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Exploring FM's dominant logics

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Exploring FM's dominant logics

Purpose. The paper investigates the service ecosystem of FM against the Vargo and Lusch framework of service dominant logic (SDL).

Design/methodology/approach. A theoretical argument guided by previous research into service excellence in FM.

Findings: Two arguments are made. First FM is still dominated by a contractual logic grounded in the tangible world of buildings and bills of quantities. Second the reciprocal flow of service (sic) inherent in the SDL offers a powerful tool for appreciating real service excellence and a business contribution from FM.

Research limitations/implications. The SDL framework is theoretical but, it is argued, has profound implications for the practical delivery of FM and the addition of both business and social value.

Originality/value. The reciprocal flow of service (as recognition, involvement and development) to FM's 'shop-floor' staff – the actual fee earners - may be the cornerstone of the co-creation and partnership, much espoused but less frequently practiced.

Keywords Dominant Logics, FM Competencies, FM Outcomes

Paper type. Conceptual paper grounded in basic research,

Introduction: Service dominant logic

As the title says this paper is an exploration. In 2004 Stephen Vargo and Robert Lusch published a paper with the title '*Evolving to a new dominant logic for marketing'*. They called for a shift of thinking in marketing towards 'a revised logic focused on intangible resources, the co-creation[1] of value, and relationships'. Two years later (Lusch and Vargo (2006) the name service-dominant logic had stuck. The singular 'service' was important:

> *Importantly, we use the **singular 'service'** in S-D logic, indicating a process of doing something for someone, rather than the plural 'services', implying units of output as would be consistent with goods dominant G-D logic.* (ibid: 282 my emphasis)

The authors tried to convey the differences in the table (ibid: 286) summarised here as Figure 1 arguing that the S-D Logic actually required a different vocabulary to 'decouple' thinking. The concept has survived and prospered to the point where it is supported by its own foundation[2]. Their homepage makes clear that S-D Logic claims to be more than a concern for the marketing and managing of services. Instead (again note the singular):

> *Service-Dominant (S-D) Logic is a mindset for a unified understanding of the purpose and nature of organizations, markets and society. The foundational proposition of S-D logic is that organizations, markets, and society are fundamentally concerned with exchange of service—the applications of competences (knowledge and skills) for the*

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[1] In the same year Prahalad and Ramaswamy (2004) published The Future of Competition: Co-creating Unique Value with Customers

[2] http://sdlogic.net/index.html

benefit of a party. That is, service is exchanged for service; all firms are service firms; all markets are centered on the exchange of service, and all economies and societies are service based. (accessed 2 August 2016)

PLEASE INSERT FIGURE 1 ABOUT HERE

Here we see S-D Logic expressed as a mindset. There is a large literature describing the power of 'mindsets', under various names (for example paradigms, mental models, conventional wisdoms, modes-of-thought or overarching values) and a view that they shape organizational behavior in a manner analogous to that of DNA in shaping the behavior of biological organisms (Waddington, 1977; Price, 1995; Weeks and Galunic, 2003).

As the S-D Logic has developed it has progressed to the claim that service (singular) is the fundamental basis of exchange, economic or social with *'"co-production", referring to the creation of the value proposition—essentially, design, definition, production, etc.'* distinguished from *'"value co-creation"—the actions of multiple actors, often unaware of each other, that contribute to each other's wellbeing'* (Vargo and Lusch, 2016: 8). In the course of this development, theories about S-D Logic became conflated with the observation that business relationships operate in webs – so called business ecosystems – rather than linear supply chains.

> *Business ecosystems must be seen in terms of service-based, network-with-network relationships, including the network of the "customer." In this view, all actors are **both providers and beneficiaries** and the "producers" and "consumers" distinction vanishes.* (Vargo and Lush, 2010: 175 emphasis in original).

Value is not added to a thing (a product or a service) that is then transferred to a customer. Rather – it is argued – various parties benefit from a mutual process of co-creation (Figure 2). We see that the originators of the S-D Logic are clear that they are not simply discussing services and are claiming cocreation as something different to simple co-production. One of the clearest examples claimed as exemplifying the S-D Logic in action is the "power-by-the - hour" whereby Rolls-Royce offer airlines engines, spares and maintenance paid for not as items but as available engine power (Ng, Maull and Yip, 2009). Arguably however, even the existing S-D Logic literature has ignored staff led rather than customer led co-creation (Merrilees, Miller and Yakimova, 2017).

Figure 2 also represents an early claim by the originators of S-D Logic that service is delivered, or exchanged, in a service ecosystem rather than through a simple linear process. This paper aims to examine the applicability of such thinking in FM. It continues with an examination of current logics in the field, then examines a potential service ecosystem model. There is some evidence, based on current practice examples and one formal study comparing outcomes in English hospitals that suggests cocreation, in the reciprocal sense intended by Vargo and Lusch can be seen as active. It seems however critically dependant on informed and integrative brokerage and translation between the worlds of business, of buildings and of service delivery. It also embodies service flowing to FM staff to encourage staff led co-creation.

PLEASE INSERT FIGURE 2 ABOUT HERE

Dominant Logics of FM
Christian Coenen and Daniel von Felten (e.g. 2012) have already argued cogently the need for FM to develop a *Service-Centric Logic*

Even though the term 'service' is included several times within (definitions of FM), there is still a need for a well-established management understanding of FM that reflects this service character in addition to its engineering focus and that at the same time accounts for its multidimensional management challenges. The field of services management offers such an understanding and can be applied to FM. (ibid: 117)

In the same volume Keith Alexander (2012) has documented examples of physical spaces as, at least, enablers of co-creation. Both chapters could be said to be ahead of normal thinking. Neither however explores the reciprocation and service exchange argued for as the core of S-D Logic.

More recently Mathew Tucker and Kathy Roper (2015) examined the logics of the three main professional bodies (IFMA, BIFM, RICS) offering certification of competence in FM[3], as revealed by the frequency of different items in their respective competency frameworks. Their table not only reveals interesting differences between the three bodies – see for example building design and construction emphasized by the RICS – it also shows a considerable bias towards the tangible aspects of compliance, contracts, operations (especially IFMA) and sustainability. By way of contrast Bull (2015) demonstrates the value to FMs of reflective communication.

More recently two of those bodies have released a report stating that:

The critical skills needed for future FM leaders focus primarily around collaboration, interpersonal relationships, delegation, strategy formulation and implementation, and we must look to attract people with such skills. (Ware et al, 2017 7).

The same report identifies (ibid 10) the FM profession as 'still stuck in a cost centre mindset'. It recognises the criticality of delivery of services (sic) but not the exchange of service.

In terms of Lusch and Vargo's (2006) model (see above)[4] all three competency frameworks are heavily biased towards the goods-dominated end. The myriad of so called 'key' performance indicators display the same phenomenon. This is not necessarily surprising. Buildings are after all very fixed and tangible 'goods' as are the various electrical and mechanical systems which are built into them. The RICS comes from a tradition of specifying and valuing Real Estate while both FM associations had their origins in membership offers to those who managed buildings (Price, 2003, 2012).

PLEASE INSERT TABLE 1 ABOUT HERE

Logics in practice

Price et al (2015) reported on 24 interviews with 'suppliers' and 'clients' at various positions in the FM service ecosystem. For the client side interviews they deliberately approached the most senior individual who would offer their time to discuss service excellence in the context of FM. On the supply side they deliberately sought a range of individuals from the managers of single service contracts to the directors of substantial business units. They were also able to have more limited conversations with staff in supplier organizations and local supervisors or senior operative on the supply side. The result (Figure 3) was a sampling of FM's service ecosystem (possibly biased towards those willing to be interviewed). There is an obvious similarity to the Vargo and Lusch (2010) schematic (Figure 2) however there are also a body

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[3] The study did not extend to wider frameworks such as those of EuroFM or EuroFM and the European standard EN15221.

[4] Which can be seen in modified form at http://sdlogic.net/foundations.html

of individuals concerned with managing procurement and relationships across the still prevalent supplier – customer divide.

The research was firmly qualitative but inductive. Its methodology adapted a pragmatic discovery first published by Peter Scott-Morgan (1994) that if you encourage people to talk openly about their environment, listen intently and say as little as possible then you get insights. Some would call it a rediscovery of Sandhay's (1979) realist ethnography (c.f. Suckley, Price and Sharpe, 2013; Price, 2014). Price et al., (2015) provide more detail. Informed especially by Johnston (2004) the researchers first asked interviewees to recollect an instance of receiving excellent service as individuals. The question was a natural trigger for their understanding of excellence and views as to whether it could, or should, transfer to facilities services and what might enable, or impede such a transfer. From there the discussion flowed as a conversation, with the 2nd interviewer / observer mentally checking that every item on a list had been covered, and listening for points to clarify.

PLEASE INSERT FIGURE 3 ABOUT HERE

PLEASE INSERT FIGURE 4ABOUT HERE

Consistent with Johnston's (op cit) findings there were two dominant views – or logics – of individual excellence offered in response to the opening question. Some responses (C3, 7, 9 & 12) explicitly equated a memory of excellence with opulence: "*paying to be wowed*" as one client side service manager put it. Others saw excellence as an experience of the unexpected. Suppliers all leant to the latter view though S1 & S10 did have it added to expensive products.

The individuals who saw excellence as opulence tended to also favour formal procurement, complex Service Level Agreements (SLAs) and penalty based management. They also favoured formal, and independent procurment processes. In short they exhibited a goods dominant logic. Suppliers clearly recognise the existence of such a group. Some describe it as 'threatened'. Some also mentioned the presence of particular individuals as procurement advisors as a reason to decline tendering for a particular proposal.

The individuals on the client side who identified with excellence as experience saw it also as a desirable attribute of FM. They emphasised intelligent procurement, searching for relationships. In words specifically challenging the goods based logic one individual commented (emphasis added):

> *So potentially what you're looking for here is the makings of an organisation that really understands that it isn't really about just delivering an SLA and understands the importance of building those relationships. And there's organisations out there increasingly, there's more organisations out there that do that. I think bad and clumsy procurement probably kills it. You were asking about one of the barriers, **I think clumsy widgets based procurements** is probably one of the key reasons why organisations don't give themselves permission to try and put this out there in the marketplace because I think it can get stifled very, very easily. So I think within an organisation trying to get the relationship and measurements is a key barrier and then probably from a customer perspective, applying the wrong procurement methodology is probably something else.*

Although the diagrams above make it appear as if the two views are balanced it is likely that the process of selecting individuals for the client side interviews was biased towards those of more 'progressive' views. Those who saw excellence as experience were very ready to offer their time to the research team. The suppliers also saw two groups on the client side side, for example:

> *We know the customers which are a pain and we know the customers generally that are pretty good.*

> *You've got your procurement-led bids that don't engage with the site operators, as in client side operators, and they don't know what they've bought. And that is exceptionally common, probably at 90%, believe it or not, for big deals, which obviously then causes friction with your operators and your client on site because neither party are clear on what they've bought.*

> *So you almost go into an area of conflict very quickly, but if you manage it correctly, then it can float. Then you get the measure of the customer. So the ones that are good are the ones that understand what you've said and they fairly judge and say agree with that, I'm happy for that to be in or I'm not happy with*

> *Then there are clients that, you know, you're just delivering a service, you're not important to me, there's nothing else you can do for us really. They have a more restricted view. I don't like clients like that very much. They're also bloody hard work to tender for as well. A lot of it starts during the tender process if it's new business. So there is a tendency for a lot of clients to have a very restrictive view, a very restrictive process, i.e. no engagement with the supply chain. Madness, in my opinion.*

Is this co-creation?

The difference between co-creation and co-production (see above) may be hard to grasp in practice. It is perhaps approached in remarks such as this (by an agent managing FM contracts for cleaning and security).

> *I want them to get a massive amount of money out of us because I want them to perform really well, because ultimately, if they perform well, I get a good level of service that's delivered to my customer base. And I'm always looking at ways to say to them, well actually, if you'd have done that bit more then maybe, you know, you would have earned a bit more, and I think the other thing which is really important about this, I want them to earn that bonus because I know they're passing it on to their teams and I want their teams to feel valued and that's often how… that's not the only way people feel valued, but it is a significant part of people feeling valued, is to know that they're earning a bonus out of this process, 'cause, for me, that's what it's about.*

A similar theme, active investment into a supplier's staff, came when a senior client manager justified the effort and expense put into service excellence training, by the savings when those staff reacted to an emergency which would otherwise have delayed the client's fee earners from working

The United Kingdom's National Health Service (NHS) provides an interesting test bed for comparative managerial research. Despite being national, it is far from homogenous; standards of service vary widely. For over 20 years delivery of care has been managed at local level by semiautonomous units known as 'trusts' that deliver a range of hospital services. In the last 15 years political responsibility for services in Wales, Scotland and Northern Ireland has been devolved, with the services becoming more centrally managed by each province. The English NHS has seen the financial autonomy of trusts increase even

though the dominant discourse has been one of nationally managed standards with a number of mandated change initiatives the structural arrangements for FM provison vary widely. Starting in 2000 one of those national standards was an annual assessment of the Patient Environment by 'Action Teams', hence the acronym PEAT.

Rachel Macdonald (e.g. 2012) examined what if anything was common in the 15 (12%) of trusts that achieved consistently high standards at all their hospitals (23 in total) over four-years of PEAT assessments. She compared all the exogenous characteristics traditionally employed by the NHS to categorize acute trusts: type of trust, size of the trust, geographical area, number of hospital sites in the trust and the age of the trust. In order to understand whether a single point of responsibility for the patient environment allowed for better results, she also considered two additional criteria: integrated/split responsibility for the patient environment and contract/in-house services (i.e., responsibility split between organizations).

When it became evident that there were no common characteristics between the 15 trusts, she considered whether the advantage might lie in their catchment populations. She studied accepted indicators of health (e.g., age, poverty, isolation, density of population, unemployment). Again there was nothing to distinguish the 15 trusts from a random set of trusts, other than their ability to achieve a high standard of patient environment on a consistent basis.

Of the 15 trusts, six agreed to participate in further research using an ethnographic approach: observing and speaking with the managers responsible for the patient environment (usually within FM directorates) in their own contexts. She found a common exhibition of attributes identified in the literature as those of quiet leaders (Yukl, 1993) but also a commitment to a property she termed integration, building dense networks and trust by joining the clinical and strategic conversations of their organisations but also translating those service needs into terms that were relevant to the staff delivering FM services.

As she put it (ibid: 225)

> *My study showed that the group was concerned not with bureaucratic structures, but with the forming of dense networks where relationships were informal and intense, and lively interaction enhanced performance (Henttonen, Janhonen, Johanson & Puumalainen, 2010). Furthermore, as Matinez and Aldrich (2011) contend, these dense networks created opportunities for boundary-scanning activities, thus addressing the 'structural holes' that form the gaps in an organization's formal structure through which problems fall or are allowed to pass around.*

PLEASE INSERT FIGURE 5 ABOUT HERE

If we consider the FM organisation, in terms of Vargo's service ecosystem model (Figure 5) we are reminded that the organisation delivering FM services, whether contracted or 'in-house' is largely separate from the business receiving those services. The prevalent language of 'none core' re-enforces that separation. Somewhere there are individuals, or small groups who broker that relationship. Their attitude is key. In the case Macdonald studied, or some of the examples listed in the excellence studies the individuals were actively encouraging the two way flow of relationships and recognition not just within the FM department (c.f. Heng, McGeorge and Loosemore, 2005) but across significant parts of the whole organisation. They were displaying what Obstefeld (2005) dubbed the *Tertius Iungens* orientation: the third party who seeks to bring others together as opposed to *Tertius gaudens,* the third party who rejoices (because there is money to be made from the dispute). Where those brokering FM operate under the goods dominated logic that is part of the disciplines heritage the opportunities arise

for third parties to rejoice, to make a living, or as the economists would say extract rent from the relationship.

Translation

The competencies of the *Tertius Iungens* broker need more study generally, but especially in FM. One important aspect is translation between the two domains of Figure 5. FM tends to express itself in the language of buildings and systems. 'Businesses' express themselves in the language of income and services, be they forms of health care, of education, of professional activities, or of customers needs. The successful broker needs to both speak and understand not only both languages but potentially a third; the language – or thinking – of the often low paid workers who actually deliver facilities services.

Arguably translation is applicable in other areas of FM. The existing logic of FM, as expressed in performance measures, emphasises cost, usually normalised according to floor area rather than activity supported. Cost per unit area measures can be improved by reducing cost or by holding more space on which little or nothing is spent. Stuart (2012) offers a worked example of an alternative while Price (2007) argued that the achievment of optimal knowledge creation spaces required a different language on behalf of FM. In 2006 the service then responsible for primary health care treament in Stockport, Greater Manchester opened Cirtek House, a new facility for counselling addicts located not in a new build but in a carefully converted industrial unit. Two years later the design features intended to produce a calming atmosphere had worked so well that there had not been a single instance of abuse of staff by patients and referral times had dropped from 18 months to one week. The unit manager, who showed me round, said that he had seen *"a vision expressed in service[5] language translated into building language"*.

Conclusions

It appears, from literature, from the formal statements of professional bodies, and from the empirical work described that the goods versus service dominant logic is a fruitful perspective for understanding FM. Certainly individuals on both sides of the FM ecosystem described the pursuit, for business reasons, of excellent FM in terms that resonate with the S-D Logic literature. These are the examples where aspects of FM are reported as making a positive difference to the client-side users and the clients' own customers. In other cases, in the competency frameworks, and in so many SLAs and so called 'key' performance indicators FM thinks with at worst a very goods dominant logic, inherited perhaps from the world of real estate, and at best the transitional logic of one directional delivery of services.

Even the world of SDL research has tended to emphasise the customer rather than the deliverer co-creation. A recent critique (Merrilees, Miller and Yakimova, 2017) from within that research community stresses the relative lack of attention given to staff initiated rather than customer initiated co-creation. Those authors describe (253) 'association between staff engagement and staff-initiated value co-creation' as 'presenting a major gap in the co-creation literature. They acknowledge the staff engagement literature as "vast" (citing Rich et al., 2010), but maintain it does not refer to staff-led value co-creation. Greater levels of staff engagement, they propose, will motivate greater levels of staff-led value co-creation.

FM now employs a significant percentage of the low waged (minimum waged) workforce. The interviewee cited above talking about their cleaning provider and saying "I want their teams to feel valued" perhaps encapsulated the reciprocal flow, not just of money but also of recognition and opportunities for development. Recently McCarroll (2016: 3) has speculated

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[5] i.e. therapy in this case

that 'genuine efforts on behalf of a service provider (in-house or outsourced) to motivate their staff arguably leads to job commitment and therefore organisational loyalty'. Therein, she implies, is a means of moving FM from the contractually dominant logic to genuine service enchantment. Engagement, service to staff, is the reciprocal flow and 'staff-led' co-creation (Merrilees, Miller and Yakimova, 2017) may be a feature of excellent FM.

The reciprocal exchange of 'service' in networks or service ecosystems is perhaps a difficult conceptual shift for FM. Even if we get beyond the very G-D logic of most service level agreements, it is all too easy to think of services being provided one way - by a provider to clients customers, users or end users - in exchange for money flowing the other. Integration (sensu Mcdonald op. cit.), brokerage from a *Tertius Iungens* orientation and translation would all seem to have a part to play but understanding the reverse flow remains a research and practice challenge. Price, Dobson and Pakgohar (2016) present a tentative suggestion as to how such relationships might be modelled.

As stated in the opening sentence this paper was intended as an exploration. It leads to the hypothesis that integrated brokerage and staff engagement are clues to genuine excellence in FM. That observation should not be a surprise (c.f. Tranfield and Akhlaghi, 1996; Price and Akhlagi, 1999 or Coenen and von Felton, 2012) but remains uncommon in practice. Future research could examine routes to staff engagement and the spread of new logics. Future education and professional standards could place more emphasis of the human factors in the discipline.

Acknowledgments

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Goods Dominant	Transition	Service Dominant
Goods	Services	Service
Products	Offerings	Experiences
Features / attributes	Benefit	Solution
Value-added	Co-production	Co-creation of value
Profit maximisation	Financial engineering	Financial feedback / learning
Price	Value delivery	Value proposition
Equilibrium systems	Dynamic systems	Complex adaptive systems
Supply chains	Value chain	Value creation network
Promotion	Integrated marketing communications	Dialogue
Product to market orientation	Market to market orientation	Market with service orientation

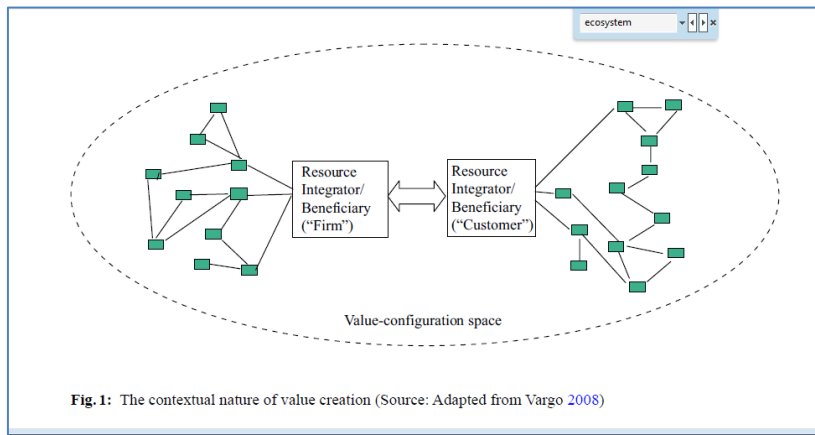*Figure 1. The shifting conceptual foundations which lead to service-dominant logic (taken fromVargo and Lusch, 2004)*

Fig. 1: The contextual nature of value creation (Source: Adapted from Vargo 2008)
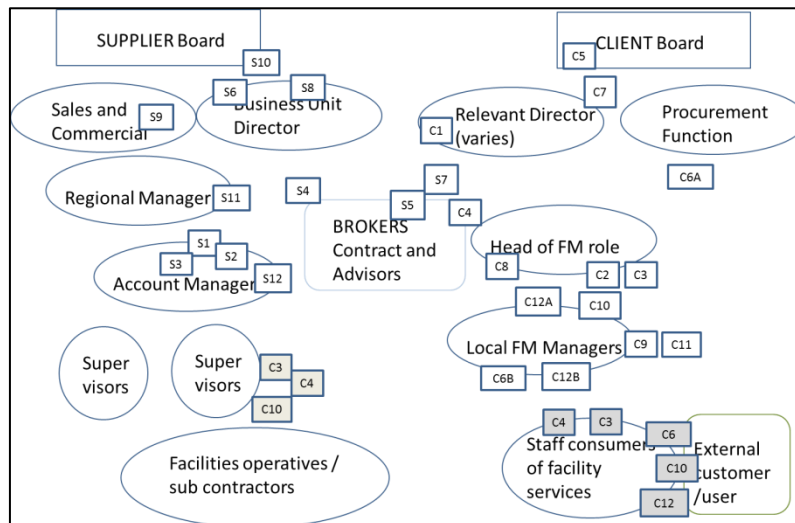
Figure 2. Vargo's visualisation (ibid: 173)

Figure 3. Scope of project interviews.. Where two client people participated in an interview they are shown as A and B. At C6 and C12 we were given some insight into the external user experience. At C3, C4 and C10 Local service provider staff helped us appreciate the internal user experience.
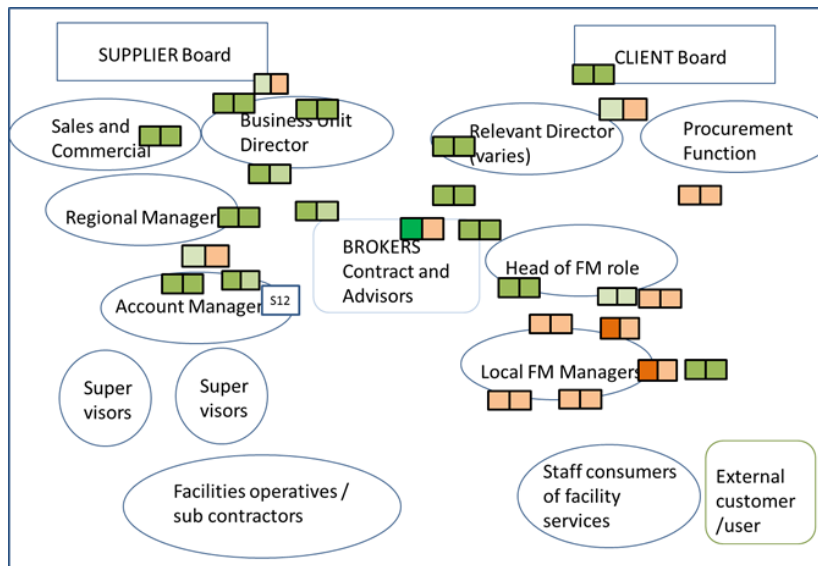
Figure 4. Results of project interviews.. The colors in the left hand boxes range from excellence as experience (dark green) to excellence as control (dark red). The right hand boxes indicate a view on transferability. Details in Price and McCarroll, (2015)
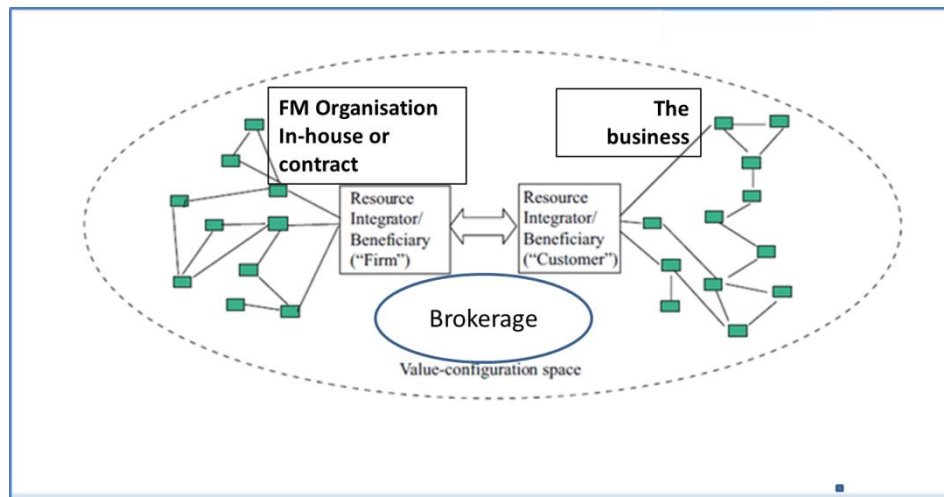

Figure 5. FM in Vargo's ecosystem model

Table 1: FM Competency Matrix, Darkest shading indicates most occurrences, lighter shading several occurrences, and white few or no occurrences. After Tucker and Roper (2015)

	BIFM	IFMA	RICS	Total
Compliance and standards	18	12	17	47
Contracts and procurement	11	14	16	41
Maintenance and operations	7	24	4	35
Sustainability	14	8	11	33
Projects	5	6	17	28
REM-PM	6	6	16	28
Information and knowledge	14	6	6	26
Finance	7	5	13	25
Strategy and planning	17	1	2	20
Performance	6	11	2	19
Management	7	9	1	17
Risk	6	10	1	17
Customer perception	6	5	4	15
Technology	2	7	6	15
Building design & construction	0	0	14	14
Relationships	6	1	6	13
Leadership	5	7	0	12
Communication	0	8	2	10
Change	7	2	0	9
Role of FM	6	3	0	9
Consultancy	0	0	7	7
Innovation	5	2	0	7
Space planning	5	1	1	7
Conflict	1	2	2	5
Ethics	0	2	3	5
	161	152	151	