Putting the relationship first

How do you create an effective partnership during the facilities management procurement process?

Michael Owen, business development projects director at Interserve discusses how more effective partnerships and transparency between the supplier and vendor during the procurement process can achieve better outcomes for all parties involved.

Working in facilities management, I engage with organisations within an outsourcing procurement process that commonly aims to deliver “best value” property and facilities management services to the benefit of their business, people and customers.

In order to deliver increasingly effective outcomes, I believe we should collectively challenge and support each other in reviewing and adapting the procurement process, and be more transparent and open in our approach.

In considering this challenge I confess that my experience is limited, in that the majority of my work in facilities management comes from sitting one side of the fence: presenting solutions to clients. However, this has allowed me wide access into the different styles and approaches of facilities management procurement processes from buyers across the full range of market sectors. In this white paper I have considered alternative approaches that challenge the normal and safe procurement route, and captured some of my experiences of best practice procurement processes.
Introduction

Recent market research conducted by Interserve, and supported by Sheffield Hallam and i-FM, shows the facilities management market is becoming stronger; more outsourcing deals are being agreed and more businesses are outsourcing more FM services. As the market drives forward, now is the opportunity for businesses to redefine their procurement processes and discover the benefits of improved processes.

This white paper directs us to some very real issues that businesses face during the procurement process, and provides strategies to an alternative approach for overcoming these issues.

Clearly defined reasons for change

Businesses need to be absolutely clear as to what they want to achieve from the procurement process and the specific challenges they face in their facilities management provision. If you cannot clearly identify the critical issues that are creating a need for change, you will not receive a suitable and focused response from the market. Demonstrating your business has a real appetite to move towards a new model of working will encourage a positive response from the market whether that be evolutionary or revolutionary change.

If a key issue is to decrease spending then why not say it? To support this further, you can detail your affordability criteria and the order of savings that you are working towards. If service levels are inadequate, state in what areas, or the particulars of the failures, and what your vision of service excellence is. This will ensure bidders know your expectations and can work on creating a model specific to these needs.

Keep it simple and clear

Too often documents can become overly complicated and discourage suppliers. Ensure clear and simple documents using industry specific references and terminology, and with all objectives clearly stated. Suppliers need to know and understand exactly what services they are expected to offer, on what grounds and for what reasons. Making it easy for suppliers to tender will make it easier for you to process submissions. Additionally, it will enable suppliers to use their time and resources to create a solution that adds value and
Create an internal procurement community

Collaborating with people internally across your various departments will broaden awareness of the real issues your business is facing with respect to facilities management, why the need for change has arisen and suitable solutions to meet these challenges. By engaging your internal community it will assist you in understanding the need for change and how it will benefit them, and the business as a whole.

One way to achieve this is to create a steering group of your key internal stakeholders and customers and engage them in the process. This will help you reach a consensus on what the business wants to achieve from the process, but also understand the very specific and localised requirements that need to be reflected in the procurement process: blanket specifications will rarely fulfil localised requirements and only serve to create issues later on in the process.

Another advantage of forming a steering group is that it will smooth the internal authorisation process with the knowledge that there is broad consensus from key areas of the business.

Estate segmentation versus consolidation

Although single service suppliers are still favoured by some to provide more specialist expertise by service stream, this perception is decreasing and is not persuading the market to move towards a segmented approach. Recently, the market has seen a move toward estate consolidation allowing businesses to benefit from more streamlined services, both internally and externally. Better leverage of costs and management of risk, reduction in internal contract administration and consistency in service levels are just some of the benefits found when consolidating services across estates into a single supplier.

Estate consolidation can be for geographic purposes: moving to a national or global provider, or implemented across different functional activities within a business’ estate.

Suppliers should consider the business benefits of consolidation to clients when tendering, and demonstrate these to the client. Clients may choose to initially rate service benefits of consolidation ahead of any cost benefits,
allowing the supplier to influence their decision towards a consolidated approach based on a rounded value assessment.

Length of contract

Another important question is how you structure the length of the contract. While most suppliers naturally prefer longer contracts, the incorporation of ‘termination at will’ clauses diminishes the value of this commitment. Shorter term contracts, three years and below, do not generally give a supplier enough time to transition and implement its solution fully or to deliver any real innovation. It also reduces the supplier’s appetite to invest in improving service delivery, whether that be through investment in technology, personnel or the organisation’s infrastructure.

One of the best solutions may be the offering of a rolling three-year contract which is renewable annually, based upon achieving agreed levels of performance, with an agreed maximum term. Therefore if performance levels are achieved at the end of year one then the contract rolls over for another three years; if performance levels are achieved at the end of year two then the contract rolls over for a further three years; and so on. This gives a supplier real impetus and a sustainable reward for achievements, as well as encouraging both parties to build a longer-term relationship that allows for the development of a true understanding of each other’s business operations.

Communications

Communications during the tender process are moving more and more towards on-line systems and document portals which allows real time access and collaborative working in an easily manageable and recordable manner.

Frequent communications help the process as it allows the supplier to forward plan, ensuring they have the right resources available at the right time, and are able to respond within the required timeframes. Many suppliers would have little choice but to decline Request for Proposals or Invitations to Tender that appear without advance notice or which arrive six months after the submission of a request for information (RFI) when no feedback is supplied because they cannot effectively plan for the level of resource needed to fully support the client.
For the process to be truly effective, periodic telephone conversations between you and perspective suppliers should be considered in the early stages of the procurement process. This will ensure progress is being made, initial questions are discussed and all required information is made available. This will allow the supplier-client rapport to begin to build, with each party gaining an impression of how they can work with the other. As the process moves forward with a lesser number of suppliers, dialogue sessions should be considered.

Assessing cultural fit and dialogue

Recent research conducted by Interserve, in partnership with Sheffield Hallam University and i-FM, has shown communication and working together are the most important factors in outsourcing.

Organisations buy from people and businesses they trust and feel comfortable with. Therefore, attempting to build good rapport with a supplier during the procurement process may prove valuable down the track. Identifying similarities in business approach and culture between you and a supplier should be encouraged.

Too often, this type of supplier-client engagement happens only at the start of the process with a supplier briefing, or towards the end of the tender process when presentations and visits to the supplier’s client sites are conducted.

Conversely, the introduction of formal dialogue sessions throughout the process gives the opportunity to jointly explore your objectives and key issues, to discuss potential solutions, and to ensure that you positively influence the final submissions of all the bidders to get the type of solution you want. It is also an invaluable opportunity to assess each other’s teams.

Choosing to not engage in dialogue sessions can prove a costly move as you could be left with less choice and fewer options when suppliers withdraw under the assumption the process is no more than a market test, or deliver final proposals based upon incorrect underlying assumptions. Therefore, investing time in dialogue sessions during the procurement process will offer valuable returns.

Working in partnership

What type of relationship do you want to foster with the supplier? This is a challenging thought, but one that requires attention. Partnership structures are well developed in larger
outsourcing models however, as the length, and therefore the value, of the contract reduces it can impact the type of relationship that is developed between the client and supplier.

This does not need to be the case, and suppliers should be able to explain the practicalities of forming a partnership relationship and the benefits it will deliver, irrespective of the value of the contract. A partnership model should not mean creating lots of reports or governance arrangements. It should be about defining a clear supporting framework within which the services operate, with alignment of the overarching objectives, goals and targets.

As a supplier it is critical to have an idea of the client-side operational structure, so an appropriate contract governance model can be designed. The market tends to be veering increasingly towards a lean internal management team, requiring this team to pass on responsibility for tactical and operational delivery to the supplier. This approach may be a reflection of the growing maturity of the contracting organisations in delivering facilities services, but it does need to be considered carefully by each organisation when assessing its appetite to relinquish day-to-day control of service delivery.

Moving forward

The challenge now for businesses and suppliers alike is to raise the bar to achieve better procurement outcomes in facilities management. Through a clear understanding of one another’s brand value, corporate culture, business targets and expectations, specific objectives and deliverables; the right people can deliver the right solution facilitated by a flexible and engaging process.
About Interserve

Interserve's vision is to redefine the future for people and places. We are one of the world's foremost support services and construction companies, operating in the public and private sectors in the UK and internationally. We offer advice, design, construction, equipment, facilities management and frontline public services. Interserve is based in the UK and is listed in the FTSE 250 index. We have gross revenue of £2.3 billion and a workforce of over 50,000 people worldwide.

Through collaboration with Sheffield Hallam University in 2013, Interserve commissioned *Time for Change - facilities management research*. This report covers the current and future practices, and the issues and expectations of the facilities management industry.

The full report can be found at [www.interserve.com](http://www.interserve.com)