Strategic FM Outsourcing: It’s Not About the Contract

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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.)

- Overlooking hidden costs
- Rush to implementation
- Failure to create an exit strategy
- Corporate culture
- Losing control of outsourced services
- Selecting a vendor based on costs
- Writing a poor contract
- Overlooking personnel issues
- Losing control of outsourced services
- Corporate culture
- Losing control of outsourced services
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
• Determine management expectations
  – Strengthen metrics
  – Quick cost and headcount reduction
  – Technical expertise
  – Other

• Determine if exercise or serious pursuit
• 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**
- Culture
- Morale
- Staff Turnover
- Ownership
- Institutional Knowledge
- Prescriptive Approach
- Dependence on Provider

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

**LOW**
- Further Organization Downsizing
- Contract Issues
- Loss of Supply Base
- Security
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
What data will the FM organization be able to provide potential bidders?
Research firms with compatible cultural and technical capabilities

<table>
<thead>
<tr>
<th>Corporate philosophy</th>
<th>Staff turnover</th>
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<tbody>
<tr>
<td>On-board staff and subcontracting ratios</td>
<td>Staff satisfaction</td>
</tr>
<tr>
<td>Customer orientation and feedback</td>
<td>Scope creep</td>
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<tr>
<td>Performance improvement history</td>
<td>Cost escalation</td>
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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
• 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
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
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
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**

<table>
<thead>
<tr>
<th>Original idea to outsource</th>
<th>Negotiation process</th>
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<tbody>
<tr>
<td>Analysis of internal documentation and data</td>
<td>Final contract document</td>
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<tr>
<td>Research on potential outsourcing firms</td>
<td>Transition process</td>
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<td>RFP development process</td>
<td>Partnering process</td>
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<td>Pre-bid process</td>
<td>Selection of right vendor</td>
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<td>Proposal evaluation process</td>
<td>Customer satisfaction with outsourcing decisions</td>
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<td>Oral interview process</td>
<td>Staff satisfaction with outsourcing decisions</td>
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<td>Client site visit process</td>
<td>Implementation of exit strategy</td>
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<td>Best and final offer process</td>
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