Industrial Partnerships with a Multi-utilities Firm: An Industrial Tool to Improve Economic and Environmental Efficiency

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Industrial Partnerships with a Multi.utilities Firm: An Industrial Tool to Improve Economic and Environmental Efficiency

– The Peugeot-PSA’s Partnership with Veolia Environnement –

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Biosketch: After graduation from Institut d’Etudes Politiques de Paris and a first professional experience in Investment banking in London, Géry is now doing a PhD at Ecole Nationale des Ponts et Chaussées in Paris. His research thesis in Economic Sociology, comparing public-private partnerships in France and the UK, focuses on the construction of the market, strategies of industrial actors, and the impact of the introduction of financial considerations in public procurement.

Abstract: This paper discusses how competitiveness could be enhanced through a close partnership with an integrated multi-utilities firm, aimed at improving energetic efficiency, reduce polluting emissions, and thereby cut costs. Our case describes how PSA, a car manufacturer, turned the environmental issue into a competitive advantage by externalising to Veolia, a multi-utilities firm, a bundle of on-site utilities and technical services to facilities. Much further than in traditional outsourcing schemes, an overall contract built on trust, contributes to bind the two organisations on the long term. Over a long negotiation phase, the partners define the scope of non-core activities to be outsourced and share knowledge to reorganise processes and fit them to the real needs of the user. Performance indicators are created to measure efficiency and motivate the partner through economic incentives or penalties. There is also a key HR aspect to rally the workforce around objectives of cost and environmental efficiency.

It has been a long way to get there, but today there seems to be less and less doubt amongst the business community – and even less in the academic one – that practices in line with sustainable development principles can also be business sounded. Gone are the days when authors had to preach to industrial managers that the environmental dimension, long considered as a constraint or even a threat to business, could appear as an opportunity (Porter, Van den Linde, 1995). On the contrary: twenty years after the Brundtland report (1987)
“invented” sustainable development, the business world has taken over the phrase, and the academic world is struggling to define what appears to be, all in all, a fairly loose concept.

Most of the literature, it seems, has been focusing on the meaning of corporate citizenship, pertaining to sustainable development issues (e.g. Martinet, Reynaud, 2004, and Reynaud, 2004, in the French managerial literature). Sustainable development is mostly viewed, and used, as a marketing and communication tool towards customers, stakeholders, shareholders, and rating agencies, thereby illustrating the ever improving ability of capitalism to renew itself by recycling what could be undermining it.

Our purpose is to show that sustainable development should also, and possibly more, be considered as a tool to improve economic efficiency – by diminishing waste and the use of unnecessary quantities of power and resources. Understanding that the days of cheap and abundant resources are behind us is not just a matter of ethics. It’s a matter of competitiveness for the firm and, maybe someday, of its survival.

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The aim of this paper, which is based upon a case study, is to discuss how an industrial multinational firm decided to enhance its competitiveness through a close partnership with an integrated multi-utilities company. Such an organisational scheme allows the industrial firm and its partnering utilities company to focus on what each of them does best, by working together to improve energetic efficiency, reduce polluting emissions, and thereby cut costs.
In a global business environment where international competitive pressure is rising on Western industrial firms, the need to focus on core competencies whilst optimising processes on the rest is more urgent than ever. Besides this, new regulation and ethical standards regarding the environmental impact of the activity – not to mention the steep and probably irreversible increase of energy prices and raw materials – make it business-sounded to try to optimise processes in fields that are non core to their business and competencies.

Our case focuses on a French car manufacturer (but it could have been a pharmaceuticals company or a steel maker) teaming up with a partner specialised in the technical management of its industrial facilities to turn this issue into a competitive advantage. Experience gained on pilot manufacturing plants in France was replicated following similar processes with the same partner on greenfield and brownfield sites in foreign operations (examples include Eastern European countries, Latin America).

The industrial firm decided to externalise the whole lot of technical services to its facilities: water, power, and other “flows”, waste management, but also "soft" facility management such as cleaning or gardening, to a single supplier covering that whole technical spectrum. Those activities of on-site utilities and facilities management are proceeded to through an overall “bundling” contract that goes much further than traditional outsourcing schemes, and thereby contributes to bind tightly the two organisations on the long term.

Going beyond plain-vanilla subcontracting, opening a firm’s books to a third party to effectively improve processes and track inefficiencies, in a word, implementing a genuine partnership, forces to attain an unprecedented level of cooperation. Nevertheless, our aim is not to study types of cooperation between firms operating in international markets, a classic of
managerial literature (Blankenburg Holm et al., 1999) but to focus on what makes this cooperation particular, of interest for sustainable development issues, and how trust has permitted to overcome traditional problems.

By the same token, this case does not simply pose the fairly classical economics problem of the boundaries of the firm. Although the topic of the tension between trust and partnership on the one hand, and the need to control without integrating, via innovative means of penalties and incentives, on the other hand, has to be discussed and shall be described thoroughly, our purpose is not to go too afar into “hierarchy or market”, a field of study and analyses which transaction costs economists explored more seriously, more systematically, more methodically. However, these economists did not do it thinking about sustainable development, whereas the new type of partnership we describe is expressively aimed at improving competitiveness and coping with some environmental issues.

After a brief and down-to-earth description of what the governance structure at hand entails, this paper will emphasize on the level of trust required between the two partnering firms to work hand in hand towards an extensive reengineering of processes, thereby making a cultural leap. We then describe the procedures through which the partnership re-creates mechanisms half-way between market and control, in order to turn cooperating efficiency into economic and environmental performance.
Peugeot-PSA and Veolia Environment: when an industrial firm devolves to a multi-utilities company non-core, but vital aspects of its manufacturing process

The starting point of our research was to draw a parallelism between the private-public partnerships blossoming everywhere in Europe (following the British experience), and the expertise gained by a large utilities firm taking over a bundle of outsourced processes pertaining to the technical management of utilities and facilities from manufacturing companies. This rapidly provided the example of a promising type of commitment, contract, and cooperative relationship that could be developed between an industrial firm facing competitive, energetic, and environmental challenges.

An alliance between a multi-utilities firm and an industrial

When, at the eve of the 21st century, PSA, Europe’s 2nd biggest car manufacturer – on the tough middle-range segment – facing an ever increasing competitive environment, decided to explore new ways to increase its productivity, there was little room less for improvement at the core of its competencies. Regarding non-core aspects of its business, it seems, what had to be done to leverage the firm’s market power – subcontract as much as possible – was already done. The firm was also expanding eastwards to benefit from lower labour costs – but every single carmaker present on the continent is rapidly shifting parts of its production, including manufacturing sites, towards Central and Eastern European countries.
At the same time, Veolia Environment, a French giant company stemming from the local public utilities sector, was still promoting the multi-utilities concept in the field of environmental services. In the early 2000s, this strategy, a “must” five years before, was being abandoned (as quickly as it had been adored) by companies shifting to pure players in the energy sector. Part of Veolia’s plan was to try selling to industrial firms the very services it was already providing to public customers across the whole spectrum of its competencies. The rationale behind it was simple: what this firm was able to deliver for local authorities – a bunch of services that could comprise as much as water purification and distribution, wastewater treatment, waste management, heating and maintenance of buildings, transportation, optimisation of energy consumption… – could also prove interesting for industrial clients. For besides those technical skills, Veolia’s core competency is also the ability to structure and manage complex contracts, and the firm has the resources to follow its clients worldwide.

When Veolia started promoting partnerships with industrial firms, which would allow the outsourcing of a number of services relative to the technical management of utilities, flows, facilities, and energy consumption, PSA was ripe to think out of the box.

**A broad contract**

The cooperation we examined covers a broad outsourcing operation. On its Eastern France manufacturing sites – one of them being the biggest manufacturing plant in the country, with over 15 000 workers – PSA decided to externalise 21 batches of non-core processes. Some were previously done in-house, others were already subcontracted. Far from just containing soft facilities management ("FM") jobs, most of the delegated tasks were meant to guarantee
an uninterrupted service, tightly connected to the industrial process and related to deeply 
technical expertise, thereby vital to an industrial firm:
- the production and distribution of energy and fluids
- general and industrial cleaning,
- management of industrial waste,
- water treatment,
- management and disposal of used packaging,
- management and maintenance of on-site rail tracks and light rail motor tractors,
- power distribution within the plants,
- management of technical special apparatus\(^1\).

To provide just a few figures, the perimeter of the 10-year long contract is in the €110m range. The cleaning areas represent 7 millions square feet of industrial surface (half of the workforce being assigned to this task). Energy services are one of the most crucial aspects of the contract. A technical gap has to be bridged, implying capital expenditures amounting to nearly €20m to be done within 18 months\(^2\). The improvements in this field cover optimisation works to enhance performance for burners, improve the energy recovery efficiency of cogeneration installations, and replace boilers. New equipment should generate substantial cost savings, and maintenance requirements will be reduced. As one PSA official put it: “this gives us a head start on meeting energy regulations on CO\(_2\) emissions reductions by 2008”.

The idea behind the contract was that PSA alone would not have been able to innovate, nor would it find internally the resources to face the new challenges: rising energy prices and the need to comply with new pollution regulations. Furthermore, plain subcontracting would not

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\(^1\) Source: “When two worlds come together to make sense”, *Planète VE* (corporate magazine), 2005.

\(^2\) Financed by PSA but under Veolia’s responsibility.
have permitted to progress any further towards competitiveness, which was only to be attained through full rethinking of processes. Such reengineering included reorganising in Veolia’s name the relations with subcontractors.

The originality of this contract was that everything was transferred to a single contractor, a joint venture ("JV") constituted between PSA and Veolia, using the latter’s four fields of expertise (water, waste, heating and energy, transport). The JV would employ a workforce of some 1000 employees, 98% of them taken over from PSA, where they had formerly been in charge of those support operations. Whereas PSA was facing problems to bring in the rare skills required for those tasks, Veolia would be able to implement its best practice and train people.

The partnership was purely contractual: PSA has not taken any stake in Veolia’s equity, nor does Veolia hold any PSA share.

The successful scheme on existing facilities in France was later replicated to a greenfield site in Slovakia.

I. Trust in cooperation: a new kind of partnership that values long term performance.
Most of the business models praised by the Porter, Prahalad, Hamel, and other management gurus, were elaborated with respect to the observation of a particular firm (Martinet, Reynaud, 2004), justifying the interest for a case study to elaborate some theory.

More broadly, we follow Dyer and Singh (1998), who support that studying competitiveness should lead us not only to study the structures of an industry (Porter, 1985), nor to study factors of success embedded within organisations taken for themselves (as the resource-based view argues it), but in connexions between firms.

In focusing on what is happening between the two firms, we would like to go further than micro-economics approaches, Williamson-style, which we think are too theoretical and were aimed at thinking about sustainable development issues. In our case, theory should only be used to understand what threatens any cooperation contract and this one in particular. Thereby, we could take a higher view on the solutions implemented by the two partners.

A. Moving beyond the classical debates

1) The key to competitiveness and innovation could be observed where firms interconnect

Despite much debate in the strategy literature, there is little consensus as to whether organisational capabilities or market competition are more important in shaping firm’s actions and performance (Hamel, Prahalad, 1990). Two prominent views have emerged in the literature about the search for sources of competitive advantage:
- The industry structure view, associated with Porter, suggests that firm performance is primarily a function of a firm’s membership in an industry with favourable structural characteristics. Consequently the industry would be the relevant level of analysis.
- The resource-based view (RBV) of the firm argues that firm performance is fundamentally due to firm heterogeneity rather than industry structure. Firms that are able to accumulate resources and capabilities that are rare, valuable, non substitutable, and difficult to imitate, will achieve a competitive advantage over competitors.

However, as Dyer and Singh (1998) try to analyse it, building a competitive advantage can be attained outside of the structure of the firm. The two perspectives above, so they claim, overlook the fact that the advantages of an individual firm are often linked to the advantages of the network of relationships in which the firm is embedded.

**2) The debate between market and firms/alliances**

The literature on interfirm cooperation is huge and we do not intend to connect our case too much to the micro-economic modelling that it entails. The main idea to bear in mind is that following Coase and later, Williamson, the theoretical literature opposes hierarchy and market. In other words, the organisation of exchange opposes the various means of governance structures on the one hand (the firm being the most formal type of cooperation between economic actors), to arm’s length relations on the other hand.

Arm’s-length market relationships are characterised by

- non-specific asset investment,
- minimal information exchange (prices act as coordinating devices by signalling all relevant information to buyers and sellers),
- separable technological and functional systems within each firm that are characterised by low levels of dependence,
- low transaction costs and minimal investment in governance mechanisms

Under these conditions it is easy for firms to switch trading partners with little penalty because other sellers offer virtually identical products.

Alliances generate competitive advantage only as they move the relationships away from the attributes of market relationships. The competitive advantage of partnerships seem to fall in 4 categories:
- investment in relation-specific assets,
- substantial knowledge exchange, including the exchange of knowledge that results in joint learning,
- the combining of complementary, but scarce, resources or capabilities;
- lower transaction costs than competitor alliances, owing to more effective governance mechanisms.

For services to manufacturing facilities like the one at hand, considering the requirement for long term investments – people training to operate state of the art equipment and implement complex procedures, capital expenditure in clean and lean technologies, and in tangibles assets that are by nature bonded to the industrial facilities (the very definition of Williamson’s specific assets) – some sort of integration would be required.
However, it is puzzling to notice how this economic theory is at the opposite of managerial discourse, where the “need to focus on the firm’s core business” is all-pervading. This should have pushed PSA to proceed through arm’s-length relations, that is, short-term contracts, outsourcing via subcontracting. Such loose contracts with third parts, as was brilliantly demonstrated by Williamson and Akerlof, poses adversary selection and moral hazards problems: it would have been difficult for PSA to assess quality *ex ante* and check it *ex post*. Not to mention, again, the need to invest on the long term to attain productivity gains and emissions reductions.

To circle the square, PSA and Veolia had to implement a new type of governance structure, which was first and foremost based upon the desire to cooperate and benefit mutually from the externalisation process, as opposed to the frequent view on outsourcing.

**B. Outsourcing that equals trust, not just subcontracting.**

1) **Long term improvements call for long-term partnership as opposed to traditional subcontracting**

Why wouldn’t have PSA proceeded through traditional, short term outsourcing contracts for the various tasks it chose to devolve to Veolia as a single supplier? As predicted by Williamson economics, short-term subcontracts were irreconcilable with the requirement to make progress towards economic and environmental efficiency. To make such progress, Veolia called for security to invest in new machinery and people training, and reengineer processes. Even for tasks apparently as basic as cleaning, there was a need for reorganising, and plain subcontracting was leading to a stalemate. This is why outsourcing contracts with a
longer maturity gradually stepped up, until the point was reached where long term contracts signed together with a single provider became the natural solution to make a big leap forward.

2) Trust embedded within a particular type of contract

Amazingly enough in a business world where fussy procedures, distrust, fine printing, and red tape can hold back the efficiency of managerial decisions, the beginning of the partnership between Veolia and PSA was fairly informal.

The procedure of the competitive phase was light. Veolia was swiftly selected following a rapid beauty parade. If the market for facility management is nearly commoditised, very few actors on the market are able to provide an articulated range of utilities and technical services. Thus Veolia’s most striking arguments – its ability to coordinate various technical tasks in a complex programme with its own lines of business, the quality of its project management references – were mostly based on reputation, implying trust. Veolia’s vision of the business, in line with PSA’s, was another important factor. Price was not a big question mark at this level.

The good will to cooperate and the flexibility of the contract, which can be slightly amended, also contribute to define the partnership. For instance, the scope of outsourced activities sometimes went beyond what Veolia was prepared to take, but the spirit of the partnership was to accept it nonetheless. To mention just one of those bits of activity that are non core to Veolia’s business, industrial laundering was part of the overall package. Veolia took responsibility for it, and then reorganised an outsourcing contract, of which it is responsible.
By the same token, minor amendments to the contract for (small) additional tasks are always possible and such an agreement can always been reached at short notice.

In a way, trust is also reflected in the fact that PSA selected its partner for its reliability, expertise, advice, rather than very well defined services. PSA also accepted to outsource some of the skills that it had never entrusted… but whereas the choice of the partner was brisk, the most important phase was to come: defining the perimeter of its mission took nearly one year.

3) **Reengineering made possible when the two parties behave like partners**

Trust, as we put it, comes when PSA entrusts its partner with aspects of its production chain that do not belong to its core business, but are vital to success. And the path to efficiency goes through long term performance rather than brute market force of a strong customer crushing its contractors. Much the contrary: PSA opened its books to Veolia to track hidden costs and allow technical and organisational innovations. As a result, the target is not just mere pressure on costs, but a new layer of productivity thanks to a better knowledge of the business, a condition for reengineering.

*The common search for hidden costs*

Extremely rigorous analytical accounting procedures are a key factor of success in highly competitive manufacturing industries like the car industry. Is there any better proof of mutual trust than having a car maker opening the books of its biggest manufacturing plant to its partner?
However, for a car maker, costs related to on-site utilities, to the technical management of facilities, are quite often sunk costs. The related budget is tacitly renewed year after year.

There is another industry where firms have to be tough on management control procedures if they want to make a profit: the utilities and facilities management sector. When PSA and Veolia met, it became obvious that the latter’s experience in tracking down costs in its field would benefit to the car manufacturer. Suddenly, identifying base line costs related to on-site utilities and the technical management of industrial facilities was made possible.

The reward for PSA’s trust towards its partner was the unprecedented ability to analyse cost structure in a field PSA did not know well. Thanks to this audit, the two partners would later be able to implement new equipment, processes, and technologies, and turn some of the dreaded sunk costs into variable expenses.

The new references built through those cost analysis procedures will also be the basis for performance indicators, penalty and rewards, which we will depict later.

As one Veolia manager put it, the auditing process would be different depending on whether the job is done on a greenfield site or on an existing one. In the first case, the only available references are with ancient facilities. There may be fewer problems with employees reluctant to change their habits, but the drawback is that everything has to be created from scratch. For “brownfield” cases, it may be easier for the two partners to identify what can be improved in the books, but implementing the reengineering processes may face up unwillingness to change in the workforce.

*Efficiency through organisational reengineering*
As we can see, the value added brought in by the utilities firm does not just lie within expertise in “green” technologies – or at least, technologies to minimise energy consumption and polluting emissions – and specialist workforce. The skill to identify costs related to its competencies is the first step towards a broader redefinition of processes.

It took one year to PSA and Veolia to proceed in a way much comparable to Taylor’s decomposition of labour work: trying to analyse and rationalise on-site service processes. Part of this job was to find synergies between previously compartmentalised tasks. Veolia’s auditors took a close look at existing processes, workforce positions, skills and know-how spread across the area (PSA operating four manufacturing units in the region). The idea was to detect potential overlaps between them to put tasks and functions in common, and implement tools (new software or reporting instruments, for instance).

To name just a few of those reengineering improvements with consideration to human resources, it was discovered that:

- a worker’s task could be diversified depending on the season, thereby increasing satisfaction and productivity,
- natural attrition of workforce through retirements could be an opportunity to reorganise tasks, providing the same level of service with reduced personal expenses,
- Veolia’s skilled employees working in waste management or “flows” (water, heat networks, pressurised gases...), for local authorities or private customers nearby, could be selectively sent to PSA’s site to deal with rare problems. This solved PSA’s recruitment problem for skilled workers who would have been difficult to recruit and to employ on a full-time basis...
Such organisational reengineering, combined with the introduction of Veolia’s best practice, was key to set new productivity standards, where economic and environmental efficiency are tightly connected. But if letting the partner’s experts review and explore their accounts was a great change for PSA managers and engineers, in order to let their firm make a leap forward, the process also implied another deep change of mentalities.

4) Replacing inputs by outputs targets: functional requirements, a cultural revolution for an industrial firm

After having explored accounts and processes, the last requirement was to define the perimeter of the overall outsourcing contract. In this case, quite a natural reaction, in a company with a strong engineer’s culture, would be to define the types of inputs fussily. As one Veolia manager put it, “we had to prevent some of our partners from going too deep into details: some wanted to use this type of technology they’re accustomed to, this type of pump or generator, this process, this quantity of energy, some thought quality would suffer with a smaller workforce on this type of function… at the end of the day, the natural trend would have made reengineering impossible, and our intervention would have produced no tangible results”. Once again, we come back to trust as an acceptation to give up full control of the manufacturing chain and processes.

To put it shortly, the user had to replace inputs requirements with outputs targets. Turning the conditioned reflex to define technical specifications for equipments into quality of service objectives is not an easy task. Instead, the customer has to think about what it wants in terms of outputs (cubic meters of steam, minimal pressure, reaction time for maintenance on
equipment, air moisture levels in the painting workshops…). The client has to identify with Veolia what it wants, and really needs, how to measure it, define it clearly enough to write it down in a contract… and then accept to lose its grip on how things are done. This is why, alongside recalculating costs, thinking about the required level of performance is key to the success of the outsourcing contract and calls for a cultural revolution on the client’s side.

This long negotiating phase, which entailed

- drafting the terms of the contract,
- preparing the budget,
- transposing all the organisations,
- defining the new team organisation,
… ended up with the preparation of a business plan.

The return is an expected improvement of the service at a lower cost (to be measured in costs savings, notably through energetic efficiency). However, no matter how demanding this task can be, identifying neglected costs, and defining needs in new terms, is only one part of the improvement that this contract brought. Together with the implementation of a partnership culture, the contract also entailed many procedures to achieve what the market does best: pushing economic actors towards efficiency.

**II. From governance structures to environmental and economic efficiency: recreating market procedures and frame of mind**
After the long task of defining together the requirements, the two partners had to set up some sort of governance structure. The most interesting point here is to understand that recreating market procedures appeared to be the best solution to enforce the contract and its objectives, through a system of performance indicators, rewarded by incentives of punished by penalties if not met. Introducing a customer-satisfaction orientated service, improving human resources management, were other ways to create a new market frame of mind.

**A. The definition of key performance indicators**

Analysing costs together did not just allow PSA and Veolia to redefine and improve processes: it also made possible the creation of instruments to measure quality of service and bolster improvements for more efficiency, using the clout of incentives.

1) **Creating objective performance indicators to measure the quality of service**

In signing the contract, Veolia had committed on a number of improvements both in efficiency gains and in quality of service… A key task was to measure such achievements.

This is why hundreds of Key Performance Indicators (KPI), to be measured on a monthly basis, were designed for each of the 21 batches of tasks entrusted to PSA’s partner. Failure to meet targets means penalties for Veolia. In other words, Veolia has no obligations in terms of inputs, but the inability to deliver the contractual quantity and/or quality levels of such flows, or to intervene within the maximum limit of time agreed on the contract, automatically calls for sanctions.
Of course, such measuring instruments are extremely complex to define and implement, and deeply embedded in the culture of a company that operates thousands of multi-utilities contracts, and manages numerous technical facilities in various industries.

By the same token, Veolia has a good knowledge of its cost structure, and very little room is left for uncertainty. The quality of service required by PSA, like any other customer, has a cost, which is pretty well reflected in the contract pricing aspects. Quite often, it was observed that the client’s natural trend was to expect a much a higher quality of service when the task is outsourced. Market standards in the pricing process is therefore a good way to bring both parties to define what is really necessary. To mention just a few examples, the request that Veolia should keep large quantities of replacement parts available, or should intervene within unrealistically tight time limits, has a cost, which shall be impacted on the partners.

2) Market-like governance structures: recreating economics of incentives

For a car manufacturer like PSA, whose business is to control costs alongside the production chain, the vast majority of the tasks transferred to Veolia were not just sunk costs, they were, quite simply, costs. Thanks to this contract, they would be turned into the strongest tool to make such processes efficient: they would become a source of profit. Tasks related to on-site utilities or the technical maintenance of facilities are no longer a cost centre, but a profit centre when operated by Veolia. Thanks to a bonus/malus system, it can also become a source of losses if poorly managed…
By committing on the level of costs and quality of service, Veolia is bearing most of the risk in the contract. What is more, PSA’s partner made commitments in terms of efficiency gains and cost reductions: KPIs will enforce them. In case of excess returns by Veolia, such gains are shared with PSA. To put it in a nutshell, one of the **tours de force** of this contract was recreating market mechanisms that should prevent from traditional problems in long term contracts, the ones Williamson defined as *ex-post opportunism*.

**B. From relationships between co-workers to a supplier’s culture**

A traditional problem when people within a firm need help or a technical intervention from their fellow co-workers, is that there is neither incentive to motivation, nor penalty for lack of motivation. You often have to implore internal services to take your problem into account and conduct a swift intervention – which can be very annoying in an industry where the production flow needs to be continuous and seamless. Relations between colleagues are not clear cut and, in any case, not as efficient as customer-supplier relationships. With the partnership with PSA, Veolia’s quality of service is measured through numerous KPIs and this forces the services to adopt a customer-orientated culture.

Several improvements have come to illustrate this:

- Veolia operates a call centre that is staffed round-the-clock. Apart from optimising the intervention processes and “depersonalising” relations between the worker in demand and the one sent to maintain his equipment or solve his urgent problem\(^3\), this call centre constitutes a barometer to monitor commitments: service-oriented business customer satisfaction is primary aim;

\(^3\) It is worth noticing that partnership in the upper tier does not necessarily mean grassroots friendship…
- Veolia has committed to make continuous improvements to processes over the contract life-cycle;
- The best way to avoid problems on maintenance tasks is to try, as much as possible, to intervene on a regular and preventive basis. Veolia’s expertise was useful to implement the best practice in this field.

C. New opportunities for a formerly neglected workforce

In many firms and organisations, the focus on excellence in the core business has a well-known, although neglected, consequence: because of the lack of opportunities for individuals in charge of duties out of the core business, they can experience a decline in motivation. Quite often, the very tasks that are comprised in the partnership’s package with Veolia are also the place where HR services send those with a limited potential. What is true at the lower-end of the workforce is even more striking at a senior level, where managers in charge of those support operations can feel they have been pushed to one side, and resent to have to work with poorly motivated fellow colleagues who are on a professional dead-end or at the sunset of their career. This may be a fairly exaggerated viewpoint, but it is still commonly considered, on the broad picture, that managing such workforce with limited career upsides can be more difficult.

With consideration to this problem, the partnership between PSA and Veolia brought noticeable improvements. At the lower end of the workforce, the tasks are more “professional”, and they have been enriched, thanks to synergies between tasks and specialist training. The workers have a different status in front of their former colleagues and more responsibilities. For managers and the more talented employees, there is a potential upside since career paths are available within their field of expertise at Veolia.
Such elements are a strong argument against the fears generated by outsourcing projects in an organisation, public or private, which can trigger industrial conflicts. Legitimate apprehension to the fact of being outsourced should not be underestimated. In joining a big company rather than a weak subcontractor, employees see their task defined in a “positive” manner, can enjoy benefits pertaining to a strong organisation, such as training programmes and pension schemes, and the most talented individuals have more promising career opportunities in their field of expertise.

We would like to insist on this aspect as well, since employee satisfaction, which is a managerial tool, is also part of sustainable development objectives.

**D. The final outputs : economic and environmental efficiency**

Our objective and methodology was not to gather data to measure value creation linked to the partnership. However complex and useful it may be, such contract, which means a lot at the level of the manufacturing sites concerned, probably has little impact on a large-scale company like PSA, Europe’s second car manufacturer. Let alone on its share price.

It was not intended either to collect primary or secondary data measuring accurately change in polluting emissions, or targets in improved energetic efficiency, through consumption decrease, suppression of maintenance failures or leaks in the network, implementation of variable cycle pumps… Tasks related to the management of on-site utilities (water distribution and treatment, waste management and recycling, gases and flows…) are not the ones companies communicate a lot on, nor the “sexiest” to deal with… They are also a field
where efficiency improvements have to be chased meticulously, day after day, with returns that do not deserve the headlines of a newspaper and much less spectacular than closing down a manufacturing site or launching an hostile take-over bid.

As a result, we thought it would be more interesting to describe the processes to reach those targets, assuming they must be having positive consequences in terms of economic and environmental efficiency. We wanted to describe a partnership, a new model of organisation towards sustainable development. Everything seemed important to us within it:

- the overall contract based on trust, entrusting a bundle of tasks to a single-source supplier;
- the inside-out exploration of accounts and processes to permit reengineering, with a common definition of requirements aimed at identifying needs in terms of outputs, not conservative, technical equipments in terms of inputs;
- recreating market procedures through incentive-related performance indicators and tools to rally the formerly neglected workforce;
- trust in the choice of a partner, rather than formal and cumbersome competitive dialogue bringing little improvements in processes;
- the expertise of the partner in most fields related to utilities and the technical management of industrial facilities, and its ability to follow its customer worldwide. In this sector, very few companies have the sturdy back it takes to accompany multi-national firms on production sites around the globe\(^4\).

\(^4\) We wondered whether our case was not too focused on France. In this case, Veolia, a company so deeply rooted in the French territory, would not be able to replicate its advantage elsewhere. But Veolia and PSA did the same in Slovakia, a country which is an emerging market and production site for both companies. Veolia also did it for Arcelor, the steel maker that was recently taken over by Mittal.
We think this type of partnership based on trust, and implementing new governance structures, could contribute to renew the debate on interfirm cooperation.

It is also inseparable of the topic of sustainable development, from a perspective where sustainable development is not just a communicating tool to insist on the firm ethical commitments, but a way to improve economic efficiency.
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