
**Facility management — Guidance
on strategic sourcing and the
development of agreements**

*Facility management — Directives sur le procédé
d'approvisionnement stratégique et d'élaboration des accords*

Sample Document

get full document from standards.iteh.ai



Sample Document

get full document from standards.iteh.ai



COPYRIGHT PROTECTED DOCUMENT

© ISO 2017, Published in Switzerland

All rights reserved. Unless otherwise specified, no part of this publication may be reproduced or utilized otherwise in any form or by any means, electronic or mechanical, including photocopying, or posting on the internet or an intranet, without prior written permission. Permission can be requested from either ISO at the address below or ISO's member body in the country of the requester.

ISO copyright office
Ch. de Blandonnet 8 • CP 401
CH-1214 Vernier, Geneva, Switzerland
Tel. +41 22 749 01 11
Fax +41 22 749 09 47
copyright@iso.org
www.iso.org

Contents

Page

Foreword	v
Introduction	vi
1 Scope	1
2 Normative references	1
3 Terms and definitions	1
4 Sourcing strategy and understanding the core business context	1
4.1 Sourcing strategy	1
4.2 Strategic, tactical and operational level	3
4.2.1 General	3
4.2.2 Strategic level	3
4.2.3 Tactical level	3
4.2.4 Operational level	4
5 Sourcing process in FM	4
5.1 Process flow chart	4
5.2 Identify and analyse current and future needs and expectations	5
5.3 Translate needs into requirements	7
5.4 Determine the service levels	7
5.5 Identify service delivery options	9
5.6 Business case development and analysis	10
5.6.1 General	10
5.6.2 Financial considerations	10
5.6.3 Investment strategy	10
5.6.4 Estimate costs and added value	11
5.6.5 Pricing strategy	11
5.6.6 Risk analysis	12
5.6.7 Different levels of agreement	13
5.6.8 Project strategy	13
5.6.9 Establish a business case for service options	13
5.7 Select preferred sourcing/service delivery option	14
6 Facility service provision	15
6.1 Principle options	15
6.2 Internal service provision	16
6.3 External service provision	16
7 Main characteristics of FM agreements	17
7.1 General	17
7.2 Essential components	18
7.2.1 Term	18
7.2.2 Subcontracting	18
7.2.3 Allocation of management responsibility and communication	18
7.2.4 Service levels agreements (SLAs)	19
7.2.5 Termination of contracts	19
7.3 Agreement structure and content	19
8 Common considerations in agreements	19
8.1 Flexibility	19
8.2 Performance criteria	19
8.3 Information responsibilities	20
8.4 Reporting and auditing procedures	20
8.5 Continuous improvement, best practice and innovation	20
8.6 Asset replacement and project activity	20
8.7 Communication	20
8.8 Regulations	20

8.9	Corporate standards.....	21
8.10	Termination of agreements.....	21
9	Preparation and development of an agreement.....	21
9.1	General.....	21
9.2	Preparation phase.....	22
9.3	Pre-qualification phase.....	22
9.4	Tender/negotiation phase.....	22
9.5	Agreement preparation phase.....	22
9.6	Signature phase.....	22
9.7	Implementation phase.....	22
9.7.1	Mobilization phase.....	22
9.7.2	Validation phase.....	23
9.7.3	Operational phase.....	23
9.7.4	Termination phase.....	23
10	Measure service provision performance.....	23
10.1	General.....	23
10.2	Measuring effectiveness.....	24
10.3	Outputs.....	24
Annex A (informative) Example of requirements for a service.....		25
Annex B (informative) Example of business case content.....		26
Annex C (informative) Structure of an agreement — General clauses.....		27
Annex D (informative) Service level agreements — Benefits, preparation and structure of an agreement (SLA clauses).....		40
Bibliography.....		52

get full document from standards.iteh.ai

Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see www.iso.org/patents).

Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement.

For an explanation on the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT) see the following URL: www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 267, *Facility management*.

Introduction

The International Standards on facility management (FM) developed by ISO/TC 267 describe the characteristics of facility management and are intended for use in both the private and public sectors.

NOTE The terms “facility management” and “facilities management” can be used interchangeably.

International cooperation in the preparation of these International Standards has identified common practices that can be applied across a wide variety of market sectors, organizational types, process activities and geographies, and their implementation will help to:

- improve quality, productivity and financial performance;
- enhance sustainability and reduce negative environmental impact;
- develop functional and motivating work environments;
- maintain regulatory compliance and provide safe workplaces;
- optimize life cycle performance and costs;
- improve resilience and relevance;
- project an organization’s identity and image more successfully.

FM and related goods and services support the achievement of core organizational activities and objectives. The purpose of this document is to enable organizations identify and select the most appropriate options for the design, sourcing and delivery of FM. This document provides step-by-step guidance on the overall strategic sourcing process and on how to prepare and implement adequate internal or external FM agreements.

This document also provides guidance on:

- types of agreements;
- development, structure and contents of agreements;
- clarification of definitions, where appropriate.

This document promotes a methodology from a strategic level to an operational level, with examples and check lists. The application of this sourcing approach is intended to contribute significantly to adding value and optimizing costs of operations for FM professionals and procurement, finance and senior management teams.

[Annexes A](#) and [B](#) give examples of requirements for typical services and of a business case. [Annexes C](#) and [D](#) provide general and specific clauses and structured checklists for typical agreements. These annexes facilitate the selection of important clauses and preferences in the development of agreements, which allow for differences in origin, purpose and national rules and regulations, and are based on a generic platform.

This document is primarily written for complex in-house or externally procured services, and might need to be scaled down if used for smaller projects. Not all information in this document will be applicable to every FM process or agreement.

In this document, references to “agreement”, “service” or “service provider” are specific to FM and facility services agreement, facility service or facility service provider (internal or external). Any reference to a single service can also include multiple services.

Facility management — Guidance on strategic sourcing and the development of agreements

1 Scope

This document provides guidance on sourcing and development of agreements in facility management (FM). It highlights:

- essential elements in FM sourcing processes;
- FM roles and responsibilities in sourcing processes;
- development processes and structures of typical agreement models.

This document is applicable to:

- strategic processes related to service and support functions for the core business;
- development of FM strategies;
- development of facility service provision agreements covering both public and private service demand and internal and external production/delivery options;
- development of FM information systems;
- FM education and research;
- organization development and business re-engineering processes in major types of working environments (e.g. industrial, commercial, administration, military, healthcare, accommodation).

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 41011, *Facility management — Vocabulary*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 41011 apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

- ISO Online browsing platform: available at <http://www.iso.org/obp>
- IEC Electropedia: available at <http://www.electropedia.org/>

4 Sourcing strategy and understanding the core business context

4.1 Sourcing strategy

Aligning the structures and delivery of FM and support services provision with the demand organization's business strategy is critical to successfully achieving core business objectives. It is

important that the FM organization analyses the demand organization's strategy. An effective sourcing process is important to achieve that objective.

Criteria that can have an impact on sourcing strategy include, but are not limited to:

- the competitive environment;
- value drivers (including cost/benefit analysis);
- the need for resource flexibility;
- business risk;
- reliability of supply chain / risk of over-reliance on single suppliers;
- operational interdependencies;
- availability of in-house FM expertise;
- the availability and capability of various supply options;
- corporate policies (e.g. environmental and corporate responsibility);
- regulatory compliance requirements and expected legal changes;
- organizational culture and management style;
- reporting requirements and management information systems;
- corporate targets on strategic and operative level;
- innovation;
- real estate and FM strategy;
- property portfolio.

As most organizations live in an environment of dynamic change, these sourcing processes should be continuous and at all times be closely linked to the organization's overall business strategy.

It is vital that adequate FM competence is available to support the sourcing process through internal and/or external sources. These competences should include, but not be limited to:

- understand core business;
- analytic skills;
- management skills;
- communication skills;
- appropriate knowledge of FM;
- procurement skills;
- legal skills;
- environmental, social and cultural awareness;
- ability to evaluate services options and required outcomes.

4.2 Strategic, tactical and operational level

4.2.1 General

In order to succeed and deliver required results, FM should be in close synchronization with the mission, vision, objectives and domains of the core business. It is the role of FM to provide strategic guidance to the core business, interpreting needs and translating them into explicit service demand and requirements. FM acts on the main three levels:

- strategic;
- tactical;
- operational.

NOTE “Strategic level”, “tactical level” and “operational level” are defined in ISO 41011.

4.2.2 Strategic level

At the strategic level, the aim is to achieve the objectives of the organization in the long term by means of:

- defining the FM strategy in accordance with the organization’s strategy;
- policy-making, elaborating guidelines for space, assets, processes and services;
- active input and response;
- initiating risk analysis and mitigation and providing the direction to adapt to changes in the organization;
- defining performance management policy and outcomes;
- assessing the impact of facility on the primary activities, external environment and community;
- maintaining relations with authorities and other stakeholders;
- approving business plans and budgets;
- providing advisory services to demand organization;
- defining re-procurement criteria;
- making procurement decisions.

4.2.3 Tactical level

At the tactical level, the aim is to implement the strategic objectives in the organization in the medium term, e.g. through:

- administration;
- reporting (setting up and performing);
- recording (status and events);
- implementing and monitoring guidelines for strategies;
- developing business plans and budgets;
- translating FM objectives into operational level requirements;
- defining service level agreements (SLAs);

- defining key performance indicators (KPIs);
- managing projects, processes and agreements;
- managing the FM teams;
- managing the services team;
- optimizing the use of resources;
- adapting to and reporting on changes and statuses;
- communicating with internal or external service providers on a tactical level.

4.2.4 Operational level

At the operational level, the aim is to create the required environment to the end users on a day-to-day basis, e.g. through:

- delivering services in accordance with the SLA;
- monitoring and checking the service delivery processes;
- monitoring the service providers;
- receiving requests for service (e.g. via a help desk or service line);
- collecting data for performance evaluations, feedback and demands from end users;
- reporting to tactical level;
- communicating with internal or external service providers on an operational level.

5 Sourcing process in FM

5.1 Process flow chart

The sourcing process consists of the steps described in [Clauses 5](#) to [10](#), as illustrated in [Figure 1](#).

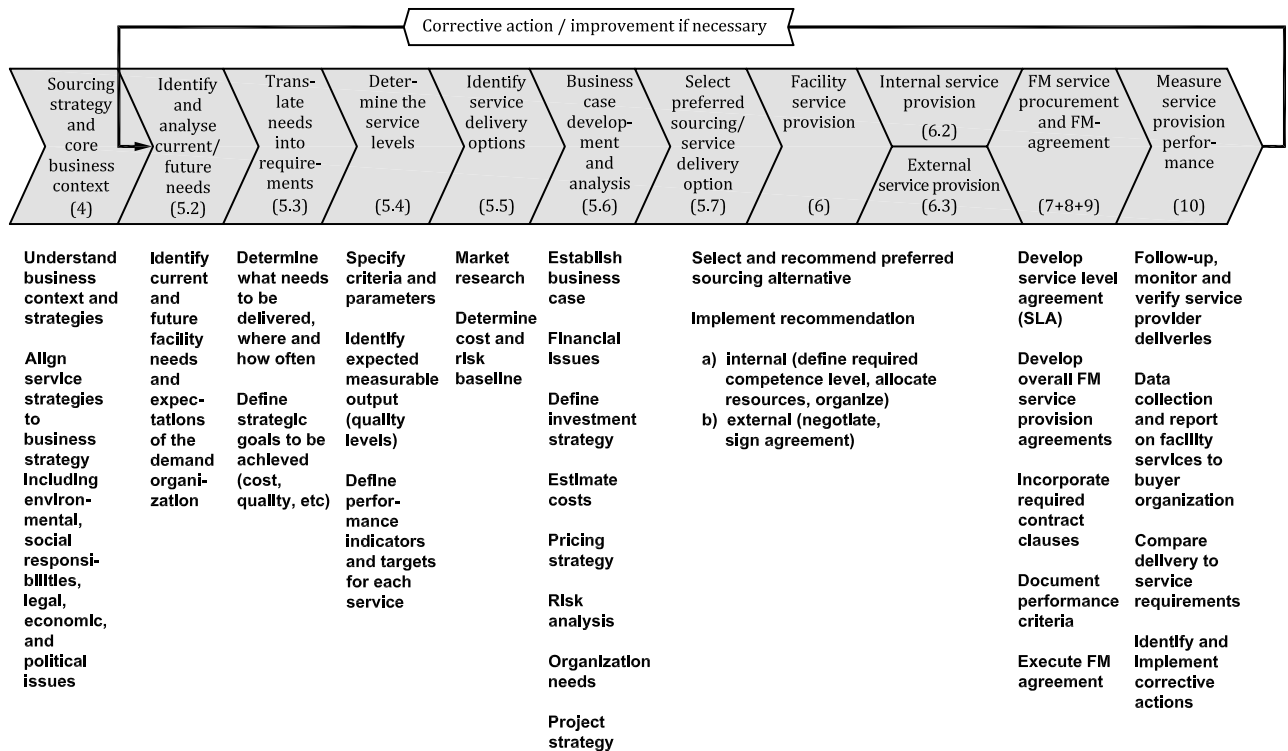


Figure 1 — Sourcing process overview

5.2 Identify and analyse current and future needs and expectations

This step of the sourcing process is shown in [Figure 2](#).

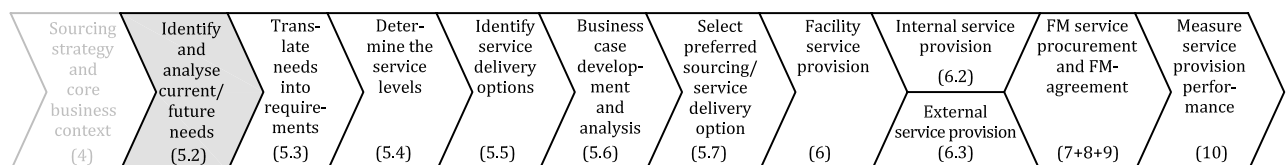


Figure 2 — Sourcing process: Identify and analyse current and future needs and expectations

The first step in the identification of needs is to understand the current conditions and establish a baseline. It is imperative to have a good understanding of the current organizational structure and capabilities, service delivery models, existing service contracts, and current performance measures. The following additional elements of existing core business information are important in most sourcing processes. As managing service supply may cover a very broad range of needs and demands of totally different natures, FM related sourcing should acquire as a minimum the following information from the demand organization:

- primary activities and core business, mission, vision, strategy and corporate values;
- key objectives of business/activities;
- geographical locations and areas of operation, building portfolio and space;
- strategic directions of the organization short/long term and its influence on, for example, building portfolio, technical infrastructure, work force and competence;
- organizational culture, structure, governance and principles of decision making (local, regional, global);

- current and possible future (intended) corporate image and trademark;
- range and nature of core products/services and distribution (local, regional, global);
- strategic considerations related to sustainable environmental issues and social responsibilities;
- security, resilience and other risk concerns with decisive influence on strategic choices;
- customers, demand organizations and other stakeholders with decisive influence on strategic choices;
- management of information for planning and controlling services;
- existing basis and arrangements for service provision and scope of services;
- the interface between the primary activities and support services;
- the “as is” situation: users’ expectations and satisfaction of present range and quality of services provision;
- applicable statutory and legislative requirements.

It is essential that the organizational needs are clearly articulated and the ultimate objectives/goals are documented before commencement of any FM sourcing activity.

It is also important to understand the critical opportunities and risks and to identify the consequences current and future strategic decisions will have on the service and facility support demand of the core business.

The FM organization should have information on:

- the top management’s impressions of the present FM-organization’s performance, service levels and qualities;
- the strategic planning timeframe of the demand organization/business unit;
- changes in core strategies which, within their planning horizon, are expected to cause notable impact on:
 - stakeholders’ expectations;
 - geographic representation;
 - building portfolio/tenancies;
 - sites and locations;
 - workspace/workplace;
 - products and distribution;
 - technical infrastructures and other infrastructure assets;
 - human resources and corporate culture and identity;
 - security and operational risk issues;
 - sustainability and environmental issues;
 - social responsibilities;
- the most likely serious challenges and what impact they can have on needs and demand of service and support;
- business objectives, main drivers and constraints;

- split between core and non-core business;
- sustainability aspects;
- scope of services;
- innovation requirement;
- special service requirements and hazardous operations, where applicable;
- transitional arrangement;
- current service delivery model.

5.3 Translate needs into requirements

This step of the sourcing process is shown in [Figure 3](#).

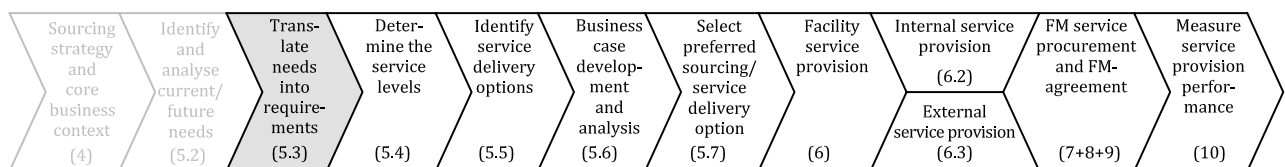


Figure 3 — Sourcing process: Translate needs into requirements

After an understanding of the needs of the core business is established, the scope of the facility service or services to be provided needs to be defined. The translation of a need to a requirement is to identify satisfaction criteria and corresponding service and/or goods.

See [Annex A](#) for examples of how to translate needs into requirements.

The scope of facility services may include a single service or a range of facility services.

All services supporting the primary activities should regularly be checked for relevance, adequate performance and cost efficiency.

New service requirements can involve needs for knowledge and skills that have not been required before, and it is important to include such resources early in the process. The following activities and considerations should be carried out:

- check required and available data for assessment/estimation of service options to satisfy new requirements;
- estimate volumes, specify preliminary service levels, quality and performance requirements for new service provision and get verification/acceptance from top management;
- adjust volumes, service levels, quality and performance requirements on current service and support in accordance with information from the primary activities;
- express performance requirements in measurable terms with corresponding/suggested performance indicators, in order to compare agreed/decided performance requirements with measured results;
- consider interdependencies between FM activities which are important for creating or retaining synergies between them.

5.4 Determine the service levels

This step of the sourcing process is shown in [Figure 4](#).

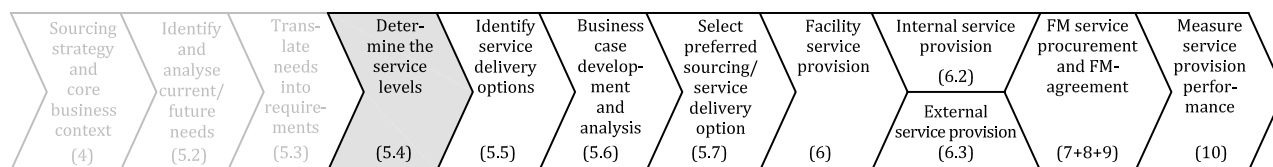


Figure 4 — Sourcing process: Determine the service levels

After the demand requirements have been developed, the next step is to establish the level of service or quality of performance to meet the requirements. The translation of requirements into specifications will define the appropriate scope of work and required resources. Until the level of service is determined, staffing levels or service provider provisions cannot be completely quantified.

The expected level of service needs to consider both qualitative and quantitative standards. There are two key elements that are fundamental in creating effective service levels:

- a) the expectations should be practical and achievable;
- b) the expectations should acknowledge that the relationship between level of service and quantity of resources needs to meet the level of service.

The service levels should relate to each requirement meeting a need of the core business. Performance measures should be identified and clearly stated for all requirements. These performance measures can be qualitative or quantitative, but should be sufficient to determine that needs and expectations are being met or, if not, adequate to address gaps and requirements to improve performance.

A format and structure for service level requirements is included in [Annex D](#).

The appropriate mix of service level performance measures defines the management metrics or KPIs and can include some or all of the following:

- budget compliance/variance;
- response times (e.g. emergency, urgent and routine work);
- work completion rates;
- amount of proactive versus corrective (i.e. reactive) work;
- preventive maintenance compliance;
- safety inspection and testing compliance;
- staff/contractor utilization/productivity;
- level of cleanliness (internal and external);
- move and relocation management;
- project performance compliance;
- sustainability performance;
- system or equipment reliability;
- interruptions to operation;
- utilization of space or vacancy rates;
- energy conservation performance;
- life cycle performance of assets (i.e. meet expectations for useful life);

- benchmarks;
- total costs of ownership.

The determination of performance indicators or management metrics should be established independent of the method of service delivery discussed in 5.5.

At this point in the process, conclude and develop preferred service option(s) based on these requirements.

NOTE For more guidance on quality in FM, see EN 15221-3.

5.5 Identify service delivery options

This step of the sourcing process is shown in Figure 5.

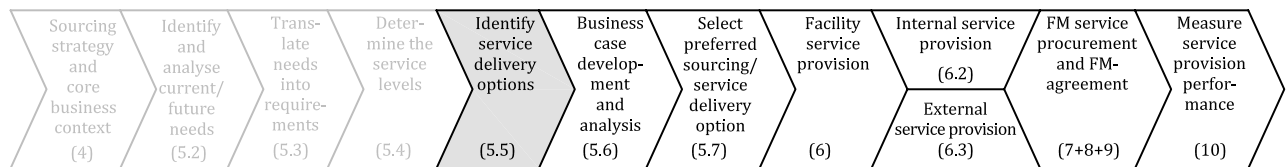


Figure 5 — Sourcing process: Identify service delivery options

There are three main options for service provision:

- all services provided and distributed by an in-house FM organization;
- all services outsourced on agreement(s) with one or more external service providers;
- some services provided by an in-house FM organization and some by external service providers.

Even when all services are outsourced or out-tasked there should be an FM competence available within the demand organization.

There are a number of important issues that need to be closely analysed before finally deciding whether a service should be sourced by in-house staff or procured from an external provider, including the following:

- Does the organization have the staff levels, capabilities, skills, knowledge, organizational and supervisory structure, and supporting facility and tools to meet internal service provision requirements?
- Does the market offer the total range of services with the quality specifications which are required by the primary activities, or only partly?
- Will the organization be operating in regions where there is no qualified market offers for the required services?
- Is the value of demand for the required service(s) large enough to keep an economical viable competence level and an in-house organized production capacity compared with what the market offers for similar services?
- Are there special considerations to secure business continuity or specific security measures which only can be satisfied by keeping the appropriate service(s) produced by in-house resources?
- Are there principal strategic decisions or considerations of political, cultural or other social aspects which are mandatory and/or override conclusions on one or more of the questions above?