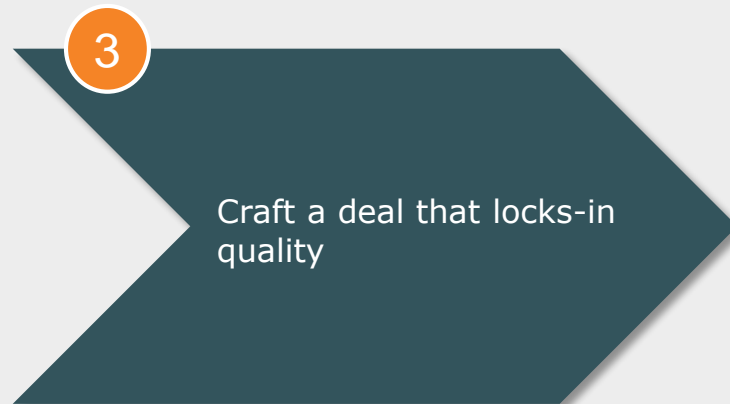
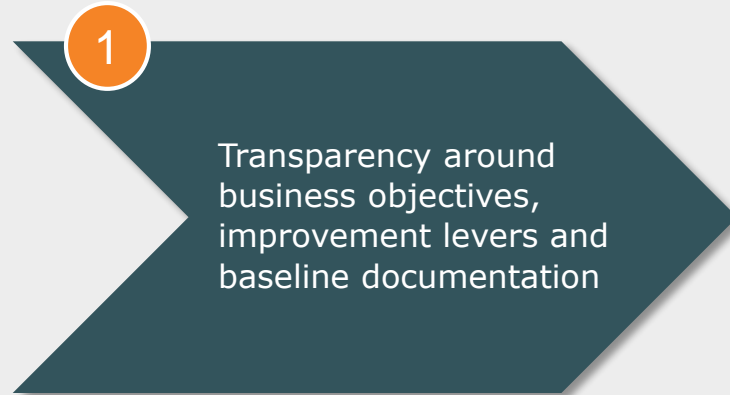


CORNERSTONES OF SUCCESS IN FM OUTSOURCING

Trends and Best Practices
FM Annual Meeting – March 2017

Mads Ubbe Beier, property manager, Telenor
Jan Ussing Andersen, partner, Kromann Reumert

FOUR CORNERSTONES OF SUCCESS



VALUE REALIZATION BY APPROACH

FM outsourcing should follow best practices for how to approach outsourcing

Typical realized value by approach
Spend reduction, percent



DESCRIPTION

- Reduce vendor margin and capture scale economies
- Adjust sourcing strategy (e.g., insource, offshore) and pricing model whilst squeezing vendor margin
- Optimize end-to-end delivery and consumption process to realize lowest cost solution
- Joint effort to maximize value

LEVERS USED

- Vendor margin squeeze and minimize unit price
- Economies of scale
- Vendor margin squeeze
- Economies of scale
- Process streamlining/ Lean
- Vendor margin squeeze
- Economies of scale
- Process streamlining
- Technology management
- Demand management

KPI ESSENTIALS

CASCADING TREE OF SLAS

- Design a cascading tree of SLAs, and KPIs that is linked to needs of:
 - penalties and rewards
 - operational transparency

FEW ESSENTIAL KPIS

- At the highest level monitor relatively few KPIs and use the tree to drill down in case the top ones are not "green"

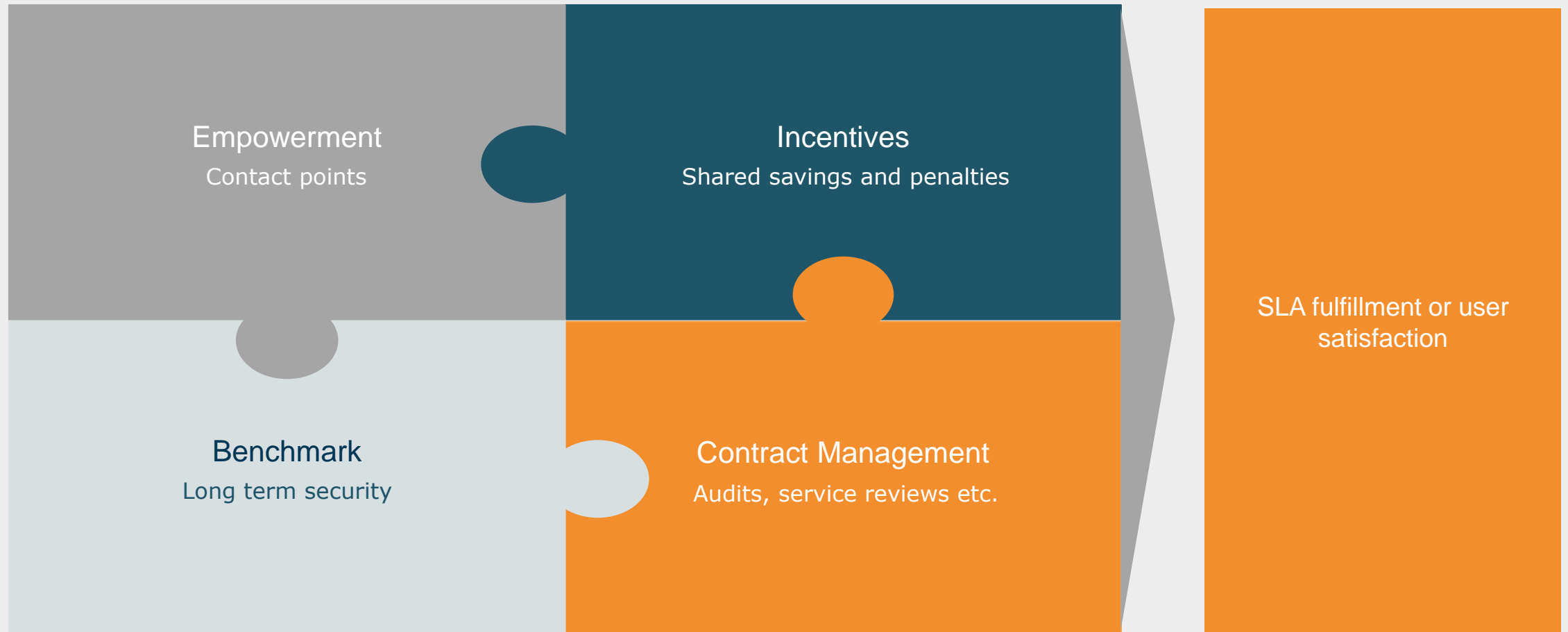
OUTPUT RELATED KPIS

- Use to the largest degree output related KPIs / user perceived KPIs (i.e. if user is happy then it does not matter what happens in the outsourced engine)

FLEXIBLE AND DYNAMIC APPLICATION OF KPI/PENALTIES

- Business needs vary from time to time. The KPI regime must support such changing needs by allowing customer
 - to amend the relative weight of each KPI and implement new ones

From Supplier to Customer



MOST TYPICAL FAILURES

NEGLECTED PREPARATION

- > Base lining incomplete
- > In-house case and improvement levers not identified
- > Limited due diligence
- > Insufficient competition
- > Too ambitious time schedule
- > Robust management mandate

INAPPROPRIATE CONTRACT DOCUMENTATION

- > Scope and pricing
- > Governance and reporting
- > SLA insufficient to create strong incentives
- > Inflexible contract with little focus on continued competitiveness

LACK OF ROBUST AND COHERENT GOVERNANCE

- > Lack of robust and coherent governance of services as well as of vendor and contract. Off-road mind-set
- > Dilution of retained capabilities
- > Limited transparency and reporting

CONTRACTOR SUB-PERFORMANCE AND INADEQUATE FOLLOW-UP

- > On key issues, contractor's performance is sub standard and operator does not address it adequately – insufficient follow-up, escalation and use of contract mechanisms

MADS UBBE BEIER

PROPERTY MANAGER, DENMARK

Mads Beier is property manager at Telenor Eiendom (Telenor Real Estate) in Denmark. Previously, he was a manager in Deloitte and also held a position as business area manager in Schneider Electric. Mads graduated from Copenhagen Business School with a business diploma in Organizational Leadership, Innovation and Change Management. He also served in the military as a Lieutenant in the Navy.



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Jan is a partner within Kromann Reumert's Outsourcing Practice Group. He mainly specializes in large outsourcings, including all types of BPO, (I)FM and IT outsourcing.

Jan further advises clients in relation to the procurement and services of technological infrastructure and the servicing thereof.

Jan adopts a pragmatic approach to the procurement process which together with in-depths industry knowledge and specialization, including experience with relevant solution models, secures better results.

Jan is the author of a number of articles relating to outsourcing and speaker at conferences regarding outsourcing and it law, including cloud computing.



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