

collaboration

Achieving productivity gains through collaborative working in the water utility sector



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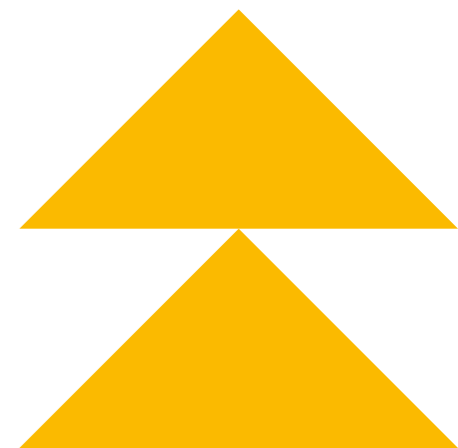
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working towards achieving productivity gains through collaborative working

Productivity in the UK remains well below many of our G7 competitors*with a gap of around 16%. Broadly speaking workers in, for example, France are able to produce 20% more than British based counterparts. UK productivity per hour is 35% behind Germany and 30% behind the USA, according to the latest OECD figures*. EMCOR UK believes that this may represent a fundamental challenge to the UK economy and to the companies and organisations that contribute to it.

EMCOR UK is seeing that many companies working in the water utility sector, including water customers, with which we've worked, are exploring innovative ways of tackling the problem of productivity. They are doing this by examining alternative measures of productivity and the link to areas such as workplace quality. As a result they are looking at the impact that working more collaboratively could have in making their workplaces more productive and more attractive to employees whilst adapting them more easily to ensure they remain compliant with future regulatory requirements

EMCOR UK has worked extensively in the UK water utility sector and has years of experience working in its highly technical, regulated environment and with its various stakeholder demands. EMCOR UK is focused on this sector because we have found there to be a significant opportunity to work collaboratively with organisations helping to narrow the productivity gap by managing and maintaining workplaces that are optimised because they are run more efficiently.

Our focus is paying off. In the last three years we have started working with four new water utility clients.

So why is this success happening now and why do we think collaboration lies at the heart of it?

One reason is that the water utility sector is accustomed to collaborative working and, as such, has embraced a facilities management provider committed to developing collaborative business relationships for the benefit of the client and EMCOR UK. Moreover, the water utilities sector is under pressure from regulators to continually improve customer satisfaction and is faced with ever more complex regulation and growing competition. All of which is compounded by the need to service vast property estates with an extensive number of assets to maintain, repair, or replace. So, this is where working more collaboratively with the supply chain (p.5) can have a notable impact on making water utility companies more productive and, ultimately, more profitable.

Following a collaborative framework such as ISO 44001 (p.11) would enable data and technology to be used more effectively (p.12 and p.14) to, for example, improve the health and wellbeing of building occupants (p.13). A collaborative culture will also allow companies to attract and retain talent, and more easily adapt to future regulatory requirements. These factors, when combined, help to achieve productivity gains in the water utility sector and are explored in more detail in this document.

* OECD, "Continued slowdown in productivity growth weighs down on living standards", 18 May 2017 (<http://www.oecd.org/newsroom/continued-slowdown-in-productivity-growth-weighsdown-on-living-standards.htm>)



the wider picture

Biodiversity is highly dependent on the efficient and manageable use of scarce resources such as water, where failure can have devastating consequences.

Then there is the impact on manufacturing, commerce, public health and leisure, all of which depend on the efficient distribution of clean water. It is therefore important for water utility companies to not only deliver against the diverse regulations for supplying water but to be seen to be doing so.

It follows that any service provider, such as those providing FM services in this space should have a well developed understanding of how to work collaboratively in a highly regulated environment.

This is particularly the case as supply chain ecosystems increasingly centre around a range of various regulations, joint relationship management plans, knowledge sharing requirements, skills, competencies, and investments, any or all of which may affect all stakeholders. When a collaborative approach is implemented correctly, this approach can enable significant savings in water as well as reducing costs. At a macro level, utilities companies and especially those working in the water industry, are being challenged by ever stringent regulatory requirements where collaboration represents a new opportunity to meet future demands which will form part of AMP7*.

At a micro level, we have been working with water utilities to improve their building and estate sustainability agendas, for example initiating significant water savings with Thames Water where a refurbishment of office facilities resulted in water savings of between 58% to 96% for a variety of consumption uses.

*For further information on AMP7, see for example: Ofwat, "Water2020: Regulatory framework for wholesale markets and PR19", February 2016 (<http://www.waterindustryforum.com/documents/uploads/OFWAT%20-%20Impact%20of%20AMP6%20&%207%2010%20Feb%202016.pdf>)

EMCOR UK initiated significant water savings with Thames Water where a refurbishment of office facilities resulted in water savings of between 58% to 96% for a variety of consumption uses.

Clearly it is essential that any FM provider should have the technical competence to deliver against their clients' objectives and to help ensure that they are contributing to the process of delivering an essential service, such as water, to wider customers. In targeting our engagement with the utilities sector we saw that the customer profile was seeking something more than just a cost effective, technically competent and compliant service. In particular, the water utility customers wanted evidence of how facilities management (FM) could help to develop a culture based on innovation, customer centric behaviour and respect for the regulatory process. From our experience of working in other highly regulated environments, such as defence and pharmaceuticals, we knew that creating a collaborative culture would be essential to achieving the results that our water supply clients require.

Given the focus on collaboration in recent procurement interviews, it is clear that there is a growing appreciation of this in both the wholesale and retail elements. Companies in the sector are looking to their FM partners for an understanding not just of what OFWAT needs but balancing the requirements with, for example, The Environmental Agency, Bathing Water Directives, Forestry Commission and, for those publicly owned, the shareholders.





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collaboration in the water industry

Collaboration is not a new concept to the utility sector, especially for water supply or dealing with natural events such as flooding. In and of itself, water does not recognise commercial boundaries and, therefore, water companies must collaborate to ensure that water gets to where it needs to be.

Regulation helps with this by insisting upon certain behaviours. There is a long established history in the water utility sector of working in joint ventures and partnerships to help enable project delivery. An example of this is Thames Water's and Anglian Water's long standing 'partnering' arrangements in place amongst some of their network providers. But, more often than not, these partnerships (especially when they are principally commercial in nature) are limited to the project itself. They are often created to meet the specific needs and lifecycle of each project and few of them are based on a best practice model for the creation of collaborative business relationships such as the new ISO 44001:2017 Requirements and Framework.

Despite a lack of collaboration with previous customers historically, we have recently seen a greater appreciation of the commercial value that can be applied when working collaboratively with FM providers.

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the increasingly important role of the supply chain

Many water companies are challenging their extended supply chains to deliver innovation, and working smarter to deliver on major capital plans as part of their AMP agreements. They are looking to their supply chain partners to help them improve sewers, flood defense, and price reduction while continuing to deliver projects to a very high standard.

At EMCOR UK we strongly believe that the adoption of the good practices contained within ISO 44001 can help utility companies avoid the procurement and contractual issues and disputes that lie beneath the surface of these types of projects. By encouraging joint governance, ISO 44001 helps to ensure that value is created and realised by all stakeholders which motivates them all to engage more fully in the process and on a more sustained basis such as:

- ▶▶ Operational governance structure
- ▶▶ Value creation parameters
- ▶▶ Joint supply chain ownership
- ▶▶ Joint objectives
- ▶▶ Dispute management
- ▶▶ Disengagement strategy
- ▶▶ Information management
- ▶▶ Risk management
- ▶▶ Innovation management
- ▶▶ Performance measurement



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cheapest procurement of fm vs long-term value add

Our experience is that procuring at the lowest cost has contributed to the breakdown of a number of FM contracts in the sector, which had been essentially focused on cheapest price procurement.

Judging by the focus put on collaboration in recent procurement interviews in which EMCOR UK has participated, it would appear that others are coming around to this view, too. Both the British Institute of Facilities Management (BiFM) and the Chartered Institute of Purchasing and Supply (CIPS) have a role to play in encouraging buyers to think about long-term strategic benefits as a sustainable alternative to short-term cost driven procurement. After all, the utility sector has a responsibility to not only drive down price in real terms and improve the service experience, but protect UK utility assets for future generations.

Our experience is that for some, the aim now is to secure good value on a consistent basis rather than procure the cheapest initial contract price. Indeed, in the final round interview for one recent contract, 20% of the overall assessment was focused on demonstrating the advantages of working collaboratively and how it can be achieved.

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sourcing higher levels of productivity is key to improving uk plc macro-economic output

The pursuit of higher levels of productivity has been the holy grail of the UK economy for many years. Success to date has been spasmodic and at times elusive. According to the Office of National Statistics (ONS), hourly output fell 0.5% in the first three months of 2017, 0.4% below the peak recorded at the end of 2007*.

It looks worse from a global comparative basis where UK productivity was 9% less than the Organization for Economic Cooperation and Development (OECD) average before the credit crunch in 2008, with the gap widening to over 18% in 2015/16†. The situation is broadly similar in the services sector, but the potential prize for growth is enormous if the situation could be positively addressed.

The Stoddart Review of workplace productivity suggested a 1% gain in workplace productivity could deliver £20bn to UK Plc macro-economic output**. Or put another way, reduce the Public Sector Borrowing Requirement (PSBR) deficit by around £8bn.

A 1% percent gain in workplace productivity could deliver £20bn to UK Plc macro-economic output.**

Hourly output fell 0.5% in the first three months of 2017*.

Based on EMCOR UK's experience over the last decade, by extrapolation there could be correspondingly significant gains available to water utilities if higher workplace productivity could be achieved, including, amongst others:

- ▶▶ Financing – better access to finance structures, reducing companies weighted average cost of capital
- ▶▶ Greater use of markets to finance new assets
- ▶▶ Higher returns on sales, generating opportunities for more re-investment
- ▶▶ Reduced total expenditure over AMP7
- ▶▶ More supply chain resilience
- ▶▶ Common cross utility outcome delivery incentives

* Office for National Statistics, "Labour productivity", 5 July 2017 (<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity>); † House of Commons, "Productivity in the UK", 7 July 2017 (<http://researchbriefings.files.parliament.uk/documents/SN06492/SN06492.pdf>) ** The Stoddart Review, "The Workplace Advantage", 2017 (<http://stoddartreview.com/>)





collaboration can help secure gains in customer service too

Office of Water Services (OFWAT) is a dynamic regulator with a high public profile. One of the objectives it wants utilities companies to focus on is improving levels of customer satisfaction amongst both private consumers and businesses.

OFWAT requires companies to consult with their customers on performance commitments in target areas including: pollution incidents, protecting rivers, leakage, internal sewer and external sewer flooding, customer communication and bill accuracy. If companies are able to meet or exceed the commitment they are rewarded, if they fail they are penalised.

Applying ISO 44001 across the supply chain could focus the extended supply chain to work on solutions aimed at supporting such commitments. Recent independent evidence from The Consumer Council for Water, published in 2016 suggested that overall written complaints for the sector had fallen by 0.5% over the year, but that this statistic masked the fact that over half of the water companies had reported increasing numbers of complaints, with some of these rises being significant.

Managing workplace facilities better can have a material impact on improving customer service by making workforces more efficient and happier.

Based on the findings from the Stoddart Review and Leesman Index, a workforce operating out of a building they feel is designed more around them are more likely to be happy, more efficient, and go that extra mile on behalf of the customer.

This is particularly true of call centres which are often the interface where the customer and utility first meet and where problems can arise. We have learned to focus considerable attention on how individual call centres operate with particular regard to how staff interact with the building and facilities around them. There is good evidence from the Stoddart Review and from data provided by the Leesman Index, amongst others, that a workforce operating out of a building they feel is designed more around them is more likely to be happy, more efficient, and go that extra mile on behalf of the customer.



studies show the huge opportunity to improve productivity

The opportunity for improvement is significant. The Stoddart Review reported that only 53% of staff in the UK and Ireland believed that their office environment enabled them to work productively†.

One of the academics behind the study, Dr Nigel Oseland, believes that productivity gains of between 1% and 3.5% are possible if workplaces were re-evaluated and built around the needs of the user. Clearly this view is also gaining traction in the C-Suite, with one water company CEO reportedly looking to create an “awesome” place to work for her employees*.

An improved workplace will be important not only to making workers more productive because they are happier in their work, but also help to retain them. Unemployment is low and still falling in the UK which means that holding on to good people is an issue for many companies, especially those who work in high stress environments, such as call centres.

Younger people particularly notice the difference in working environments and are very quick to report their opinions in public via online job comparison sites such as Glassdoor**.

Research carried out by Frost and Sullivan makes a similar point by saying that younger workers, in particular millennials, tend to be nomads who use social media to inform their opinions about current and prospective employers. Individual reports on Glassdoor reveal that how an individual thinks about their working environment is often very important to them and is mentioned frequently in their online appraisals***.

Only 53% of staff in the UK and Ireland believed that their office environment enabled them to work productively†.



†The Stoddart Review, “The Workplace Advantage”, 2017 (<http://stoddartreview.com/>) *Utility Week, “Shaping the future together”, event on 11 October 2017 (<http://events.utilityweek.co.uk/congress/seminar/shaping-future-together/>) ** <https://www.glassdoor.co.uk> *** Guillermo Valiente, “Serving the Millennial Generation”, February 2013 (https://www2.frost.com/files/4914/2356/8103/Contact_Center_Pipeline_Serving_The_Millennial_Generation_Feb2013.pdf)



collaborate with all your building occupants to gain buy-in

It follows then that designing a more productive workplace ought to be done in collaboration with the actual people who are going to work there.

Our experience is that employees welcome the opportunity to become formally involved in all aspects of the workplace environment and, as a result, willingly participate in consultations. If they have a positive experience arising from their participation, then they are far more likely to be advocates both externally and internally for the organisation.

It is this growing understanding of the role that the workplace environment can play in increasing productivity that is pushing FM up the agenda for the C-Suite. Previously FM had been saddled with low levels of awareness and consequently low priority levels. This is probably why FM has, until recently, been subject to an approach to procurement which is largely driven by securing the lowest cost. This fixation on lowest cost procurement has almost certainly contributed to the poor performance of many suppliers.

Our experience of recent tenders is that this tendency to lowest cost procurement is changing as decision makers look at the wider picture. At the end of the day the two biggest costs for utility companies tend to be their people and their asset infrastructure. If collaboration can be fully embedded in a given organisation, via an instructive framework such as ISO 44001, then real progress can be made in terms of maintaining facilities more efficiently, both from a financial and environmental perspective. By collaborating with staff in the design of workplaces, absenteeism, staff-churn, and associated recruitment costs and unproductive space can all be reduced on a sustainable basis. The cost savings that might arise as a result are not insignificant.



iso 44001 framework helps to deliver shared goals more rapidly

At EMCOR UK we use proven collaborative frameworks to build understanding of the potential prizes on offer, from creating a happier workplace to increasing productivity, and to focus activity on how the operation needs to be set up to achieve them.

In March 2017, EMCOR UK became the first facilities management company in the world to be awarded ISO 44001, the international standard for collaborative business relationship management systems*, and have achieved "Expert Consultant Status" with Leesman so that we can use their data to identify the best chances of achieving productivity and efficiency gains which we can benchmark against best practice.

Benchmarking helps our utility clients to better understand their data sets so that they are not constantly being asked to reinvent the wheel when it comes to designing new processes for managing the workplace more efficiently. Access to this empirical information also helps all involved to collaborate more effectively in the delivery of shared goals. It does this because the individual team members, who might come from various commercial entities, see the information as being objective, commonly derived and held, and therefore more trustworthy.

Shared learning and benchmarking helps to ensure that innovation and free thinking can flourish because all of those involved can be more certain of the outcomes.

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EMCOR UK is further developing thought leadership in the area of workplace productivity through participation as a key consortium member in a project called Whole Life Performance Plus (WLP+).

WLP+ is a new project with backing from the UK's innovation agency Innovate UK and Engineering and Physical Sciences Research Council (EPSRC), which aims to identify the best indoor conditions for enhancing people productivity and to deliver those indoor conditions at lowest energy consumption.

The project launched in 2016 at one of EMCOR UK's long standing customer's office buildings and is due for completion in late 2018.

In addition, we have created the EMCOR UK Workplace Collective; a group of leading consultants collaborating with us to optimise building performance and the productivity and wellbeing of its occupants.

*EMCOR UK, "EMCOR UK Amongst the First Six Companies in the World to be Awarded ISO 44001 International Standard for Collaborative Business Relationships, March 2017 (<http://www.emcoruk.com/news/2017/emcor-uk-amongst-first-six-companies-world-be-awarded-iso-44001-international-standard-collaborative-business-relationships>) EMCOR UK Know How - Achieving productivity gains through collaborative working in the water utility sector II

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collaboration and technology

The continuing fall in the price of sensors and management software is making this sort of investment more budget compatible. But an organisation also needs the widespread engagement and collaboration of the workforce to see this as being a positive development from which all parties gain and not an intrusion.

Collaboration on this scale can represent something of a culture change for some organisations, which is why it is often an advantage to have the independent framework and rigour of an ISO standard to work with. Culture change is hugely important and requires getting all involved to help ensure that people see the use of technology as being for the common good.

A study conducted by Virgin in 2014 shows that a culture of collaboration is one of the top things millennials are looking for in an employer.*

You also need the widespread engagement and collaboration of the workforce to see this as being a benign development from which all parties gain and not an intrusion.

The ISO standard helps organisations to collaborate from the bottom up, as well as the top down, so culture change spreads more rapidly and is less likely to be seen as a partisan development. A study conducted by Virgin in 2014 shows that a culture of collaboration is one of the top things millennials are looking for in an employer*. EMCOR UK hypothesizes, based on our work with clients in the industry, this might be because younger people naturally collaborate through social media where they share all kinds of data and information to improve their lives and achieve goals. They might be expected to naturally gravitate towards those organisations that reflect this collaborative approach to workplace operation.



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health and wellbeing

A more collaborative workplace is also more likely to have been designed to improve health and wellbeing.

Using technology and data-driven information, FM is able to positively influence building design, layout and working conditions and hence the productivity and wellbeing of the people who occupy these facilities.

Even greater productivity gains can be achieved when those responsible for workspaces collaborate with departments responsible for delivering wider health and wellbeing programmes, such as HR.

As part of our Wellbeing Programme at EMCOR UK we selected Mind, the UK's leading mental health charity, to be our charity partner; we are working with them to develop a programme of information and activity that will advance good mental health practices.

According to the mental health charity, Mind, one in four people will develop a mental health issue at some point in their life*. This development has been met with considerable support from some utility customers who are collaborating with us to identify and implement best practice strategies.

The aim is to help people to look after their mental health by providing tips, information, advice, and support when needed in an attempt to improve the mental fitness of our workforce. This should lead to positive trends in lowering absenteeism due to stress, improving staff retention and productivity.

We believe the case for more developed collaboration in the workplace is proven not only from the point of efficiency, but also of wellbeing. Using technology and data-driven information, FM is able to positively influence building design, layout and working conditions and hence the productivity and wellbeing of the people who occupy these facilities.

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data driven collaboration

The importance of data should not be underestimated. Compliance can only be proven if the evidence is there to substantiate it and, as has been previously suggested, accurate and complex data needs the active buy-in of all participants to develop it.

Our experience has suggested that one result of procuring on cost alone is that accurate data is simply not assembled at the level required either to make more effective decisions about the workplace environment, or to easily prove compliance.

Essentially this is because very low cost providers are often looking to take short cuts where possible. Therefore, this low visibility of information can become a major problem, especially for those organisations that retain a widely scattered estate.

To counter this, we take large quantities of data, review what the data is telling us, use our data analysis to predict future scenarios, and help our clients make informed decisions to deliver on their objectives. This data-to-knowledge approach aids client decision making and helps enable informed decisions to be made in optimising capital and operating budgets.



This approach to data analysis, combined with the creation of a genuine collaborative culture, means that even in the most complex and varied, technically demanding operating facilities we can assist in driving efficiency and securing your regulatory compliance.

We take large quantities of data, review what the data is telling us, use our data analysis to predict future scenarios, and help our clients make informed decisions to deliver on their objectives.

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productivity gains: going beyond the water utilities sector

Many leading companies in the utilities sector are looking at the impact that working more collaboratively could have in making their workplaces more productive. This will allow them to be more attractive to employees and more easily adapted to future regulatory requirements.

Workplaces of the future need to seamlessly fuse people, process, systems and knowledge to optimise human productivity; the challenge is for organisations to understand the benefits of effective workplace design and employee choice – how they work, where, when and using what.

Workplaces of the future need to seamlessly fuse people, process, systems, and knowledge to optimise human productivity.

Many utilities procure FM as a commodity supplier, part of a large supply chain, but the opportunity is to allow FM to be more innovative and to be a strategic real estate and asset management partner with whom one can collaborate to achieve much greater objectives for the organisation.

Collaboration helps business achieve its goals faster, improve productivity,





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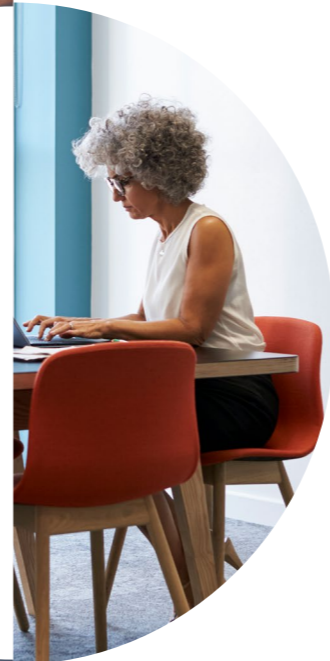
EMCOR UK and collaboration

In March 2017, EMCOR UK became the first facilities management company in the world to be awarded ISO 44001, the international standard for collaborative business relationship management systems.

This achievement was a culmination of a ten year strategic programme during which EMCOR UK was an early adopter of good collaborative business principles and the first facilities management company to have been certified to BS 11000, the British standard for collaborative relationships.

Collaboration is at the heart of everything that EMCOR UK does and the principles and practices embodied in ISO 44001 underpins our approach to identifying customers' strategic and operational requirements, thereby providing the means by which EMCOR UK can tailor services to these needs. This has allowed EMCOR UK to demonstrate the value we can provide and has supported the increasing trend of our customers to entering into long-term, collaborative contracts.

EMCOR UK is a world leader in Collaborative Business Relationships.



collaboration: switching on productivity gains for the water utility sector

Many leading organisations, some with the most demanding and technically challenging environments in the world, trust EMCOR UK as their facilities management provider.

Every customer's property estate and workplace is unique, so EMCOR UK's unwavering commitment to service excellence is designed to enhance performance and provide measurable benefits.

With over 100 years of experience in the UK market delivering facilities management at the highest level, EMCOR UK has an enviable track record collaborating with customers to achieve high performing, productive and sustainable workplaces.

EMCOR UK employs over 4000 people and is a subsidiary of EMCOR Group, Inc; a Fortune 500® company with estimated 2017 revenues of ~\$7.6B. E2-SEPT-





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