Background

CASME Round Table meetings on the procurement of facilities management (FM) were held in Paris, Melbourne, San Francisco, Tokyo, Shanghai, London and Philadelphia from June 2017 to May 2018. The following main topics were discussed:

- Strategy and scope
- Managing an IFM relationship
- IFM contracts
- Supplier evaluation and selection
- Measuring supplier performance
- Future trends.

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

Strategy and Scope

- The FM strategy is influenced by the organisation’s business objectives, workplace trends and the high expectations of employees, as well as increased emphasis on security, corporate social responsibility (CSR), and local laws regarding modern slavery and environmental health and safety (EHS).

- The primary objectives that are considered to be essential when developing the FM procurement strategy include:
  - Managing and reducing costs
  - Ensuring stakeholder satisfaction, as well as compliance and alignment with the objectives and process requirements of the stakeholders
  - Contracting the optimal number and types of FM service providers
  - Delivering services to specified levels, in order to provide a good working environment for the employees
  - Meeting environmental and sustainability targets
  - Identifying opportunities for service improvements, establishing process standardisation and best practices.

- Where a global FM strategy is being applied, exceptions may be necessary for certain countries or sites in which the company operates, due to the challenges regarding adequate supply in the local markets. Spend thresholds may be applied regarding the exceptions for outsourcing the FM services to local suppliers, or for placing the category management responsibilities with the local procurement team.

- FM strategies include:
  - Total facilities management (TFM), in which a single outsourced service provider is responsible for sourcing and managing all the FM services
  - Integrated facilities management (IFM), a popular option in which a single, outsourced service provider oversees the sourcing and management of a multi-service solution for all the requirements across the organisation
  - In-house facilities management, in which internal teams perform the sourcing and management of the FM services.

- Support for the FM strategy is gained by Procurement from the key stakeholders within HR, Facilities Management, Real Estate, IT, EH&S, Operations and Engineering. Stakeholder engagement is essential early in the process, for the development of the FM specifications, scope and contract requirements, and the assignment of responsibilities between the suppliers and stakeholders.

- The risks associated with implementing an outsourced IFM strategy include stakeholder resistance, slow or difficult implementation, and service delivery failures. Stakeholders’ expectations can be managed through effective communication by Procurement to promote the benefits, address their concerns and gain their support.

- Procurement’s role and responsibilities change as the supplier relationships become mature. Procurement conducts the sourcing and purchasing processes initially, including the supplier due diligence procedures. After implementation of the programme, Procurement leads the quarterly supplier performance reviews using data from standardised templates and reports that enable the effective evaluation of the supplier’s service delivery and the success of the programme.
Managing an IFM Relationship

- IFM providers that offer global capabilities include CBRE, Compass Group, Cushman and Wakefield, JLL and Sodexo; although they often use subcontractors to meet local and regional or specific service requirements.
- When using a single, global IFM provider to meet all the organisation’s requirements, Procurement must determine which services will be self-delivered by the primary IFM provider and what will be subcontracted, and take an active role in the selection of the subcontractors. Alternatively, additional IFM providers may be contracted directly by the company to work alongside the primary IFM provider.
- FM subcontractors must comply with the standards agreed in the main IFM provider’s contract, including the requirements within the service level agreement (SLA) and the key performance indicators (KPIs).

IFM Contracts

- During the request for proposal (RFP) process, the IFM providers should be asked to provide information regarding their sourcing procedures, job titles and roles of the project management team members, and their framework for managing the performance of subcontractors.
- The duration of an IFM contract is generally three to five years, with the likelihood of extensions based on good performance against KPIs. Five-year contracts tend to be agreed with suppliers that provide a broad scope of services, as a protection against the significant expense of transitioning to a new supplier.
- Cost models include fixed price for the duration of the contract, cost plus and guaranteed maximum price (GMP). The cost-plus model typically includes a fixed management fee, which may be based on the price per square foot, plus a percentage of the fee at risk based on performance. Generally, a fixed fee is appropriate for newer facilities; this is because the level of risk is low, and variable fee arrangements are more common for older sites due to the potential for unexpected costs. Open-book costing may also be used, with an allowance for a pre-agreed profit margin.
- The use of consultants may prove beneficial in obtaining objective, localised benchmarking information for establishing an appropriate cost model and identifying existing trends in the marketplace.

Supplier Evaluation and Selection

- Procurement takes a consultancy role in the supplier evaluation and selection process, and provides extensive market knowledge and experience of engaging suppliers and developing relationships.
- The selection of an IFM provider is complex and can take around one year to complete. It incorporates the sourcing and identification of potential suppliers, the due diligence and supplier qualification processes, the creation of a shortlist, and supplier visits to company sites, before the final evaluation and selection.
- Companies are increasingly evaluating the fees and technical proposals separately.
- The most important criteria for evaluating and selecting IFM service providers include their:
  - Scope of FM service provision and opportunities for business growth
  - Geographic coverage
  - Expertise in the marketplace
  - Ratio of self-delivery to subcontracting
  - Safety standards
  - Regulatory compliance
  - Back-up protocol and processes
  - Budget management
  - Cultural fit with the company’s values and longevity prospects for the relationship.
- To ensure competition for the incumbent IFM provider during contract bidding processes, it is essential for Procurement to work with the stakeholders and suppliers to identify factors that will interest and motivate participation from other bidders.
- Some suppliers may decline to bid for IFM contracts if there is an insufficient business proposition. Senior management support is required, to demonstrate a genuine willingness to change supplier or consolidate contracts to increase volume and encourage bidding.

Measuring Supplier Performance

- To measure performance effectively, supplier KPIs should be relevant, realistic, simple to understand and measure, and linked to the client company’s core values, such as employee safety and customer satisfaction.
Feedback surveys are completed by stakeholders and users; IFM providers complete monthly, quarterly and annual reviews and reports; and annual audits are performed by the client company.

Supplier performance is managed using KPIs that may be linked to penalties and/or incentives to motivate the consistent delivery of the expected standard of service. Due to the complexity of FM requirements, high-quality, timely service performance is often given a higher priority than cost.

The KPIs most consistently being used in all regions to measure IFM performance include:

- Responsiveness and system downtime
- Compliance with regulations
- Subcontractor management
- Innovation that increases productivity and/or reduces cost
- Diversity
- Personnel retention and service continuity
- Effective data management
- Compliance with the client company’s code of conduct and ethical practices, especially regarding human resources.

To obtain innovation from FM suppliers, the current emphasis is on positioning the company as a customer of choice. This includes incorporating information within RFxs to attract suppliers and motivate them to provide innovation; for example, the organisation’s value proposition, productivity achievements and targets, and position regarding potential supplier consolidation.

**Future Trends**

- The benefits of formal contingency planning programmes that include each site and product line are being recognised, particularly in response to economic, financial or process challenges affecting supply. Responsibility for the development and execution of the contingency plans may be with the internal site managers or the FM service providers. For critical items or services, the IFM providers can be asked to provide contingency plans for providing the services, as well as those being delivered by subcontractors.

- The trend for implementing an IFM solution is expected to continue, enabling companies to outsource services that are not their core business. Governance and supplier relationship management (SRM) practices will continue to develop, with the aim of obtaining increased transparency and a partnership environment; this is particularly important due to the significant cost of changing IFM providers.

- New suppliers, with different capabilities and specialisms, will become available in the global, regional and local markets, increasing the challenge for Procurement to find the appropriate IFM partner at the right price.

- The installation of new technology, such as smart buildings with automated heating, ventilation and air conditioning (HVAC) systems, will enable efficient energy control and data management. Remote site monitoring is likely to replace the need for security guard patrols.

- Strategies for improving CSR, environmental protection and sustainability will become progressively more important during FM contract negotiations.

- For second- or third-generation IFM contracts, consideration may be given to bringing responsibility for managing certain functions back in-house, based on the experience and knowledge gained during the outsourcing process.

- Employees may be increasingly encouraged to ‘telework’ at suitable alternative locations, for all or part of the week, rather than at a central site. This serves as a potential risk mitigation strategy, enabling business continuity in the event of disaster. Remote working arrangements reduce the overall demand for office accommodation.

**Resource Centre Links**

The following are links to the full meeting notes for each region:

- Asia, [Shanghai](#)
- Asia, [Tokyo](#)
- Australasia, [Melbourne](#)
- Europe, [London](#)
- Europe, [Paris](#)
- North America, [Philadelphia](#)
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**Important**
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