



## RE-ENGINEERING A CORPORATE REAL ESATE SERVICES ORGANIZATION

*Part II: Strategic Sourcing*

**August 2018**

**Abstract:**

*In Part I of this white paper we provided insight into the key steps and success factors associated with the process of re-engineering a corporate real estate services organization. Topics included defining key business drivers and analyzing the current environment, developing a financial baseline, analyzing the operation and the use of technology. In Part II we shift the focus to strategic sourcing of real estate and facilities services: supplier pre-qualification, bid strategy, RFP development and administration, contract negotiation and transition management.*



## RE-ENGINEERING A SERVICE ORGANIZATION

*Part II: Strategic Sourcing*

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## Strategic Sourcing

### Introduction

In Part I: Operational Review, the team identified what needs to be done and determined the optimal delivery model. Now, the focus shifts to strategic sourcing of your real estate and facilities services needs from outside providers. In Part II: Strategic Sourcing, we will examine the strategic sourcing process, including:

- Supplier Pre-Qualification
- Bid Strategy
- Request for Proposal Development
- Bid Administration
- Contract Development
- Transition Management

The first question that must be answered is whether your organization has the expertise or internal capacity to manage a complex, time consuming and resource intensive sourcing project for corporate real estate services, or whether you require the services of an external consultant. A proven and established consultant will layer their knowledge of best practices from within the industry as well as innovations from other industries on top of their strategic sourcing expertise. In some cases, the independence and objectivity a third party brings to the process can facilitate stakeholder buy-in and enhance change management.

Regardless of whether you work with an outside consultant, with your internal procurement organization, or some combination of the two, your team's involvement in the strategic sourcing process will be significant. With this question decided, it is time to move forward with the strategic sourcing process.

### Supplier Pre-Qualification

The goal for Supplier Pre-Qualification is to identify providers that are qualified to deliver required real estate or facilities services of the appropriate quality at a competitive price. For base services, this may be quite simple. However, identifying suppliers that are qualified to provide complex services for a large multi-faceted enterprise can be more difficult.

A good place to begin your search for qualified suppliers is to approach those experts within your organization who use the goods or services you intend to source. Customer organizations can typically identify at least a preliminary list of potential suppliers. Be sure to inquire about prior experience with firms on the list, anecdotal perceptions of the suppliers and other services they provide.

Reach out to colleagues in the industry, especially those who have recently completed similar sourcing initiatives. Suppliers are usually well-informed about their competitive marketplace, and are also a good source of information. Professional organizations such as the Institute for Supply Management ([www.ism.ws/](http://www.ism.ws/)), International Facility Management Association ([www.ifma.org](http://www.ifma.org)), or CoreNet Global ([www.corenetglobal.org](http://www.corenetglobal.org)) may have a directory of providers. Trade publications will contain an index of advertisers or general articles that may mention particular suppliers. Finally, industry experts who manage sourcing activities can offer some ideas; this is usually a piece of their service offering.

The team now has a list of potential suppliers - organizations that can provide some or all of the required goods or services. However, the real issue is which of these firms can deliver a quality product or service at a competitive price for the term that you need? Therefore the second step is to "qualify" the provider. Not only must the team determine which providers are qualified, they must also determine their level of interest in the opportunity.

Whether the team chooses to undertake a formal Request for Qualifications (RFQ) or Request for Information (RFI), or rely on industry experts to provide the information, four key questions need to be answered.

- What is the company profile? (financial strength, years of experience, key personnel & customer base)
- What is their product profile? (goods & services offered, geographic coverage, delivery method, quality results)
- What is their commitment to the industry? (level of investment, future roadmap, concentration of resources, standing in the industry)
- Are they willing to meet your needs? (interested in bidding, willing to accept standard Terms and Conditions (T&Cs), meet specifications)

A formal RFQ/RFI should provide sufficient information and structure to ensure the providers' responses are specific and adequately answer these four questions. A fairly typical RFQ/RFI contains:

- A brief overview of your company and its intention to source a particular good or service;
- Instructions on how and when to respond as well as contact information and a rough timeline of the potential sourcing initiative;
- A list of questions focusing on the provider's ability to deliver the service needed by your company; and,



- Any relevant attachments that the potential bidder must agree/adhere to or sign in order to be considered as a potential bidder.

Upon receipt of the responses from the bidders, the team needs to assess the information obtained from all of the providers and determines which ones will be included in the next phase of the sourcing process. This assessment should apply pre-determined weights to each response within each category. The response that most closely aligns with the desired answer should receive the highest score. Providers who cannot meet the needs of the organization should be eliminated from consideration.

## **Bid Strategy**

Development of the bid strategy is a key milestone in the sourcing process. Although we have placed this step chronologically after the supplier pre-qualification, there may be times when it makes sense to develop the bid strategy either in parallel with supplier pre-qualification, or even before, depending on the level of complexity of the bid.



In a straightforward sourcing engagement involving a narrowly defined range of services, the bidders will vary little and can be pre-qualified in advance of determining exactly how the bid will be structured. In a more complex sourcing endeavor involving a wide range of services, the bid strategy development and supplier pre-qualification steps may be best undertaken in parallel. The processes may even be iterative as information obtained from one area influences decisions in the other.

A bid strategy includes the following elements:

- The list of pre-qualified suppliers;
- A carefully determined approach to service alignment;
- A well-defined bid process; and,
- The pricing structures and contract framework.

## **Service Alignment**

Although the team has already decided what services or goods need to be sourced, several significant decisions remain. First, is there a preference regarding a single-source solution or a multi-supplier solution?

If a single-source solution is preferred, that may limit the number of suppliers that are qualified to be included. You may also need to determine the extent to which alliances and sub-contracting are acceptable when the geographies involved or number of bundled services is significant.

If a multi-supplier solution is preferred, will you bundle or split services by geography? By service line? Are some services considered core components of any bid, while others may be awarded as standalone services to alternate providers? You also need to ensure that the way you choose to bundle or split services will result in contracts and

service delivery that aligns with the optimized organizational structure identified by the team as a result of the environmental assessment and solution design.

Adequately addressing issues of breadth and depth of providers is a balancing act. Within any organization, it is important to address concerns that arise from past experience with single-source or multi-supplier solutions. What has worked well in the past, and where have challenges or problems arisen? The team's decisions regarding services alignment will have a significant impact on the most effective structure of the Request for Proposal.

### **Bid Process**

Next, the team must determine what process will be utilized to actually manage the sourcing activity. Can electronic tools be utilized to provide bid transparency, automated summations and abbreviated cycle times?

Should the bid process be an auction? A sealed bid? A formal Request for Proposal? Should it be a multi-phase bid, splitting the assessment of the desired solution from the pricing discussion? Should it be a request for proposal with explicit responses to predetermined scopes, or a request for partner with whom you then define the desired outcome?

Where innovation and creativity are required to address what might be identified as an intractable problem within your organization, you may want to consider a more collaborative Request for Solution. You may also decide to include what are often referred to as yellow-pad sessions with each supplier.

A yellow-pad session can be more collaborative than the traditional, formal and transparent Q & A process of a Request for Proposal. If held prior to the RFP development, they can be used to solicit provider feedback relative to market norms, what other clients are doing and what that particular provider believes may be an effective solution. If held post RFP issuance, each supplier can be allowed to confidentially discuss their high-level solution, receive feedback and guidance from the buyer, and collaboratively consider innovative or non-traditional approaches that may be incorporated in the final proposal. This also allows the bidders to get to know the buyer and their culture as well as ask clarifying questions of the buyer.

Finally, what are the key criteria for determining the award? How will the evaluation of the responses actually occur? What is the desired timeline for the initiative? It is important that the team understand and agrees on the evaluation methodology and the various components.

## **Pricing Structure and Contract Framework**

Now that decisions have been made regarding the services alignment and the sourcing method, focus can shift to determining the most appropriate pricing model and contract framework. There are many different ways to price services. If left to their own devices, bidders will price their services using their preferred pricing method. These may or may not be consistent across the bidders and may not be structured in a way that ensures the alignment of the bidder's compensation with achievement of the organization's desired results. As an example consider the industry standard pricing model for brokerage or construction management services. In each case the providers have historically been compensated based upon a percentage of the cost of the deal (or construction). Yet as the occupier, your organization's goal is to achieve the highest possible quality at the lowest possible cost. Unfortunately the provider is paid more as the deal becomes more expensive. This is a classic case of misalignment or perverse incentive. Whether the goal is transparency of cost structures, mitigation of risk, guaranteed maximum price, or lowest possible cost for a desired level of service, development of the appropriate pricing structure will help to enable achievement of that goal.

That being said, pricing models cannot be developed in a vacuum. Decisions about contract structure will contribute significantly to bidders' costs and therefore their pricing. In most cases distribution of risk is a key consideration for any provider. For example, if a Facilities Management company provides standard services as an agent for the owner, the primary risks of the subcontractors' performance remain with the owner, and the FM provider is responsible solely for their own negligent acts or omissions. If however, the FM provider is expected to provide services as a principal contractor and be accountable for the performance of the subcontractors they select, the cost to do so is appropriately higher as accountability is more aligned, and those costs would need to be passed onto the owner within the pricing model. Similarly, a requirement of a guaranteed maximum price requires the contractor to assume all of the risk of underbidding any aspect of the job. As a result most contractors will increment their price significantly in order to cover the additional risks.

With these decisions made, the team is ready to pull it all together and develop the appropriate type of Request for Proposal (RFP).



## Request for Proposal/Solution/Partner Development

At this point in the strategic sourcing process, the team has identified what is to be bid, who will have the opportunity to bid, and how the bid process will be conducted. Whether the team has chosen to utilize an electronic tool to manage the bid or follow a more traditional method using soft copy file transmission, the bid itself should include the same six basic components. Although organizations call the process of obtaining a bid many different things, the most common nomenclature seems to be "Request for Proposal" (RFP). The goal with any RFP process is to assess which bidder has the best solution at the best price to meet the defined goals of the organization. In order to complete this assessment effectively the team's goal will be to ensure that all of the responses are comprehensive, easily evaluated and reasonably comparable. What you don't want is widely varied responses that are difficult to compare.

Bidders will want their response to stand out from the others and to capitalize on their strengths while minimizing their weaknesses. An informal RFP with many open ended questions and limited specifications will present bidders the opportunity to submit exactly what they want you to see. Although it takes more effort on the team's part, it is far more effective to generate a detailed and specific RFP that will ensure that responses submitted by the bidders will meet your needs. As there are many names, there are also many formats that work well for an RFP. However, there are a few things you may wish to incorporate to ensure ease of evaluation:

- **Administration:** Take the time to decide exactly how you want the responses submitted. To simplify the review process, require the bidders to respond to the questions asked in the order presented, include the original question and utilize the same numbering scheme.
- **Logistics:** Be sure to clearly define that you have the right to use the information submitted in any way you choose and that any costs associated with preparing the response are the bidder's to bear. Specify exactly how bidders are allowed to interact with existing contractors or sub-contractors, employees and the bid team.
- **Business Context:** Recognize that bidders will be better positioned to bid effectively if they understand as much as possible about your goals and your organization. Include a very clear delineation of your company, the component of the organization that will be impacted by this bid, the intent of the RFP, and the necessary specifications and volume information that will enable the bidder to develop a comprehensive solution. All of the work the team has done to build the baseline and define the required service level agreements will inform the Statement of Work (SOW) as the core of

your RFP. Some organizations also opt for a pre-RFP yellow-pad session that allows the bidders to present their capabilities and ask questions relating the organization's desired goals.

- **Approach/Solution:** In an earlier step the team defined the bid strategy, which included determining what criteria would be used to evaluate each response. Craft the actual questions about "how" the bidder will provide the required services in such a way that you will be able to easily evaluate them on those same criteria. Develop specific questions that are focused on one concept at a time. Ask for appropriate supporting documentation and exhibits as appropriate, such as organizational charts, workflow diagrams, sample reports and specific case studies to support the text responses. If a particular response must be submitted in a specific format to facilitate analysis, provide a template that ensures the response will be submitted in that format. We strongly recommend that you develop the pricing model and ask each bidder merely to populate their response, so that both you and they can see the resulting total cost of their bid; and so you can easily compare one bid to another.
- **New Ideas:** Provide the bidders an opportunity to make suggestions, offer modified approaches, or demonstrate innovation and creativity. However, you want to make sure the bidder answers the questions you asked and provides the quote in the manner you need, so limit their opportunity to be creative to a single stand-alone section. Bidders should be required to offer a very clear business case for their alternative solution, including a cost justification.
- **Service Agreement:** When assessing a bidder's suitability to provide the services, many factors come into consideration including proposed approach, team, pricing and general company qualifications. Another key factor is the ability of your two firms to work well together. As the buyer of the service, your legal contract/master service agreement (MSA) should set the expectations. Take the time to include the actual agreement within the RFP and require the bidders to comment on their willingness to accept your terms and conditions and any modifications they would require. This is the time when you have the most negotiating power. There is nothing more frustrating than selecting a supplier, investing a tremendous amount of time and commitment to make the business deal and then finding out there are legal obstacles that cannot be overcome.

Once you have created the RFP, you will have many choices for its distribution. Over time, eSourcing tools have become more sophisticated and some may be able to handle intricate services RFPs. Depending on the tool, you may be limited to

conducting a reverse auction on the pricing component or just distributing the questions and gathering the responses electronically. The more sophisticated tools also allow you to grade (score) the responses and turn the winning response into a contract. Whether you use an automated tool or not, it is important to be sure that all bidders responses are fully assessed and scored by the team.

A successful RFP process requires a significant amount of work prior to the drafting of the document itself, but the results exponentially outweigh this initial effort. Too often we see companies issue an RFP without a full understanding of what they are doing today, their needs going forward, and how to measure the provider once selected. This often results in dissatisfied internal customers, higher costs, distrust of the suppliers and overall failure to achieve the desired result.

## Bid Administration



As with the other steps in the sourcing process, bid administration can be relatively straight forward and simple, yet it is fraught with potential pitfalls. The goal is to ensure the bid runs smoothly and that the team has sufficient valid information at the conclusion of the phase to award the contract. To reach this goal, successful bid administration consists of three primary factors: a solid process, excellent communication, and consistent application.

**A solid process is the foundation for effective bid administration.** Prior to issuing the bid, the team should clearly identify each step in the process and then stick to the schedule as much as possible. All bidders should be provided an opportunity to submit questions about the RFP. Whether the format is written (or email) questions, via a teleconference or in a face to face bidder conference with all bidders in attendance, responses to all questions should be provided in writing to all bidders. This will ensure a consistent bidding environment. The forum for capturing bidder questions should be determined based upon the complexity of the RFP, the composition of the bidders and the benefits that might be gained with on-site visits or tours. Most importantly, questions and responses should occur within a pre-determined time limit to avoid delay of the bid. During the bidders' response preparation timeframe, communication between bidders, employees, existing contractors and sub-contractors should be very carefully managed to minimize disruption and opportunities for miscommunication.

Once bids have been submitted, the team should analyze the responses in view of the criteria that were developed during the bid strategy phase. Questions and clarifications should be documented religiously, in writing. For more complex RFPs, allowing the bidders the opportunity to present their proposed solutions at individual bid presentations is a superb way to enable the team to evaluate chemistry of key players and to get a really clear pictures of the offerings. To get the most value and most accurate information out of the bidder interviews, request that the bidders bring the specific operational team that will be responsible for the account and limit the time the bidder can spend on company profile and generic "sales pitch" information. Center the interview on the team's questions and the bidder's solutions. If technology solutions are proposed, request a live demo.

The final step in the process is to score and rank the bid responses. All team members should use the same objective evaluation matrix that takes into consideration the relevant insight or importance of each criterion. The criteria, the scoring system, and the points of evaluation should all be pre-defined and be implemented consistently by each member of the team. Although this process may seem bureaucratic, in reality utilization of a clearly defined, consistent series of scheduled steps will bring the team to a solid conclusion, while ensuring that no issues are left uncovered.

**Excellent communication is the second key building block to good bid administration.**

Throughout the process it is important that the team communicate effectively with each other, with the bidders, and with key stakeholders. Stakeholders can be anyone likely to be impacted as a result of the initiative. Typical stakeholders would include staff who are currently involved in the provision of services, business unit management and employees who are users of the service and related entities within and outside the company who interact with or are dependent upon the current service delivery mechanism including other suppliers, internal support teams, and outside entities such as labor unions. All communication should be clear, concise, and targeted to the audience in a way that will most effectively mitigate any concerns they may have and keep the relevant parties involved in the ultimate solution.

**Finally the third and most critical factor to bid administration is consistency.**

Throughout the process, in all communication, documentation and activity, it is critical to maintain consistency. The team needs to ensure all actions remain consistent with the originally defined objectives and drive toward the desired goals. All bidders need to obtain the same information in a consistent format from a single source with a single message. And finally, any award decisions need to be made consistent with the criteria defined (that are aligned with the desired outcomes). Although this seems rather obvious, it can be difficult to maintain so much consistency throughout a complex initiative that extends over many members and impacts many stakeholders.

## Contract Development and Negotiation

Contract Development is the capstone process of Strategic Sourcing. Today's contracts often do not place enough emphasis on what is truly important to the success of the deal over the long-term. For example, the development of the scope and service level expectations, defining the desired outcome and goals of the relationship and developing the right governance model (change management, communication, reporting, etc.) are all critical components of the deal that if not defined thoroughly in the contract can lead to breakdowns in the relationship. Of course good contracts also thoroughly document the business and legal agreements that govern the relationship such as pricing, limitation of liability and indemnification. They should be relatively easy to follow and understand. Countless business relationships fail due to poorly documented contracts. In this section, we define eight critical issues to consider during the negotiation and documentation of successful contracts.

### CONTRACT FOCUS



#### Today's contracts often focus on the wrong things

- Price/charge/price changes
- Payment
- Limitation of liability
- Invoices/late payment
- Indemnification
- Service withdrawal or termination (cause/convenience)
- Service levels and warranties
- Business continuity/disaster recovery
- Confidential information/data protection
- Liquidated damages

#### They should focus on...

- Scope and goals
- Change management
- Communications and reporting
- Responsibilities of the parties
- Service levels and warranties
- Price/charge/price changes
- Limitation of liability
- Delivery/acceptance
- Dispute resolution
- Indemnification

Source: International Association for Contract and Commercial Management

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### Know and Document the "Deal":

The cardinal rule of contract negotiation is: "If it's not in writing, it's not the deal." As noted throughout the earlier phases of this process, the team has taken the time to thoroughly understand the business and financial aspects of the desired relationship with the provider. This is the time to ensure that the agreement you enter into with the supplier accurately reflects all of your efforts. The contract becomes the only legally binding document between Owner and provider; all prior written and/or verbal agreements are null and void unless they are embodied within the contract documents. Avoid the temptation to rely on "relationships" and verbal understandings. The fluidity of staffing within both organizations is likely to mean that those involved in the deal initially will not continue to be involved over the life of the contract. Details may be lost and later become the source of contention between parties.

A disciplined sourcing process provides a strong foundation between the owner and the supplier; each understands the other's commitments and expectations. The contract should accurately document the critical issues but also allow for modification



as business realities change. Official "trigger events" should be incorporated into the deal structure such that if business drivers significantly change, or aspects of the service delivery required significantly deviate from the agreement, each party has the right to take certain actions up to and including the right to terminate the contract.

### **Understand the Provider's Key Business Drivers:**

Know what is important to your provider. Where are they negotiable? Are there some items over which they have no control? With an effective RFP process you should have already eliminated any providers who responded with "deal breaking" issues during their initial submission. Therefore, the final contract negotiations should be relatively straightforward.

### **Determine the Right Drafting Strategy:**

Typically contracts are drafted to favor the drafter. Similarly in the event of litigation any lack of clarity in the contract will most often be determined against the drafter. Which form is used often depends on the relative strength of the owner and supplier within the particular marketplace. Wherever possible you should utilize the form that best meets your needs. In most cases, this will mean drafting the primary contract with your own attorneys or advisors. Be certain to obtain qualified counsel with deep experience in the specific area under review. This is not the time to use general counsel.

### **Don't Abdicate Negotiation Responsibility:**

Every contract is a combination of terms and conditions that have a legal basis and/or a business basis. Far too many business representatives willingly abdicate responsibility for negotiation of the terms and conditions of an agreement to their lawyers. The greatest asset that any skilled negotiator has is a good lawyer who is focused on making the deal while protecting the company's interest. However, it is the responsibility of a good contract negotiator to manage all parties involved in the process to ensure the successful execution of a solid contract.

### **Tenaciously Guard Key Provisions Affecting Financials:**

Several contractual terms have the potential to affect the financial agreement between the owner and supplier significantly, these are: limitation of liability, indemnification, and insurance. Although of limited consequence when the relationship is healthy between owner and supplier (financially and/or operationally), each of the foregoing have the potential to increase the financial exposure of the owner substantially, while decreasing the financial exposure of the supplier. Understand the interplay between these provisions and how to negotiate them effectively in order to minimize negative financial consequences.

### **Address Termination and Exit Strategy:**

After the lengthy courtship of the sourcing process, and the excitement inherent in the award decision, it is often difficult to think about "the end" of the relationship. Unfortunately, this is the only time you will have the power to negotiate your rights upon termination. Whether the relationship terminates amicably or bitterly, you must plan for the probability and provide appropriate exit mechanisms. Termination rights should be negotiated for conditions of cause and/or convenience (without cause). Such rights should address financial penalties based upon the risks borne by each party over the life of the agreement, the transition of data, personnel, systems, and processes, rights of ownership of intellectual property and items developed by reimbursable staff. In outsourcing scenarios, you should negotiate unopposed rights to hire critical staff at termination (at no cost to you), transferable to your designee.

**Incorporate Strong Performance Measures and Incentives:**

At the end of the day a contract full of wonderfully crafted, expertly negotiated legal terms and conditions, is only as good as the performance management measures inherent within it. In this series, we provided insight into the benefits of detailed Service Level Agreements. These documents, crafted initially for your RFP, become the Statement of Work in the final contract. Coupled with Key Performance Measures, the SLAs serve as vital elements in the management of supplier performance. You can manage supplier performance very effectively when the provider's performance actually drives total compensation. However, the only way to ensure these measures receive the full attention of the provider is to document them in detail in the contract, and explicitly tie performance to compensation payout. After the contract is executed performance management will become part of the governance structure that we will be discussing in Segment III.



## Transition Management

Whether the decision is to reengineer internally or outsource part or all of your service organization, a well conceived, well executed transition plan is potentially the most critical step in the entire process. Many well-intentioned reengineering and outsourcing initiatives have stumbled or failed due to poorly executed transitions. In this section we define five critical components to consider when approaching the transition phase of a major reengineering or outsourcing effort.

### 1. Establish a Dedicated Transition Team:

To begin, establish a "transition team" responsible for directing the implementation. It is important to recognize that to be successful the transition team needs to include representatives from key areas such as Human Resources, Information Technology, Procurement and Finance, in addition to the operational management team. Most, if not all, reengineering or outsourcing initiatives will affect issues such as job position reclassifications, compensation and employee benefits, integration of new technology systems and applications, contract agreements and/or supplier relationships, payment or funding arrangements, and financial reporting requirements. As such, it is imperative that these internal areas are fully informed of the proposed changes, understand the related implications, and are involved in the transition planning and implementation process. Further, given the complexity and magnitude of any transition process, it is important to allocate a sufficient number of resources to the transition team and to enlist "dedicated leadership" whenever possible.



### 2. Utilize a Formal Process:

Once the transition team is established, conduct an in-depth kick-off meeting with all team members to review and confirm the project goals, implementation strategies, critical success activities (mobilization, technology integration, staffing, processes, business controls), sequencing of events and target milestone dates. It is recommended that the transition be completed "swiftly", but not be rushed. There are too many complex issues and integration points and too much exposure to risk moving too rapidly during the transition phase.

Make sure the entire team is prepared to implement the changes in a synchronized fashion within a timeframe agreeable to all parties. Your organization will be very visible during this time; it is far more important to do it "right" than to do it "fast". Clearly document roles and responsibilities of all parties, agree on deliverables and timeframes, and schedule regular weekly or bi-weekly meetings with all parties required to attend.

It is important to recognize there are three primary aspects common to most transitions that must be incorporated into the formal process plan: operational; human resources; and communications.

- The operational aspect of the transition deals with issues related to implementation of new processes and procedures, organizational alignment, technology and automation, reporting tools, business controls and performance measurement mechanisms. It is essential that the operational team clearly document all new procedures, establish consistent methodologies and fully integrate the needs of the end-user and related stakeholders.
- The human resources aspect deals with migrating employees into the new environment which can involve hiring/termination issues, job descriptions, pay scales, even union considerations in some instances. Keeping human resources activities at the forefront of any transition is critically important. Very often, key employees are frightened of the pending transition and will leave the organization before exploring their opportunities under the new scenario. Encourage employees to evaluate their options within the new environment before considering any job changes.
- The communication aspect of the transition is perhaps the most critical. Communication of the goals and objectives, benefits and intended outcome of the reengineering /outsourcing initiative need to occur at multiple levels within and outside your organization. The value of communicating with the executive level can't be emphasized enough. It is critically important that the executive management team understand the goals of the project, related impacts, timing, projected savings and performance improvements. Develop a specific and direct communication plan for each of the impacted parties, including employees, business unit/end-user customers, suppliers and internal partner suppliers.

### **3. Embrace Continuous Improvement:**

As the transition gets underway, take a leadership role and embrace continuous improvement. Establish a feedback mechanism to identify service improvements and opportunities to lower costs. Place a strong emphasis on training and employee

retention to ensure your team's ability to deliver. Set aggressive improvement targets in customer service, quality, and cost savings and engage everyone in your operation in the development of those targets.

**4. Abolish the Use of Old Practices:**

If after the successful planning, communication and implementation of the "new model" the departmental staff, customers or suppliers continue to use "old" practices, the success of the project will be greatly diminished, or could be considered a total failure. It is imperative that the benefit of the new processes are clearly communicated to all involved, and appropriate business controls are put in place to prohibit the use of practices and procedures that relate to the prior environment, which ultimately undermine the efficiencies of the new model.

**5. Measure Performance and Report:**

Recognize that you know your own department better than anyone else. You have already established a very clear picture or baseline of your operation, competition, customers and industry. Be equally well versed in the vision, operations and financial

|               |            |
|---------------|------------|
| Strengths     | Weaknesses |
| Opportunities | Threats    |

aspects of your new model. Be very specific and very accurate. Understand the underlying drivers to your costs, operate your department with an entrepreneurial mindset and be able to clearly articulate your value proposition. Share the impact of objectives as they are met. Communicate progress frequently toward the goals. Use a consistent format. No matter how often you communicate it, someone will claim to be unaware of the program or the results. The number one rule is never assume anything. Use multiple methods for

communicating the same message, and repeat it often.



## Closing

Now that we have completed the strategic sourcing of your real estate and/or facilities services that were identified in our initial recommendations and managed through the transition, our next focus is to ensure that we derive the expected value and benefit from these new relationships.

In Segment III of **Re-Engineering a Corporate Real Estate Services Organization**, we will cover a complex collection of topics, including governance, supplier management and performance management as well as some of the tools that support the implementation of a comprehensive supplier performance management strategy.

## About SIREAS, LLC.

From high-level corporate real estate strategy to organizational design and performance, SIREAS, LLC provides incomparable real estate consulting. SIREAS has expertise in solution design, portfolio and supplier management and sourcing. We enable corporations to streamline their operations, improve service delivery, and increase shareholder value. We provide integrated strategies for reducing costs, as well as portfolio management, workplace optimization, talent retention, facilities services, outsourcing and supplier decision making and governance.

Our leadership includes co-founder and Executive Chairman, Michele Flynn, co-founder, President and CEO Ingrid Fenn and Managing Director Chuck Fuller. Together, they have decades of visionary real estate leadership that offers a unique perspective on both the supplier side and the client side of the industry. They have been the driving force in real estate management's shift to performance-based service delivery models. This approach develops more extensive collaboration and aligns both expectations and the interests of both suppliers and facility management organizations. It provides a truer partnership that is linked directly to desired outcomes.

SIREAS has also been named a Vested® Center of Excellence; Vested is a sourcing business model that fosters a highly collaborative environment. Vested® partnerships are designed to enable true win-win relationships in which both parties are invested in each other's success.

