Time for change in facilities management

Interserve, Sheffield Hallam and i-FM
facilities management research 2013

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"The last few years have seen companies constantly cutting costs, however this year our research shows that businesses are starting to look at not just doing things for less, but at doing them better. This step-change in service delivery can only be achieved with innovation and partnership. You need great ideas to help transform service delivery, but you need a strong relationship to deliver this on the ground. Reassuringly that is what the market believes as well; longer term contracts offer more value in 91% of cases, and 90% of the companies believe it is important that suppliers bring new ideas to the table. It's time to change, and it's time to do it together."

Tony Sanders, Managing Director - Commercial, Interserve

Executive summary

Interserve commissioned this market research with Sheffield Hallam University and i-FM, for the third year running, to look at the shape of current and future facilities outsourcing, as well as the issues and trends in the market. This year the report looks at specific areas around innovation, relationships and future trends. 227 people responded to the survey, and their insights and opinions showcase an interesting future for the market:

THE MARKET'S GETTING LARGER:

> 16% increase in those outsourcing over 76% of their estate

> 14% increase in those outsourcing services to one provider

> Cleaning, maintenance and security outsourced in nearly 70% of cases

REASONS FOR OUTSOURCING:

> Financial savings (72%), better technical expertise (64%), and transfer of risk (59%) are top three objectives for outsourcing

> Cost, innovation and local supply chain are most important factors in a tender evaluation

> 94% of people believe cost is most important factor in tender evaluation, followed by innovation at 86%

> There is a 50/50 split between those that think brand plays a part in their strategy and those that think it doesn't

FUTURE OF OUTSOURCING:

> Cleaning is the most likely service to be re-tendered or re-scoped at contract end

> Value for money and reducing costs are becoming less important in larger deals

> On average only 6% of people are likely to bring services in house in the future

> Only 17% of companies are likely to stay with the same supplier in the future

> 37% of people believe there will be more outsourcing but to fewer multi-service suppliers

> Over 50% of the market believes there will be more european and global outsourcing deals in the next five years

BUILDING THE RIGHT RELATIONSHIP:

> In 91% of cases people prefer long term contracts

> Access to best practice (94%), better technical expertise (93%) and service level improvements (93%) are the three most important factors in building a successful client / partner relationship

> One third of respondents said that finding a suitable service provider and managing the contract are the biggest challenges of outsourcing

> 70% of those who deliver services in-house think the cost of outsourcing is too high

> Communication (76%) and working together as a team (76%) are the most important factors in helping buyers outsource better

AN INNOVATIVE APPROACH:

> 90% of respondents believe it is important suppliers bring new ideas to the table

> 22% of all innovation is total innovation i.e. radical change

> 52% think organisations will improve productivity and efficiency of services to a great extent in future

About the research:

Interserve commissioned this research from Sheffield Hallam and i-FM. It was undertaken between July and August 2013. Online questionnaires were distributed via i-FM and by the Centre for Facilities Management Development at Sheffield Business School.
227 individuals responded to the survey.

THREE KEY DRIVERS OF OUTSOURCING

- COST
- VALUE FOR MONEY
- FLEXIBILITY

EXPERIENCE

5 YEARS

60% HAVE 5+ YEARS OF EXPERIENCE OF OUTSOURCING

ORGANISATIONAL SPLIT

72% PRIVATE SECTOR

28% PUBLIC AND THIRD SECTOR

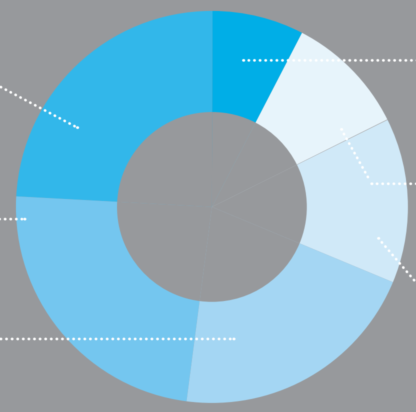
BUDGETS

£

53% HAVE LESS THAN £5 MILLION BUDGET

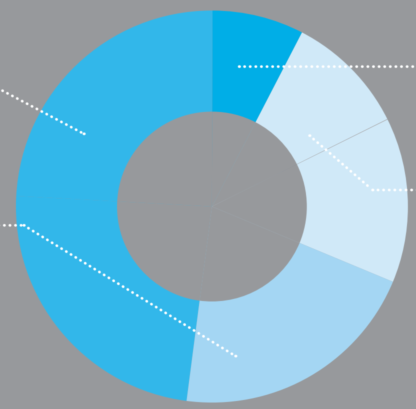
18% HAVE MORE THAN £51 MILLION BUDGET

FACILITIES SERVICES DELIVERY MODEL



- 23.9% ALL SERVICES DELIVERED IN-HOUSE
- 23.9% SINGLE SERVICES OUTSOURCED
- 21% INTEGRATED SERVICE
- 7.2% TOTAL FACILITIES MANAGEMENT AND PROPERTY SERVICES
- 10.1% TOTAL FACILITIES MANAGEMENT MODEL
- 13.8% BUNDLED SERVICES

PROVISION OF FACILITIES SERVICES



- 50.4% PROVIDE FACILITIES SERVICES TO OTHER ORGANISATIONS
- 39.7% BUY FACILITIES SERVICES
- 4.5% OTHER
- 37.5% PROVIDE FACILITIES SERVICES IN-HOUSE

DID YOU KNOW:

This is the third year running we have conducted this survey and over that time the demographics of the respondents has remained largely unchanged. The significant differences are:

12% MORE PRIVATE SECTOR RESPONDENTS THAN IN 2011

18% MORE FACILITIES CONSULTANCY AND SERVICE PROVIDERS THAN IN 2012

01

About the facilities deals

Those who outsource are doing so to a much greater degree. Private sector organisations are increasingly choosing integrated or total facilities management models, whilst cost and savings continue to drive outsourcing choices.

OUTSOURCING DEALS ARE GETTING LARGER AND MORE CONSOLIDATED

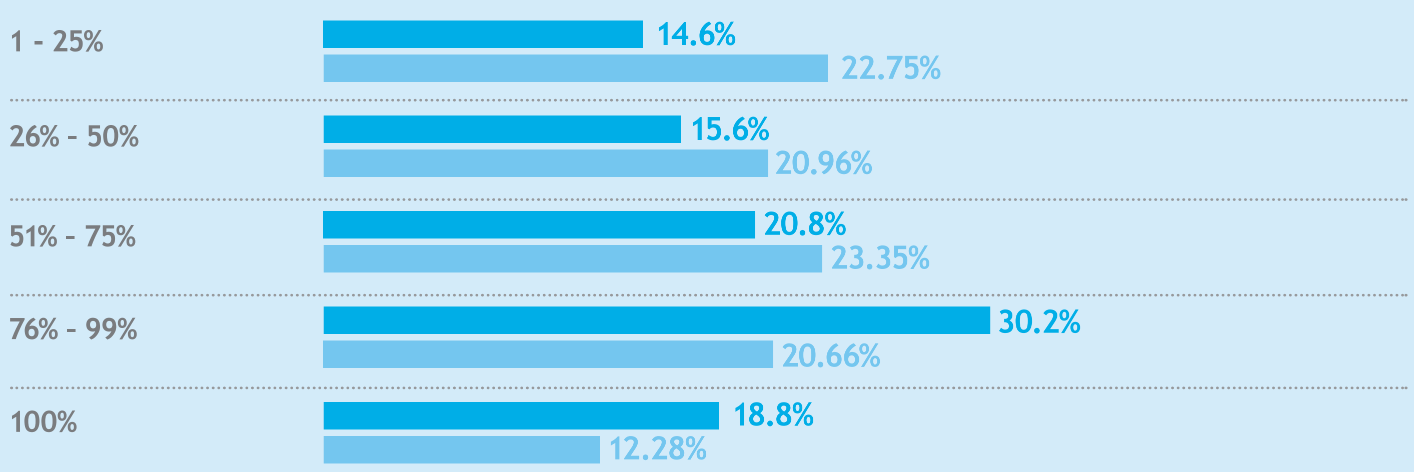
16%
INCREASE IN THOSE OUTSOURCING OVER 76% OF THEIR ESTATE

14%
INCREASE IN THOSE OUTSOURCING SERVICES TO ONE PROVIDER

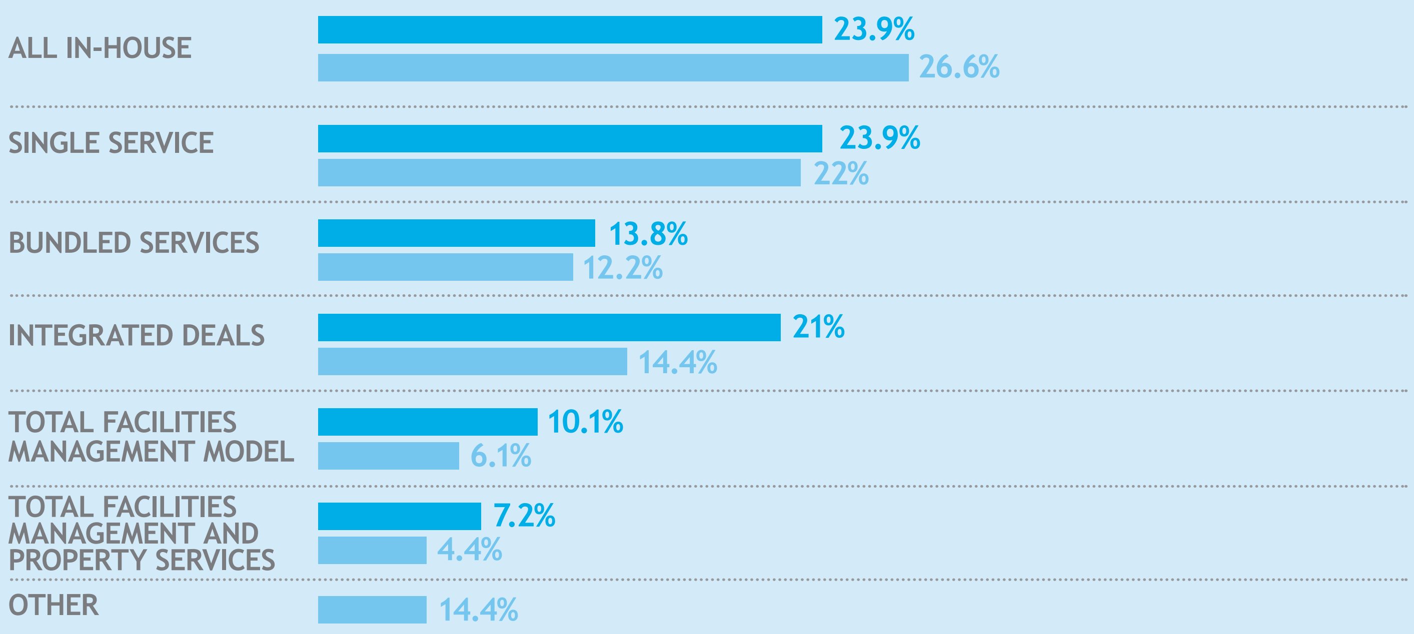
70%
CLEANING, MAINTENANCE AND SECURITY OUTSOURCED IN NEARLY 70% OF CASES

WHAT PERCENTAGE OF YOUR FACILITIES ARE OUTSOURCED?

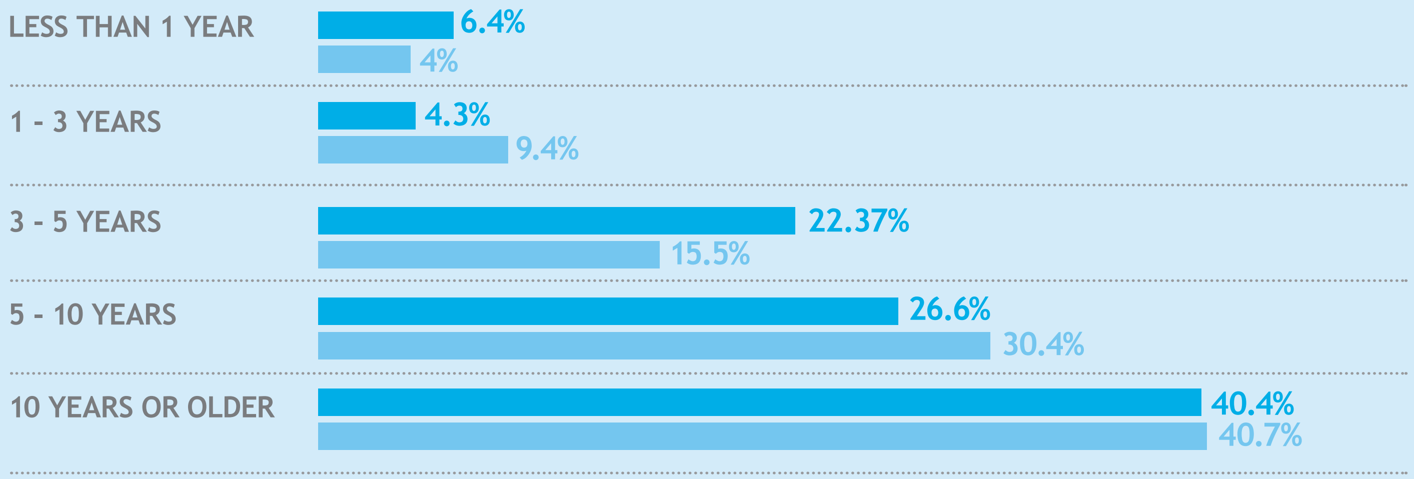
KEY: 2013 2012



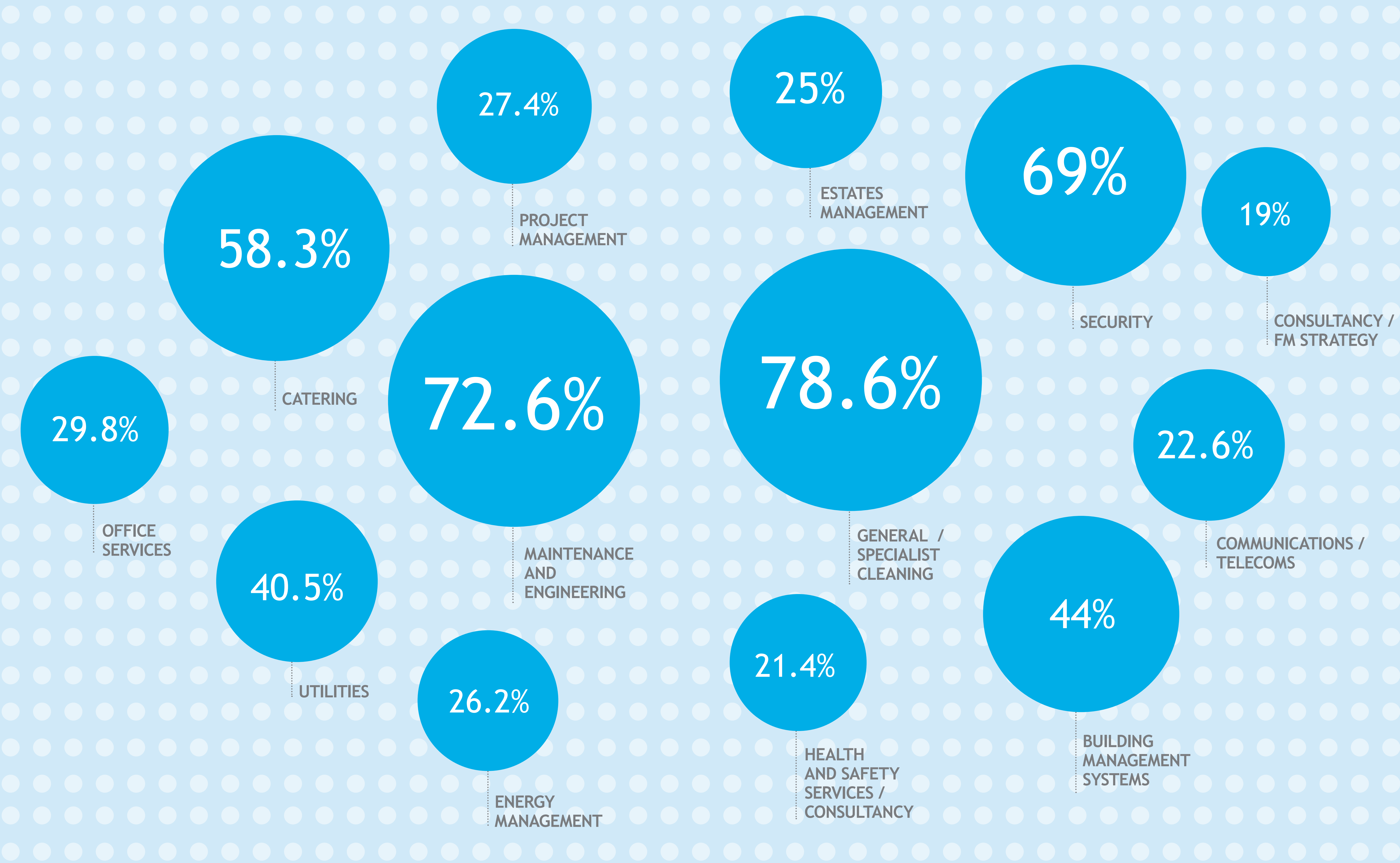
HOW ARE YOUR SERVICES CURRENTLY DELIVERED?



HOW LONG ARE YOUR OUTSOURCING DEALS?



SERVICES CURRENTLY BEING OUTSOURCED



02

Outsourcing objectives

DID YOU KNOW?

#1 Financial savings has been the number one objective for three last years. Better technical expertise replaced service level improvements in second place.

HIGHLIGHTS

72%

FINANCIAL SAVINGS, BETTER TECHNICAL EXPERTISE (64%), AND TRANSFER OF RISK (59%) TOP THREE OBJECTIVES FOR OUTSOURCING

80%

HAVE ACHIEVED THEIR NUMBER ONE OBJECTIVE OF ACHIEVING FINANCIAL SAVINGS (72%)

11%

LESS HAVE ACHIEVED THEIR OUTSOURCING OBJECTIVES IN 2013 COMPARED TO 2012

33%

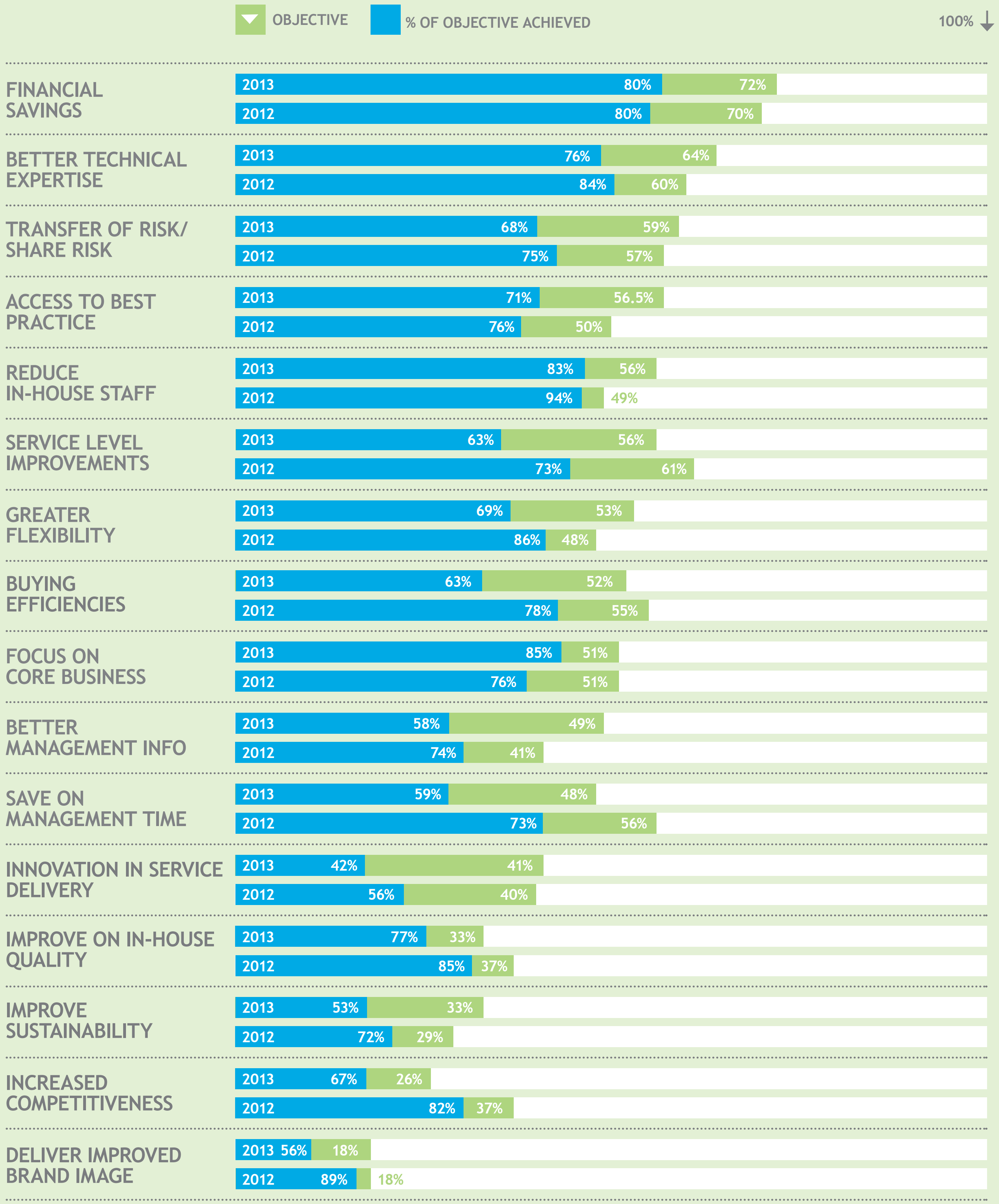
OF PEOPLE RATE SUSTAINABILITY AS AN OBJECTIVE AND IT IS ACHIEVED IN 19% LESS CASES THAN IN 2012

TECHNICAL EXPERTISE AND ABILITY TO FOCUS ON CORE BUSINESS ARE NOW MORE IMPORTANT IN OUTSOURCING MODELS THAN SERVICE LEVEL IMPROVEMENTS

COST, INNOVATION AND LOCAL SUPPLY CHAIN ARE MOST IMPORTANT FACTORS IN A TENDER EVALUATION

CLEANING IS THE MOST LIKELY SERVICE TO BE RE-TENDERED OR RE-SCOPED AT CONTRACT END

WHAT IS YOUR OBJECTIVE FOR OUTSOURCING AND HAS IT BEEN ACHIEVED?



CHOOSING THE RIGHT MODEL

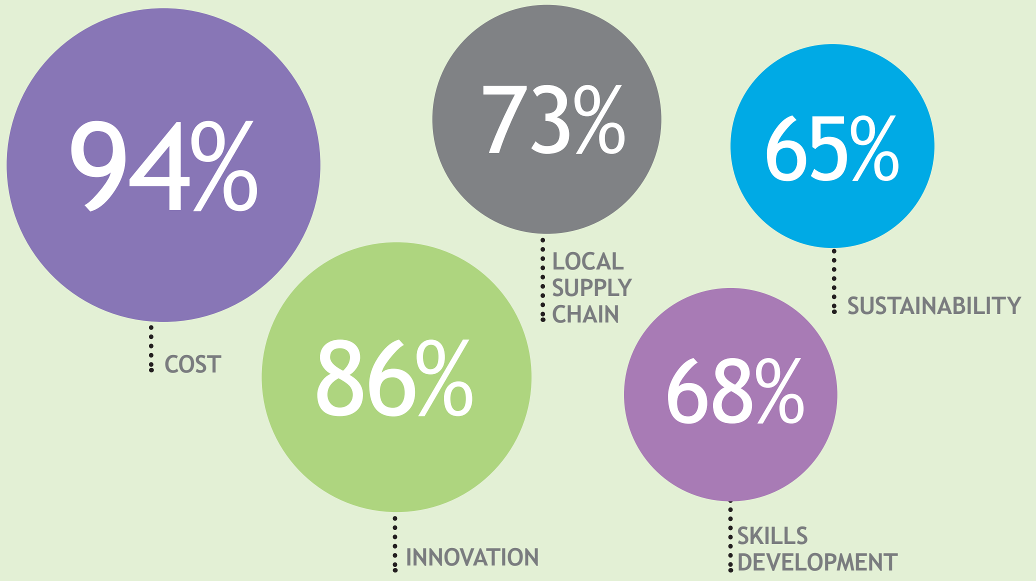
- People procuring bundled services are looking for more added value through innovation than through cost efficiencies
- Those procuring integrated services are looking for more technical expertise than value for money
- When procuring total facilities management people are looking for ability to focus on core business and technical expertise instead of value for money and reducing costs
- For total facilities management and property people are looking for ability to focus on core business and improved management information rather than value for money and reducing costs

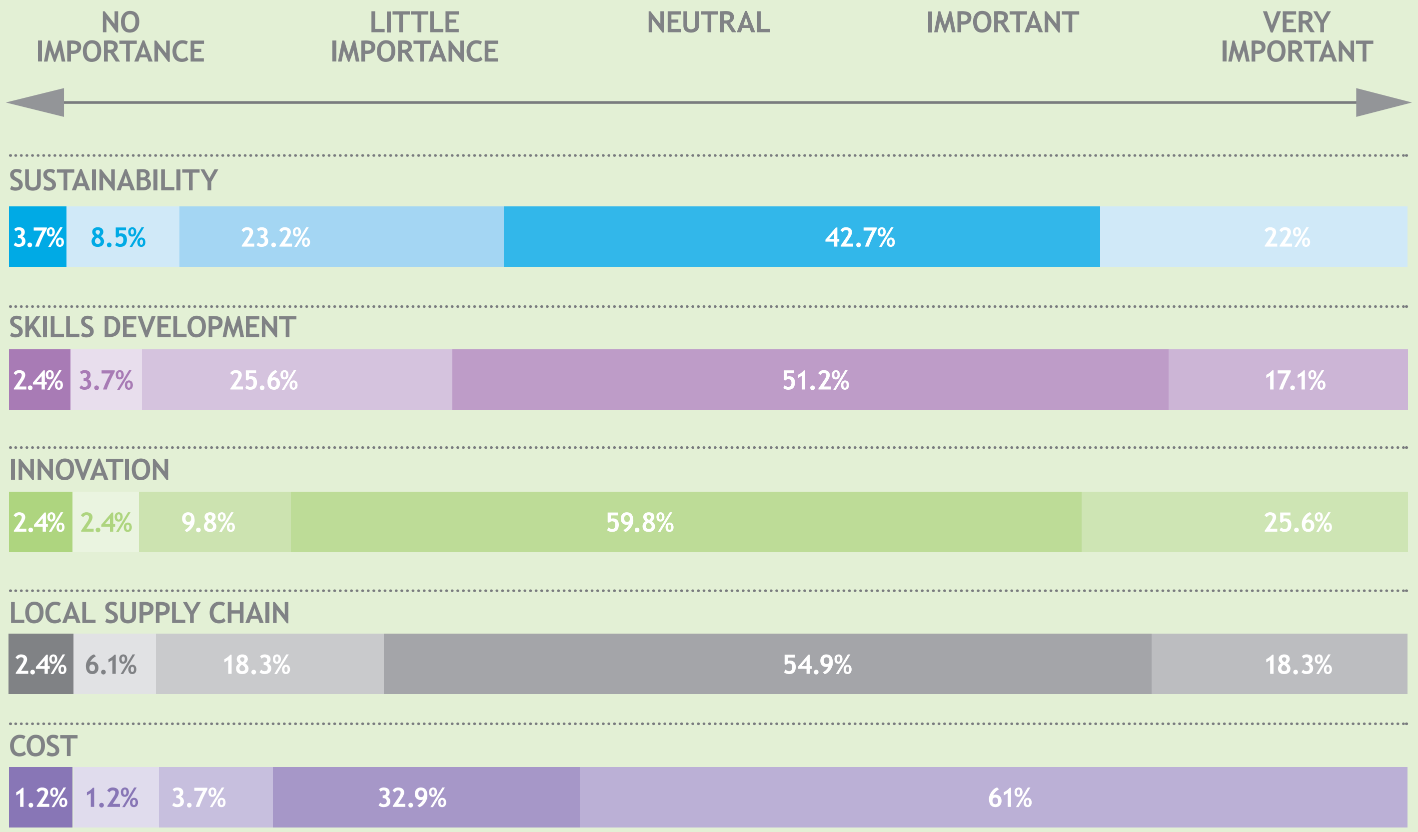
TOP DELIVERABLES BY SERVICE MODEL OVER TIME

	2011	2012	2013
IN-HOUSE	> Service Quality > Communication	> Flexibility in Service Delivery > Service Quality	> Service Quality > Communication
SINGLE SERVICES	> Improved Management Information > Value for Money	> Service Quality > Access to Technical Expertise	> Service Quality > Access to Technical Expertise
BUNDLED SERVICES	> Reducing Costs > Management of Risk	> Reducing Costs > Value for Money	> Reducing Costs > Added value/innovation
INTEGRATED SERVICE	> Reducing Costs > Management of Risk	> Value for Money > Reducing Costs	> Reducing Costs > Access to Technical Expertise
TOTAL FACILITIES MANAGEMENT	> Ability to Focus on Core Business > Improved Management Information	> Value for Money > Reducing Costs	> Ability to Focus on Core Business > Access to Technical Expertise
TOTAL FACILITIES MANAGEMENT AND PROPERTY	> Not applicable	> Value for Money > Reducing Costs	> Ability to Focus on Core Business > Improved Management Information

EVALUATING CONTRACT BIDS AND TENDERS

94% of people believe cost is most important factor in tender evaluation, followed by innovation 86%, local supply chain 73%, skills development 68% and sustainability 65%.





DID YOU KNOW? #2 Innovation is the second highest (following cost) important factor in a tender evaluation

FUTURE OF OUTSOURCED CONTRACTS

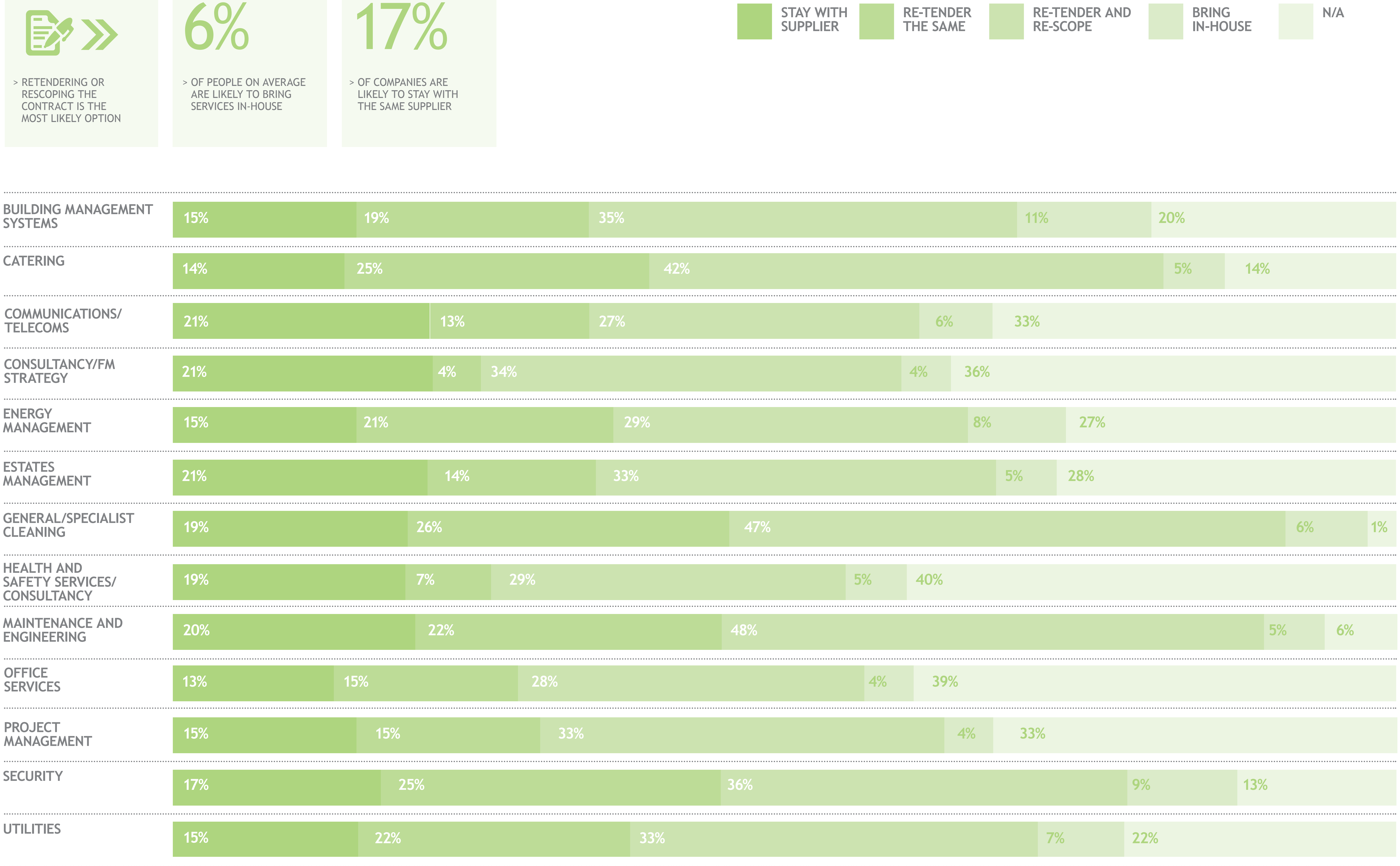
> RETENDERING OR RESCOPING THE CONTRACT IS THE MOST LIKELY OPTION

6%

> OF PEOPLE ON AVERAGE ARE LIKELY TO BRING SERVICES IN-HOUSE

17%

> OF COMPANIES ARE LIKELY TO STAY WITH THE SAME SUPPLIER



03

The role of your brand

DID YOU KNOW? 11% There has been a 11% drop in those who see brand plays no part in their strategy

HIGHLIGHTS

THERE IS A 50/50 SPLIT BETWEEN THOSE THAT THINK BRAND PLAYS A PART IN THEIR STRATEGY AND THOSE THAT THINK IT DOESN'T

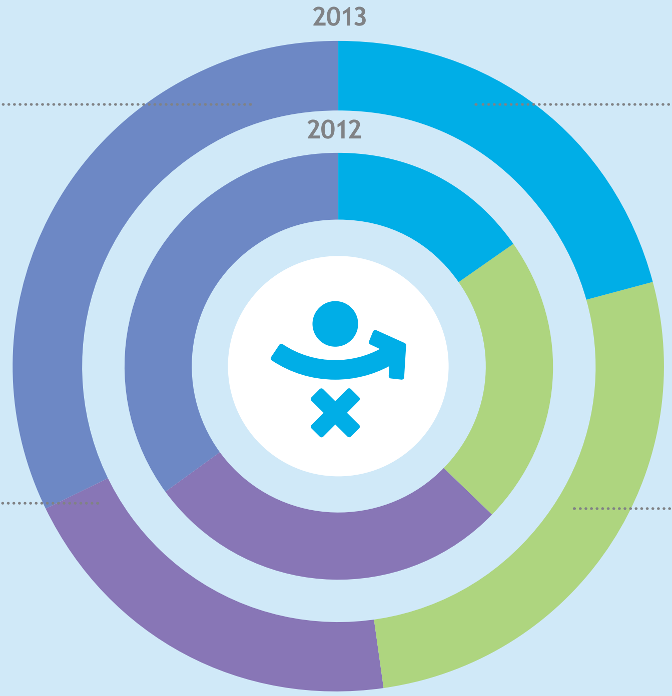
THERE IS ALSO NO DIFFERENCE BETWEEN THOSE IN THE PRIVATE AND PUBLIC SECTOR IN TERMS OF BRAND PERCEPTIONS

WHERE BRAND DOESN'T PLAY A ROLE IN FACILITIES MANAGEMENT IT IS BECAUSE OF ITS COST, NO ENGAGEMENT IN BUILDING AND THE COMPANY HAS A LACK OF BRAND IDENTITY

HOW IMPORTANT IS OUR BRAND AS PART OF OUR BRAND STRATEGY?

NO PART
2013
32.2%
2012 34.93%

SMALL PART
2013
20%
2012 27.63%



CRUCIAL
2013
21.1%
2012 15.3%

IMPORTANT
2013
26.7%
2012 22.15%

HOW BRANDING PLAYS A ROLE IN YOUR BRAND STRATEGY

04

Considerations of outsourcing versus in-house delivery

There are differing perceptions about the challenges of moving to outsourcing compared to the actual challenges encountered.

HIGHLIGHTS

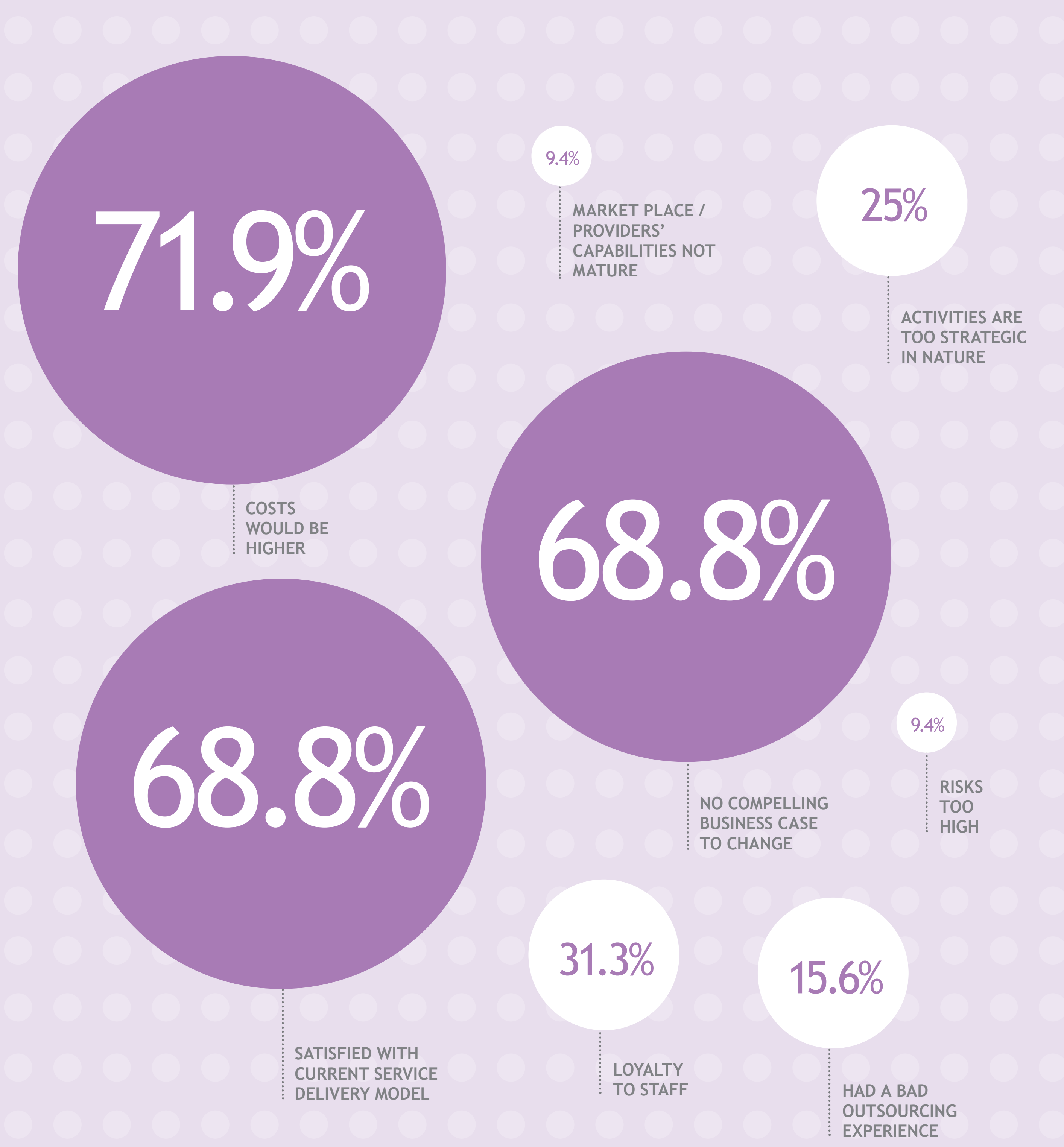
70%

OF PEOPLE THINK THE COST OF OUTSOURCING IS TOO HIGH TO CONSIDER OUTSOURCING

68%

OF THOSE THAT DELIVER SERVICES IN-HOUSE THINK THERE IS NO COMPELLING CASE TO CHANGE

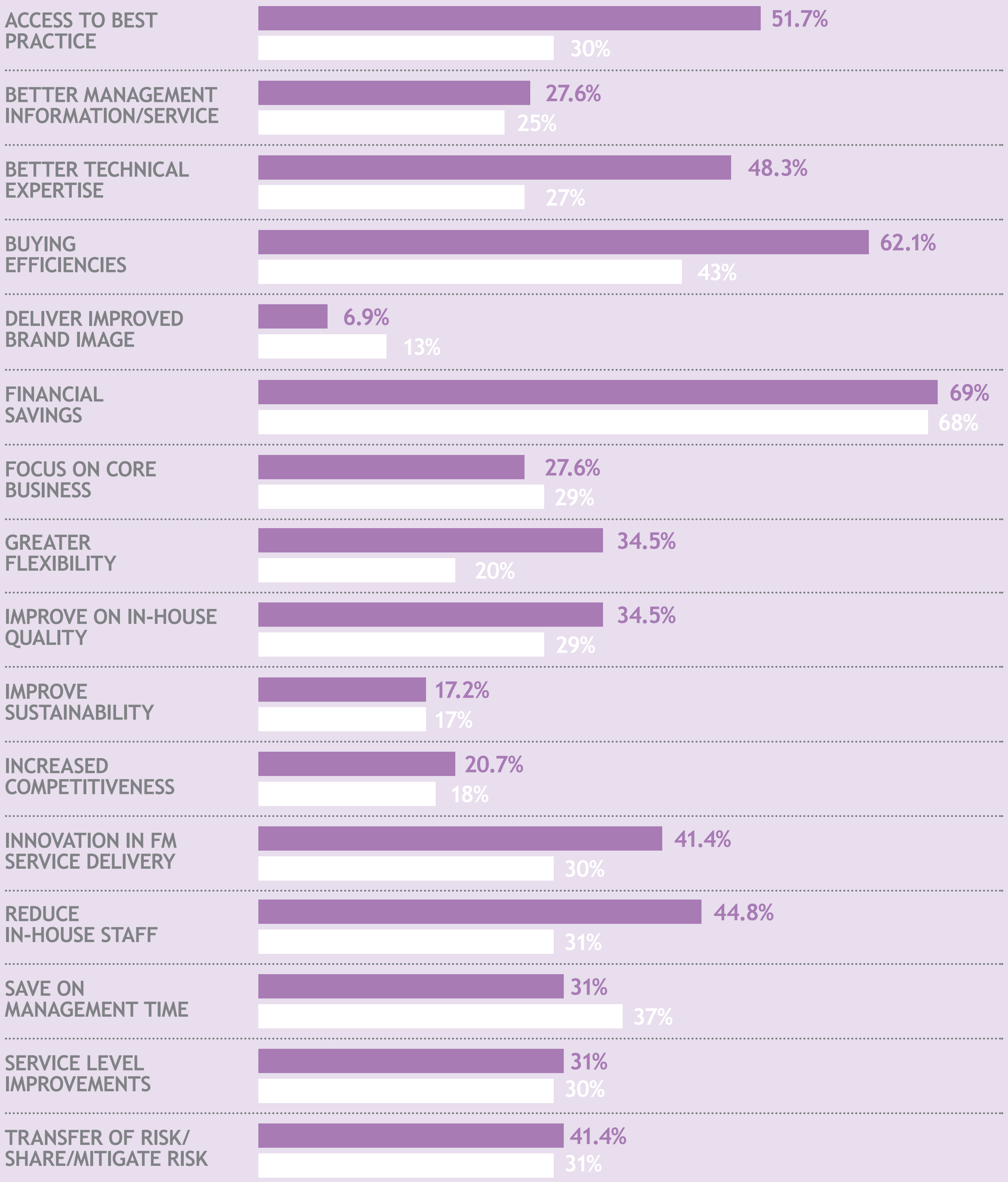
WHY HAVE YOU NOT CONSIDERED OUTSOURCING TO DATE?



DID YOU KNOW?

15% of those who provide services in-house have had a bad experience of outsourcing

IF YOU WERE TO CONSIDER OUTSOURCING WHAT ARE THE OBJECTIVES YOU WOULD WANT TO ACHIEVE?

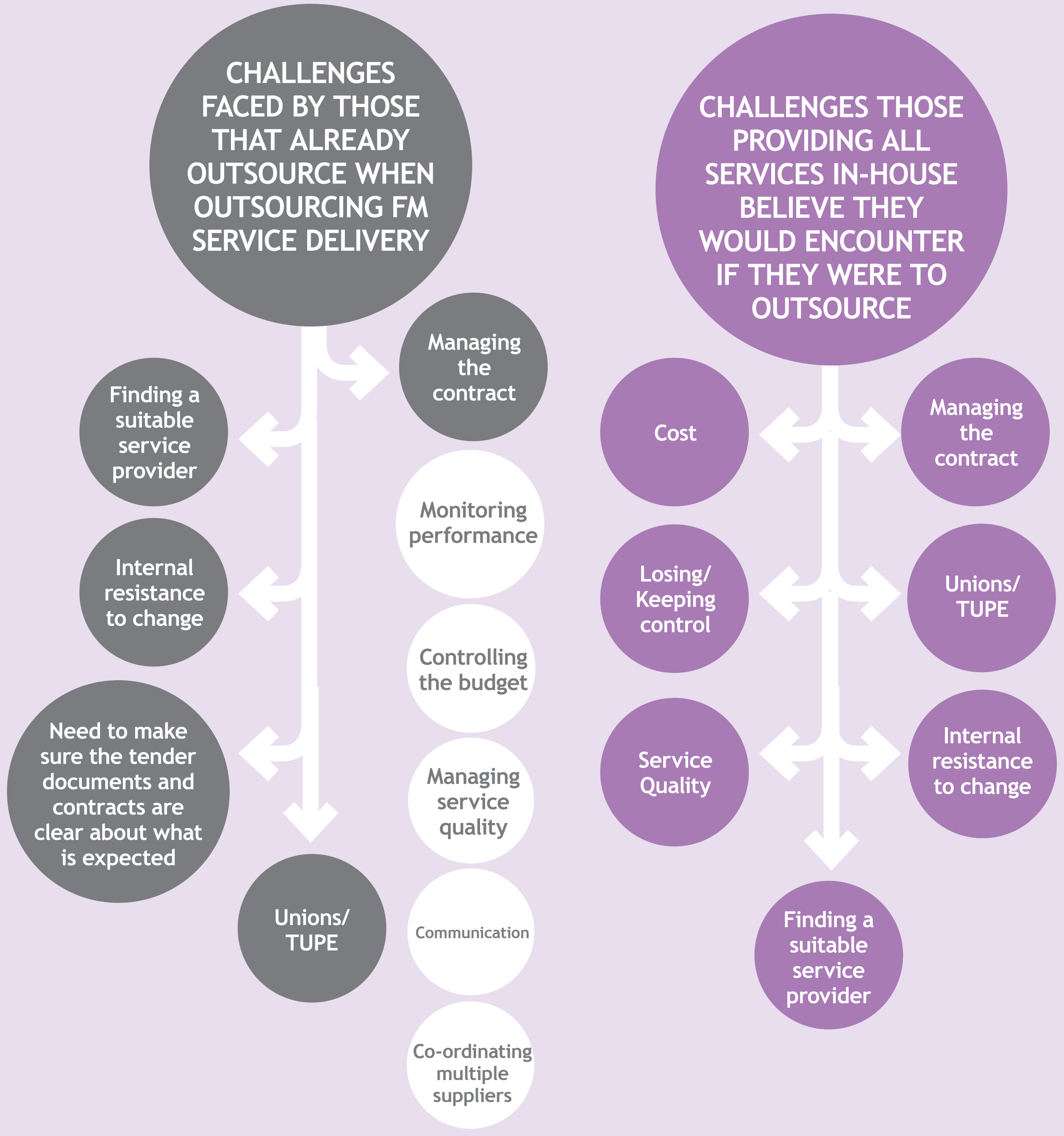


DID YOU KNOW? 21% increase in those who would consider outsourcing to provide better technical expertise. 10% increase in those who think outsourcing would achieve innovation.

WHAT ARE THE PERCEIVED CHALLENGES OF OUTSOURCING

1/3 OF RESPONDENTS SAID THAT FINDING A SUITABLE SERVICE PROVIDER AND MANAGING THE CONTRACT ARE THE BIGGEST CHALLENGES OF OUTSOURCING

DID YOU KNOW? Top 3 reasons to outsource, for those that do not already, are financial savings (69%), buying efficiences (62%), and access to best practice (51%)



DID YOU KNOW? People believe that it is difficult to find a service provider who understands their requirements, who has the skills, structures and efficiencies to deliver the service and can offer more than just cost savings.

05

The role of the relationship

The issue of finance continues to dominate outsourcing, as it is still considered the most important factor of a successful relationship. However communication and working together as team are the key areas for improvement.

HIGHLIGHTS

94%

ACCESS TO BEST PRACTICE, BETTER TECHNICAL EXPERTISE (93%) AND SERVICE LEVEL IMPROVEMENTS (93%) ARE THE THREE MOST IMPORTANT FACTORS IN BUILDING A SUCCESSFUL CLIENT / PARTNER RELATIONSHIP

90%

OF RESPONDENTS BELIEVE IT IS IMPORTANT SUPPLIERS BRING NEW IDEAS TO THE TABLE

76%

COMMUNICATION AND WORKING TOGETHER AS A TEAM (76%) ARE THE MOST IMPORTANT FACTORS IN HELPING BUYERS OUTSOURCE BETTER

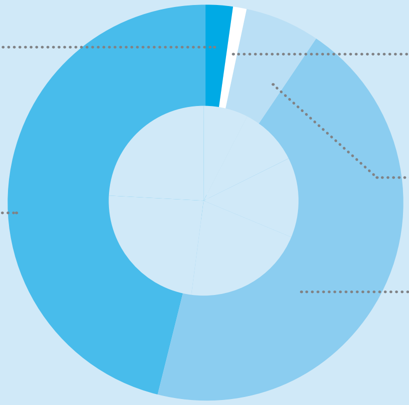
HOW IMPORTANT ARE THESE FACTORS IN BUILDING A SUCCESSFUL CLIENT / PARTNER RELATIONSHIP

	NO IMPORTANCE	LITTLE IMPORTANCE	UNSURE	IMPORTANT	VERY IMPORTANT
ACCESS TO BEST PRACTICE	2%	2%	2%	63%	31%
BETTER MANAGEMENT INFORMATION/SERVICE	2%	1%	5%	56%	36%
BETTER TECHNICAL EXPERTISE	2%	1%	4%	54%	39%
BUYING EFFICIENCIES	2%	4%	7%	51%	36%
DELIVER IMPROVED BRAND IMAGE	7%	15%	26%	33%	19%
FINANCIAL SAVINGS	2%	4%	5%	41%	49%
FOCUS ON CORE BUSINESS	2%	5%	11%	50%	32%
GREATER FLEXIBILITY	2%	2%	10%	59%	27%
IMPROVE ON IN-HOUSE QUALITY	5%	7%	21%	49%	18%
IMPROVE SUSTAINABILITY	4%	11%	16%	51%	17%
INCREASED COMPETITIVENESS	4%	7%	20%	48%	21%
INNOVATION IN FM SERVICE DELIVERY	2%	7%	12%	52%	28%
REDUCE IN-HOUSE STAFF	6%	14%	24%	42%	14%
SAVE ON MANAGEMENT TIME	2%	5%	11%	61%	21%
SERVICE LEVEL IMPROVEMENTS	2%	1%	4%	55%	38%
TRANSFER OF RISK / SHARE / MITIGATE RISK	3%	7%	13%	41%	36%

DID YOU KNOW?

Did you know that supporting the delivery of an improved brand image is the least important factor in building a successful client / partner relationship.

HOW IMPORTANT IS IT THAT SUPPLIERS BRING NEW IDEAS TO THE TABLE



2.4% NO IMPORTANCE

46.1% VERY IMPORTANT

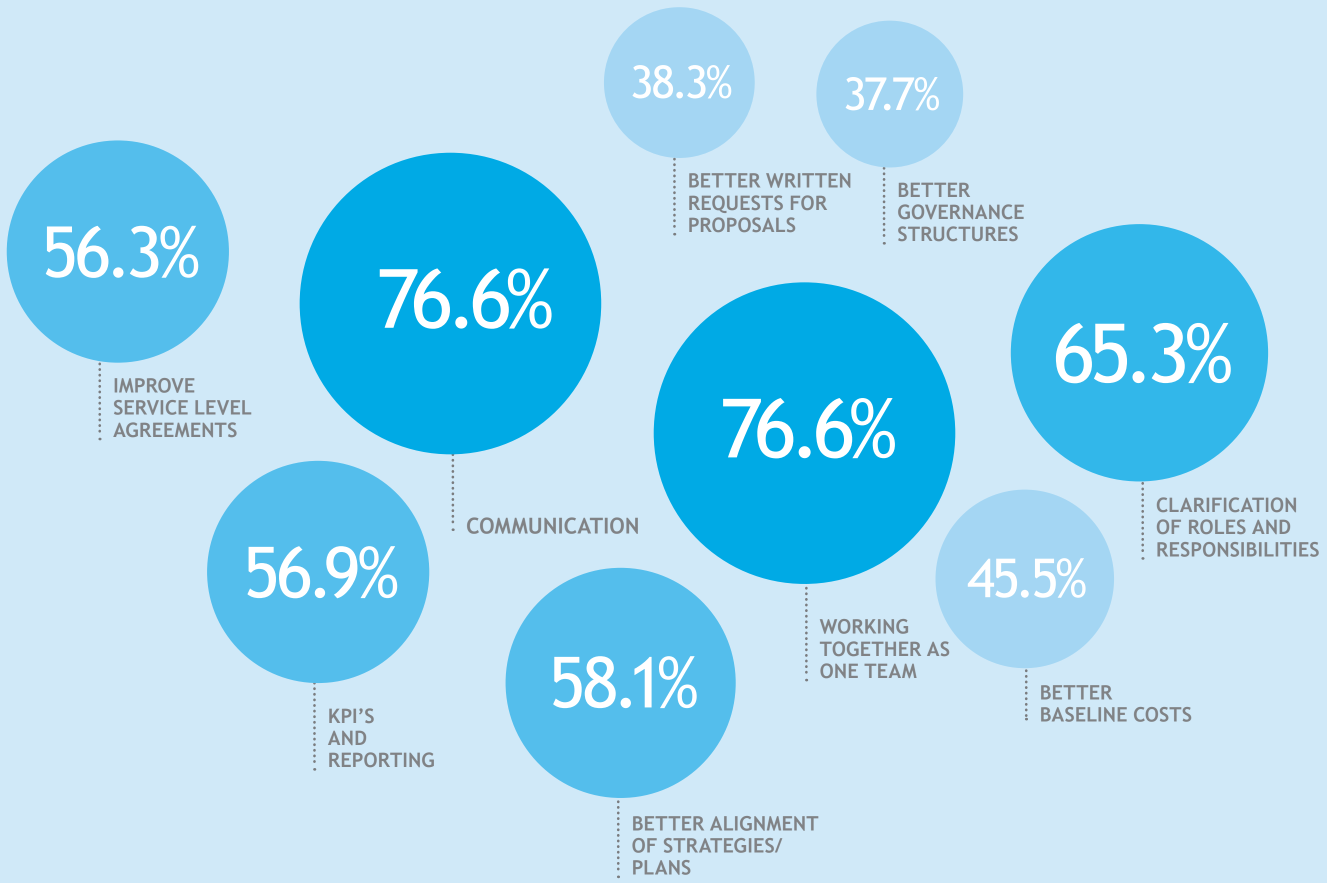
1.2% LITTLE IMPORTANCE

6% NEITHER IMPORTANT NOR UNIMPORTANT

44.3% IMPORTANT

DID YOU KNOW? 94.4% of respondents believe it is important for suppliers to bring new ideas to the table.

WHAT CAN BE DONE TO HELP BUYERS OUTSOURCE BETTER



DID YOU KNOW? 38% of people think better written requests for proposals would help buyers outsource better

EFFECTIVENESS OF CONTRACT LENGTHS:

91% IN 91% OF CASES PEOPLE PREFER LONG TERM CONTRACTS

	SHORT TERM (<3YEARS)	LONG TERM (>3YEARS)	NEITHER	BOTH
ABILITY TO EXIT CONTRACT	51.9%	11.7%	18.2%	18.2%
BUILDING RELATIONSHIPS	5.1%	73.1%	7.7%	14.1%
COMMITMENT TO STRATEGIC GOALS	7.8%	68.8%	6.5%	16.9%
COST OF PROCUREMENT	9%	59%	16.7%	15.4%
EFFICIENCY SAVINGS	15.8%	46.1%	13.2%	25%
FLEXIBILITY IN SERVICE DELIVERY	28.6%	31.2%	14.3%	26%
FLEXIBILTY IN PROCUREMENT OF SERVICES	31.1%	31.1%	13.5%	24.3%
INNOVATION IN SERVICE DELIVERY	12%	48%	16%	24%
PARTNERSHIP APPROACH	7.9%	65.8%	7.9%	18.4%
QUALITY OF SERVICE DELIVERY	14.3%	35.1%	13%	37.7%
STABILITY AND RELIABILITY	9.2%	53.9%	9.2%	27.6%

DID YOU KNOW? Ability to exit the contract is the only reason people prefer short term contracts. And only in flexibility in service delivery and procurement do long term and short term contracts have equal advantages

06

Innovation in facilities

DID YOU KNOW?

Innovation didn't make the top 10 objectives for outsourcing.
And only 42% of people thought it was achieved in 2013

HIGHLIGHTS

77%

IN 77% OF CASES INNOVATION IS HAPPENING

67%

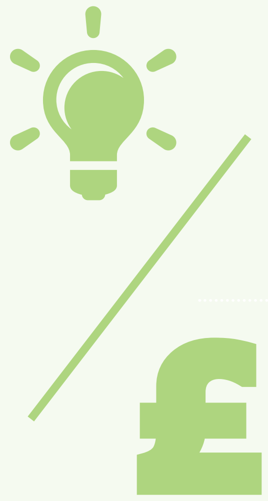
BELIEVE LINKING INNOVATION TO STRATEGIC OBJECTIVES IS THE BEST WAY TO ACHIEVE INNOVATION

22%

OF ALL INNOVATION IS TOTAL I.E. RADICAL CHANGE

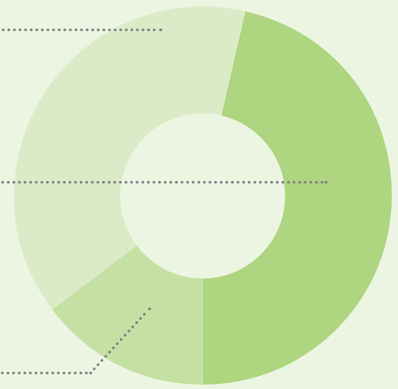
60%

OVER 60% OF INNOVATION IS REWARDED AT AN INDIVIDUAL AND AT A TEAM LEVEL



LACK OF FUNDS IS THE BIGGEST BARRIER TO INNOVATION

ARE YOU DOING INNOVATION?

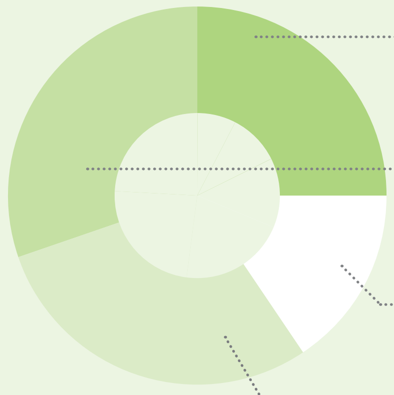


35.2%
YES WE HAVE IMPLEMENTED AN INNOVATION

42.3%
YES OUR INNOVATION IS ONGOING

13.2%
NO WE HAVE NOT UNDERTAKEN ANY ACTIVITY

HOW WOULD YOU DESCRIBE YOUR INNOVATION?



22.5%
TOTAL INNOVATION ACTIVITY

26.9%
INCREMENTAL INNOVATION ACTIVITY

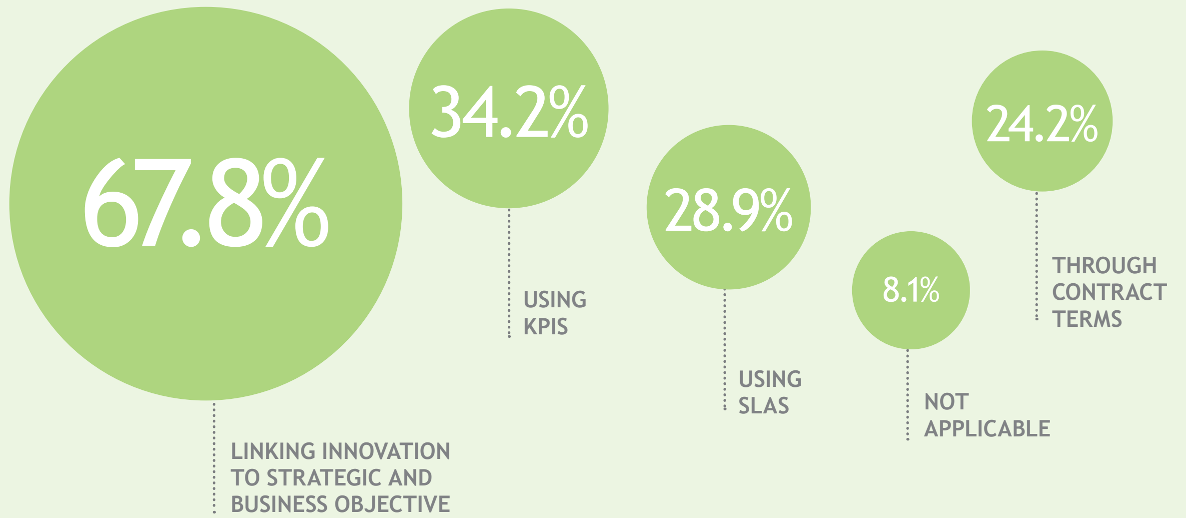
13.7%
EXPANSIONARY INNOVATION ACTIVITY

26%
EVOLUTIONARY INNOVATION ACTIVITY

DID YOU KNOW?

24% believe that using contract terms will help make innovation a requirement in service delivery

HOW DO YOU MAKE INNOVATION A REQUIREMENT OF SERVICE DELIVERY?



DID YOU KNOW? Respondents measure innovation using customer satisfaction, client feedback, performance outputs, and key performance indicators

HOW DO YOU REWARD INNOVATION?

AS AN INDIVIDUAL

64% YES

36% NO

AS A TEAM

63% YES

37% NO

TO WHAT EXTENT HAVE THESE FACTORS HAMPERED YOUR ABILITY TO INNOVATE

	NOT AT ALL	SOMEWHAT AND MODERATELY	QUITE A BIT AND VERY MUCH
DIFFICULTY IN FINDING INNOVATION PARTNERS	47.8%	43.5%	8.6%
INNOVATIONS COSTS ARE TOO HIGH	40%	36%	24%
LACK OF FINANCE FROM SOURCES OUTSIDE	54.2	25%	20.9%
LACK OF FUNDS WITHIN YOUR ORGANISATION	33.3%	33.3%	33.3%
LACK OF INFORMATION ON MARKETS	41.7%	46.7%	16.7%
LACK OF INFORMATION TECHNOLOGY	45.8%	46.7%	12.5%
LACK OF QUALIFIED PERSONNEL	45.8%	25%	20%
MARKET DOMINATED BY ESTABLISHED FIRMS	45.8%	41.7%	12.5%
NO NEED BECAUSE OF NO DEMAND	45.8%	32.5%	16.6%
NO NEED DUE TO PRIOR INNOVATIONS	56%	36%	8%
UNCERTAIN DEMAND FOR INNOVATIVE GOODS AND SERVICES	33.3%	45.8%	20.9%

DID YOU KNOW? There is no significant barrier to innovation, on average all responses ranks in the somewhat category

07

The future market

DID YOU KNOW?

45% of people anticipate single services to decrease significantly in the next five years

HIGHLIGHTS

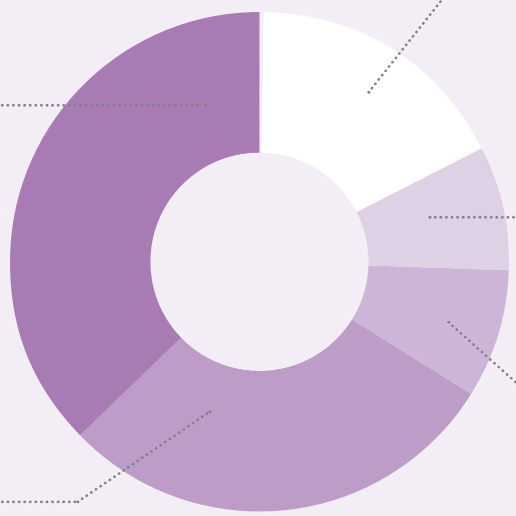
37%
OF PEOPLE BELIEVE THERE WILL BE MORE OUTSOURCING BUT TO FEWER MULTI-SERVICE SUPPLIERS

50%
OF THE MARKET ANTICIPATE INTEGRATED SERVICES, TOTAL FACILITIES MANAGEMENT AND TOTAL FACILITIES MANAGEMENT WITH PROPERTY SERVICES WILL INCREASE A LOT OVER THE NEXT FIVE YEARS

50%
OF THE MARKET BELIEVES THERE WILL BE MORE EUROPEAN AND GLOBAL OUTSOURCING DEALS

52%
THINK ORGANISATIONS WILL IMPROVE PRODUCTIVITY AND EFFICIENCY OF SERVICES TO A GREAT EXTENT IN FUTURE

DO YOU THINK THE FACILITIES MANAGEMENT MARKET WILL CHANGE FUNDAMENTALLY IN THE NEXT FIVE YEARS?



37.2% CONTINUED PATTERN OF OUTSOURCING INCREASINGLY LED BY A FEW MULTI-SERVICE PROVIDERS

29% CONTINUED PATTERN OF OUTSOURCING BUT A RETURN TO INDIVIDUAL SPECIALISTS

17.5% NO FUNDAMENTAL CHANGE

8.2% FACILITIES SERVICES ABSORBED INTO WIDER BPO CONTRACTS

8.2% RETURN TO IN-HOUSE MANAGEMENT AND SERVICE PROVISION

DID YOU KNOW?

8% of people think there will be a return to in-house management

IN THE NEXT 5 YEARS HOW WILL DEMAND CHANGE FOR THESE MODELS?

	DECREASING A LOT	DECREASING A FAIR BIT	NOT MUCH CHANGE	INCREASING A FAIR BIT	INCREASING A LOT
SINGLE SERVICES	15.3%	30.5%	34.5%	14.1%	5.6%
BUNDLED SERVICES	3.4%	20.1%	40.2%	30.5%	5.7%
INTEGRATED SERVICES	2.2%	11.2%	30.7%	43%	12.8%
TOTAL FACILITIES MANAGEMENT	4.5%	12.5%	22.7%	37.5%	22.7%
TOTAL FACILITIES MANAGEMENT AND PROPERTY SERVICES	3.4%	14.5%	25%	29.5%	27.8%

WHAT WILL BE THE FIVE MOST IMPORTANT FACTORS IN OUTSOURCING IN THE NEXT FIVE YEARS?

1. SKILLS DEVELOPMENT OF FACILITIES MANAGEMENT TEAM
2. SUSTAINABILITY
3. COMMUNICATION
4. INFORMATION / SERVICE PERFORMANCE DATA
5. ACCESS TO TECHNICAL EXPERTISE

IN FIVE YEARS TIME DO YOU THINK THERE WILL BE MORE OR LESS?

	LESS	NO CHANGE	MORE
TOTAL FACILITIES MANAGEMENT DEALS	20%	23%	58%
EUROPEAN OUTSOURCING DEALS	13%	30%	57%
GLOBAL OUTSOURCING DEALS	17%	29%	54%

DID YOU KNOW?

10% more people believe there will be more outsourcing deals this year than last

IN THE FUTURE TO WHAT EXTENT WILL ORGANISATIONS:

	NOT AT ALL	VERY LITTLE	SOMEWHAT	TO A GREAT EXTENT	DON'T KNOW
ALIGN FM TEAM TO BRAND VALUES	4%	21%	40%	32%	3%
CONTINUE TO DEVELOP SKILLS IN EMPLOYEES	2%	18%	48%	31%	1%
IMPROVE THE PRODUCTIVITY AND EFFICIENCY OF SERVICE DELIVERY	2%	8%	37%	52%	1%
INCLUDE SUSTAINABLILTY AS A KEY DECISION-MAKING FACTOR	1%	18%	32%	49%	1%
REDUCE THE COST OF OUTSOURCING DEALS	4%	18%	50%	27%	1%

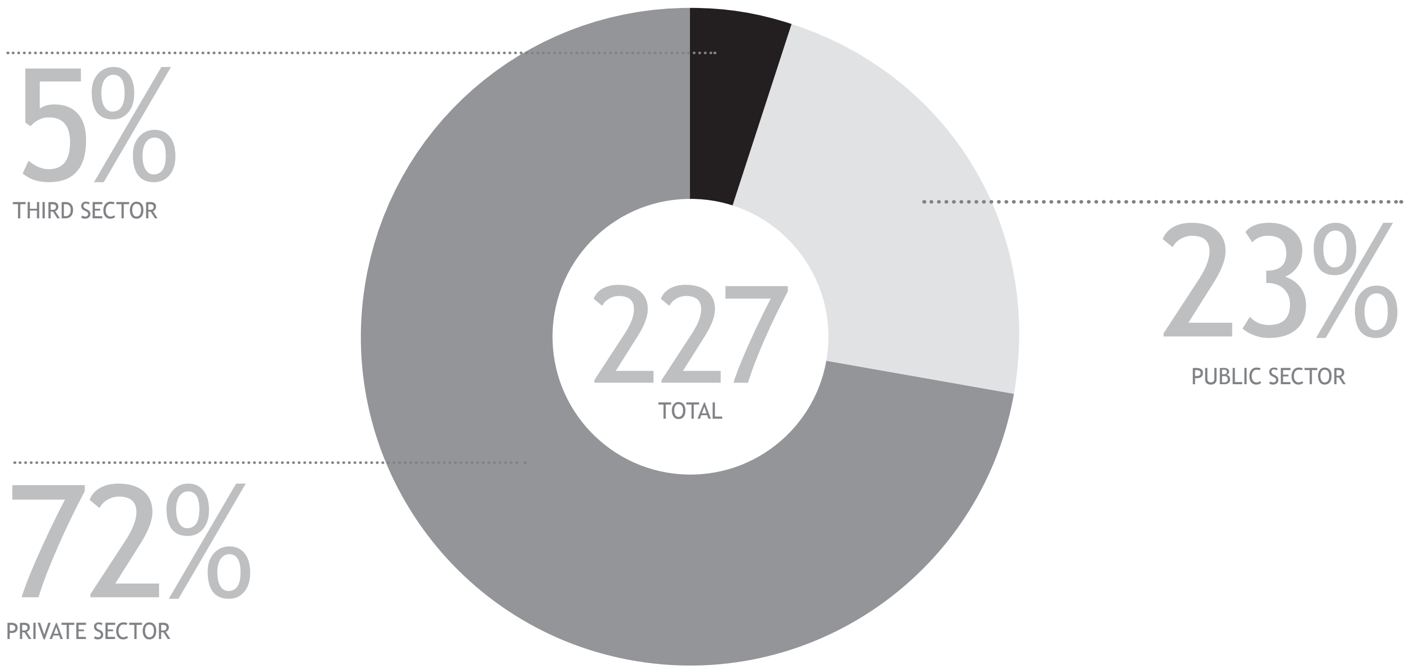
DID YOU KNOW?

49% think sustainability will become more important in organisations operations

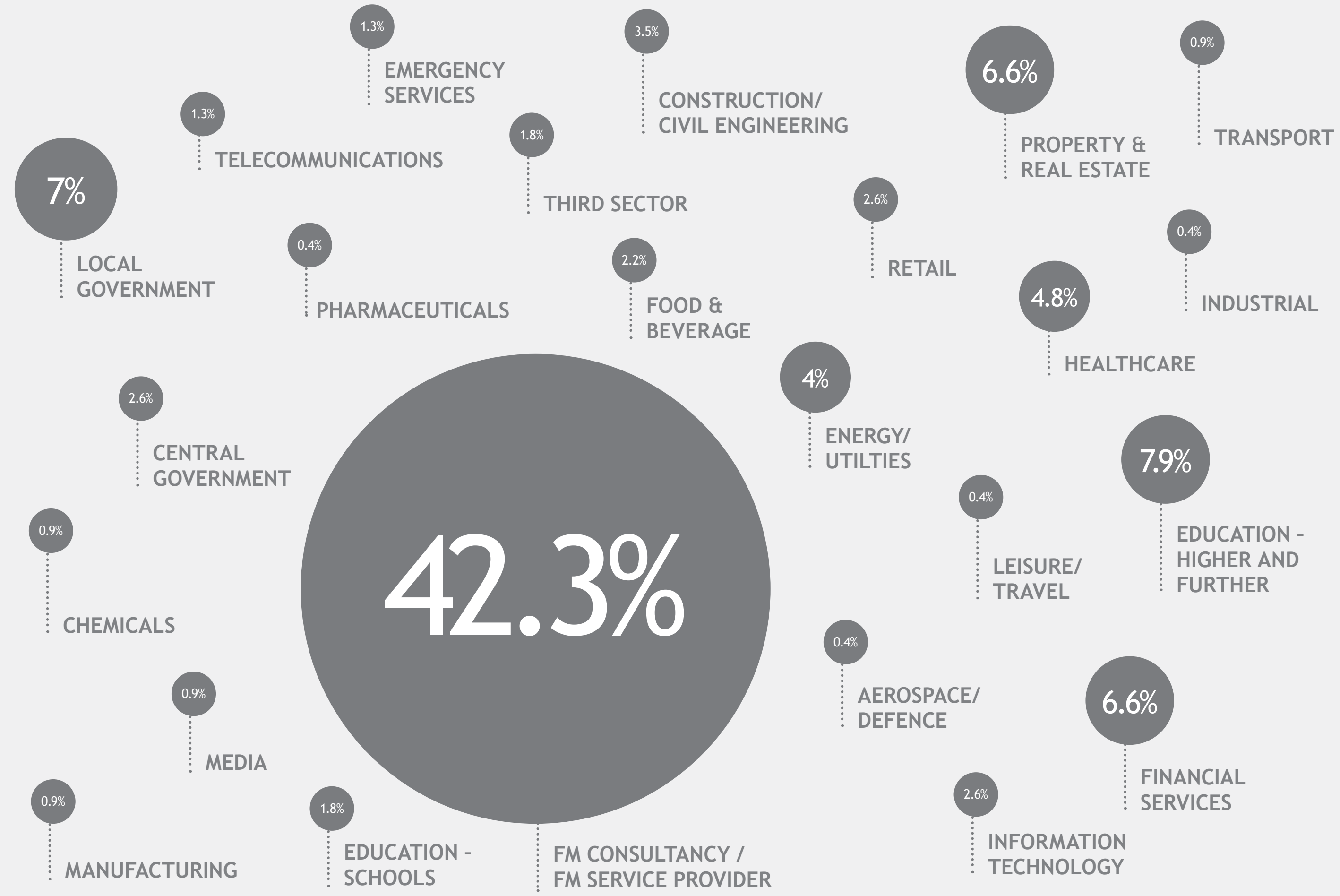
08

Background data

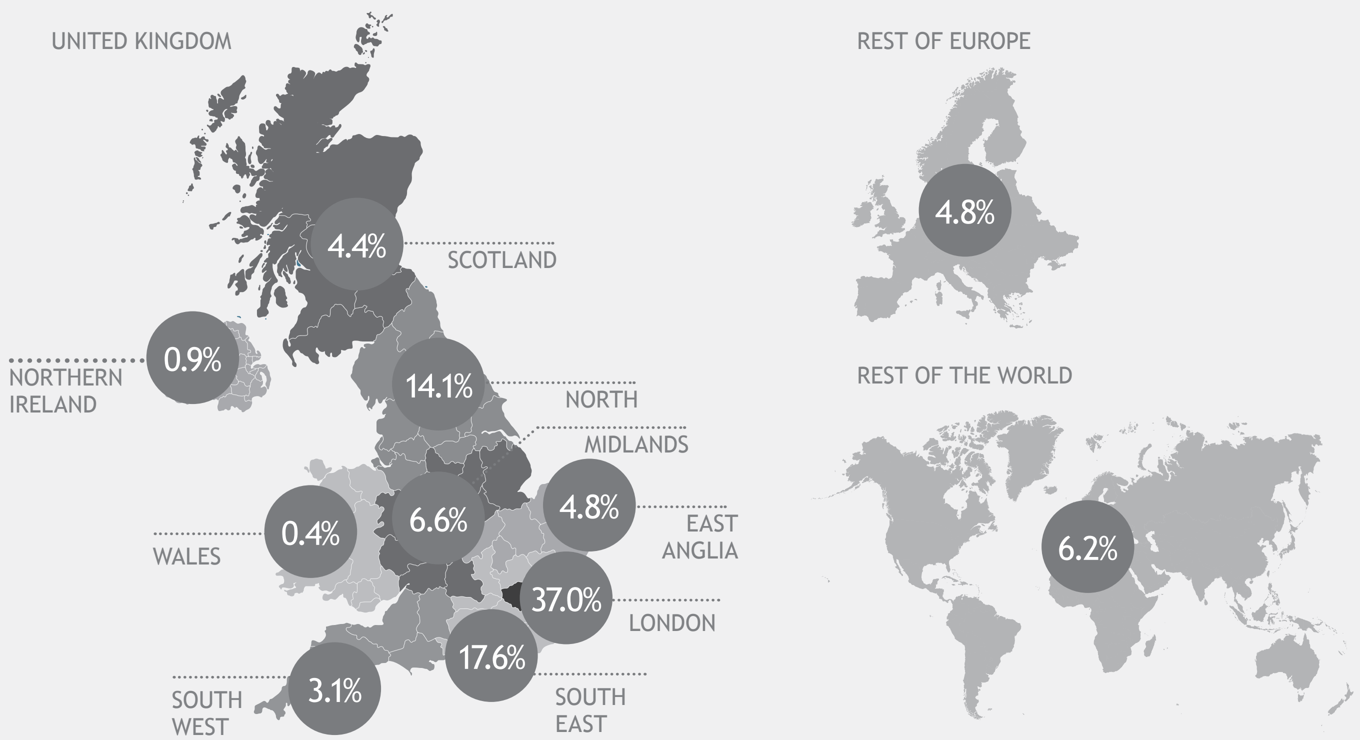
ARE YOU A PUBLIC, PRIVATE OR THIRD SECTOR BUSINESS?



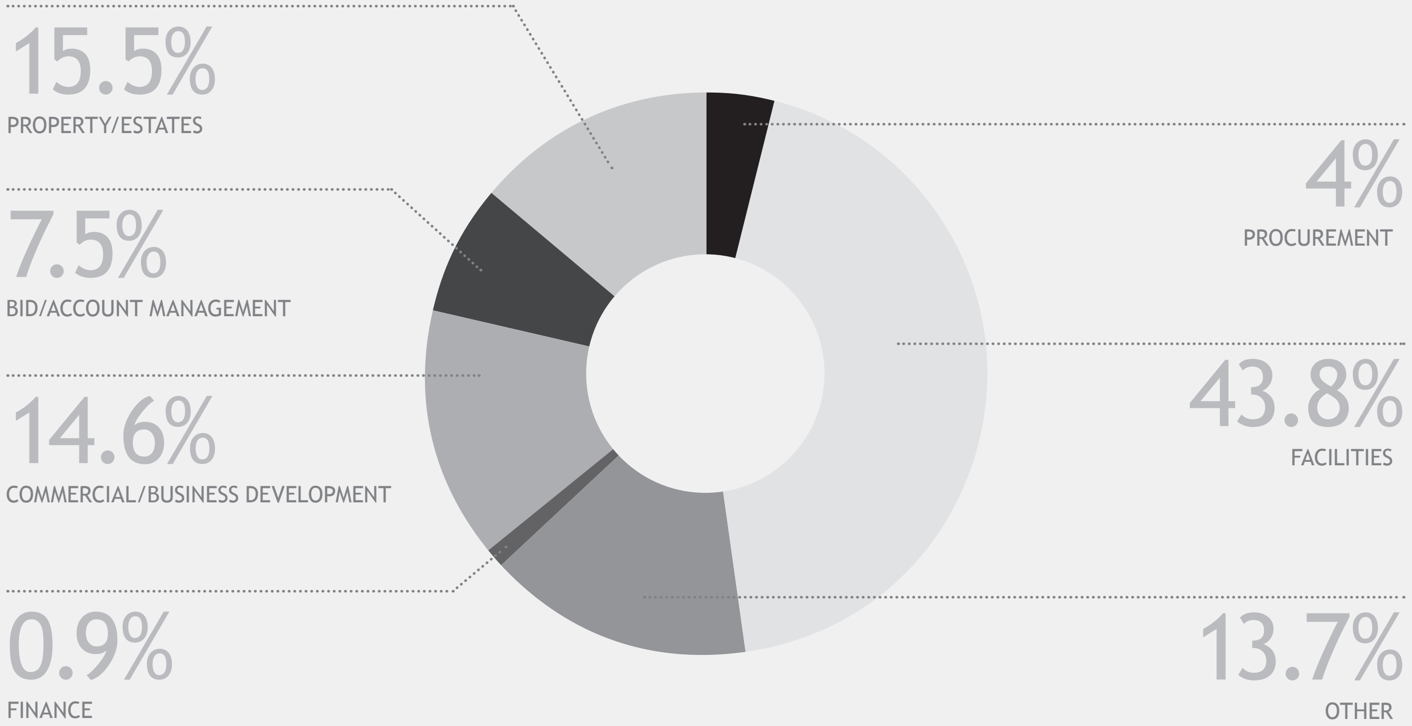
WHAT INDUSTRY DO YOU OPERATE IN?



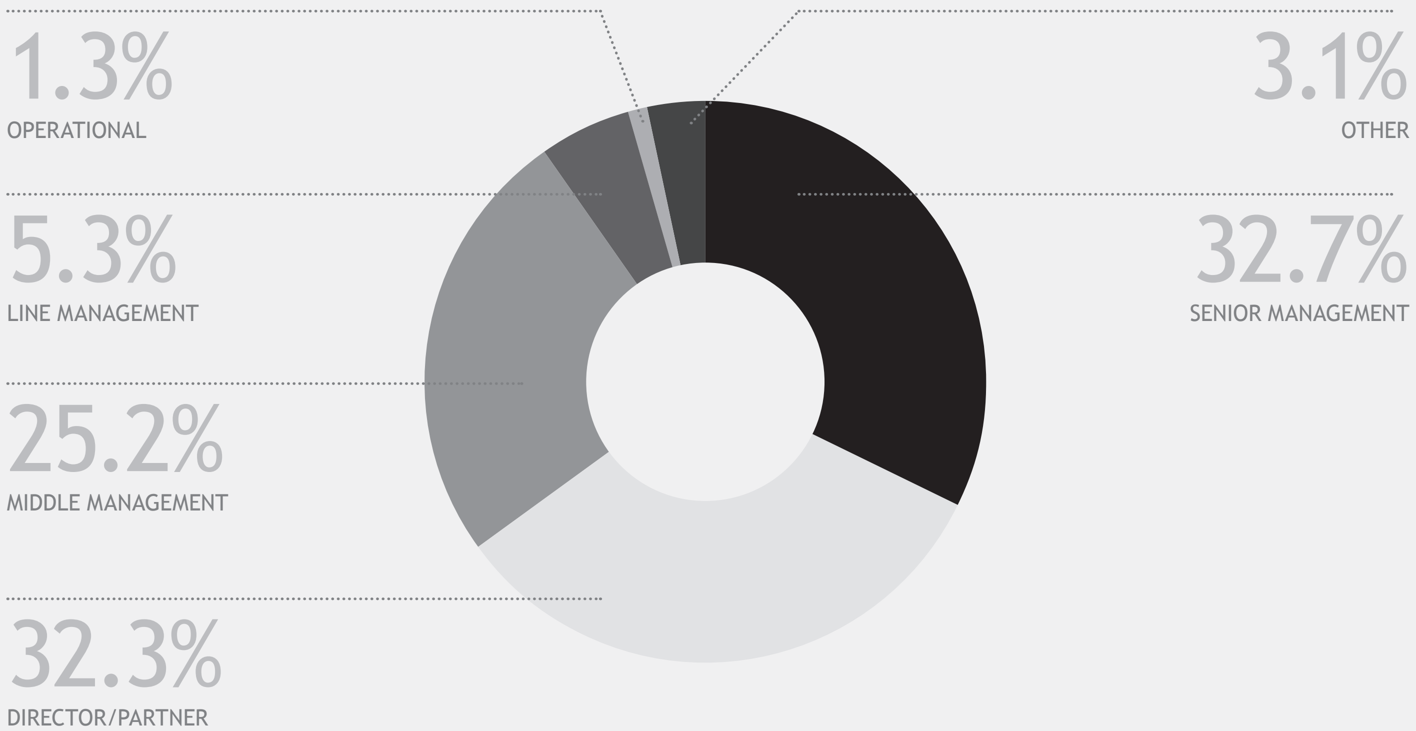
WHERE IS YOUR ORGANISATION BASED?



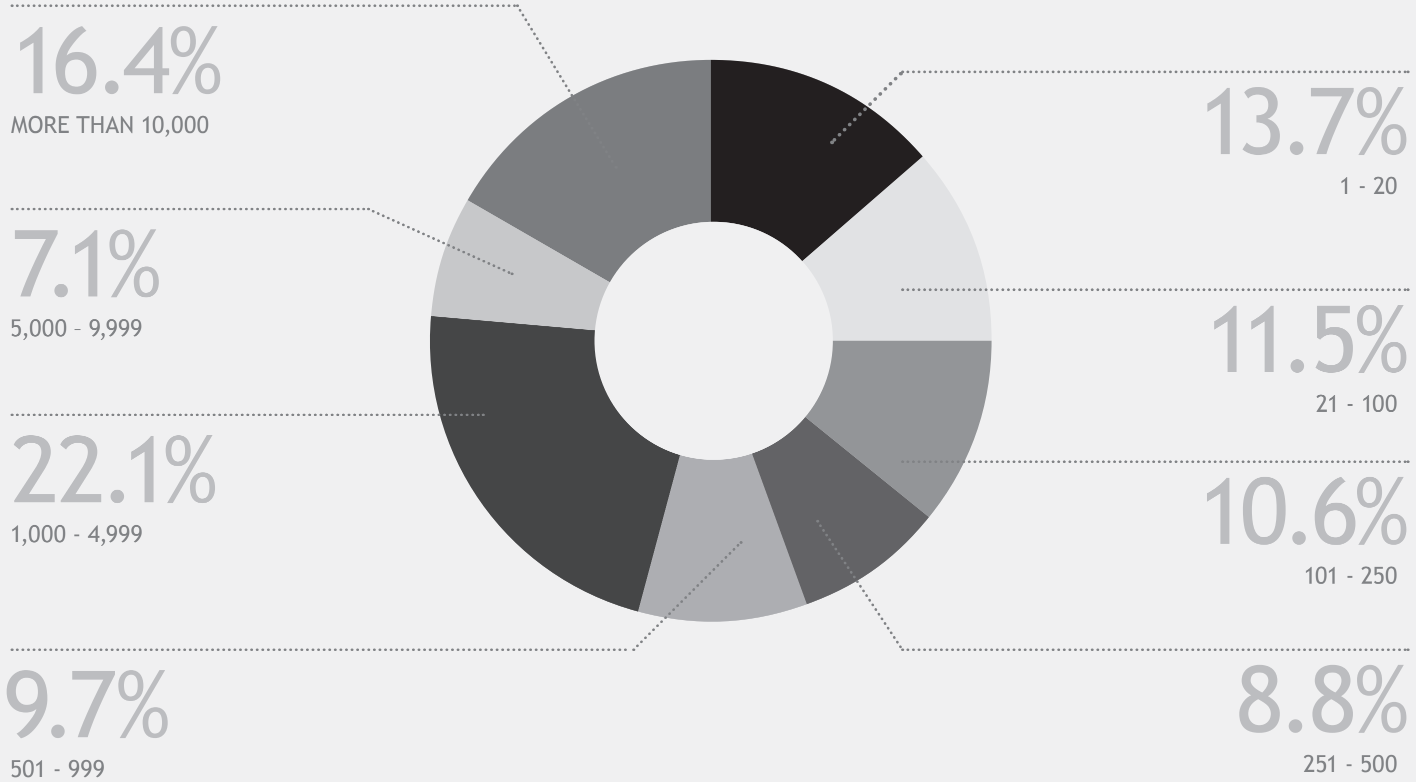
WHICH AREA OF THE ORGANISATION DO YOU WORK IN?



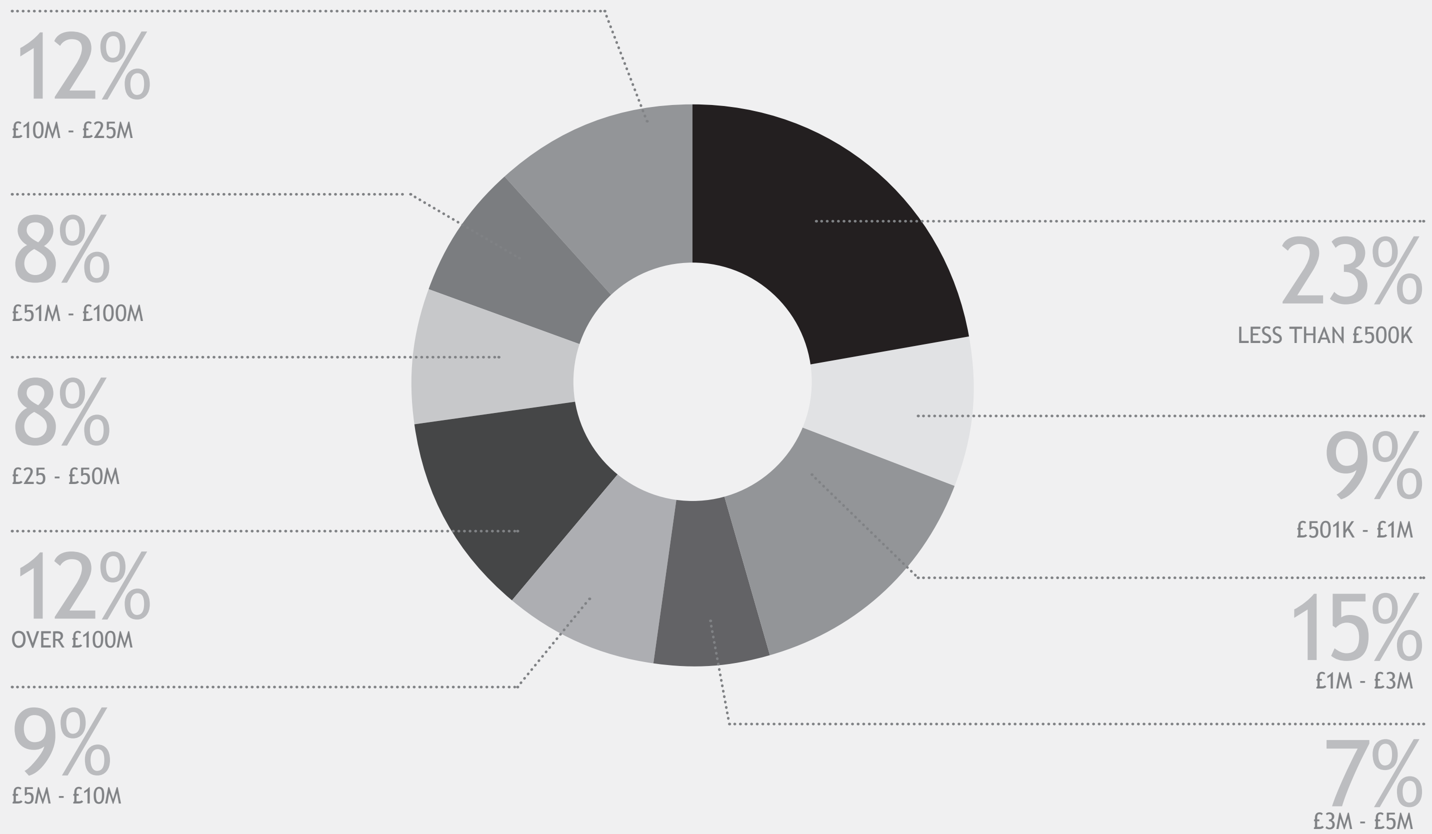
WHAT LEVEL OF THE ORGANISATION DO YOU OPERATE AT?



HOW MANY PEOPLE WORK IN YOUR ORGANISATION?



WHAT IS YOUR ORGANISATIONS FACILITIES BUDGET FOR THE FINANCIAL YEAR?



09

Summary

This research reveals a shift from a pure cost and service level focus to a stronger emphasis on successful buyer-partner relationships, with 90% of respondents requesting new ideas to be offered by their suppliers during the preparation and management of outsourced contracts.

At the same time, there is a discrepancy between what buyers want in terms of contract innovation and how this is being measured. 68% of those engaged in innovation link it to their strategic objectives and 86% rank it as important (the second highest ranking) when evaluating tenders or bids, but only 24% actually list it as a requirement in their contracts.

The objectives for outsourcing remain similar to 2012, with financial savings (72%), access to better technical expertise (64%), transfer of risk (59%), access to best practice (56.5%) and reduction of in-house staff (56%) all scoring highly.

However, while results from 2012 show that reducing costs was more important than quality, this year's report predicts that value for money will come from a greater emphasis on innovation, service quality and customer satisfaction.

The report also rates longer term contracts (more than three years) as more preferable in 91% of cases in helping organisations achieve their objectives. Communication (76%) and working together as a team (76%) were ranked as the top areas for buyers and suppliers to improve together.

Over the last few years the industry has been focused on taking out costs, but this year there has been a subtle shift to the need to start delivering services differently. Although people are still unwilling to put issues like innovation at the top of their priority list when outsourcing, more and more it is being seen as a vital part of service delivery.

The other significant trend in this year's research is the benefit of building longer term contracts. In 91% of cases longer term contracts provide more benefits than shorter term. For us, this is about building a partnership based on the client's strategic outcomes rather than focusing just on the quick cost-cutting measures.

Overall the industry needs to work closer with its clients to develop the right relationships that deliver added value and contribute to the long-term success of the client's business.

ABOUT INTERSERVE

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Interserve operates across the UK, Europe and the Middle East, making the company a real force in corporate real estate partnership.

As a business we aim to embrace and complement our customers' operations and reputations through the application of our own experience and understanding. We share our customers' goals, mitigate their risk and put their business needs at the heart of everything we do.

If you want to find out more about how Interserve can support you or about the findings of this research please contact us on:

020 7902 2000

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or visit

www.interserve.com/support

Sheffield Hallam University

Interserve specifically partnered with the Centre for Facilities Management Development (CFMD) at Sheffield Hallam University to undertake this research. Sheffield Hallam University is an academic centre of excellence that applies the latest thinking to develop facilities management knowledge, people and practice.

www.shu.ac.uk/cfmd

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