

MAKE-OR-BUY DECISION FOR MAINTENANCE SERVICES

Challenge

GEWOFAG's aim was to obtain an objective expert opinion as to whether it was more cost effective to maintain its buildings itself or to outsource the work.

Solution

Contribution margin analysis was carried out on the internal services provided by GEWOFAG's technical workshop (maintenance) units.

Benefits

This enabled GEWOFAG to make an informed management decision involving an amount of several million based on sound economic criteria.

- Process costs reduced by around 25% while maintaining the same level of quality
- IDS Scheer Consulting's fees amounted to approx. 3% of the make-or-buy decision, or 11% of the potential savings



GEWOFAG – Gemeinnützige Wohnungsfürsorge AG München:

- Manages some 30,000 housing units in Munich
- Is an independent builder of new housing
- Total group assets: approx. EUR 1.1 billion
- Net sales: approx. EUR 175 million
- Employees: approx. 600
- Strategic mission: Creating living accommodations for a broad range of the population
- Serving housing needs for over 80 years

Get There Faster.™

“The objective work by IDS Scheer Consulting saved GEWOFAG a lot of money – and secured around 60 jobs for the long term.”

Sigismund Mühlbauer | Head of GEWOFAG's GB02 department | GEWOFAG, Germany

Should GEWOFAG continue to provide maintenance services in-house?

The current trend in the real estate sector is to outsource maintenance services to external providers, who can perform the services more cheaply than internal staff on a case-by-case basis. GEWOFAG has its own technical workshops unit (mainly for corrective and preventative maintenance), which employs around 60 tradespeople, including garden workers to look after green spaces and parks. GEWOFAG asked IDS Scheer Consulting, a Software AG brand, to objectively determine whether it makes better business sense to perform the services itself or to outsource them.

Comparison with the cost of using an external provider is the only objective benchmark

Contribution margin analysis was used to establish the value of the services provided by GEWOFAG's technical workshops. To make the results as reliable as possible, data was taken from an entire, complete accounting year. The hourly rates and costs typically found in the marketplace were applied to GEWOFAG's technical workshop services to create imputed income for comparison with a fictitious external provider. The figures included the actual variable and fixed costs together with the overhead allocated to the technical workshops. Analysis focused on whether this produced a positive contribution margin, or even a cost advantage compared to an external provider.

IDS Scheer Consulting performed this contribution margin analysis for GEWOFAG by extracting the data from the existing SAP systems.

Typical hourly and cost rates were applied to the hours worked and materials used to calculate imputed total income (using amounts representative of external providers). The cost of providing the services was then subtracted across multiple contribution margin levels.

Process analysis and identification of optimization activities took part in conjunction with GEWOFAG's mid-management team (master tradesman level) in IDS Scheer Consulting-moderated workshops.

Data validation and identification of potential for process cost reduction

To obtain reliable results, the raw data provided needed to be checked for accuracy. This enabled posting errors, superseded cost allocations, etc. to be corrected. To identify areas where costs could be reduced, ARIS Business Designer was deployed to analyze the as-is processes. To-be processes were defined and the potential for savings assessed. The action required to achieve the individual savings was then prioritized based on the associated costs and anticipated return on investment (ROI).

Extremely fast payback of total project costs

The project demonstrated that outsourcing the relevant GEWOFAG services would be extremely uneconomic and that significant cost benefits are achieved by performing services in-house compared to the competition – along with higher quality. The findings produced by consultants of IDS Scheer Consulting using ARIS Business Designer enabled GEWOFAG to reduce process costs by some 25% while maintaining the same level of quality. The project provided the required business data on which the organization was able to base its decision not to outsource heating, cleaning, electrical, carpentry, and gardening services. IDS Scheer Consulting's fees amounted to approx. 3% of the make-or-buy decision, or 11% of the potential savings.

KEY COMPONENTS

Using concrete concepts and approaches IDS Scheer Consulting supports GEWOFAG successfully in the make or buy business strategy.

Take the next step to get there - faster.

About SOFTWARE AG

Software AG is the global leader in Business Process Excellence. Our 40 years of innovation include the invention of the first high-performance transactional database, Adabas; the first business process analysis platform, ARIS; and the first B2B server and SOA-based integration platform, webMethods.

We offer our customers end-to-end Business Process Management (BPM) solutions delivering low Total-Cost-of-Ownership and high ease of use. Our industry-leading brands, ARIS, webMethods, Adabas, Natural, CentraSite and IDS Scheer Consulting, represent a unique portfolio encompassing: process strategy, design, integration and control; SOA-based integration and data management; process-driven SAP implementation; and strategic process consulting and services.

ABOUT IDS SCHEER CONSULTING

IDS Scheer Consulting, a Software AG brand, has been helping its customers to create more efficient business processes for over 25 years. As the market leader in Business Process Management (BPM), we cultivate a trustful partnership with our customers and support them on their way to sustainable business success. Our consultants support companies in their strategic decision-making – as the driver for cost effectiveness and efficiency and thus for business success. IDS Scheer Consulting is committed to delivering industry process excellence for its customers through a combination of industry expertise, process orientation and IT know-how.

Software AG - Get There Faster

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