

# **Strategic FM Outsourcing: It's Not About the Contract**

Presented by

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# Deadly Sins of FM Outsourcing

**1**  
Outsourcing  
core functions

**2**  
Unrealistic  
timeframe

**3**  
No clear  
vision

**4**  
Failure to do  
front-end  
analysis

**5**  
Lack of  
involvement by  
internal strategic  
partners

**6**  
Underdeveloped  
statements of  
work

**7**  
Selecting a  
mismatched  
vendor

# Deadly Sins of FM Outsourcing (cont.)

8  
Selecting a  
vendor based  
on costs

9  
Writing a poor  
contract

10  
Overlooking  
hidden costs

11  
Overlooking  
personnel  
issues

12  
Rush to  
implementation

13  
Losing control of  
outsourced  
services

14  
Failure to  
create an exit  
strategy

15  
Corporate  
culture

# Successful Outsourcing in Six Easy Pieces



**1**  
**Real  
Commitments**



**2**  
**Goals and  
Expectations**



**3**  
**Analysis**



**4**  
**RFP**



**5**  
**Vendor  
Selection and  
Negotiation**



**6**  
**Partnering**

*It's all about the process!*

# 1 | Make Commitments You Can Keep



01 Diagram steps and timeframes

02 Obtain buy-in from senior management



03 Create senior management progress review process

04 Develop internal communication strategy

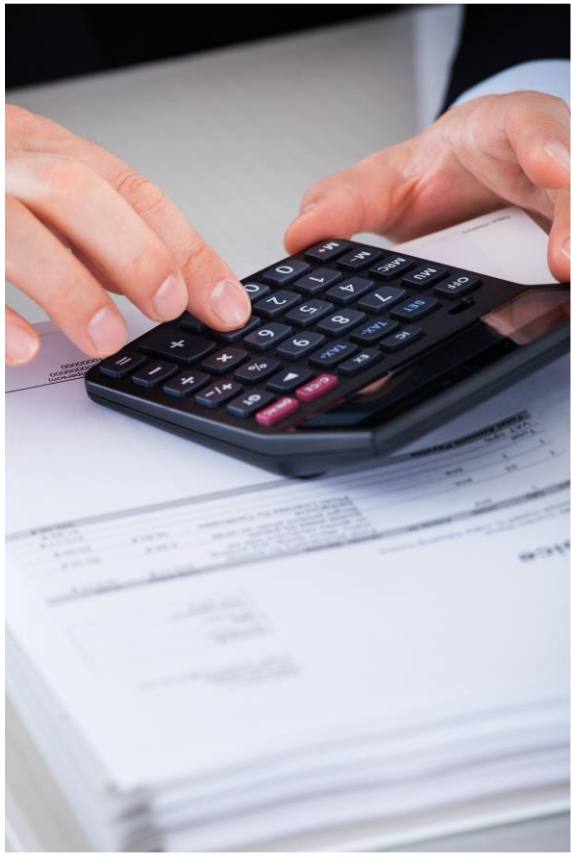


05 Create internal outsourcing task force

06 Assign a champion



## 2 | Identify Goals and Expectations from Outsourcing Relationship



- Determine outsourcing drivers
  - Non-core services
  - Cost
  - Efficiency
  - Inflexible staffing
  - Quality
  - Specialty services
  - Personnel issues
  - Strengthen KSA
  - Corporate culture

## 2 | Identify Goals and Expectations from Outsourcing Relationship (cont.)

- Determine management expectations
  - Strengthen metrics
  - Quick cost and headcount reduction
  - Technical expertise
  - Other
- Determine if exercise or serious pursuit



## 2 | Identify Goals and Expectations from Outsourcing Relationship (cont.)

- How can FM organization benefit?
  - Opportunity to compete
  - Opportunity to reorganize
  - Ability to “prune”
  - Opportunity to obtain new talent
  - Opportunity to become best in class





## 2 | Identify Goals and Expectations from Outsourcing Relationship (cont.)

HIGH ← RISK → LOW

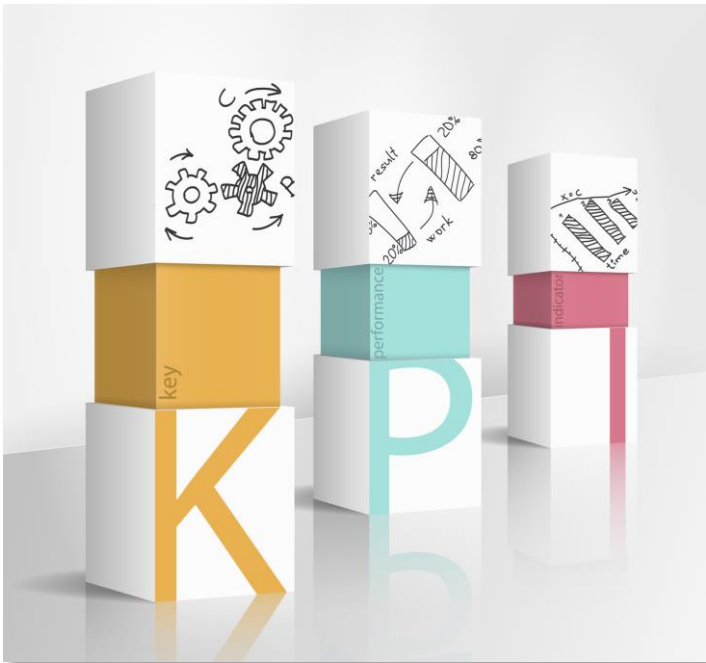
IMPACT

Culture  
Morale  
Staff Turnover  
Ownership  
Institutional Knowledge  
Prescriptive Approach  
Dependence on Provider

Apprehension of Customers  
Stability  
Dependence on Provider  
Weak Innovation  
Cost Monitoring  
Loss of Internal Expertise

Further Organization Downsizing  
Contract Issues  
Loss of Supply Base  
Security

# 3 | Perform Analysis *Before* Undertaking RFP Development



- What do the internal FM numbers show?
  - Formal benchmarking to evaluate costs and best practices
  - Key performance indicators
  - Corporate quality incentives
  - Customer satisfaction
  - Employee satisfaction

### 3 | Perform Analysis *Before* Undertaking RFP Development (cont.)

What data will the FM organization be able to provide potential bidders?

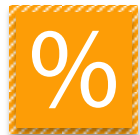


## Research firms with compatible cultural and technical capabilities



» Corporate philosophy

» Staff turnover



» On-board staff and subcontracting ratios

» Staff satisfaction



» Customer orientation and feedback

» Scope creep



» Performance improvement history

» Cost escalation



### 3 | Perform Analysis *Before* Undertaking RFP Development (cont.)

- Determine the RFP procurement process
  - Evaluation criteria
  - Invited bidders
  - Pre-qualify potential bidders
  - Pre-bid conference and site visit of facilities
  - Oral presentations
  - Short-listing vendors
  - Site visits to clients of short-listed bidders
  - Fee proposal
  - Final negotiation strategy
  - Implementation strategy
  - Communication strategy



## 4 | Develop the RFP

- Establish outsourcing task force
  - Key customers
  - Key staff
  - Key internal service partners
- Assign responsibility for RFP components
- Evaluate service options
  - Prescriptive
  - Performance-based
- Determine evaluation process
  - Participation on evaluation team
  - Number of firms to interview
  - Number of site visits
  - Number of references



## 4 | Develop the RFP (cont.)



- Structure pricing to adequately compare proposals
  - Cost plus
  - Fixed fee
  - Performance incentives
  - Innovation incentives
  - Gain sharing
- Best and final pricing strategy
- Format for transition plan
- Format for communication plan
- Format for exit strategy

## 4 | Develop the RFP (cont.)



- Determine metrics strategy to measure performance and success
  - Specified in RFP
  - Negotiated after vendor selection
  - Recommended by vendor in proposal
  - Combination



# 5 | Select Vendor and Negotiate



- Structure interview process
  - Topics covered and timeframe for presentation
  - Eliminate opportunity for marketing pitch
  - Timeframe for questions and answers
  - Pre-determine questions
  - Roles of interview panel
- Follow-up after interview
  - Answers to questions from vendors
  - Reference checks
  - Site visits to existing client sites

## 5 | Select Vendor and Negotiate (cont.)

- Initiate negotiations
  - Establish timeframe
  - Best and final submission
  - Itemize points for inclusion in negotiations
  - Establish key performance measures
  - Establish transition plan guidelines
- Establish staff communication guidelines



## 6 | Partner with the Selected Outsource Firm



- Preliminary dialogue
- Conduct partnering sessions with entire team
- Communicate with existing staff about opportunities for employment with new firm
- Developing a communication plan
- Create reporting schedule and content
- Identify problem resolution and escalation process
- Keep the relationship alive and vibrant

# Conduct Lessons Learned Exercise

*EVALUATE THE FOLLOWING ACTIVITIES...  
FOR EACH ACTIVITY, DETERMINE "SUCCESS OR CHALLENGE" AND LESSONS LEARNED*

» Original idea to outsource

» Analysis of internal documentation and data

» Research on potential outsourcing firms

» RFP development process

» Pre-bid process

» Proposal evaluation process

» Oral interview process

» Client site visit process

» Best and final offer process

» Negotiation process

» Final contract document

» Transition process

» Partnering process

» Selection of right vendor

» Customer satisfaction with outsourcing decisions

» Staff satisfaction with outsourcing decisions

» Implementation of exit strategy