Background

CASME RoundTable meetings on the procurement of integrated facilities management (IFM) including security were held in Chicago, Frankfurt, Sydney, Singapore, Shanghai and Sao Paulo during a period from April to July 2015. Between ten and thirteen companies were represented at each event. The following main topics were discussed:

- Strategy
- Suppliers, marketplace and innovation
- Selecting IFM suppliers
- IFM contracts
- Security services.

This Digest provides the key points, good practices and insight into future trends identified by delegates around the world. Full notes from each meeting are available on the subscriber-only CASME Resource Centre.

Content Summary

Strategy

- Some larger organisations only have one IFM partner, perhaps two at most. The IFM partner then calls upon a blend of global, regional and local suppliers that are knowledgeable in the local business environments
- A global IFM strategy needs to take local complexities into account, such as real estate leases that include facilities management (FM) as a combined service, and tax and labour laws. Local regulations may prohibit the bundling of services under a single contract
- Services likely to be excluded from IFM contracts include real estate, security, utilities and services within the yellow line in manufacturing sites. Catering may also be excluded from IFM contracts, because service provision and food quality can be emotive issues. This is a particularly important consideration when the IFM provider has core competencies in hard services rather than soft services, or where the decision is made to use specialist catering providers to satisfy the HR benefits provided to employees
- Baseline costs need to be understood in order to achieve reliable cost comparisons. Defining specifications based on output allows suppliers to take greater responsibility for tasks and achieve a savings target of between 15-20% over a five year contract
- A centralised internal facilities management structure provides more autonomy and high performance in FM teams. The client company needs to retain a lean facilities management organisation to manage suppliers but if the company is reluctant to transfer employees or eliminate positions, an opportunity for cost savings is lost
- Successful implementation requires a collaborative approach between Procurement, FM teams and stakeholders, at global, regional and local levels. This proactive approach enables consultation and effective communication to cultivate trust with stakeholders. Transition and change management plans need to be in place with an understanding of the business model for each local facility and ensuring suppliers are aligned to the company’s approach to ethics and culture.

Suppliers, marketplace and innovation

- Outsourcing to a global supplier that can cover all services in every geographical area is not yet possible without the supplier subcontracting some of the services required
- There is merger activity in the marketplace as suppliers seek to offer the full range of hard and soft services. Competitiveness should encourage improved service; however, contract values must be significant enough to attract and engage larger IFM suppliers
- Companies are engaging with larger IFM suppliers to obtain consistencies, additional functions and leverage spend. A regional approach to ongoing management is preferred due to specific localised requirements
- Supplier relationship management (SRM) should be used to stimulate innovation and to encourage a partnership approach between the supplier and the client company
- Methods used to obtain innovation from suppliers that achieve lower costs and increase value include fees at risk, shared savings and competitive tension. Companies hold innovation days, inviting suppliers to present innovative projects and create potential opportunities for further collaboration between both the supplier and the company. Collaboration is a critical success factor to cost saving innovations.

Selecting IFM suppliers

- Supplier capabilities are assessed by evaluating their self-performance abilities, regional coverage, compliance to standardised processes and procedures, ability to adapt to local legislation and practices, as well as their employee onboarding processes, safety records and willingness to offer a transparent overview of their management fee
Future

Security

IFM contracts

- Contracts can be based on supplier self-delivery, subcontracting or a combination of both. There is a continuing shift away from defining the specifications of how to do a task (input) towards applying an output model by stating the required outcome
- Pricing models include, fixed price, for which specifications must be very clear, guaranteed maximum price, baseline model with agreed glide path reductions, open book, cost plus, flat monthly payments, management percentage fee and a schedule of rates for change requests
- The duration of IFM contracts is typically three to five years. Shorter contracts tend to deter suppliers, whereas longer contracts with defined incentives and penalties encourage innovation and a partnering culture
- Effective KPIs include those that monitor quality, business satisfaction, adherence to health and safety and regulatory requirements, response times, equipment downtime, staff turnover, and the attitude of the supplier’s employees. The trend is to reduce the number of KPIs to a limited number and place greater emphasis on a regular SRM review process
- Accurate and timely data from IFM providers is recognised as being a significant advantage of contracting with a single supplier
- Contract clauses should cover termination for cause or convenience, insurance responsibilities, indemnity, right to audit, and data management. A non-assignment clause needs to be included to prevent suppliers from selling or transferring the contract to another supplier.

Security services

- Security services are generally not included in IFM contracts due to concerns regarding risk and liabilities, as well as the need for specialist service provision. Contracting directly with security services providers enables companies to exercise more control and governance
- The security industry is evolving from employing high levels of manpower to using technological solutions such as surveillance cameras and remote monitoring systems
- High risk security requirements such as guarding for cash collection, prevention of terrorism, and VIP protection may be contracted separately with specialist providers
- Guards can be effective in performing reception duties and managing visitors, providing this does not distract them from their other security work
- A global supplier may provide security technologies and strategies which are subsequently operated and used by local security services.

Future Trends

- The market for FM services will become more mature and there is likely to be further supplier consolidation, which will impact the amount of competition in the marketplace
- The trend continues towards having global, single or dual supplier contracts to save cost, simplify management and reduce complexity
- As internal expertise diminishes, the role of IFM providers will extend to becoming a partner in the end-to-end facilities process. Their capabilities and expertise will become critical in facilities planning and implementation strategies
- The scope of IFM is likely to expand and incorporate building design and utilities management, as well as influence in decisions relating to demolition, repurposing, building materials and alternative energy provision
- The use of technology will impact contracts; for example, systems to track the path of janitorial personnel working a shift to assess and map improvement opportunities
- Contracts will increasingly be based on performance and value to manage risk
- IT server functions will increasingly move to cloud platforms, resulting in smaller scale server deployments and a shift in security requirements from physical to virtual
- Technology has enabled improved efficiencies in remote working and the growth of hot-desking, home-working and shared work stations will impact future facilities provision.
Important:

These notes are a summary of the facilitated discussions held between the delegates at various meetings. We recommend that any references, particularly to legislation, or recommendations contained herein are cross-checked by the reader in order to verify their accuracy prior to being acted upon. Any third party organisations named in this document are not recommendations but are examples of companies mentioned during the meeting that might be considered when tendering for appropriate goods or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed may also provide similar goods or services.

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