

COLLABORATIVE STRATEGIES: THE ROUTE TO MAXIMISING FUTURE OPERATIONAL SAVINGS



“Partnering and outsourcing in Corporate Real Estate has long been an established strategy. For many businesses the challenge is to build more flexibility into their Corporate Real Estate model in response to the organisations changing needs. Recently however, a new strategy has evolved that delivers larger scale economies by collaborating with all parties to increase value through mutual risk and reward.”

Jonathan Moore - Partner, Head of Corporate Real Estate

Traditional approaches to partnering and outsourcing have improved performance, though examples tend to be found in mature contracts which are now largely exhausted. The current need is to go beyond this traditional approach and focus on overall performance improvement, optimising the cost and revenue position.

Traditional partnering contracts tend to feature a single supplier delivering bundled services and long term value through various forms of incentives. A collaborative strategy is a step change from the traditional client / supplier relationship, developing a joint approach from all the suppliers who act together to deliver greater value as a single entity.

These are not complex collaborations, however, if there is not a strong cultural and professional contract leading to mutual economic gain, they can fail. The core to successful

collaboration is not found in traditional services (although providing these at the very best level is important), it is the manner in which these services are combined to deliver a more valuable outcome.

Creating solutions

A collaborative partnership is commonly defined as a link between companies to jointly pursue a common goal. These partnerships are very different from traditional relationships between companies and it is these differences that need to be managed to achieve exceptional performance. By successfully linking with another firm, one or both parties may enjoy the benefits otherwise unavailable to them.

The collaborative partnership is characterised by the following four attributes:

Shared risk and reward

The responsibility for managing the collaboration is shared by the organisations in the partnership. This is in contrast to a traditional arrangement where leadership is vested in one organisation designated as the prime supplier. Collaborative benefits come from leveraging greater economies in supply chain management and a shared service technology platform which reaches beyond the scale of a single organisation.

One of the benefits of this approach is the emergence of innovative solutions that deliver higher value. Typically, traditional outsourcing would deliver 15-20% reduction in property costs. However, further reductions can be derived from scope or service integration facilitated by the collaboration. The basis of reward is for the collective group, which can be directly related to the value delivered and has the potential to deliver a further 5-10% reduction in property assets.

Accessing wider capabilities

In traditional partnering models there would not normally be incentives to encourage further innovation outside the scope of the contract. By allowing members of the collaboration to maintain their individual identities, wider capabilities are still developed outside the contract and related intellectual property of each organisation can still be leveraged. The commercial model is fundamentally based on shared rewards and therefore all intellectual input that delivers savings can be distributed between all parties.

Transfer of skills

During the process of collaboration the partners provide inputs (funding, skills and personnel) on an ongoing basis. There is a continual supply of resources and communication from parent organisations, which drives ongoing benefits. This leads to up-skilling the team in order to meet the needs of the client organisation, contributing more widely to the collaboration outside the constraints of a traditional contract. This results in greater geographic spread and new areas of operation, thereby sustaining benefits over a greater area of the business.

Significant advantages when dealing with complex problems

The collaboration model explicitly considers both the task and organisational complexity of the challenge, leading to insights into performance issues and opportunities that can be achieved. This is achieved through vertical integration, linking the complementary contributions of the partners in a value chain.

The combined efforts of all partners must add up to a value chain which will produce a more competitive end result.

Delivering value

To make collaborative partnerships successful there needs to be a degree of trust between partners. Without this, focus will not be on the joint decisions and consultations required to drive the value. The key attribute is an alignment of behaviours and contractual agreements focused on mutual economic gains.

These are easier to achieve within one organisation rather than multiple organisations. Achieving this is valuable not only in driving the transformational agenda within the organisations Corporate Real Estate function, but in delivering a greater overall return for the client and suppliers. By sharing a common vision and goal around clear rewards, the outcome will exceed traditional arrangements and will enhance business performance.

Key benefits

Risk reduction - the collaboration is directly linked to mutual economic gain, driving a 'right first time' approach with clear accountabilities.

Product portfolio diversification - through collaboration the client has access to a much broader range of products and services, combined to deliver maximum value. This can also combine to offer insight into performance challenges and opportunities.

Reduction of fixed costs - the nature of the collaboration often involving the client organisation themselves naturally leads to efficiencies. Optimisation of personnel and process are a consequence.

Lower total capital investment - a collaborative model allows more realistic solving of complex problems, reducing the amount of direct investment the client needs to make in resolving these situations.

Faster payback - the mutual economic gain will drive faster outcomes as the rewards are directly linked to the partners. This requires alignment with the client organisation.

Technology synergy - a lot of Corporate Real Estate costs are linked to an effective enterprise level property performance system. Through collaboration the partners can make effective investment decisions and combine technology to drive value.