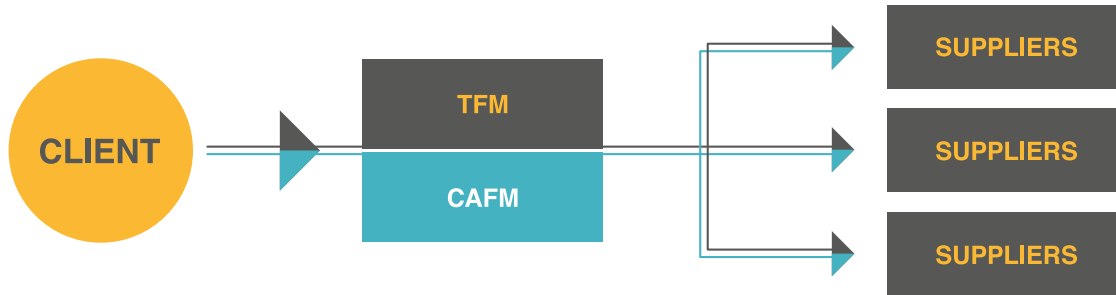
Examples of MA Service Providers

- Gleeds
- Construction Consultancies
- Any TFM provider!

Total FM (TFM): The approach

TFM: The approach

TOTAL FACILITIES MANAGEMENT (TFM) MODEL



- Typically, the TFM model self-delivers with some elements of sub-contracting either through a lack of capability, or where resource levels are inadequate to deal with demand
- Contractually, the client engages only with the TFM – the TFM provides resource internally or by way of sub-contracting
- The CAFM system that underpins the delivery of the FM service is normally a 'bolt on' provided by the TFM

TFM overview

- TFM is where the entire matrix of service delivery is outsourced under a single contract to a single provider organisation that may subcontract or self-deliver some or all of the services
- This model has seen an increase in popularity over the past few years, increasing from 6% in 2012 to 12% of the market in 2016. It allows the client to focus on the core business, provides improved management information and value for money, while offering access to technical expertise
- However, it can leave the organisation deficient in the intelligent client function and while it provides a simpler management structure to liaise with, it is often lacking in transparency of true performance and cost
- Levels of sub-contracting and poor performance in specific disciplines or geographical areas are often 'hidden', and it is difficult to have true visibility of these and rectify them



TFM overview

- Some TFMs have struggled in recent years in seeking to provide a wide-breadth of service offering and to secure clients. Their commercial offering is often very competitive (and often below going market rates for trades)
- Reactive labour rates are often very low and margins on some works can be almost unprofitable, but seek to make profit on Quoted Works and Projects which can lead to frustrations and an impact upon trust
- However, over the last few years a gradual shift away from TFM providers has been observed. This appears to have been driven largely by service output failures from some TFM providers and high-profile failures and market withdrawals by companies, such as Carillion, Kier, and Interserve
- With the compressed economic environment, businesses have looked to exercise greater cost control, with synergies and efficiencies often being sought to help meet challenging costs budgets. This in turn has driven a need for transparency, available data, and internal intelligence over what is a substantial cost base



TFM: SWOT analysis

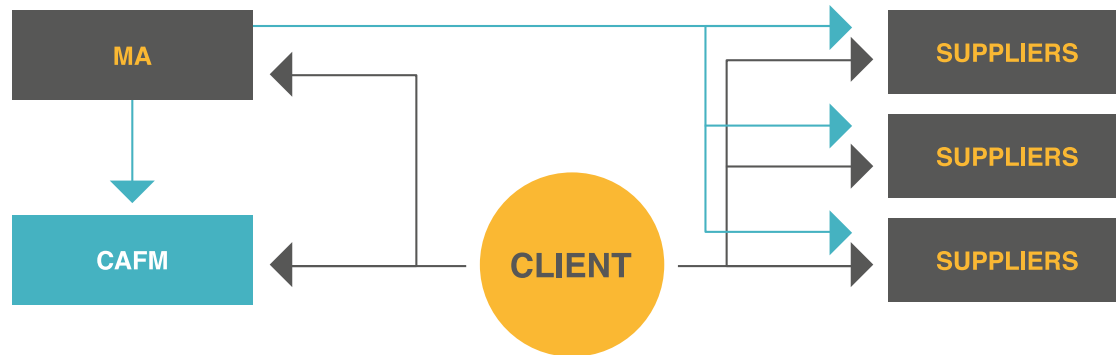
TFM: SWOT analysis

| Strengths | Weaknesses | Opportunities | Threats |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> 1. Client can operate a leaner more agile internal team 2. Commercially – TFM model can be the most competitive model. 3. Central point of contact & dialogue with supplier – no need to procure additional disciplines & CAFM. 4. TFM will often have an established series of service providers within supply chain. 5. National coverage and wider – with experience of blue chip clients and a wide and varied portfolio. | <ol style="list-style-type: none"> 1. Multiple layers of sub-contracting not uncommon –can be anything up to 40%; costs incurred by TFM & sometimes hidden/passed to client. No visibility of rebates either. 2. Lack of transparency of performance & cost – regional or discipline deficiencies mask true performance. 3. CAFM system may not be right fit/spec for client. 4. Model is inherently inflexible/contractual – difficult to respond to client’s needs if changing from tendered spec. 5. Potential loss of in-house strategic expertise & knowledge – intelligent client function is reduced. 6. Most TFMs have core skill sets – difficult to find any who can deliver service to same standards across all disciplines. 7. Clients can often feel less important – and other clients with larger spends benefit from this. | <ol style="list-style-type: none"> 1. Centralisation of processes and delivery with reduced supply chain across a national portfolio. 2. Potential commercial benefits from initial tender process – reduced rates, etc. 3. Potentially improved technological touch points – engagement with end users/tenants/operators with CAFM system. | <ol style="list-style-type: none"> 1. Other service providers or facilitators – innovation, new technologies, flexible ways of working. 2. External market pressures – economy, Brexit, COVID-19. Margins will be tight with a TFM model, and difficult to respond flexibly to end user needs. 3. Many larger TFMs have additional arms to business – projects/infrastructure problems may have impact upon wider business as per Carillion. |
| <p>TFM SWOT</p> | | | |

Managing Agent (MA): The approach

MA: The approach

MANAGING AGENT (MA) MODEL



- Supply chain is contractually engaged with the client directly – MA manages the suppliers on a day-to-basis, client input is mostly strategic allowing focus upon primary business activities
- MA provides the requisite commercial, contract and operational management expertise
- The CAFM system that underpins the delivery of the FM service is usually sourced independently – allowing a flexible approach to system selection by way of tender, MA/client recommendation

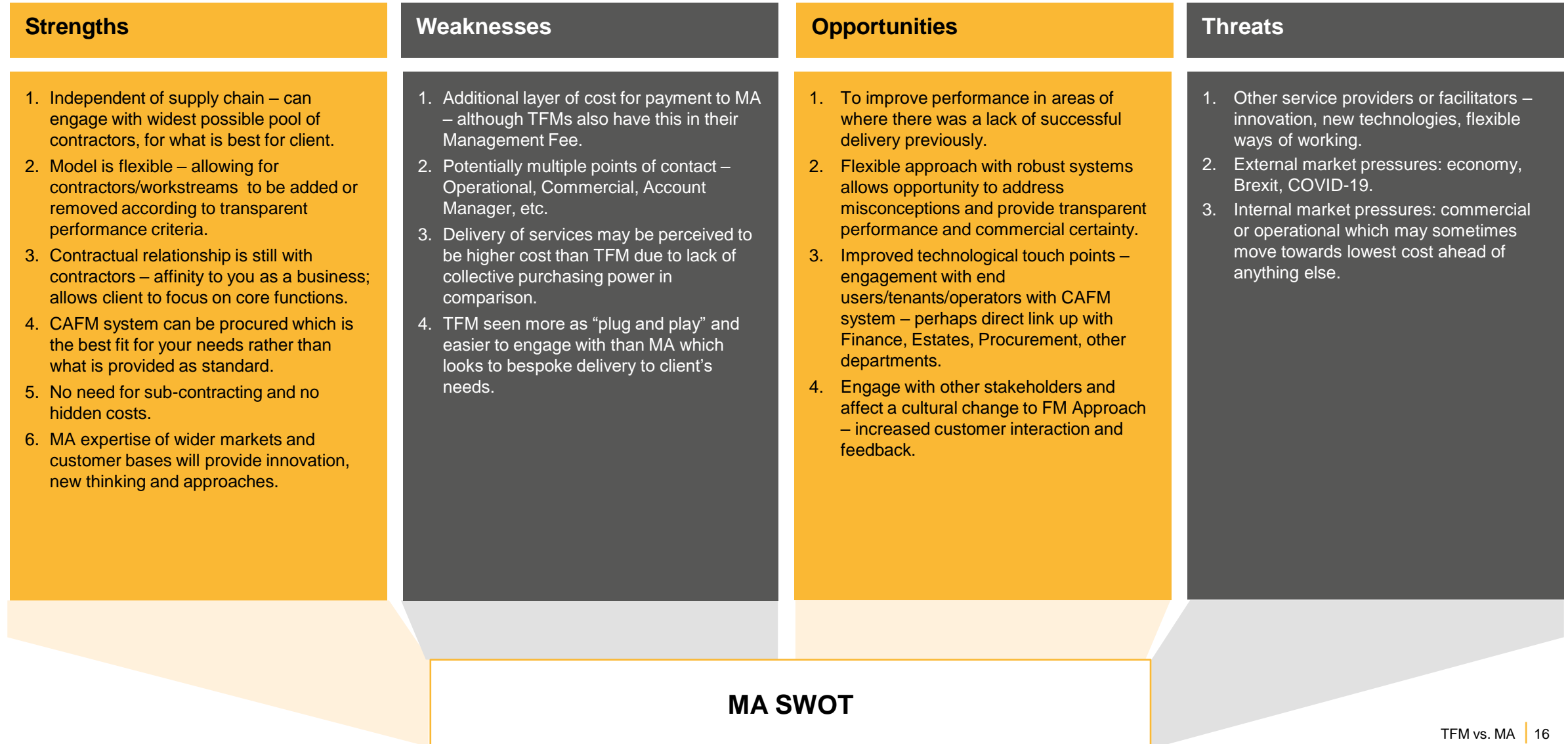
MA overview

- Usually, an independent consultant is engaged to manage the service provision. This frees up the client's time as they are not required to manage suppliers and provides valuable supply chain insight, but it can add an extra layer of cost for this expertise
- The MA sits between the client and supply chain providing business intelligence and an independent, impartial view on supplier performance, finance and cost control, workplace experience and FM compliance together with a strategic approach to the entire estate
- The benefits include a single point of information and the ability to choose the best service partner for the job together with increased strategic insight into the estate. This approach is more likely to be adopted by organisations with larger, more complex portfolios
- Should the client wish to replace the MA consultant then they can do so, the MA model engages the contractors directly with the client, so there is no change in contractual relationship



MA: SWOT analysis

MA: SWOT analysis



Analysis detail

Analysis detail

| | TFM | MA |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Supplier Contracts | Supplier contracts are held & controlled by the TFM provider. This leaves the client without any requirement to facilitate change (i.e. no procurement requirement), but also leaves the client with no formal option for redress with a failing contractor. Ultimately, the choice of end contractor is dictated by the TFM provider. | Supplier Contracts are held by the Client, with the Managing Agent referenced as a managing party. The client is then able to control the supply chain structure & specific contractors, with re-procurement as needed for new or changing service lines. The procurement process may be supported by the MA. Similarly, the MA may give recommendations in respect of current suppliers based upon their performance. |
| Supplier Rates & Rebates | Supplier rates are not visible to the end client as these exist in contracts between the TFM and their contractors. Often the TFM will provide rates for their internal workforce. One of the key differences is that the TFM is likely to have commercial arrangements with their suppliers. These may include rebates for volumes of work or similar. This could affect the objectivity of the TFM when reviewing contractor performance and may inhibit moving away from a failing contractor. | Suppliers are selected & contracted by the Client, with the MA supporting to the extent desired by the client. Commercial agreements are not in place between the Managing Agent (if they are appropriately independent) and the suppliers, leaving the performance conversation unaffected by commercial content. |
| Billing, Mark up & Self-Delivery | TFM providers have usually offered a cost model to their clients that includes a management fee, specific rates for self-delivered work and a markup on all plant & equipment, materials & subcontracted work. | Managing Agents are expected to offer a cost model that is dissociated from the client's FM Spend. A flat management fee would usually be agreed, which would be based upon the resource/task expectation of fulfilling the service requirements. |
| | Self-delivery has often been cited as being the majority, but subcontracted work volumes have often been seen to exceed 40% of the total work, leaving a mark up being applied (often around 10%) to a large amount of the work. | Through quality advice & support, a good Managing Agent would help identify areas in a client business where there is a significant amount of subcontracted work. Direct suppliers could then be brought on board to support a commercially efficient supply chain. |

Analysis detail

| | TFM | MA |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CAFM Choice | <p>TFM providers will usually offer a CAFM system as part of their service offering. This offers the benefit of a system that is expected to be well known and used by the provider and its suppliers.</p> <p>There is some risk that if this is not the case, then any potentially improving system management improvers can be a challenge with the TFM again dictating terms. Similarly, the system provided may not be the most cost effective or operationally efficient system for the client.</p> | <p>The client can select their own CAFM system (with support as required) which they contract as a service directly. This ensures all active system content and system data is held by the client. The Managing Agent can then facilitate any aspect of the system management as required, taking roles in workflows, as well as maintaining system admin content if required.</p> <p>This allows the client to select a best fit system for their operations at an appropriate price for the business. The client is then in complete control of system processes, authorizations etc. with support from the MA.</p> |
| MA/TFM Management | <p>TFM management is principally driven through contractual discussion, with the aim of management to ensure TFM's deliver to the contract in force. This can require very complex & hard to enforce contracts, which become burdensome to update in a dynamic business with changes expected to FM operations.</p> <p>Successfully managed, a TFM contract reduces the internal requirement for the business, although there is a risk that this reduces internal knowledge leaving the contract management weakened.</p> | <p>MA management is again driven by KPI management. However, given that a large portion of performance KPI's are related to end contractor performance, both the MA & the client can drive improvement in performance or move towards procurement decisions as necessary. The client can inform the process to ensure that key areas are managed as a priority.</p> |

Managing Agent (MA) overview

- The MA supply chain approach is free of ties – TFMs will invariably utilise their own in-house teams regardless of performance or other factors and allows for a bespoke approach to FM delivery
- Sub-contracting is, by its nature, not transparent and is susceptible to abuse
- It is extremely unlikely that a contractor is equally skilled at all in FM disciplines. There is always a natural leaning to a particular skillset, and internal resource levels reflect this
- TFM is perceived to be lowest value in the marketplace – but our belief is that MA is Best Value and is with most clients self-funding as a minimum
- TFM has an accessibility to market that is perceived as being less fuss – with reputation and experience – however, we believe that this approach is too inflexible and is ultimately not commercially beneficial for all parties
- The MA model allows for robust and independent: cost management, contractor management and compliance audit functions able to access ‘best in breed’ contractors on a flexible performance-based basis, whilst maintaining full client control of the dynamic delivery of service



Thank you

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