

Interview with Vincent Ramirez - Regional Director, Sodexo HC

To maintain our leadership position we have to set an example, both in the French health care industry and within Sodexo Alliance. This means continuously developing and delivering better services than our competitors. Our objectives in terms of cash flow performance force us to perform well in terms of profits and revenues. I believe that in the private sector 10% yearly sales growth is an ambitious but feasible target. In the public sector we should be growing faster, something around 50%. I also see a greater focus on the multi-service type of contract. While today we provide more than just food service in more than 75% of cases, our definition of ‘multi-service’ needs to be fine-tuned. For example, it’s not clear whether a TV offering²³ can be considered multi-service or not.

Clients in the public sector care more about feeling secure than about reducing costs. This is not surprising if you think of the public funding mechanism – once funds have been assigned, public sector institutions are obliged to spend all of them. Failure in this respect means ‘failure to spend’. Public sector clients are having problems with the legislation on the 35-hour week²⁴ because it is not so easy for them to implement organisational changes.

Our private clients, mainly hospital directors, have reacted differently to the 35-hour week. They are happy to take personnel on board because our outsourcing service reduces their human resource management efforts as well as the social risk. Another concern for our private clients is the increased competition among hospitals. The media has recently started to publicly rate the service quality of hospitals. I welcome this trend because it pushes hospitals to improve the quality of their food service – food quality can even be a differentiating factor in those regions where competition is most intense. Lastly, and perhaps more generally, our clients are asking us to help them innovate and improve their service.

On the internal client side, doctors and nurses want meals which provide a break in their daily work routine, so we need to meet this need for relaxation. We also need to provide service with a smile, knowing that their work is linked to illness and suffering.

We must respond to the changes in the hospital sector by building service offerings that are focused, well designed and profitable. Some people are convinced that we should pursue multi-service because today’s economic constraints force us to be more productive and to redefine the perimeter vis-à-vis our competitors. The expectation is that multi-service will allow us to achieve our growth and profitability objectives, although I haven’t seen any convincing figures to date that justify these expectations. For example, we stand no chance against cleaning companies that do not pay a year-end bonus or weekend overtime. Our contractual terms make us vulnerable so maybe we should build a separate company for cleaning services.²⁵ The vending machine offering seems promising because people nowadays like to snack throughout the day, but thus far we haven’t been particularly quick or efficient in this area. Furthermore, our clients might appreciate a sterilization service offering²⁶ because

23 The *Television Service Offering* provides patients with access to a TV. Depending on the hospital, patients can access national channels and/or pay-TV channels.

24 French legislation limiting the legal working week to 35 hours

25 The *Cleaning Service Offering* covers the cleaning of all hospital facilities except for sterile rooms.

26 The *Sterilization Service Offering* covers include the sterilization of all medical instruments and equipment.

outsourcing this activity implies outsourcing the risks associated with it. However, we seem to suffer from an image problem here. The nature of this offer is highly medical; it requires running an industrial-like facility and a large upfront investment, so this is no trivial decision. For the cleaning service, which is less complex, we needed several years to gain credibility, so I expect sterilization to take longer.

Another major change in our business environment is that, regardless of the type of services, our clients will become fewer and larger. In my view this trend will be more regional than national, which means that our key account strategy should focus on the regional level. The semi-private sector is probably most exposed to this phenomenon. To date it has thrived on pretty generous public financing, but when this is reduced some of these hospitals will be forced to close or merge with others. In order to respond to the needs of the regional key accounts we need a single contact person and a dedicated marketing approach. It is an opportunity we should grab. We need to innovate permanently and develop the relationship with the client at different levels in their organization.

The notion of risk is extremely important. If we get into the multi-service business we face greater financial risk because revenue-per-client will increase dramatically. Consequently, the loss of a client or the failure of a client to pay will inevitably be a heavy blow to our bottom line. Thus it's probably a good idea to perform an analysis of the risk that a new prospect represents during the sales process. A second type of risk is related to the integration of our clients' employees into the Sodexo organization. Legally we are obligated to offer them a position in our company; they can choose whether or not they want to join us. While we are quite good at implementing this type of integration, it is such an important matter that even small improvements would yield great results. Finally, a third type of risk is the increased sophistication of our clients' purchasing policies. Nowadays it is not uncommon for hospitals to have purchasing departments with professional negotiators, so we need to become better negotiators and carefully think through our sales arguments. Furthermore, in a world where food safety risks are becoming increasingly important, we could offer to manage those risks – we should be saying 'We'll take care of the dioxin²⁷ and mad cow disease²⁸ problems.'

We can only implement all these changes if we identify the right people, educate them, and retain them. We need to broaden the scope of where we look for new recruits. Given the expansion of our service offering, recruiting people from the hotel management field might be a good idea. Once these new people are in, we need to make them feel part of the organization by designing a clear integration process. We all know how important the first three months are for a new recruit. We also have to keep internal training materials up to date to keep pace with the drastic changes in our business environment in the last five years. Lastly, we need to provide employees with career development opportunities within our firm, otherwise good people will leave.

The marketing of new profitable service offers must be supported by the involvement and training of the people on site. This requires, among other things, the presence of marketing managers at regional level. The quality of site managers is absolutely key. If we put the right

27 *Dioxin*: Toxic substance found in chicken meat in some European countries due to pollution of animal feed in the 1990s.

28 *Mad cow disease*: A brain disease affecting cows fed with waste from slaughterhouses. In the 1990s this disease was proven to be passed on to humans through food, provoking severe brain damage and death.

site manager in the right place, at the right time, we will boost sales and profits more than we could achieve through any new marketing offer.

Another key aspect in my view is the fact that we keep our company values alive all the way to the shop floor. Client service is one of our most important values. The paramount importance of ‘always satisfying the client’ is very strong in this firm, to the point that a site manager can be really upset by the loss of a client. Also, our managers are known to be very entrepreneurial. They treat the firm’s resources as their own and manage them with great care, enthusiasm and innovative drive.

On the IT front we have to admit that Sigma²⁹ was not very successful because it was perceived as adding little value compared with the time it consumed. We have an intranet but we don’t use it as we prefer to call each other. While I strongly believe in direct personal interaction, there is value in having additional ways of exchanging information because we don’t always have time to call each other on a daily basis. Finally, whether we are talking about accounting, reporting or just information sharing, it probably wouldn’t hurt to involve the operational managers in the choice of the tools and provide training for them once these tools are ready for use.

29 SIGMA is an in-house developed software tool that enables site managers to build meal menus and prepare food supplies orders.