



TRASCENT

MANAGEMENT CONSULTING

RE/FM Strategic Evolution: Sourcing Lessons Learned

By George Bouri
Managing Principal, Americas

The rise of Real Estate and Facilities Management (RE/FM) as a strategic entity is well underway at some large enterprises. Meanwhile, at other companies, RE/FM teams are still trying to shift upward toward more engagement with the business and increased alignment with the C-suite. In either case, RE/FM leaders must bear in mind a number of critical lessons learned, especially as they relate to the role of sourcing in RE/FM. By building highly productive and mutually beneficial supplier relationships, RE/FM organizations can invest more time and resources on engaging with the business and becoming strategic thought partners.

It's important to note the diversity of these lessons learned – they cover everything from supplier governance and contracting to communications and technology. Collectively, these factors can serve as useful guideposts on a journey of strategic transformation and performance optimization. Further, they suggest the broad range of opportunities that exist for RE/FM leaders seeking to make a greater value contribution to the business.

- 1. Sourcing decisions must focus on the WHY and HOW as much as the WHAT.** Too many companies start with a laundry list of services that they currently provide and start to seek ways to lower delivery costs. Outsourcing a broken or inefficient process is not the solution to addressing why that process was not working in the first place. A better way is to start with a clear vision of why outsourcing can be beneficial to addressing the underlying process/service and identifying the benefits the business will derive in ways that transcend cost cutting. Then, you can focus on the how – that is, building a strong and effective sourcing process, built on best practices for RFPs, clear evaluation criteria and other factors that allow suppliers to bring their A-games and suggest ways to build high-value relationships.
- 2. Best practices and benchmarks vary by industry, facility type and other factors.** There is simply no one-size-fits-all answer to questions of optimal cost targets, service delivery models or partner incentives. Industries, geographies, facilities footprints, type of facility and workforce composition (age, skill level, union vs. non-union, etc.) are simply too different across companies. Further, the maturity of delivery capabilities will determine the various cost and performance targets that make sense for companies seeking new sourcing relationships or refined service delivery models. In other words, companies should take the time to review and define the precise role to be played by, and services to be offered by, RE/FM organizations. Once these are well understood, an “apples to apples” comparison can be effective.
- 3. Sourcing shifts require change management for the duration.** Experience tells us that changes to RE/FM sourcing models are invariably disruptive events and that achieving full ROI requires effective organizational change management (OCM) to be embedded into the sourcing strategy well before it is rolled out. From senior leaders to individual employees, people impacted by the change must understand the near-term implications and longer-term business case. “What’s in it for me?” “Why is this an important change for the business?” “How will specific processes be impacted?” “How will we treat our employees?” These are among the key questions that must be answered.
- 4. Great sourcing relationships start with strong RFP processes.** We’ve seen too many cases where the RFP process becomes a default strategic planning exercise. That is, companies figure out what they’re looking for once they start asking suppliers about their capabilities. Optimally, the RFP process can be used to refine a strategy, with suppliers making value-added recommendations to facilitate the achievement of core objectives that are clearly articulated in advance. External suppliers can provide valuable input throughout the RFP process if they are encouraged to do so. Engaging with the suppliers well in advance of launching the RFP (and the RFI) will add significant value to the process.

- 5. Focus on collaboration and information sharing from day one.** The most effective RFP processes are notable for their transparency and two-way dialogue. That's how sourcing relationships can get off to a strong start and build a foundation for ongoing collaboration. Regular reviews of relevant metrics and incentives can help service levels and costs stay on track, while ensuring alignment to big-picture goals. An additional benefit: a smoother process when KPIs need adjustment over the life of a contract, as they inevitably will.
- 6. Negotiate with the relationship in mind.** The goal of contract negotiations is not to create the perfect contract, with the ideal terms, but rather about creating a reasonable contract that has the flexibility for course corrections and appropriate modifications as business conditions change or unexpected events take place, as they invariably will. More importantly, how you treat the relationship during the RFP process and through negotiations will either build a foundation for a long-term partnership or a tense and potentially antagonistic relationship from the start.
- 7. Leverage partners to shape the technology strategy.** More powerful and sophisticated technology is reshaping the RE/FM landscape. ERP, SaaS, cloud-based services, BI tools, IWMS and other solutions offer distinct upside for leaders who can harness the tools for improved decision-making, integration into broader enterprise systems and more effective performance measurement. Many suppliers have firsthand knowledge of emerging toolsets, or even their own proprietary software. Thus, they should be part of the critical technology dialogues RE/FM leaders must be leading.
- 8. Engage the business for leadership.** Though RE/FM teams may "own" the relationship with some external service providers, the terms of those relationships must be shaped by clear business input. In other words, relationship managers must understand precisely how the services delivered by outsourcing partners impact the business and what levers may be adjusted to boost performance. Clear engagement with the business may be the most important enabler of the strategic evolution with RE/FM, and gaining guidance and inputs that can help optimize supplier relationships is one of the most valuable outputs.

ABOUT THE AUTHOR

George Bouri, Managing Principal, Americas



George Bouri is a Member of the Global Board of Trascient Management Consulting, LLC and the Managing Principal for the Americas region, with over 20 years of combined senior-level management consulting and corporate experience. Prior to joining Trascient, Mr. Bouri served as Senior Vice President of Global Shared Services Real Estate and Facilities for Time Warner Inc. and has held senior management positions at Deloitte Consulting, Andersen Business Consulting, Sun Microsystems, Hewlett-Packard and Richard Ellis (now CBRE). George has been frequently featured on broadcast media and quoted in national media publications, such as *The Wall Street Journal*, *Forbes*, *Fortune Magazine* and *San Francisco Chronicle* as well as many leading industry journals.

ABOUT TRASCENT MANAGEMENT CONSULTING

Trascent, a premier global management consulting firm, drives measurable performance improvements in Real Estate and Facilities Management (RE/FM). The firm partners with leading companies in biopharmaceuticals, consumer packaged goods, diversified industrials, financial services, high technology and other sectors to develop breakthrough solutions and generate quantifiable results. Trascent's top-rated industry conferences have been attended by senior RE/FM and business leaders from more than 80 companies in the United States, Europe and Asia.

Our services include:

- Sourcing Strategy
- Outsourcing Implementation
- Technology Strategy
- Supplier Governance Solutions
- Performance Benchmarking
- Operational Excellence
- Market Intelligence
- Real Estate Transformation

To learn more about Trascent and our breakthrough performance solutions in RE/FM, please contact:

Yvonne Liu, Director, Marketing
+1 (646) 295-4299
yliu@Trascent.com
www.Trascent.com

