

Central Pennsylvania Chapter

International Facility Management Association

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Service Contract Value Management

Process Control for Savings, Reliability and Customer Satisfaction

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Service Contracts

Contract Services

- *HVAC*
- *Filter Management*
- *Automation, Sensors, Alarms*
- *Elevators, Escalators*
- *Security*
- *Housekeeping*
- *Pest Control*
- *Landscape*
- *Food Service*
- *Mailroom / Document*
- *Mobile Equipment*
- *Furniture Management*
- *MRO Inventory Management*
- *and More*

Professional Services

- *Strategic Facility Consulting*
- *Asset Management*
- *Master Planning*
- *Space Planning*
- *Engineering, Architecture*
- *Facility Management*
- *Information Technology*
- *and More*

Profile of the Group

- Written Specs / Compiled Bid Packages?
- Written Proposals?
- Negotiated Contracts?
- Sought Revenge on #%^&! Who Created a Mess!

Profile of the Marketplace

- Results you expect?
- Qualities you value?
- Keys to successful buy?
- Ways contractors need to improve?
- Ways owners can improve procurement?

"The Buy"

Theory *Theodore Levitt, 1976*

- *Specified – "as stated"*
- *Expected – "as assumed"*
- *Potential – "the possible"*
- *Ideal – "the imaginable"*



Practice

- *Process Discipline*
- *Asset Reliability*
- *Happy Stakeholders*
- *Lower Costs*
- *Longer Asset Life*
- *Accountability*

Begged Questions

- ❑ Owners specify, contractors bid, workers perform by their best lights; so who really defines the scope of work?
- ❑ How do commodity specifications encompass value-adds for savings, reliability, extended asset life and customer satisfaction?
- ❑ How do service contractors help engage users to reduce work requirements, curb waste and save big money?
- ❑ What defines the relationship with service contractors: partners, extra-hands or scapegoats?
- ❑ What are the facility manager's supervisory responsibilities?
- ❑ What assures compliance, without becoming a cop?

The “Big” Questions

- We hire top companies to perform our PMs – why breakdowns?

Cummins Engine

- Why do contractors up-sell instead of up-serve?

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- How do we update and validate our specifications?

Toyota

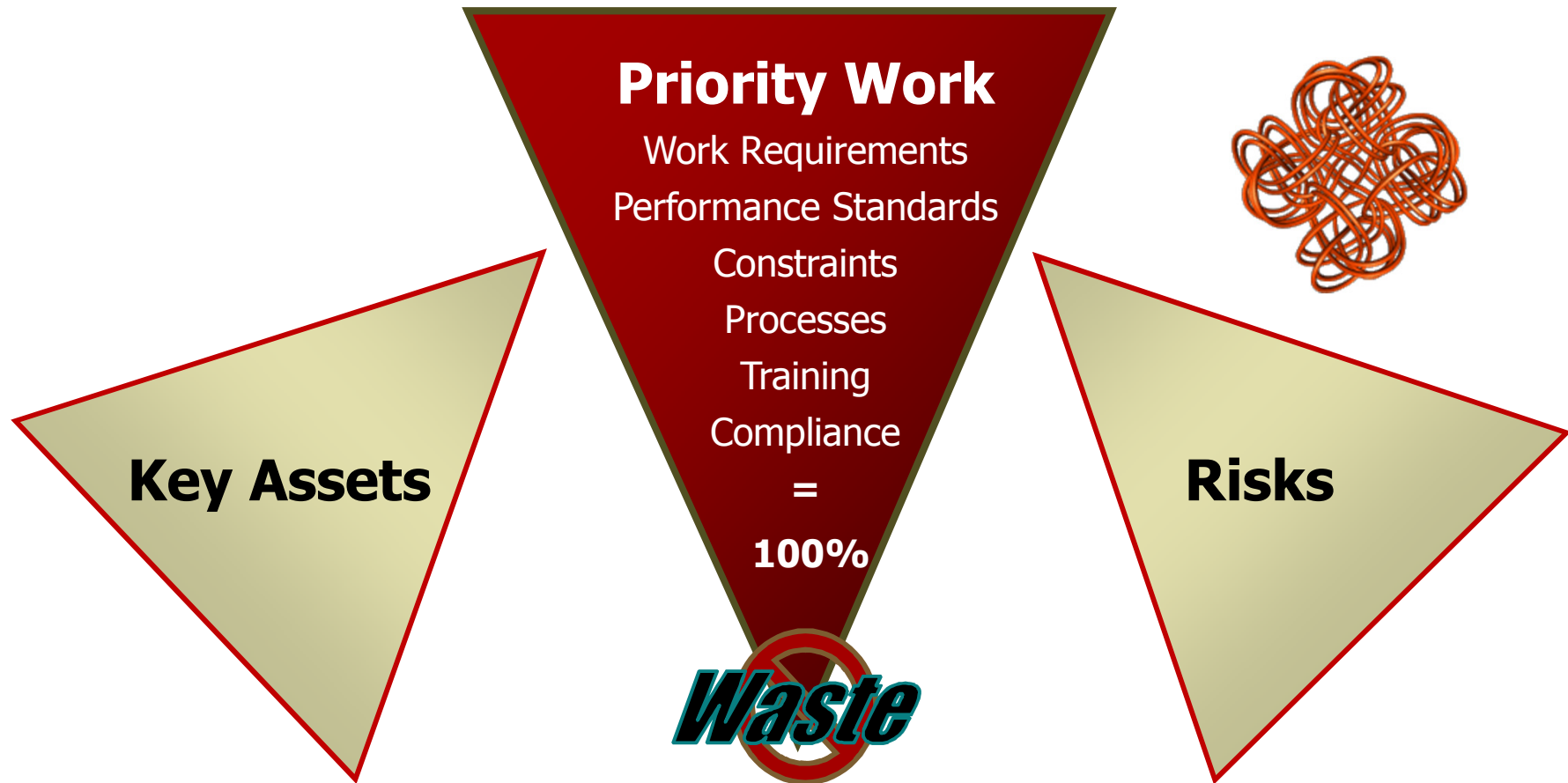
- How do we get better value from our contractors?

General Motors

- How do we become better leaders?

Wayne State University

Lean Scope Priorities



100% Execution of Scheduled Priority Work
(Required Operating Tasks and PM's)
Zero Tolerance for Defaults to Competing Demands

Define Scope Ambitiously

Issues

- *Customer Service Agreement defines standards & acceptable risks?*
- *Raise the bar or same ol' legacy tasks?*
- *Scope reflects dynamic conditions vs. Illusion of “fixed” scope?*
- *Management process and performance measures?*

Actions

- **Objectives** – *Set goals for Continuous Performance Improvement*
- **Tasks** – *Define risks, priorities and opportunities*
- **Metrics** – *Benchmark to Peers / Best-in-Class*
- **Standards** – *Engage vendor expertise to build business case for RFP*

Yardsticks

- *Customer Service Agreement compliance*
- *Operating improvements, extend asset life and savings*

Cummin's Clear Objectives

Zero Critical System
Downtime
(Scope & Standards)

100% Workforce
Proficiency
(Capability Growth)

Zero OT
(BWA Supervision)

Zero Customer
Call-backs
(Lean Alignment)

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Buy Dynamic Relationships

Issues

- *Whose rules? Who's driving the Purchasing and Facilities partnership?*
- *How will Facilities engage and educate Purchasing on opportunities?*
- *Legacy predispositions and boilerplate specs limiting scope?*
- *Resource limitations stunting creative thinking & approaches?*

Actions

- *Build strong business case and shared objectives*
- *Intensify partnership criteria for vendor approvals*
- *Enhance Purchasing's long-term stake in the contract*
- *Benchmark Purchasing's processes against peer organizations*
- *Detailed, collaborative start-up plan with milestones for team integration*

Yardsticks

- *Purchasing / Facilities partnership*
- *Value gains and cost reductions*
- *"Buy" never ends – evolves through stages*

Classic Procurement vs. Service Contract Value Management

Classic Procurement:

- ❏ *Specification - Detailed Asset Data*
- ❏ *Fixed Price – Fixed Scope*
- ❏ *Fixed Annuity – Escalation*

Contractor:

- ❏ *Validates Asset Data – Specification*
- ❏ *Frequency-based Task Schedules*
- ❏ *Adapts Fixed Scope to Dynamic Reality*
- ❏ *Opportunistic Profit Mindset*
- ❏ *Cost Reduction = Profit, (Not Savings)*

Contract Manager:

- ❏ *Monitors for Compliance*
- ❏ *Squeezed in the Middle*
- ❏ *Audit-Driven (“Drive the Data”)*
- ❏ *Variance Appropriations*

Implementation:

- ❏ *Big Front-end Effort, Investment*
- ❏ *Delayed Launch*

SCVM Procurement:

- ❏ *Performance Guideline*
- ❏ *Fixed Price – Dynamic Scope*
- ❏ *Cost Model – Annual Savings*

Contractor:

- ❏ *Develops Facility Operating Plan*
 - ✓ *Detailed Asset Data*
 - ✓ *Detailed Operational Data*
 - ✓ *Detailed Performance Data*
- ❏ *Manages Variables*
 - ✓ *Occupancy and Access*
 - ✓ *Customer Priorities and Expectations*
 - ✓ *Conditions of Use, Seasonal Weather*
 - ✓ *Workforce Training*
- ❏ *Manages for Improvement*
- ❏ *Eliminate Waste*

Contract Manager:

- ❏ *Supports Contractor Initiatives*
- ❏ *C3 – Customer, Conditions, Contractor*
- ❏ *Performance Driven (“Drive the Delta”)*
- ❏ *Variance Re-allocations*

Implementation:

- ❏ *Less Front-end Effort, Investment*
- ❏ *Faster Launch, Current Year Savings*



Integrate Management Systems

Issues

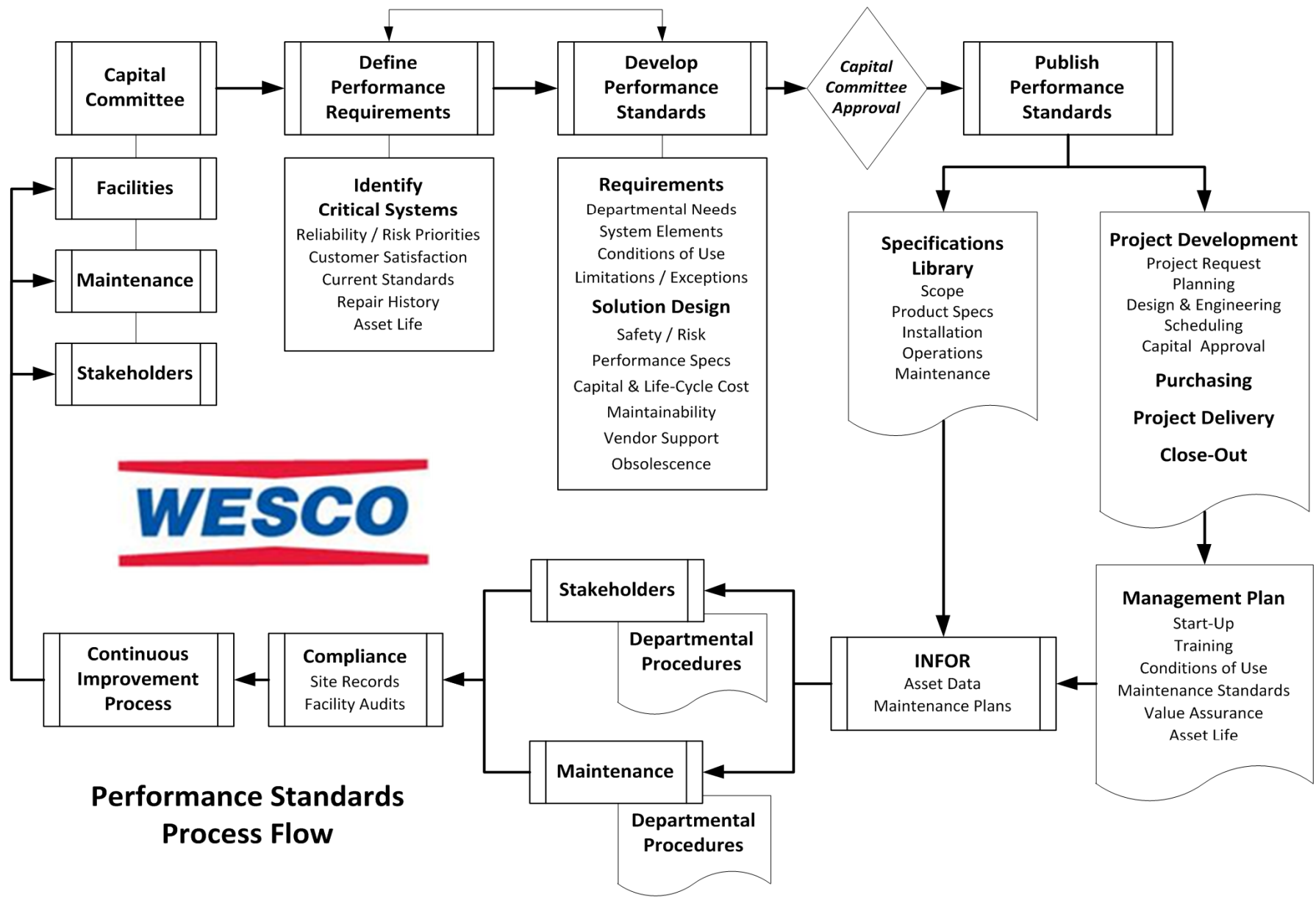
- *Links across internal FMIS, CMMS, BAS, ERM, proprietary client-ware?*
- *Integration of vendors' proprietary management systems?*
- *Plan for orientation, mobilization, normalization, optimization of technology?*
- *Logistics for resources, material, tools & equipment, chemicals, consumables?*

Actions

- *Define requirements for the technology and process control*
- *Improve work processes to meet performance goals and reduce costs*
- *Effectively apply technologies to support process improvements*
- *Measure and report performance gains and savings, not generalizations*

Yardsticks

- *Achieve targeted improvements*
- *Evidence-based progress toward lean processes*
(small work teams, continuous flow, standardized work, continuous improvement)



**Performance Standards
Process Flow**

Communicate Relentlessly

Issues

- *Commitment to a customer-based facilities quality vision and process?*
- *Interaction with Senior Management - “getting to the Boardroom”?*
- *Liaison among vendor, facilities team, user?*
- *Availability of supervision to engage service contractors?*
- *Reporting formats, schedule, venue, agenda?*

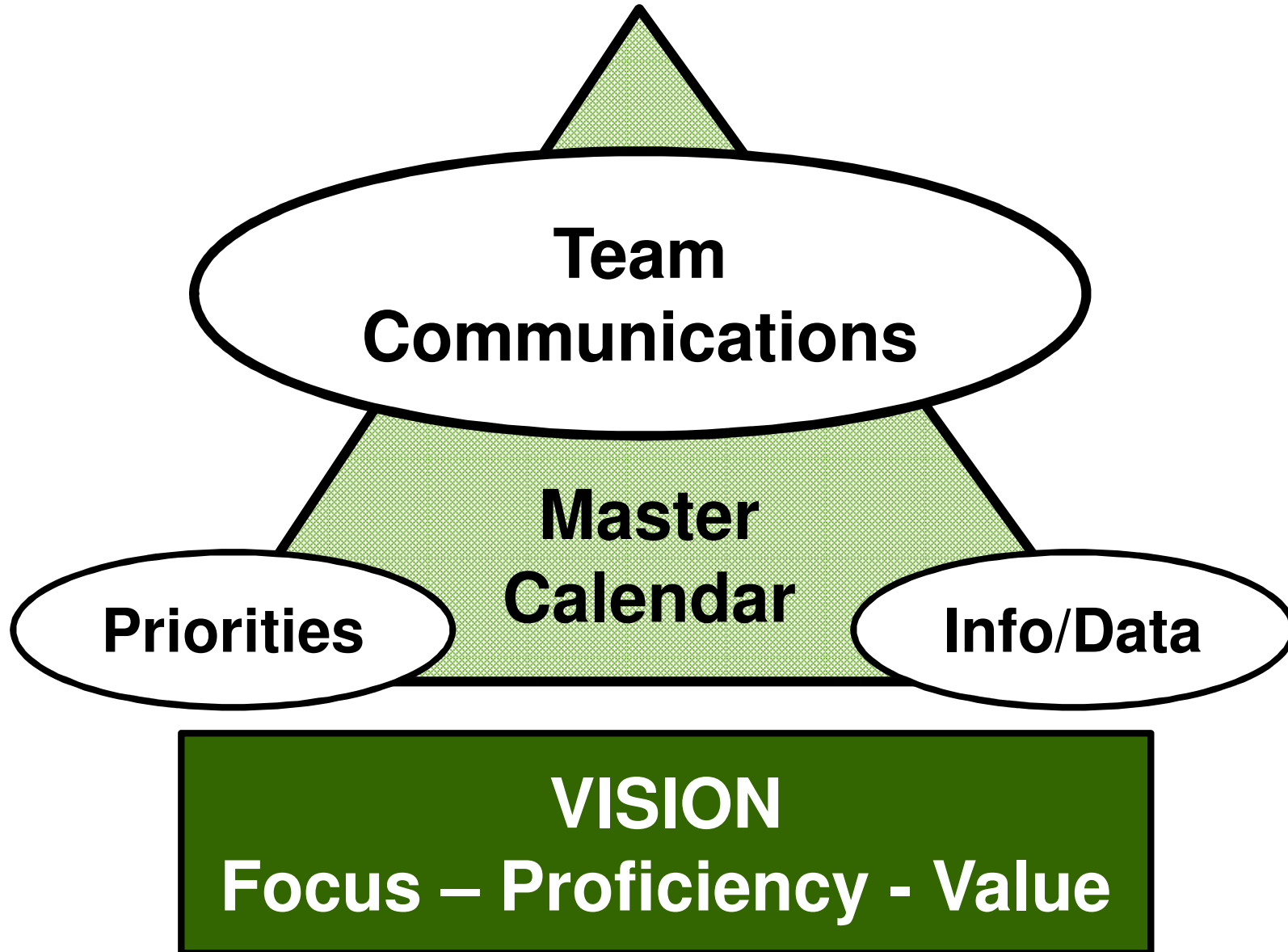
Actions

- *Customer Service Agreements = Scope*
- *Manage operations to Customer Service Agreement*
- *Align vendors, facilities and users to common tasks - “sustain the gain”*
- *Eliminate distractions, waste, minutiae that distracts from creating value*

Yardsticks

- *Achieve value gains based on Customer Service Agreement*
- *Facilities integrated into Senior Management’s processes*

Wayne State's Communication Structure



Manage & Supervise Aggressively

Issues

- *Customer Service Agreement drives roles and goals?*
- *Pro-Active vs. Re-Active*
- *Face time, performance focus for service contractors?*
- *Contract administration procedures and assignments?*

Actions

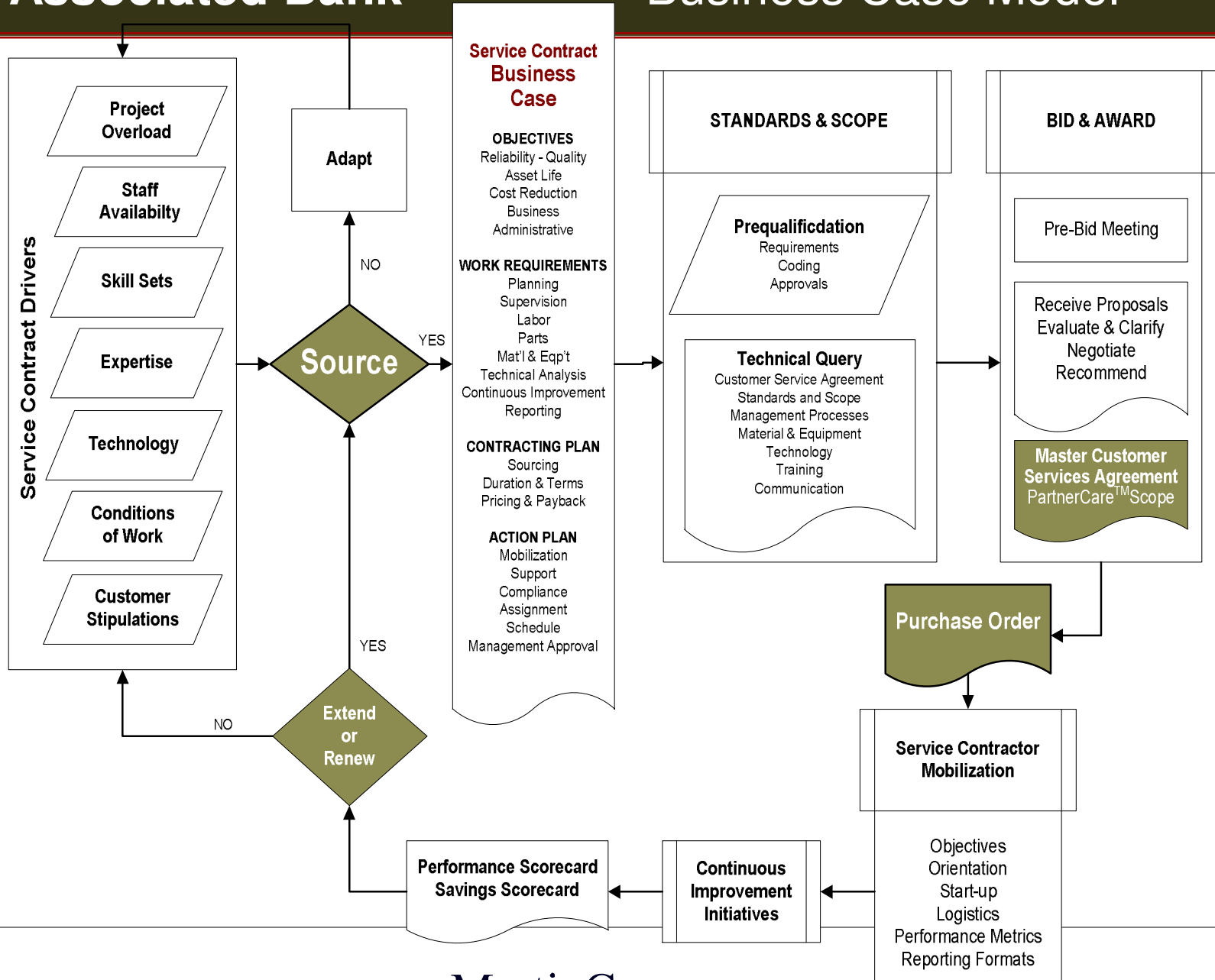
- *Initiate contract supervisors*
- *Develop accountability by service contractors' supervision*
- *Nurture service contractors' critical thinking skills*
- *Engage all stakeholders to identify & prioritize improvements*

Yardsticks

- *Performance vs. Customer Service Agreement*
- *Reduce stress on managers and supervisors*
- *Track gains that add value and reduce waste*

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Business Case Model



Attack Waste in Facility Management

Useless Work (Lean = Purpose)

- *Make sure work is beneficial (not merely justifiable or habitual).*

Excessive Work (Lean = Plan)

- *Define requirements to avoid busywork, inflated standards, grandstanding.*

Inefficient Labor (Lean = Skill)

- *Direct people to plan, prepare, perform and polish every task.*

Inefficient Material Handling (Lean = Resources)

- *Order, ship, receive, store, maintain and dispose of material methodically.*

Untimely Work (Lean = Access)

- *Leverage the costs of urgent vs. convenient, vs. necessary.*

Interference & Delay (Lean = Support)

- *Plan cooperation TDAD (Task, Deliverable, Assignment, Due Date).*

Corrective Work (Lean = Closure)

- *Stop unnecessary work or repairs caused by prior failure (any failure!).*

Service Contract Value Management

Lean Scope

Objectives – Standards – Processes – Flows

Performance Analytics

Process Control

Facility Management Quality System

Document Management

Compliance

ISO 9001:2000 – TS 16949 – AQIP

Sustainability

LEED-EB: O&M



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Do This, Not *That*

- **Plan ahead**, way ahead. 9 months to Organizational Readiness
- × Don't rush to market with a warmed-over spec.

- **Specify outcomes** through process control & management discipline
- × Don't buy tasky "best practices" with no framework to implement them

- **Invest** in contractors' systems, processes, training (= payback)
- × Don't default to "people are our greatest assets" pitch

- **Commit management** resources to drive accountability
- × Don't rely on specifications and audits to replace collaboration

- **Reward results** with more opportunities for growth
- × Don't stick with entrenched underperformers

Value Management Service Contracts

Scope

Goals – Standards – Outcomes

Buy

Partnerships – Processes – Accountability

Integrate

One Site – One System

Communicate

Plan – Do – Check – Act

Lead

Define – Direct – Develop - Discipline

