

Service Operation Management and Facility Management Department

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Abstract

In the current global downturn, our corporate has obtaining significant achievements. To continuously support our business and gain competitive advantage, Facility Management (FM) Department has been carefully looking into main problems we are facing and is now proposing innovative strategies. The four strategies we recommend include: 1. eliminate the periodic inspection and maintenance of machines during work time; 2. reduce costs of cleaning and real estate acquisition; 3. raise security level and enhance web-based technology; and 4. create contingency plan, build closer supplier-client relationships and create innovative culture. Through implementing these actions, the benefits we predict to get are: no increase in FM budget for operational expenditure; physical facility quality will not go down while virtual services will have a broader and improved quality; and that service delivery will be faster and more reliable, which will all be in line with corporate objectives and policies.

Keywords

Facility management, servive innovation.

1. Introduction

It is an excitement that in the current economic downturn, our corporate is performing well above the average. As the service nature of our bank requires high contact, our Facility Management (FM) Department provides significant business support to customers [1]. We also have operational functions to our employees in all the global office premises. Facing the competitive marketplace, our department aims to strategically act in line with the organisation objectives and policies, and to meet or exceed business needs [2]. Based on the performance evaluation and feedbacks from last year, we have identified three most crucial problems: firstly, customer services received tons of phone calls complaining similar issues, such as suspecting the security of online services, which caused significant labour costs; secondly, there were frequent complaints from employees about the work disruption caused by cleaning and maintenance; thirdly, natural disasters led to economic losses of properties in a number of office spots.

As innovation is extremely important for business survival, without which business cannot move forward, FM department is now proposing innovative strategies to mitigate the main arising issues [2]. FM supply chain innovation refers to a continuous process of generating new ideas for practical use in the network of the FM functions for service supply and delivery [3]. Current evaluation mechanisms of FM only consider costs, whereas we determine to focus on the value for money aspect to develop good supply chain and to go above and beyond basic services for value-adding [4]. In this report, it will firstly outline the main objectives that FM aims to achieve and review the researches on service innovation. Then it will propose a Blue Ocean Strategy model for the discussion of innovation strategies in our department. Finally, it will measure the effectiveness of implementing the proposed strategies and identify influential factors for future consideration.

2. Objectives

Aligned with the organisational policy, which is the single most important factor of the innovation support environment, FM department has established primary objectives as follows [5].

To achieve a holistic and evolutionary approach for a mitigation of main problems faced by FM department;

To improve FM service delivery, achieve higher end user satisfaction (including both corporate employees and customers), i.e. faster, cheaper and more reliable;

To meet business support requirements, add value to business, ensure the success of the business in the constantly changing environment in global competition;

To realise continuous improvement and to develop a culture of organisation innovativeness.

3. Literature Review on Service Innovation Strategy

Service resources in corporates include employees, physical resources, technology and systems, and customers governing system. It is generally held that services have five characteristics: intangibility, customer contact, inhomogeneity, perishable and that the service quality is multifaceted [6]. These characteristics indicate that tangible elements in FM should create positive impression of the intangible nature. An easy access for consumers should be assured and that good cross-functional interaction between the front and back office should be guaranteed.

It is widely accepted that service innovation is a mindset and a journey, not a destination [6]. Researches have proved that financial companies are more likely to innovate, just as our case, and innovation is related to sales growth. However, when activities are precisely specified and cost competition is too intense, innovation is less likely to happen. Service firms have different innovation patterns, such as copy ideas, adopt technologies and genuine innovation. Most studies focus on technology innovation that some large FM organisations even build “research and innovation” teams to generate strategies [7]. For financial institutions, building a green banking which operates in a socially responsible way is one approach of innovation. Innovation in FM sector may occur both in house and outsourcing. For example, Pitt suggests that outsourcing certain aspects of services may make use of external capabilities and thus promote innovation. As for the innovation in supply chain, its structure can be a vertical or a horizontal integration and the players in the network can be changed [7].

For the service quality measurement and improvement, it is considered that there is no single concept of value for any customer, but quality can be enhanced by meeting or exceeding different customers’ expectations. A number of methods have been developed for service quality measurement. The most popular and widely adopted one may owe to SERVQUAL, and the others such as SERVPERF [8] and organisation-customer interface gap analysis [9] also have applications.

In the fierce competition environment, organisations usually lack a sophisticated portfolio of progressive innovation routines. Actually, innovation in FM is a difficult and complex process because of its nature and changing demands. To provide qualitative better services and differentiate themselves from competitors, blue ocean strategy will be proposed in our case. One tool of blue ocean strategy, namely the four actions framework “eliminate-reduce-raise-create grid” is illustrated in Figure 1. Among the four actions, “eliminate” and “reduce” aims at dropping out the extra and useless performance which caused unnecessary cost and complexity, with which concept is also embedded in disruptive technology. On the other hand, “raise” and “create” refers to lift service value and create new demand in FM unit [7].

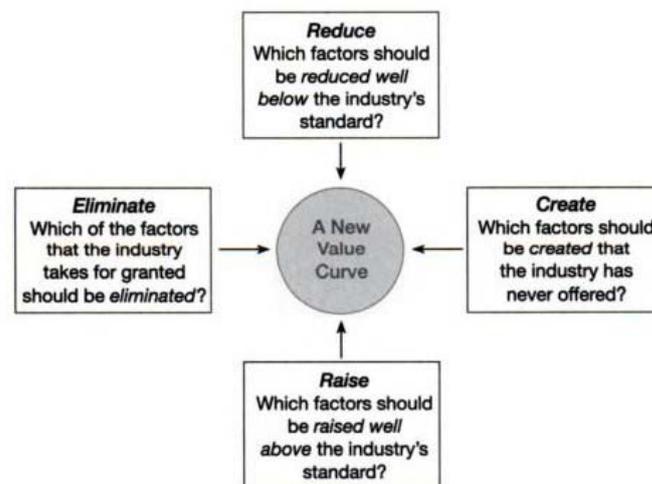


Fig 1. Four actions framework

4. Discussion of the Proposed FM Strategies

Adopting this framework in FM department, unnecessary services existing in FM department will be diagnosed and new proper services will be proposed. The element considered as unimportant to performance output and needs elimination is the periodic inspection and maintenance of machines during work time. The reason is that frequent inspection has caused disruption to normal work, and that the maintenance efficiency reaches relatively low level of end user satisfaction. This phenomenon is in consistence with the survey results from the FM industry [10]. In addition, it is of low possibility that equipment error occurs just at the inspection time. Suggestion is that the employees may take responsibility for repairing their own machines and appliances. In this way, work interruption caused by maintainers can be avoided and that the employees will be more careful in operating machines. Minor repairs can be finished faster and the cost on maintenance management will be reduced [11]. Nevertheless, preventive maintenance will remain during ideal period and major repair activities will be integrated to the corporate contingency plan.

The second action is to reduce costs of cleaning and real estate acquisition. Similar to maintenance, cleaning has caused work interruption and productivity reductions. We decide only to keep basic cleaning services to minimise cost and call for every employee to take care of their own workstations. After simplifying both indoor and building fabric cleaning activities, health and safety risks of the cleaners can be reduced by decreasing frequency of chemical contacts and works high above the ground. From the real estate aspect, it seems that several branches located in different regions have suffered from natural disasters such as typhoon and flood. When setting up new branches in the future, acquisition premises through leasing rather than purchasing may be a safer choice. Leasing properties can transfer risks to local estate agencies who are more experienced in managing properties. This decision should surely be aligned to the strategic plans made by the Business Investment department.

The third strategy is to raise security level and enhance web-based technology. Security in FM covers data and information security and personnel security. Radio Frequency Identification (RFID) is proposed to be embedded into the headquarters' security system. Upgrading aging security system with this technology in the building can improve security access control, provide just-in-time inventory practices of machines, monitor equipment, trace people movement and measure the workspace [11]. RFID will effectively increase information flow in supply chain management system and enhance accuracy of data entry [10]. With the improvement in speed, prompt reactions can be made whilst faced with unpredicted security threats. When customers experience this advanced technology, it is highly possible that they

will build more trust in the facility security of our corporate. Moreover, as mentioned before, we have received large quantities of customer complaints which require repetitive manual reply. Actually, most of the complaints can be categorised and dealt with standard solutions. Our department thereby want to collaborate with IT department in terms of the web-based technology development. Using IT to improve customer claims handling can accomplish cost saving goal by dramatically reducing labour cost of customer service.

The forth action is to create contingency plan in case of emergencies, to build closer supplier-client relationships and to create innovative culture. In the contingency plan, a whole package of potential risks that may have severe consequences will be described, such as M & E system breakdown, climate change, power failure and hostile attack. These risks, caused by no matter internal or external factors, are advised to be evaluated and assessed with the assist of risk control team. An updating of the back-up plan is needed to provide clear solutions for new arising risks. Signing contracts with insurance companies who are better at managing the risks may make use of external capabilities to achieve loss recovery when unexpected events happen or when back-up plan fails. Adoption of new technology and purchasing insurances imply new supplier-client relations being built. Building closer relationships can further encourage and facilitate innovation. In addition, making innovation process more tangible may enhance corporate innovative environment of day-to-day operations although changing culture is a difficult and slow process. Creating an online platform to share innovative ideas and setting up rewards and recognition schemes may contribute to it.

To examine the effectiveness of implementing the proposed four strategies, the future FM services performance will be measured from three dimensions: cost, quality and time [12]. Figure 2 shows a qualitative comparison of current and predicted performance ratings of various aspects of FM services. The blue baseline indicates the current service value in our corporate while the red curve indicates service values after implementing four-action innovative strategies. Due to elimination of certain aspects in maintenance and cleaning activities, their performance as well as building fabric cleanness may fall slightly below the original standard. On the contrary, security, technology, customer service, health and safety and supplier-client relations are all expected having much better performances.

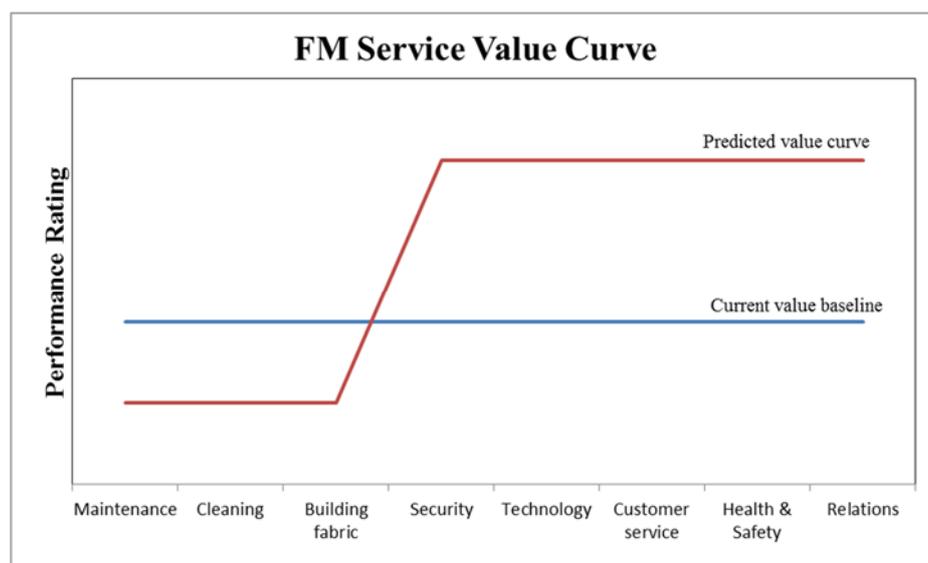


Fig 2. FM service value curves

From the cost perspective, FM budget will not exceed that of the last year. We expect to achieve significant cost reduction in maintenance, cleaning, property acquisition and labour costs. These savings will be arranged for the investments in RFID, web-based technology, contingency

plan and relationship development. Profit space should be left to the suppliers to a certain degree for the allowance of their innovation. From the quality aspect, it is predicted that cost cutting will not result in degrading in customer perception on the physical image of our offices. The virtual customer services may have a fast establishment and development. This enables customer access at non-working hours and the immediately auto-reply of online system will improve responsiveness. For the security system, RFID enables fast routine track, reduces time consumption and enhances reliability. From the time dimension, web-based services obviously make it possible to handle numerous issues at a time. In this circumstance, service delivery speed will be much faster than current one-to-one communication. In addition, allowing preventive maintenance in an ideal period rather than frequent inspection is an approach to time compression. It can be concluded that the new strategy adoption will not cause budget increasing, but quality improvements and time compression in service delivery process.

However, various factors need to be considered for strategy success. The first drawback is the criticisms on blue ocean strategy. It only uses tools to analyse successful business cases and call them "blue ocean strategies". It needs further verification whether or not adopting blue ocean strategy tools can actually generate successful outcomes. The second influential factor is the uncertainty of the time duration of strategy implementation. The plan operations will largely rely on human resources, financial resources and physical resources, without which failure may occur. The third factor is cultural variations. As our corporate has office premises worldwide, different culture in different regions will greatly affect customer perception and expectations on services. It is always a huge challenge to keep service consistence of our brand in different areas. The forth factor is that due to data limitation, we have not obtained the average performance ratings of FM service of our competitors. A benchmarking may be needed to identify our FM service quality level [13]. To meet customer expectations and further improve service quality, it is suggested to develop web-based survey tool or conducting consumer visit to collect their feedbacks [14]. Innovation is risky, but if we succeed, it can be rewarding [15].

5. Conclusion

In reviewing this report, it firstly identifies three main issues that FM department is facing: one is that the customer services received tremendous phone calls complaining similar issues, such as suspecting the security of online services, and this caused significant labour costs; the second one is the frequent complaints from employees about the work disruption caused by cleaning and maintenance; and the third one is that natural disasters led to economic losses of properties in a number of offices. Then it outlines primary objectives of our department: to achieve a holistic and evolutionary approach for a mitigation of main problems, to improve FM service delivery and achieve higher end user satisfaction, to gain competitive advantages for the business, to realise continuous improvement and to develop a culture of organisation innovativeness. A literature review on service innovation is presented and a blue ocean strategy tool is chosen for the analysis of our innovation strategies.

Based on the "eliminate-reduce-raise-create" four actions framework, the new strategies are proposed. The first action is to eliminate the periodic inspection and maintenance of machines during work time, which is unimportant to FM service performance output. The second strategy is to reduce costs of cleaning and real estate acquisition, that new offices are suggested to be acquired through leasing rather than purchasing. The third strategy is to raise security level and enhance web-based technology. RFID is proposed to be embedded into the headquarters' security system and the customer claims will be handled through online service systems. Then the forth action is to create contingency plan, to build closer supplier-client relationships and to create innovative culture.

To examine the effectiveness of implementing the proposed four strategies, a qualitative comparison of current and predicted value curves of various aspects of FM services is presented.

Evaluation of the benefits shows that from the cost perspective, FM budget will not increase; from the quality aspect, physical facility quality will not go down while virtual services will have a broader and better quality; from the time viewpoint, time compression will be possible in service delivery process. Finally, four factors that may influence the success of innovation implementation have been briefly discussed. Innovation is risky, but can be rewarding. Creating innovative culture in an organisation is a difficult and long process, while without which, continuous improvement can hardly be assured.

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