




CANON BUSINESS PROCESS SERVICES, INC.

THREE WAYS FACILITY EXECUTIVES CAN MEET THEIR BUDGET CHALLENGES



Facility management executives are challenged with holding down costs while increasing services and customer satisfaction. Learn about the areas you need to consider to gain those cost savings while increasing service levels.



Facility management (FM) executives today are asked to maintain or reduce budget while solving a complex challenge. Throughout the country a significant number of large enterprises are consolidating regional offices into one central multibuilding corporate campus. The reason for this trend goes beyond reducing space and saving money.

Companies want to create work environments that feature high-quality amenities and services. The goal is to attract talented employees who will enjoy working in one appealing location, and by being motivated to interact and collaborate effectively on a daily basis, help drive business growth.

Where Can FM Executives Find Savings?

Yet while corporate campuses are being implemented for these and other reasons, and many companies continue to grow, facility managers are often in a situation of having to do more with the same or even reduced budgets. Where can the savings come from?

One strategy we frequently encounter, based on our work with clients and discussions with FM professionals, is to try and squeeze costs out of a traditional group of FM services, some of which are illustrated in Figure 1. The problem is that these services represent low-hanging fruit that have been picked many times over. There's only a continually diminishing amount of cost savings that can be generated in such areas as landscaping, office cleaning and janitorial/housekeeping activities.



Figure 1

THE NEED TO “THINK DIFFERENT”

All this suggests that there is a need to “think different” about where facilities executives can generate savings in the coming year and beyond. This includes considering what we at Canon Business Process Services (Canon) consider to be a range of nontraditional FM services. One key point is that corporations are increasingly outsourcing these services to real estate and facilities management companies as well as managed services providers such as Canon. This allows companies to not only to contain costs and streamline operations, but also enables employees to better concentrate on the enterprise’s core business activities.

Also, these services are often being consolidated under one service provider, an approach that can provide numerous benefits. These include improving efficiency, avoiding redundancy, streamlining the supply chain and better leveraging the resources already onsite. Other advantages include reducing headcount and space while enhancing the services provided to corporate campus residents.

Let's spotlight how we define the services by closely examining key areas, in which FM executives can potentially reduce the staff, space and costs. The challenge is that historically these areas have been considered outside of the control of facility managers; hence one reason for the increased emphasis on outsourcing.

- **Corporate Campus Logistics includes managing the efficient flow** of materials that are used by the corporate facility and its residents at large multibuilding campuses. What does this type of operation look like? Typically it includes receiving, storage and inventory components as well as a materials distribution function.
- **Office Moves, Adds and Changes** can go beyond office moves to include departmental relocations, special event planning and security. Analyzing how you are currently delivering these services and how they might

be integrated with other services being provided could yield some cost savings and efficiency improvements.

- **Office Services and well-executed administrative functions** can keep your business operating smoothly. Yet they almost always fall outside your core competencies. To support your administrative needs, tapping the expertise of an experienced managed services provider to perform an array of office services and administrative functions could pay dividends in freeing up time and resources that might be better devoted to your core business.
- **Mail and Production Management** spans the management of inbound and outbound postal mail as well as courier deliveries. Production management refers to high-volume inbound and outbound correspondence such as insurance claims or healthcare explanation of benefits statements.

- **Shipping and Receiving** includes inbound and outbound accountable materials. These could include FedEx, UPS and hazardous materials being received in a warehouse or laboratory.
- **Information Governance (Records Management), Print and Business Process Outsourcing** are areas that perhaps represent the most "out of the box" thinking when it comes to potentially generating FM savings while boosting operational efficiency and customer service. For example, how is your organization currently managing its documents and records? Are you storing files onsite? Are you leveraging the benefits of imaging technology by scanning and storing documents electronically? How do you integrate documents into business process workflows? The answers to these and other questions could lead to significant savings in terms of space, headcount and operational costs.

A CASE IN POINT

One example expands on the business benefits offered by information governance. A large insurance company needed to free up space to accommodate an influx of new employees. Leasing more square footage, which would increase costs, was not an option. The company engaged Canon to help find a solution. We determined that the company was devoting about 80,000 square feet of Class A space in its corporate office to storing physical files.

We created a program that enabled the company to transfer these files to a central warehouse with much lower square footage costs. Additionally, over the course of a few years we digitized all the files, which facilitated removing them from the warehouse. This not only drove significant cost savings it also helped improve customer service. Information was available to employees in virtually an instant via their computers versus the much slower system of requisitioning files and waiting for them to be delivered.



THE THREE KEYS: PEOPLE, PROCESS AND TECHNOLOGY

We are now prepared to go further in looking at how FM executives can “think different” when it comes to meeting their budget challenges.

It is one thing to suggest evaluating each of the nontraditional FM services in order to determine cost-saving and customer satisfaction improvement opportunities. It is another thing, especially for internal operations, to find the time, energy, resources and expertise to accomplish this task.

One way to meet these challenges, as pointed out earlier, is to team with an experienced outsourcing provider that can help evaluate these functions as well as recommend and implement the solutions that can help FM executives operate successfully within ever-tightening budget constraints. As one such provider, Canon has determined three critical areas to evaluate that exemplify the “think different” approach. These can help you meet and exceed budget goals. These areas are people, process and technology.



THE PEOPLE SIDE OF THE EQUATION

An organization can start tackling budget challenges by maximizing what is perhaps its most valuable resource: people. Are operations staffed with people who have the right skills?

Are resources being shared effectively? How does the company oversee activities such as accounts payable, claims process, records management and production print? An experienced outsourcing services provider will closely assess these processes because how an organization manages them can have a dramatic impact on the amount of staff, space and cost required to get the job done.

These points are illustrated by the earlier story about the insurance company. Records management may have fallen outside the responsibilities of facilities management, but the FM group collaborated with the executives responsible for the process to discuss a solution. The result included leveraging our information governance and document imaging teams to eventually take back much-needed space, which in turn reduced the FM budget and improved service to end users.

The most important element of the “people” side of the equation is to make sure the

company has the right personnel doing the right jobs. This is sometimes difficult to manage internally due to constraints of the human resources department. However, an experienced managed services provider has the flexibility and expertise including best practices to help ensure that staff resources are hired and redeployed in ways that most benefit the company.

Training and career development is also a critical component of maximizing employee productivity. Most human resources departments are adept at recruiting and developing staff within their company’s industry. For example, an energy company most likely has the ability to find and develop skilled geologists while a leading chemical company will be good at finding the right scientists to support the company’s core mission. However, these and other industry leaders most likely will not have equal skill in recruiting, training and developing the best

staff for overseeing such operations as mail, shipping, print and records management.

On the contrary, this is precisely what the best business process outsourcing providers do; this is their business. Such managed services providers have the expertise and best practices in recruiting hourly wage, middle management and administrative personnel capable of supporting senior executives. Similarly, outsourcing providers like Canon also have a track record of experience in creating, managing and continuously improving career development and reward programs that will motivate employees to deliver the highest-quality services spanning document management and other forms of business process outsourcing. Typically, most FM departments are not set up to provide a similar level of career development opportunities for these types of employees who are critical to maintaining a cost-effective and efficient FM operation.



THE PROCESS FACTOR

As mentioned, “think different” also comprises leveraging process improvement and advanced technology for success. Looking at process improvement first provides a high-level approach for rethinking current processes in order to be better prepared for the future.

Let’s dig a bit deeper into a few of the key concepts in Figure 2. Staff synergies, on the left, center around clarifying how to implement process modifications that will enable the organization to accomplish more FM activities with increased efficiency using fewer people. One way to meet this goal is by implementing disciplined, data-driven approaches using Six Sigma-based methodologies and Kaizen events, which Canon has deployed for clients. (Kaizen events are short duration improvement projects, typically a week long, with a specific aim for improvement. They are usually led by a facilitator with the implementation team being predominantly members of the area in which the Kaizen event is being conducted.) These approaches often open windows of opportunity for FM operations, clarifying potential ways to cut costs, reduce cycle times and improve efficiency.

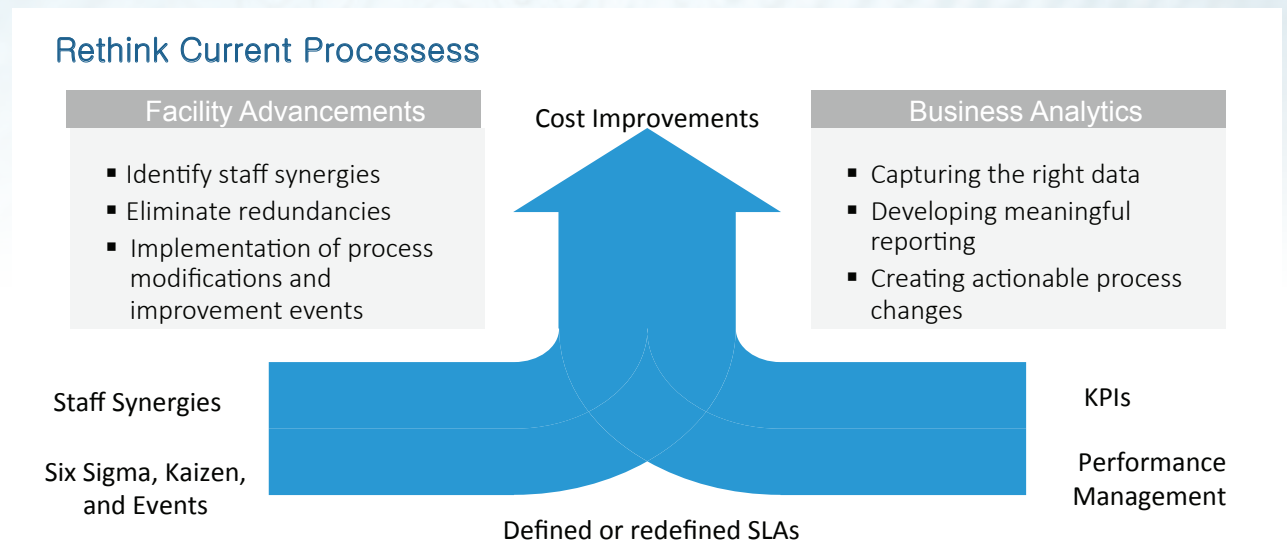


Figure 2

THE PROCESS FACTOR

In the bottom middle section of Figure 2 are “defined or redefined SLAs” (service level agreements). These are contractual obligations with clients to track the performance of specific business processes. They can include, for example, an agreed-upon time span for processing accountable mail pieces once their receipt has been recorded. Canon teams often meet with clients to discuss FM activities that might have changed over time, such as cleaning, waste disposal, landscaping and building maintenance services. The key issue is that as these services evolve, sometimes changing the SLA metrics associated with them can yield substantial business benefits. As a case in point, one Canon team worked with a client to analyze SLAs that had been in place for several years. Just changing the metric for one SLA from four hours to the same day saved the client over \$200,000 annually. The reason: The business process no longer needed to be completed in four hours and the resources required to complete the process in that time

span was much more costly compared to completing it in one day.

The last two elements in Figure 2 that we want to spotlight include performance management and key performance indicators (KPIs). Performance management comprises leveraging business analytics that help ensure capturing the right data. This in turn drives meaningful reporting that enables the organization to achieve continuous process improvement.

KPIs are an integral part of this approach and helpful in determining how effective FM executives and staff are at accomplishing their goals. KPIs entail measuring such indicators as gross FM operational costs, the number of user complaints and the percentage of FM-related work completed that is identified as reactive versus proactive. The latter KPI is critical to measure because it typically costs a company four to six times more to manage a process reactively. This approach is

characterized by a lack of planning that causes staff to react to problems and opportunities as they happen. As a result, the operation often finds itself a step behind. In contrast, proactive management happens when the FM staff plans ahead to avoid or manage problems.

In our experience working with clients, a useful KPI metric is to keep reactive FM maintenance scenarios to no more than 20 to 30 percent of work completed. Therefore, a successful FM operation will try to complete at least 70 to 80 percent of work based on planning and scheduling as opposed to responding to unanticipated problems.

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THE TECHNOLOGY COMPONENT

Technology is our third major component of overcoming FM budget and operations challenges. As spotlighted in Figure 3, properly evaluating the current state of your organization's technology is based on three elements—capture process data, performance monitoring and data-based decisions. This assessment method is the best foundation for creating a roadmap that can take your company from its current state to a desired future state that is more cost and operationally efficient.

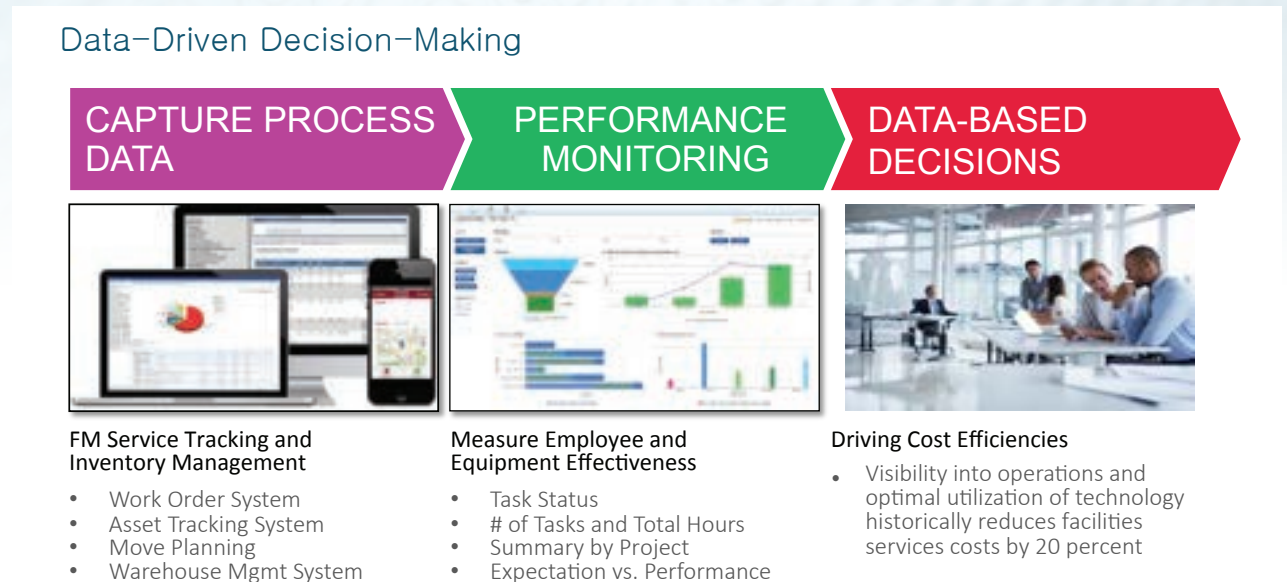


Figure 3

THE TECHNOLOGY COMPONENT

For the capture process segment, the goal is to obtain and quantify valuable data that can lead to solid business gains. Collecting the right data can help facilitate this objective because it enables the company to uncover important details about what is working well and what needs attention in the FM environment. There are a variety of FM service tracking and inventory systems that can support capturing process data spanning daily work order activity to asset tracking solutions that can identify where computers and other devices are located. Such tracking systems can also support move planning and warehouse management.

Performance monitoring, the middle segment of Figure 3, is important because labor is most often the most expensive business asset, both for companies and their managed service providers. That's the value of today's systems: they can help monitor not only employee but also equipment effectiveness as well. How

many tasks are your employees completing in a month and how many hours are they taking to complete those tasks? How do these benchmarks compare to other employees in your industry?

On the equipment side, how many times has an HVAC unit or similar type of mechanical equipment required repair on an annual basis? What equipment is approaching the end of its life span? The answer to all these and other employee and equipment-related questions is that the data can be measured and continually tracked. This enables FM executives to implement preventative maintenance measures that can ultimately drive lower costs and greater efficiency. The main point of the third segment in Figure 5, data-based decisions, is all about visibility. The more you know about your operations in detail, the better you can utilize technology in order to achieve what in our experience can be up to a 20 percent reduction in FM service costs.

PUTTING IT ALL TOGETHER

Two case history examples bring together many insights highlighted in this whitepaper, particularly how leveraging people, process and technology can help overcome significant FM budget and services challenges.

This first example, highlighted in Figure 4, involves an energy company that migrated thousands of employees to a new corporate environment. The company partnered with Canon to help it ensure a smooth implementation of vital corporate campus logistics services at the new location. These logistics services include the receipt, warehousing, inventory management and distribution of virtually everything that moves within the new campus. The results included cutting costs as well as efficiently implementing services. As a senior operations manager for the energy company stated: "Despite the challenges, Canon's transition of corporate campus logistics services has not only been seamless, it is one of our most successful initiatives to date."

How Canon Designed, Implemented, Measured and Improved Processes for a Global Energy Company



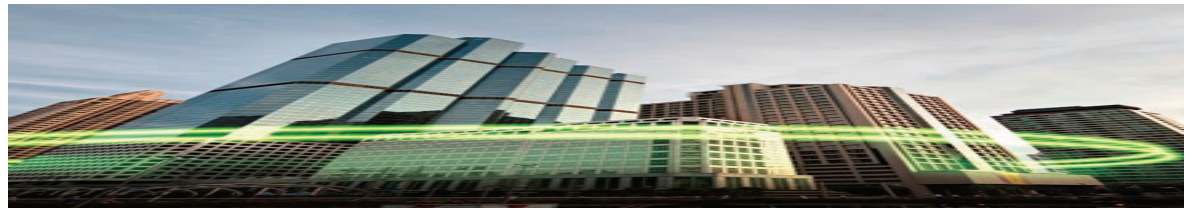
Customer Profile	Challenge	Solution	Results (Moving In)
<p>One of the largest global oil and gas companies</p> <p>Over 10,000 employees moving to a new 385-acre corporate environment</p>	<ul style="list-style-type: none"> Ensure a smooth transition to and implementation of vital corporate campus services at the new campus Plan for people, process and systems to manage "everything that needs to move" and make life at work more enjoyable Integration of people, processes, technology and logistics services 	<p>People, process optimization and tech enabled systems interfacing with virtually every activity on the campus</p>	<ul style="list-style-type: none"> Implementation of transport, tracking, dispatch systems Implement transport process (people, process, vehicles)—mail, packages, people, materials, furniture, IT hardware, food delivery, records, etc. Manage records –19,000 boxes monthly Manage inbound/outbound mail stream—12,000 pieces/day Implement cloud-based warehouse management system

Figure 4

PUTTING IT ALL TOGETHER

The second case history, illustrated in Figure 5, concerns a leading chemical company, and while the results of the project were similar to those of the energy company, there are some notable differences. In the energy company scenario, operations and facilities services had to be created. The chemical company already had established, mature FM operations in place. The key challenge was that the company was going through a merger and had to reduce FM expenses while delivering improved services. Outsourcing was seen as a way of meeting these needs. The company ultimately leveraged Canon's resources and experience to reengineer a variety of operations, such as mail, shipping and warehouse management, while saving over a million dollars annually with no degradation of service.

How a Chemical Company Reduced Overall Headcount and Labor Expenses by Over 20 percent



Customer Profile	Challenge	Solution	Results (Moving In)
<p>One of the largest global chemical companies</p> <p>4,000 employees at a central campus</p>	<ul style="list-style-type: none"> • Going through merger • Has to reduce facility spending, and reduce headcount while delivering improved services to existing and new residents • Integration of a multitude of services categories, streamline supplier relationships, while maintaining safe workplace 	<p>Outsource and optimize synergies (people, space, technology, processes) of varied services</p>	<ul style="list-style-type: none"> • Outsourced internally managed warehouse and print operations and combined with mail, S&R, production print • Reduced overall headcount and labor expense by over 20 percent • Consolidated workspace requirement and eliminated need for approximately 25 percent of workspace square feet

Figure 5

LOOKING AHEAD

It is important to remember that FM executives do not have to select either reducing costs or improving facilities services; they can achieve both goals simultaneously.

The key to success is to closely examine current services from the viewpoint of leveraging creative new strategies to meet budget and operational challenges. These strategies are a way to “think different,” a way to discover untapped opportunities based on maximizing people, process and technology. This can be done utilizing internal resources, a qualified outsourcing provider or a combination of both. FM executives who put this blueprint into action are in an excellent position to help their companies succeed in the days ahead.

About Canon Business Process Services

Canon Business Process Services offers a comprehensive portfolio of managed services and technology for information and document management, business process outsourcing, and managed workforce services.

To learn more, visit cbps.canon.com or call 866-645-6591.

