



Innovation Playbook

Delivering impactful
innovation within FM
and Service Contracts

PHASE 1: Embedding Fit-For-Purpose
Innovation Management

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A Keyne Group Playbook in support of
delivering service excellence

Innovation within facilities management and service contracts

The pace of change we’ve all experienced within the facilities management and service sectors shows no sign of abating. In fact, as a consequence of technology, sociological challenges, political influence, and cost pressures, this pace continues to accelerate. In response, supplier organisations are being forced to rethink their business models and commercial propositions to remain competitive and to stay relevant. Innovation is the all-encompassing mechanism to do this, but most firms are conflicted on the best way to implement it.

Shifting towards an innovation mindset

Innovation isn’t just about continuous improvement.

While innovation often includes improvement initiatives, they are separate sides of the same coin. Improvement and operational excellence initiatives rely on iterations of the current service model to deliver better performance. They help to deliver work without error, waste and excessive cost and should be done as a matter-of-course on all contracts. In contrast, innovation focuses not only on incremental improvements, but also on finding entirely new ways to deliver services or new ways to add value to stakeholders.

Many service providers can easily demonstrate continuous improvement activities, but it becomes harder to quantify and identify sustained innovation. Yet there are clear advantages for doing so.

Innovation activities can deliver:

- Higher customer retention rates.
- Greater win rates for new work.
- Lower supply-chain costs.
- The ability to offer lower prices to clients.
- Improved user satisfaction.
- Stronger supplier-client relationships.

- Greater operational agility.
- Better use of assets.
- Increased accuracy / right first-time fix rate.
- Less waste.
- Competitive differentiation.
- Enhanced environmental and social value performance.

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When asked to define examples of innovation though, many suppliers rarely describe more than one or two instances where a specific innovation has occurred, and these are normally in response to a problem or issue. The reality is, from our experience speaking to countless operational team-members across multiple organisations, innovation is happening daily: it just isn't being captured and analysed well.

In the absence of this structured approach, when a re-procurement exercise comes around or a potential client asks for examples and case studies of innovations carried out on similar contracts, it can be hard to evidence and demonstrate capability.

This is where a structural and process driven approach to innovation management can deliver significant value to all stakeholders and, in particular, to service providers.

The absence of consistent innovation management and the benefit of standards

Most organisations, irrespective of size, have no structured approach to capturing, progressing, and introducing innovation. This applies equally at a corporate strategic level, and at a service delivery or contract level. There is instead an isolated approach to change, typically in response to a new market trend, client demands, or a downturn in results. In the few organisations where innovation management systems are in place, each organisation normally has a different way to embed their approach, and the format of it, including underlying processes, has typically evolved over time to meet emerging needs as the company has changed in size or transformed in some way.

International standards such as ISO 56000:2020 (innovation management) can help provide some stepping stones to address this, providing a structure for how management systems are introduced. The commitment to the standard can be time, resource, and cost intensive though, with only a few hundred organisations gaining accreditation since the standard was released in 2020. In the face of multiple cost challenges, many organisations have chosen not to focus their attention elsewhere. Accreditation for ISO 56000 can also prove too expensive for service contracts, requiring a team to innovate and drive activities associated with the standard. Instead, many service providers are committing to align their efforts to the standard, rather than gaining full accreditation for it.

Complimentary standards such as ISO 44001:2017 (Collaborative business relationships), ISO 9001:2015 (Quality management systems), and ISO 14001:2015 (Environmental management systems) are more common at a corporate level, but again not at a contract level due to cost and resource constraints. They do flow down though in the form of corporate processes and procedures, albeit in the interests of the organisation that has the accreditation. While these standards reference the need for innovation, they are careful not to define it given the contextual nature in the way organisations pursue it.

As such, innovation tends to be done inconsistently across industry and within the contracts that support it. In many instances it is reduced to a simple register, in others, as part of operational excellence programmes. While standards are a good way of introducing innovation management into the organisation, the sheer cost and resource requirements for doing so can limit effectiveness and distil the concept down to transactional, minimal interactions. It is better to start somewhere and evolve, rather than focusing on the final ambition. As the saying goes, how do you eat an elephant?

Through our simple pathway approach, innovation can quickly be implemented and be made more impactful and enduring. Our emphasis is in finding ways to continually demonstrate value through a collaborative approach to it, and in being ready for what tomorrow brings.

STEP 1: Start by Defining What Innovation Means to Your Organisation or Contract

There are many definitions of innovation and many ways of applying it on an everyday basis. It means different things to different individuals and often stumbles at the first hurdle when parties can't even agree what it means. It is a contextual term in that its meaning is defined by the circumstances surrounding its use. As a term, it can be used to define approaches to cost savings, new technologies, alternative service models, or just by thinking about things differently.

Wherever we support innovation projects, we spend time defining what innovation means to those who will be affected by the project. Having a common understanding, it seems, is a significant step towards embedding it successfully within companies and contracts.

The international standard ISO 56000:2020 (innovation management) defines innovation as:

"A new or changed entity creating or redistributing value."

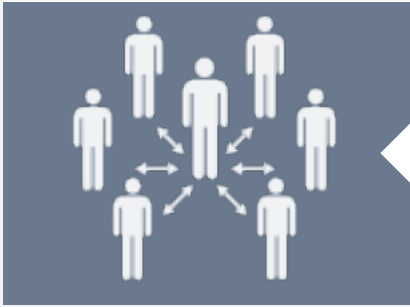
The definition is somewhat vague by intention, reflecting the diverse nature of innovation and the desire for the standard to encompass not only products and services but also processes, models, and methods of delivery or production.

For the services sector, our preferred definition of the term is:

"Innovation is about people creating value for stakeholders by implementing new ideas."

This encompasses four main elements that underpin successful innovation, *People, Value, Stakeholders, and Ideas*.

Think about innovation as people creating value for stakeholders by implementing new ideas.



People

The organisations, individuals, groups, or teams that **contribute** to innovation and provide insights from differing perspectives. This includes colleagues, workforce, suppliers, consultants, and client representatives. It can also extend to industry spokespersons or individuals from entirely different sectors.



Value

The measurement of innovation outcomes, such as cost savings, contract retentions, new wins, or improvements in environmental and social measures. It doesn't always have to be about money as the main metric.



Stakeholders

The organisations, individuals, groups, or teams that **benefit** from innovation. This extends to clients, service users, the workforce, and senior stakeholders across supplier and client organisations. It is common for this list to duplicate some of the PEOPLE element from above.



Ideas

The process of soliciting, capturing, and processing ideas for innovations and improvements is critical for organisations to succeed at innovation. Innovation platforms must be able to easily capture ideas and provide processes to advance them through agreed gateways.

Overall, the definition of innovation is not fixed and instead should be tailored to suit the mutual ambitions of the parties aiming to benefit from it.

Actions:

- 1) Appoint an individual or team with responsibilities for innovation.
- 2) Determine the ambitions you have for your innovation approach.
- 3) Taking account of this input, mutually define the common understanding of innovation at a corporate or contract level.

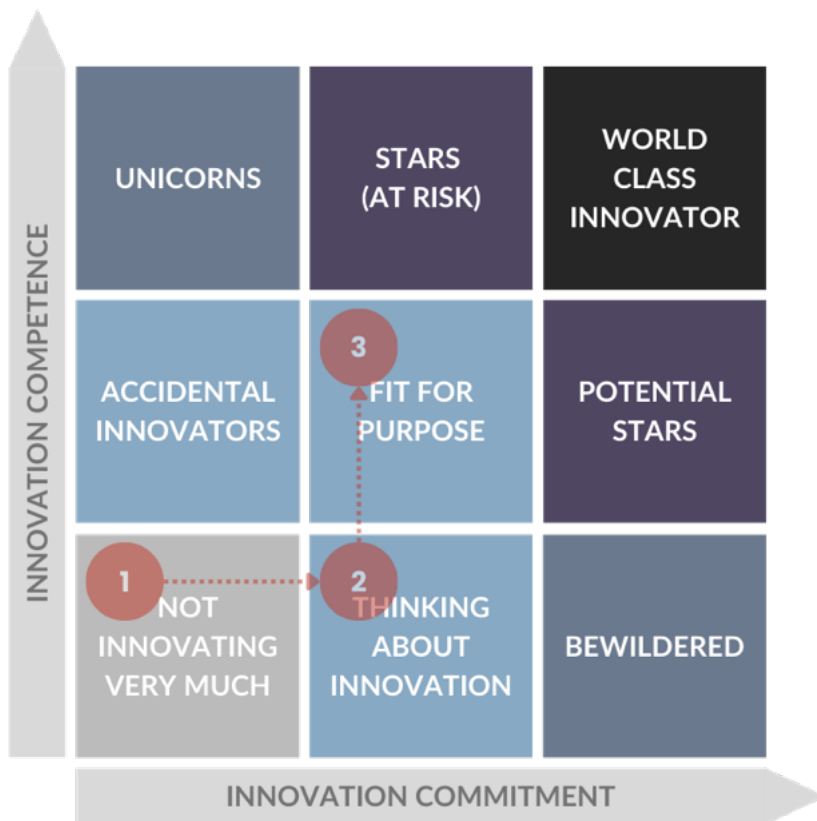
STEP 2: Realise That Innovation is Done in Steps

Individuals often hear about innovative organisations such as Apple, 3M, Tesla, Nvidia, Proctor & Gamble, or Google. These organisations invest heavily in research and development, making innovation and discovery a central part of their corporate philosophy.

The gap between where you are now, and where these companies are is likely to be significant, yet many firms start out on their innovation journey armed with examples and case studies from these established innovators and aspire to achieve world-class status within 12 months. When they don't accomplish it, they become disheartened and can reappportion efforts towards alternative operational demands.

Unless there is a major shift in strategic focus towards innovation and significant budgets available to make resources available, organisations should consider innovation as a journey and work collaboratively with stakeholders to jointly develop a route map to get there.

We recommend starting innovation activities in small ways, evolving it as competence and commitment grows within the team managing it (Figure 1).



Tim Kastelle, a lecturer in innovation management at the University of Queensland Business School, suggests that organisations advance their innovation competency and capability in a series of steps.

Figure 1: Innovation should be considered as a journey through a series of steps, with each step increasing competence and capability over time

To be a world-class innovator, an organisation must demonstrate a continual effort to adapt and disrupt services, not only to adopt emerging trends, but to influence their creation.

For most FM and service providers, they are likely to be closer to the bottom left of the matrix rather than the top right. A few are pushing upwards in the right direction, but don't appear to be quite there yet. There are examples of 'innovations' being promoted by large providers, normally as a result of acquisition, novel use of technology, or investment in alternative service models. While these can be exciting additions to industry, to be a world-class innovator, an organisation must demonstrate a continual effort to adapt and disrupt services, not only to adopt emerging trends, but to influence their creation.

To progress your own journey, focus on moving only one box at a time. If you're not systematically implementing innovation, perhaps a commitment to thinking about doing so is your first step? Simply having a mechanism to collect ideas and feedback from building occupiers and service users - whether that be through a central email inbox or a suggestion box - can be enough to advance onto the next stage.

Actions:

- 1) Determine where you are on the innovation maturity matrix.
- 2) Identify your destination on the matrix, and the timeline to get there.
- 3) List the steps needed to progress towards your destination.



STEP 3: Involve Everyone in Your Innovation Journey

Many successful innovation management systems take an enterprise-wide approach, adapting it for use in specific contracts to align with any nuanced client requirements. The team responsible for managing it will collect examples from key contracts and share learning to a broader audience wherever possible in the form of case studies, intranets or newsletters. Where employee contributions drive improvement through innovation, rewards are given to demonstrate appreciation and the value of individual or team efforts. Innovation should involve everyone, from your workforce and supply chain, extending to the occupants and users of your clients' buildings.

By default though, most stakeholders are excluded from the overall innovation process, there is no clear ownership of it within the organisation, and learning from other contracts becomes the exception.

Author Wayne Burkan affirms this in his publication entitled 'Wide Angle Vision', suggesting that most innovation in organisations is driven by **disgruntled customers, off-the-scope competitors, rogue employees** and **fringe suppliers**.

Are you harnessing these valuable sources of innovation?

All too often, organisations become inwardly focused on innovation and fail to see it from the workforce, client, or users' perspective. It is instead seen as a way to reduce cost, realise additional revenue, and to increase margin. In doing so, there is a danger that some suppliers will alienate employees, clients, and end-users, who instead see very little recognition, reward, improvement in service quality, nor reduction in service costs. This in turn limits loyalty and, at an extreme, can provide reservations about remaining in the relationship: especially at reprocurement stage.

Instead, including a broader range of stakeholders in your innovation processes not only improves engagement, satisfaction, and loyalty levels, but it also brings you knowledge and experience that you don't have. Including members from your stakeholder groups in the innovation systems you deploy can also bring some unique perspectives and mentorship for those ideas worthy of escalation.



VARIOUS STAKEHOLDERS CAN PROVIDE IMPORTANT INSIGHTS INTO SERVICE DELIVERY MODELS THAT DRIVE INNOVATION

Stakeholder Group	Innovation Input
Suppliers	New products ideas and enhanced product performance
Employees	Knowledge of business processes and operational routines as well as being a route for feedback from clients and users
Clients	Innovation ideas and suggestions for areas to focus on in addition to strategic drivers and investment in new operating models
Users	Innovation ideas and suggestions for areas to focus on for improvement
Consultants	Input of specialist perspectives and new leading-edge concepts
Shareholders	Sharing of knowledge and experience, and commitment to sustainable operational and financial performance
Community	The perspectives of local supply base and geographical or historical considerations
Partners	Input of specialist perspectives and skills unlikely to be held within the organisation
Industry	Observations of trends and competitor advances
Banks / investors	Market trends and feedback; competitor insight

In many instances, in the early stages of engagement, stakeholder input may be negative in nature or driven by frustration. To quote the management guru Tom Peters, “I believe there is only one source of innovation – pissed off people”.

It is normal for innovation to be driven from frustration. In fact, if you don’t have a mechanism to capture feedback from disgruntled stakeholders, you might be missing some of the best ideas!

Actions:

- 1) Define your innovation stakeholders.
- 2) Engage with your stakeholders to identify outcomes.
- 3) Jointly identify disgruntled clients / end-users, high-performing competitors, rogue employees, and fringe suppliers. Target ways to interact with these individuals or groups to encourage collaboration.

STEP 4: Define Your Innovation System

What happens if someone provides you with a good idea? Do you have a system in place to deal with it or do you progress each suggestion on a case-by-case basis? In our experience, it is typically the latter: if at all.

Investing some time in developing an innovation system not only demonstrates to clients that you take innovation seriously, but it also inspires stakeholders to contribute to the development of your performance and provides a route for you to get selected ideas into circulation quicker.

An innovation system typically takes the form of a process or series of processes to advance an innovation from inception, through to realisation. At a high level, this may look something like below.

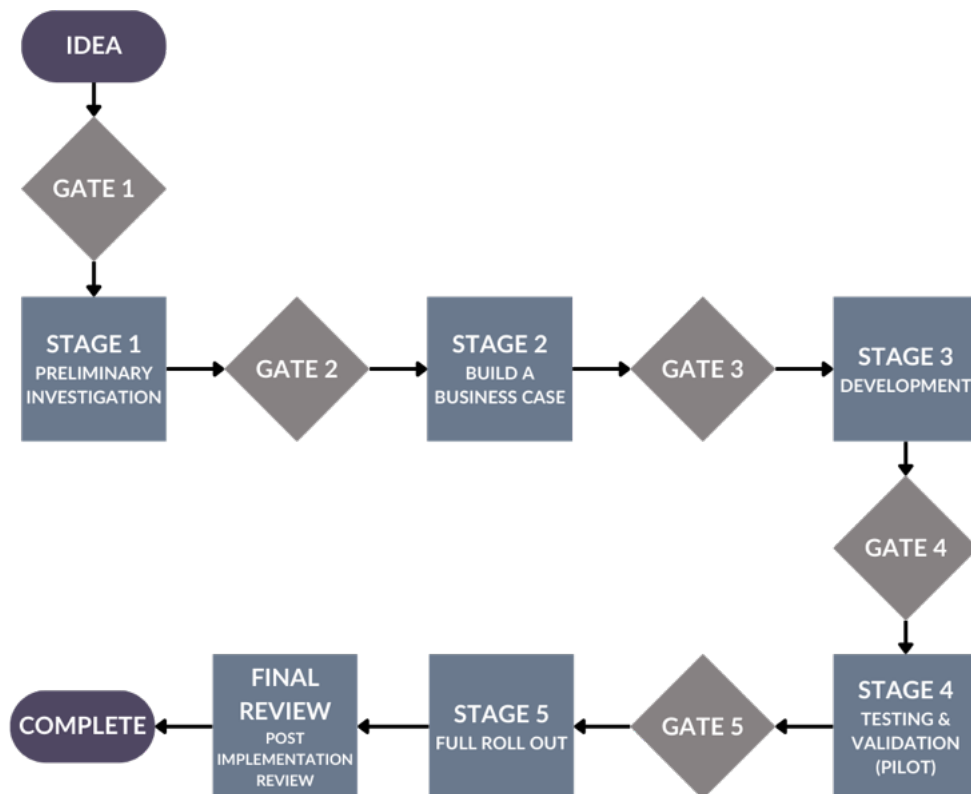


Figure 2: Innovation systems typically follow some process flow, with every stage supported by underlying process and inputs to determine advancement onto next stage

Processes as part of the system can always be adapted at a later stage, the key is to have something in place from the outset that supports innovation rather than nothing or worse, something that stifles the progress of ideas.

Actions:

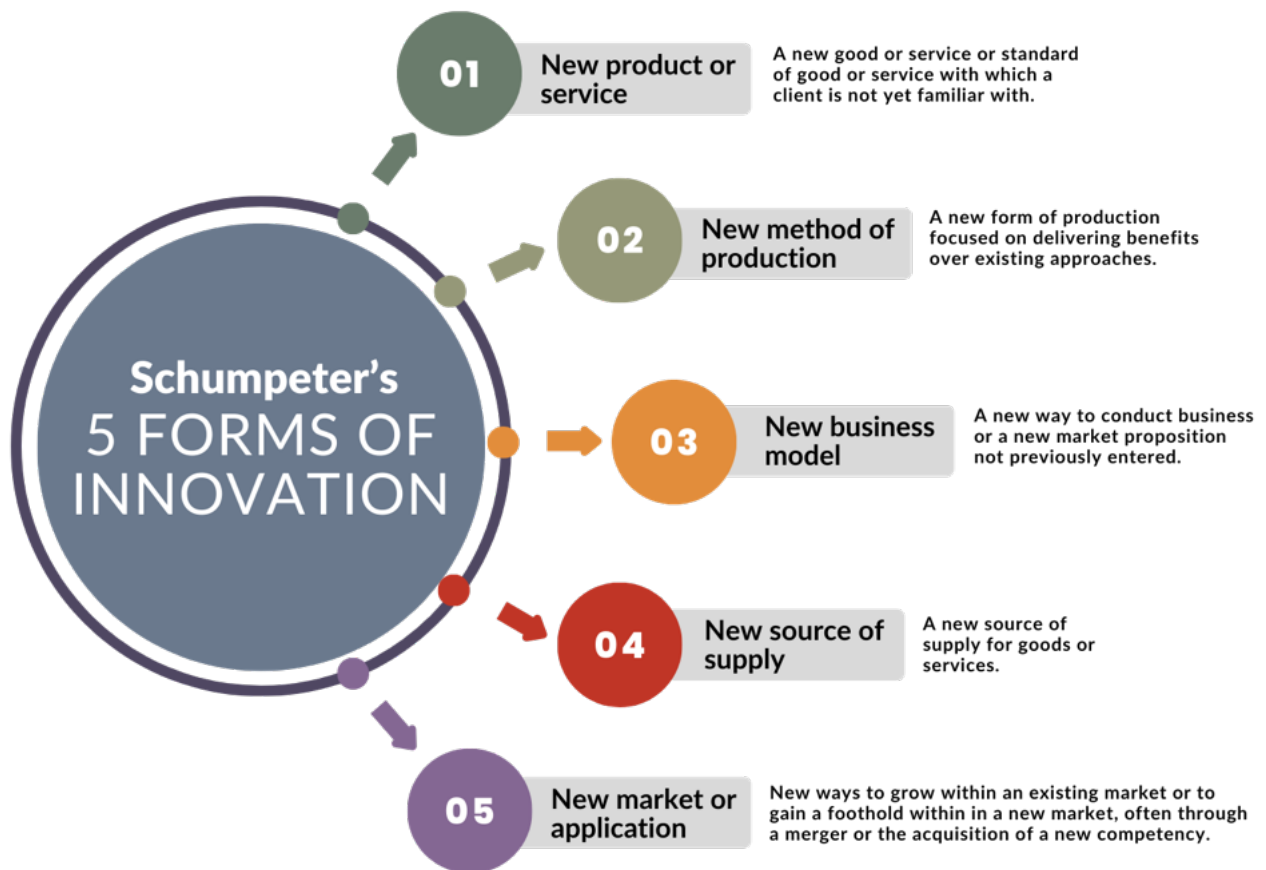
- 1) Define your innovation system, including the stage gates for each innovation to advance through.
- 2) Create supporting processes to align to age stage of the system.
- 3) Generate an innovation register to record each innovation, and its progress through the system.



STEP 5: Consider Different Types of Innovation

There are many different types of innovation, affecting various element of operational delivery. Not every innovation has to be radical or disruptive, displacing existing workflows and practices that have been in existence for some years. Innovations instead can be complementary or incremental, enhancing services in some way to add value.

The economist Joseph Schumpeter identified five main forms of innovation:



While Schumpeter’s list isn’t exhaustive, it does add insight into how innovation may be implemented from multiple dimensions. Looking at performance levels and challenges from these angles encourages alternative ideas and thoughts around innovation, explores new ways that value can be added, and identifies approaches that establish competitive advantage.

Here are some questions you may wish to use to get you started:

- *Why do we operate in this way?*
- *Is there a better way to do this?*
- *How do other organisations do it?*
- *Where do we generate profit?*
- *What do our clients or service users wish we could do better?*
- *Are there other market sectors that have similar challenges and, if so, how have they overcome them?*
- *Would technology make things operate better?*
- *What is threatening our client's operations or business?*
- *If our clients went out of business, what would we do to survive?*

From our experience, we have found that many business processes or approaches to service delivery are carried out because "we always did it this way" and not because it is client driven, innovative or cost effective.

The first question, "Why do we operate in this way?" is perhaps the most valuable query to make. Review every stage of your service delivery processes and ask your team "Why do we operate in this way?"

This is especially beneficial if there's a challenge that has arisen, a complaint, or a negative trend that's impacting on user satisfaction.

Just asking "Why?" several times can get you beyond the initial response to reveal any underlying drivers and motivations for doing things in a particular way. Take the below example, where engineering teams are continually missing KPI thresholds for response times.



Figure 4: Using 'why?' to drill down through issues can help identify root causes for underlying challenges

While this example may be considered as more of an improvement initiative, it illustrates a method to determine the root cause. From this, innovation outcomes can be developed.

Going through this questioning helps to distil down a core issue or problem for the innovation process to target. In the above example, the innovation quandary can be defined as “how do we improve KPI response times through improving the interaction between helpdesk operators and the CAFM system?” This offers a more succinct issue to address through innovation.

From our experience, we have found that many business processes or approaches to service delivery are carried out because “*we always did it this way*” and not because it is client driven, innovative or cost effective. Looking at outputs and processes from Schumpeter’s perspective helps to question existing processes and creatively tackle inefficient working.

Actions:

- 1) Identify key problems or challenges in service delivery or organisational performance.
- 2) Distil these items down to core issues.
- 3) Set each issue out as an innovation challenge to wider stakeholders.



STEP 6: Measure Innovation in More Than Just Money

At the start of this document, we highlighted that innovation is often thought of as a way to save cost. While it can underpin many efforts for cost reduction, this isn't the only way to measure its success. Focusing on specific challenges other than financial ones can aid in overall service performance but can also drive other performance areas such as loyalty, engagement, staff retention, contract win rates, and environmental impact.

SOURCES OF VALUE FOR INNOVATION WITHIN SERVICE CONTRACTS

Innovation outcomes	Some Suggested Metrics
Financial	Profit, ROI, contract revenue, cost indexation
Safety	Reportable incidents, inspection outcomes, audits
Time	Cycle time, attendance time, restoration time, output per hour
Client satisfaction	Net Promoter Score, survey results, contract retention rate
User satisfaction	Survey results
Employee satisfaction	Survey results, attrition rates
Energy reduction	CO2 reduction, utility unit reduction
Waste reduction	Cost, volume, environmental impact outcomes
Business won / lost	Revenue changes, contracts awarded and lost, opportunity conversion rates
Rectification	Time to address, right-first-time rate, rework requirements

Innovation is often driven through a response to a specific challenge, where stakeholders or knowledgeable parties are invited to suggest and progress innovations that are focused on overcoming specific performance outcomes or to improve metrics. For example, challenging the occupants and users of a facility to reduce CO2 output may yield some interesting responses from individuals or groups that typically wouldn't be invited to contribute an opinion. The popularity of this *innovation challenge* approach is increasing due to the availability of collaboration and social networking tools.

STEP 7: Committing to Innovation Within Your Tender Responses

From our observations over the last few years, most - if not all - invitation to tender (ITT) documents require the service provider to demonstrate continuous improvement activities throughout the entire contract period. Clients anticipate that the services delivered will change over time and that operational efficiencies and adaptations must be incorporated as a matter-of-course to reflect these changes. They often seek comfort that the supplier has systems in place to capture relevant advances in the sector and that there is a willingness to incorporate these advances where mutual benefits can be realised.

While it is common to relay an intention to innovate, and to embrace innovation management systems to support this intention, suppliers must be able to demonstrate this competency. This is typically done through case studies where the implementation of innovation is identified, quantified, and validated. The use of benefits tracking across multiple contracts can also highlight past performance, providing insights into the value of innovations proposed at every stage of implementation. Many organisations are unable to provide this level of detail, hence normally score average marks within the ITT response.

Consider innovation management as a cyclical endeavour, initiating it on new contracts, monitoring its success over a set duration, then using the outcomes to reinforce retention activities, future business cases, or additional investment in contract deliverables.

Actions:

- 1) Identify contracts where the introduction of innovation can inform a detailed case study.
- 2) Create these case studies to highlight specific competencies that can translate into other projects or parts of the organisation.
- 3) Generate ITT collateral on innovation, citing metrics of the projected values on proposals made.

Taking Your Next Steps

To confidently navigate the future FM and services marketplace, organisations need to review their legacy approach to service delivery, identifying opportunities to inject innovations that not only help to maintain market relevance, but expand it.

The seven steps highlighted in this document are introductory elements to begin your innovation journey. They are by no means meant to be rigid in their deployment, merely guidelines to advance step-by-step towards exceptional innovation outcomes.

Following this guidance will support the criteria set out within ISO 44001:2017 (Collaborative business relationships) and will serve as a foundation for the introduction of ISO 56000:2020 (innovation management).



Need Some Help?

You already have the capability within your business to deliver exceptional results through innovation. Like many organisations though, there just needs to be a consensus on a suitable approach that helps to focus this capability on outcomes that make an impact. The Keyne Group can help you bring together your talent and provide you with the tools you need to get the results you want. We're ready when you are.

INNOVATION AUDITS

Want to determine innovation readiness within your organisation, teams, and contracts? Our innovation audits can provide you with relevant insights that help enhance results and unblock resistance to change.



TENDER RESPONSES

Our skilled work-winning team can help you relay competitive advantage through innovation and provide assurance to clients that you're the right partner to deliver results.



INNOVATION WORKSHOPS

Our skilled facilitators can work within your existing teams, departments, and contracts to provide your workforce with the tools and training they need to innovate more effectively.



CONTRACT RETENTIONS

With clients needing more of a focus on innovation prior to issuing contract extensions and renewals, our team can help you identify the commitments needed for the next generation of service delivery



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