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Intervention by Nicolas CUGIER.

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As far as the value produced by services is concerned, I don't see any difference between beneficiaries and workers in terms of the value they contribute. The knowledge isn't on one side, or the other, nor should the service provider or the contract be seen, as a "profit centre" or a "cost centre"/ overhead cost by the client.

It is in fact all about value and not just costs, and we need to understand that it is the cooperation between the two organisations that generates value added.

Today attempts are still made to improve services peacemeal, by dividing up tasks and working time. This resulted in the disappearance of layers of middle management, or staff are replaced by robots that often prove irrelevant. We have all experienced call centres with multiple choice options that result in us just giving up. We see the managerial failings among some purchasers as well as among service providers who abandon their workers and leave them completely alone on the ground. Quality is then the only variable in any adjustment, which is coupled with prohibitive transaction costs in coordinating or "managing" single tasks. The cleaner, for example, does not know who to ask to change the broken light bulb in the toilet, thereby preventing the job getting done.

We won't create value like that - on the contrary we just enforce predation and mutual impoverishment.

These insight and knowledge come from our own knowledge and the history of facility management at Thales. Over 30 years ago on all the European sites, multi-technical and multiservice operators were for the most part outsourced to FACEO, in which Thales had taken a majority stake. The company was sold in 2010. That same year, Thales had to create an internal Facility Management Department, to manage the outsource, having moved all our existing staff to FACEO. This department then embarked on a structuring exercise based on robust repository; creating Services Level Agreement references, Key Performance Indicators, Governance and introducing a system of management based on knowledge of the labour costs - but not of the value, and we'll come back to this point later – as well as training the Thales staff… right across Europe. It was a fairly conventional exercise in substance and form, but I sometimes hear that this approach is not always communicated clearly with our supply chain or partners.

At the end of this process, we found ourselves "on automatic pilot" mode. We were flying a plane in which we couldn't feel the flying dynamics or the real influence of all the parameters. By "piloting" using cockpit management, we didn't have a good enough grip on the reality, and weren't able to interpret a reality that was far more complex than it appeared.

So we rolled up our sleeves and went right back to basics to test it. We observed three limitations in our "industrial" approach:

1. However sophisticated the SLAs may be, they establish a dynamic that can be described as excluding, meaning it makes it impossible to deliver services that are not defined in the SLA. This is a paradox. In a world where we aspire to performance through innovation, we are

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destined to remain imprisoned in the SLA! At Thales, we were proud of our specifications and yet they were the first limitation, the first barrier to innovation. The specifications or the contract can describe a service only in generic terms, even though that service will be different every time, according to the context. It depends on the worker, the beneficiary, the time and place, etc... What is now called 'relevance located'. We have often heard service providers telling us 'dear customer draws up comprehensive specifications and I will render you all the corresponding services!' Perhaps so, but how can this diversity and this richness be described in a written document that will be referred to in the event of litigation, not in technical gestures, but made up of attitudes and service intelligence, the combination of which changes every time and so creates the true value of the service?

2. We observed a second limitation; the consultation system, call for tenders, contract-management and above all governance on the basis of KPI indicators, which are never a faithful reflection of operational realities. It's a bit like admiring watermelons on the pretext of their beautiful green colours. We agree on a green colour that shows everything is working well, except that if we dig further into the indicator to find out exactly what it covers, we discover a red porridge; the indicator changes from green to red instantly. Indicators are only avatars of reality. They are fragile, and beyond superficial appearances actors rarely agree on their content. It is impossible to avoid simplification and shortcuts in relation to an ever more complex and multidimensional reality.

3. The third limitation is even more fundamental. We are in a position to know exactly how much a welcome desk receptionist costs, depending for example on the hours and the number of languages required. However, we are completely unable to tell what value is created... which can be summed up by this question: How much are our receptionists' smiles worth? We see the absurdity of buying receptionists or cleaning staff who clean according to their hourly cost without taking into account the reality of the services rendered. What matters is the value of the utility of the services rendered, not the number of mops per hour. We don't not know how to evaluate this value, let alone put metrics, in euros, smileys, number of likes, etc. to it.

In support of the standards created and with the aim of overcoming these three limitations, we decided to launch a call for tenders in France covering 60 sites, 1.3 million m² and a service cost perimeter of 80 million euros annually. We first consulted the market and by providing the standards and specifications – the well-known SLA - with numerous real estate metrics but also describing the activity of sites, equipment lists with obsolescence and dilapidation, the current KPIs, expenditure on fixed and non-fixed-price services including work, the number of Thales personnel in charge of managing the sites with the organizations and the governances in place.

We organized visits to more than 60% of the sites in the Paris region and in the provinces. We provided the expenditure tables for the previous two years for each SLA and each site.

We asked only one question: what is your best offer from both a service and financial point of view with regard to the issues identified?

The three successful candidates, after a prequalification process based on their compatibility with Thales' FM strategy, made no secret of their difficulties in bidding on this basis. Indeed, traditionally bids are built in response to specifications that define time slots, frequentation rates, etc... They thus implicitly provide amounts of labour. The Excel or Salesforce type tools used only cross reference unit

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labour prices and quantities in addition to some spare parts on the basis of the level of maintenance and the effects of thresholds in terms of management and operation. They say nothing about relevance with regard to the real issues.

Faced with these difficulties, Thales decided to organize workshops over a period of 6 months with the three candidates in order to look at all the dimensions in play; a real innovation laboratory was set up to find the best solutions with the candidates.

Thales presented all the expenditure over the past two years, giving details by SLA, site and heading. Candidates analysed the numbers and came back with service offers in response. We said how much we were ready to put on the table in Euros in support of the standards in the specifications with all their imperfections. Candidates responded with their assessment of what was needed in order to deliver the most relevant services. The mechanism for adjusting prices and services was based on discussions in each workshop as well as in the context of competition between the 3 candidates.

Finally, a service response was built with each candidate, which was then transformed into a price and a contract called Copernic 2 or CopernIIc. It incorporates:

- Level 5 maintenance excluding technical and / or regulatory obsolescence. The responsibility for part of the asset management is transferred to the service provider which does so thanks to its expertise.
- Fixed rates for all small works and local services. The relevance, importance and urgency of these activities are governed by a principle of local arbitration between the service provider and the Thales site manager.
- Something that is difficult to implement and that we have called "cleaning on use". With this principle we are pushing back the boundaries of historical practices. We are asking that work be on the basis of the usefulness of the cleaning and the necessary cooperation between the workers and the beneficiaries. Service providers decide to clean what is useful to clean, where and when it is useful. The exercise is not particularly difficult for toilets and / or clean rooms for which we have regulations and metrics, hygrometry, dust, etc.... But the exercise is however more difficult in other areas because Thales must trust to the expertise of the service providers and - the ultimate punishment for some - could even ask the beneficiaries to be careful about the amount of dirt they create.... After demanding the presence of cleaning staff, the beneficiaries are no longer guaranteed to see them working at a set time and day, but as needed.
- Beneficiaries taking waste to collection points as defined with the service provider. This is natural for most people in their own homes. It does however encounter some resistance in companies, because it is symbolic and brings into play the hierarchical relationship between the beneficiary and the employer that pays for the service
- The introduction of Energy Performance Contracts where the beneficiaries are asked to play their part in saving energy and share those savings with the service provider. The savings generated are valued and divided between Thales and the service provider; the improvement in the carbon footprint of the two companies is also divided equally.

Making an offer with these ingredients proved to be complex for the candidates. Understanding the implications of the demand has also been difficult for Thales. We wanted these implications to be shared by all the actors involved. We spent a lot of time on it - and the feedback on deployment

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shows that we did not spend enough time - explaining the solutions to the Site Managers, Real Estate Managers, Purchasing, HSE, HR, Internal Communication Department.

This contract is a space for a real and ongoing experimentation. It does not express itself in the great list of multi-technical services including cleaning, reception services and regulatory controls, all with various degrees of predatory management on margins and quality.

CopernIIc is the delivery of a set of services through the successive execution of technical gestures of excellence, employing the workers' soft skills to the advantage of the beneficiaries. CopernIIc is the strength of a technical gesture, but in a wide-ranging service logic embracing all the necessary psycho-sociological dimensions.

CopernIIc is also the beneficiaries who contribute to the performance of the services in cooperation with the workers in a process of solidarity and co-construction involving all the stakeholders.

Copernic offers beneficiaries the possibility of arbitration as they are stakeholders in the dirt generated and the waste produced. It is an opportunity to question the attitude of individuals with regard to hot or cold, clean or dirty, the meaning of the work of others, the meaning in everyone's work. CopernIIc is the meeting of two initiatives that together have to move in the same direction and reinforce each other.

Finally, CopernIIc is the sense of the power of the solidarity of the actors through a community with a common destiny within a local geographical perimeter. For Thales the geographical clusters represent pooling resources and for the service provider pooling means, right at the grassroots. Because those in the same territory know each other, they are then the first to look after the future of territories that epitomize their lives.