



**BUILDING OPERATING MANAGEMENT'S**  
**NFMT<sup>®</sup>VEGAS**

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# **Strategic FM Outsourcing: The Contract Isn't The Focus**

Stormy Friday

MPA, Hon. FMA, IFMA Fellow, President, The Friday Group

Doug Kincaid

P.E. President and General Manger, Applied Management Engineering



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**Stormy Friday, MPA, Hon. FMA, IFMA Fellow, President ,The Friday Group** is an internationally recognized speaker in facility management. She has visited over thirty countries to consult, train and speak on FM trends; organization development; productivity and motivation; marketing and customer service; strategic planning and outsourcing alternatives. She co-authored a book entitled *Quality Facility Management: A Marketing and Customer Service Approach* (Wiley) and authored *Organization Development for Facility Managers: Tracing the DNA of FM Organizations* (AMACOM; Dog Ear Press).

**Doug Kincaid, P.E., President and General Manager, Applied Management Engineering** contributed to projects that center on asset management concepts for clients with wide ranging portfolios. He developed maintenance and capital reserve strategies for numerous facility portfolios. Combining industrial engineering techniques with facility data for capital needs and operational needs is key to developing successful strategies for many clients.



# Review Session Learning Objectives

- 1. Know pitfalls of outsourcing prior to strategy development**
- 2. Understand importance of making appropriate and doable commitments**
- 3. Determine goals and expectations from arrangement as preliminary strategy**
- 4. Perform critical analysis prior to development RFP and establish solid RFP document**
- 5. Create a partnership environment with chosen outsource provider**



# 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

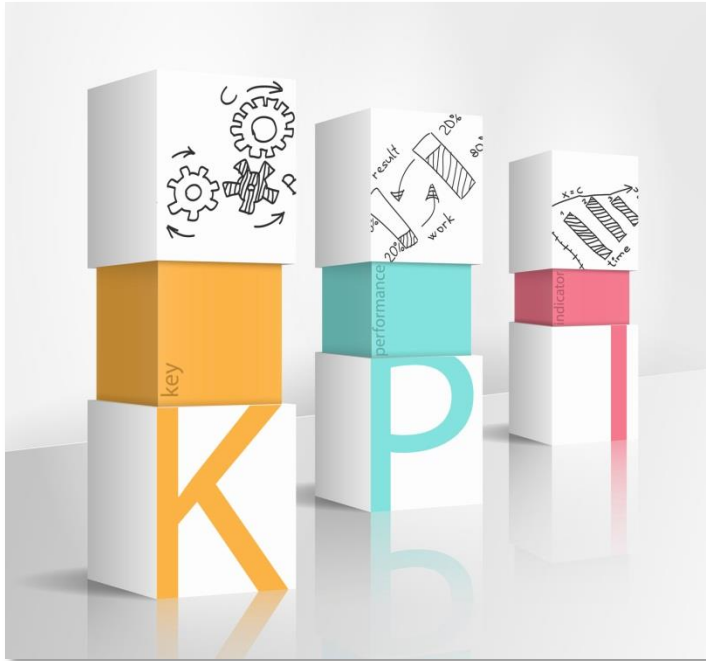
IMPACT

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



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





# 3 | Perform Analysis *Before* Undertaking RFP Development



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



- 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





**THANK YOU!**

**Be sure to evaluate the session online at  
the Attendee Service Center**

**<http://tinyurl.com/p6y4fxb>**