Facility Management Shared Services:
The Balance Between In-House Services and Outsourcing

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Brigham Young University

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LEADERSHIP IN EDUCATIONAL FACILITIES

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Chapter 1: Times, They Are a Changin'

Introduction and Research Methodology

APPA's mission is to support educational excellence with quality leadership and professional management through education, research, and recognition. Further, APPA's principles and values are focused on three desired outcomes: competency, collaboration, and credibility. *Competency* focuses on developing competent, educated, ethical professionals. *Collaboration* embraces the engagement in symbiotic and collaborative relationships and partnerships. *Credibility* seeks to provide meaningful input and value in the decision process of the institution.

One of the purposes of this research is to focus on collaboration by providing greater light on how symbiotic and collaborative relationships and partnerships are working with outsourced contracted services.

In 1993 CHEMA (The Council of Higher Education Management Associations) published the book, *Contract Management or Self-Operation: A Decision Making Guide for Higher Education*. Though it was published some time ago, it is still an excellent resource for how to evaluate a business model for outsourcing facilities, bookstores, dining services, administrative computing, child care, and security. The book covers numerous topics: contract management; the nine phases of conceptual decision making; a decision matrix for considering outsourcing facilities and services; sample contract documents; and assessing decision outcomes.

Though the CHEMA book provides pertinent information on the outsourcing decision-making process, it does not provide any evidence from lessons learned from outsourcing experiences nor does it project future trends. Thus, the need for this research: 1) to better define a shared service model between in-house and outsourced facility services; 2) to increase understanding of how to optimize the value of shared services; and 3) to forecast future outsourcing trends based on current practices.

Most universities utilize both in-house and outsourced services to operate their campuses, or in other words, they incorporate shared services. The definition of a shared service model is the optimal balance of in-house services, resources, and management with outsourced services to provide the highest level of services at an affordable price.

The Facility Management Shared Service Model below depicts how this optimal balance is achieved. First, an institution takes stock of its key resources as well as other external influences, such as the environment and the economy, that affect their business.

FM Shared Service Model
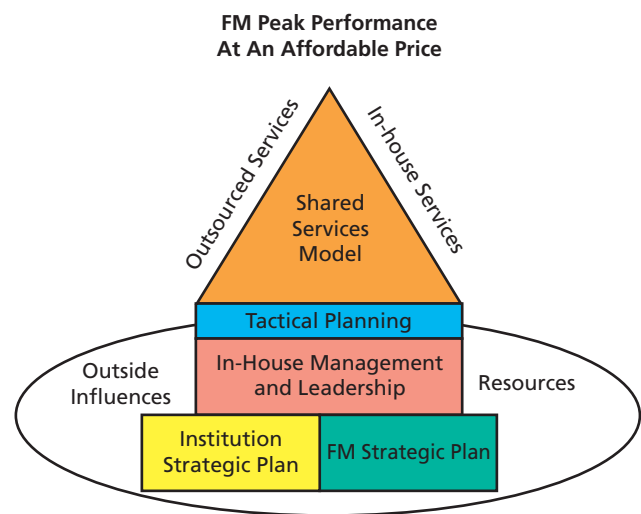
The institution then develops a strategic plan for their success by keeping in mind those resources and influences. The facility managers then set their direction by establishing a strategic plan based on the institution's plan. Professionals Management and leadership then drive the development of the tactical/transition plan. This plan ascertains the optimal balance of outsources and in-house services, which leads the FM to peak performance.

The research for exploring how to optimize shared services began in August 2004, when APPA's Center for Facilities Research Advisory Council (CFaR) met in Alexandria, Virginia. The council discussed the purpose of the research and outlined the general scope of the project. Several conference calls ensued, in which the council provided valuable insight and resources in assisting with the research.

The research was directed by Jeff Campbell, Ph.D, chair of the Facilities Management academic program at Brigham Young University, assisted by senior FM students during the fall of 2004, winter of 2005, and summer of 2008.

The research methodology first focused on the current literature, research, and thought concerning the past, current, and future trends of outsourcing. A qualitative research instrument was developed and trialed with the BYU FM Industry Advisory Council and APPA CFaR committee in November 2004. The final qualitative instrument was prepared. Possible institutions were identified by the APPA research steering committee based on size, locality, public or private, and perspectives of different levels of management. An e-mail survey was also prepared and sent to all APPA institutional primary representatives.

The notes and recordings of the qualitative interviews were carefully transcribed. The team of researchers then reviewed all the literature and transcriptions, and identified important threads that helped in the discovery of the findings. These findings are found in chapter 3.

It was not intended for this project to be exhaustive in nature, but instead, to provide educational institutions with quality research that would assist them in their quest for improvement. This research should also set a basis for future research on the subject.

Learning from the Past, Adapting to the Future

Facility managers can look to past business successes and failures to glean insight in adapting to today's changing outsourcing climate. The railroad in America provides an excellent example of an industry that failed to adapt. The development of the railroad changed America as it did much of the world. Railroads propelled Americans from an agrarian society into the industrial revolution as it became more feasible to travel to distant places. Destinations that once took months to reach were reduced to days, opening the way for products to be shipped to new markets. With the help of the rail system, the fulfillment of western expansion took less than 15 years instead of half of century as predicted.

The rail system was the backbone of the American economy and stayed that way for several decades. However, following World War II, President Eisenhower began the development of the interstate highway system. This new mode of travel provided a newfound freedom. Interstates began to quickly change how people traveled, and how products were shipped to market. Failing to understand that they were in the transportation business instead of just the railway business, railroad companies missed an opportunity to develop other transportation areas such as trucking and the airline business. While the

railroad is viewed today with historic nostalgia, it is not a major player in the transportation industry.

Higher education is an industry that predates the railroad by centuries. It represents a long and storied past that reaches to the roots of all that is highly valued and cherished. Plato said, "Knowledge is the food of the soul," while Thomas Jefferson simply said, "I cannot live without my books." Higher education cannot make the mistake that the railroad industry made in thinking that it will last forever and is immune to change.

Though there is no doubt that higher education is in the knowledge and education business, "what" is taught, and "how" it is taught, continue to change dramatically. The physical facilities of a campus provide a vital support function to higher education as these "whats" and "hows" evolve. Yet these structures are much more than just buildings: they are monuments to those who have gone before, and offer hope for the future.

Ponder for a moment how the great campuses of our nation would be viewed without their historic buildings, scientific laboratories, beautiful grounds, stadiums, and libraries. The physical facilities of a campus provide tremendous vision and services. Further, the demand for education has never been greater, yet understanding stakeholder needs and meeting those needs has never been more difficult.

Shifting From Managing to Leading

The dilemma arises in striving to maintain the historic "brick and mortar" while adapting to the changing demands of "what" is being taught, "how" it should be delivered, and conducting current research. To meet these new demands, education facilities management requires strong leadership—being a good manager is no longer enough. Services are becoming too broad and complex to just manage and control them; they require widespread coordination and innovative leadership. See the Facilities Leadership Model on the next page.

There is a different mindset and focus when one compares and contrasts the difference between managing and leading. Managers plan and organize; leaders set direction and vision. Managers control and solve problems; leaders motivate and inspire. Managers create order and maintain the status quo; leaders create change. It is not uncommon for these sometimes opposing perspectives to conflict with each other. For instance, when considering a shared service model of

performing some functions in-house and outsourcing others, the "manager" may view the situation as loss of control and worry, "What will this do *to* us?" The leadership oriented CFO or business manager is focused on making positive change and wonders, "What will this do *for* us" (Click and Duening 2005).

Facilities Leadership Model
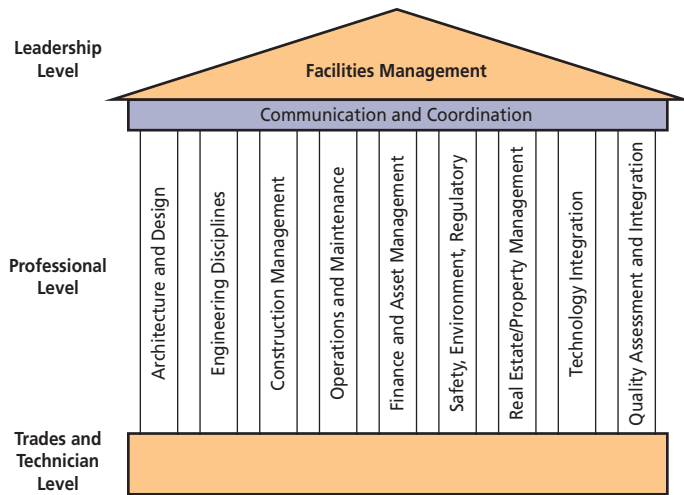
In 2002 the United States conducted a study on the potential risk of the "graying" population of federal facility managers (Davis-Blake et al. 2001). With the average age of facility managers being 57, one worry is that there will not be enough trained and skilled professionals in the pipeline to effectively fill retirees' positions. Another challenge common among aging facility managers is their reluctance to adapt to change. They cling to how things have been done because they are so deeply rooted in the past. The railway mentality is common with this retiring age group. In order for a facility manager to be effective, he or she must be willing to embrace change and provide leadership to others. There are leadership opportunities for facility managers of all ages to partner with business officers and administrators to ensure that facility capabilities are fully maximized. These meaningful partnerships will create strategically aligned facilities, which will help FM departments be prepared to support institutional priorities, understand and meet campus needs, be more accountable through performance measurement, and become a more integral part of the institution's management structure. Wisely managed facilities create a strategic investment opportunity that can be used as a catalyst to influence institutional direction.

Strategically aligned facilities provide numerous benefits to an institution by increasing:

- **Campus Satisfaction** – fostering a pervasive customer service ethic for all stakeholders.

- **Resource Optimization** – efficiently using limited resources leading to significant operational improvements and savings.

- **Asset Preservation** – protecting the physical elements that support an institution's pride and culture.

- **Strategic Transformation** – using facilities as a catalyst for transformative change.

Stakeholder "On-Demand" Expectations

Establishing strategically aligned facilities can be a challenge, but perhaps an even more daunting task for facility managers is meeting stakeholder expectations. Higher education institutions have numerous stakeholders: the board of directors, administration, faculty, staff, alumni, the community, donors, and, most importantly, students. Each of these stakeholders has a variety of expectations. One of the most commonly shared expectations is the demand for on-campus services to match the services offered by corporate business in the community.

This general American trend of wanting "on-demand" services quick, close, and with style is becoming commonplace. One of the first corporations to embrace customers' demand for quick service with style is bookseller giant Barnes and Noble. B & N broke the mold when it changed the traditionally stuffy concept of selling books, to creating "enlightened" space where friends could relax, share ideas, and browse books all while enjoying gourmet refreshments. Long gone is B & N's rigid institutional feel that was unfriendly and historically dehumanizing.

As facility managers strive to embrace stakeholders' desires for services to be convenient, readily accessible, and have a sense of style or "brand," they must first analyze where stakeholders require services on-campus. Where do students, faculty, and staff work, learn, study, share ideas, and relax? What sites do alumni, donors, and members of the community frequent? After identifying key areas, ask, what services/support are needed to enhance interactions and impressions so that stakeholders have a quality experience.

Following is a list of facilities and services that are visible to stakeholders; these are areas that can add or detract from a stakeholder's overall on-campus experience.

Visible services:
- Bookstore
- Climate Management (Heat/Cooling)
- Copy Services
- Facility Operation/Maintenance (things work and are not broken)
- Food and Dining Services
- Golf Courses
- Grounds/Landscaping
- Healthcare
- Hotel
- Housekeeping/Custodial
- Housing
- Information Technology and Internet Access
- Laundry
- Movie Theaters
- Other Entertainment/Activities
- Parking/Security
- Sports Entertainment and Event Management
- Transportation
- Vending

Another important step in analyzing the quality of on-campus services is to compare them with the services available off campus. By identifying and matching the key components of services offered by competitors, facility leaders can transition from providing facilities that offer minimal services with an "institutional feel," to ones having a competitive "brand" that equals or exceeds off-campus services.

The food and dining services at Brigham Young University are a good example of an on-campus organization that transitioned from one that provided mediocre services, to one that outclasses off-campus competitors (Wright 2005). At BYU, students who live in dorm rooms without kitchens are required to purchase a meal ticket at one of the dining halls. Twenty years ago the mindset of food and dining services was to offer minimum quality but nutritious food so that students would be healthy but not eat too much. Management was focused on controlling, not leading. Student dining services was not viewed as a money-making entity, and was often a money-draining entity. This approach became a financial drain on the university; the more the students ate, the more money dining services lost.

Recognizing a need for change, new leadership was hired and dramatic changes began to occur. The new management conducted stakeholder research and identified the needs, wants, and desires of patrons. Based on their findings, product branding took place, new dining locations on campus were created, menus were changed, a greater variety of offerings were implemented, and important price points were discovered—a totally new approach was taken. Executing these changes required a close partnership with campus facility managers, which produced excellent results. Not only do students living in campus residence halls buy and enjoy their BYU eating experience more, but thousands of students living off-campus now buy dining cards. Furthermore, school administrators and faculty frequently entertain lunchtime guests at campus dining venues because of the quality and diversity of food offered. Through innovative leadership and effective partnering between food service and facility managers, BYU dining services now contributes more than a million dollars annually to the university.

Customer Service is King

Meeting the changing demands of stakeholders and customers is challenging, yet it should be top priority for colleges and universities to be successful. Higher education must become better skilled in marketing and serving their customers if they are to continue to be successful in today's competitive and changing marketplace.

> It has been said that keeping customers happy is the best defense against competition. The institution that keeps its customers happy is virtually unbeatable. Its customers are more loyal, and they buy more, more often. They're willing to pay more for products and services, and they stick with the institution through difficult periods, allowing it time to adapt to change (Lele and Sheth 1987).

Some may mistakenly assume that managing every process would improve customer service; surprisingly, managing and controlling every business process can actually stifle customer service. Linwood said that "through procedure manuals, policy guidelines, and computer systems, companies have lost touch with customers and have allowed this 'unholy trinity' to infiltrate the organization and manipulate people's minds until the weakened and submissive organization is at their mercy. No action can be taken and no decisions can be made without first consulting this mighty triumvirate. Customers become fodder for the machine to chew up and spit out if they do not behave as the system demands" (Liswood, 1990). Probably the most important management fundamental that is being ignored today is

staying close to the customer. In too many institutions, the customer has become a bloody nuisance whose unpredictable behavior damages carefully made strategic plans, whose activities mess up computer operations, and who insists that purchased products and services work.

Satisfied customers are won and lost one at a time. To prevent costly losses, management must view business processes through the eyes of the customer. Jan Carlzon, author of the historic book, *Moments of Truth*, details how to identify customer contact points when customers have a telling interaction with a company representative. Carlzon illustrates his point by sharing how Scandinavian Airlines blueprinted their "moments of truth." The airline determined that each year 10 million customers came in contact with approximately five Scandinavian Airline employees, and that each contact lasted an average of 15 seconds. These 50 million "moments of truth" may seem trivial, but they ultimately determined whether the airline would succeed or fail. By using this blueprinting process, the airline began to focus on providing excellent service during these brief interactions, helping them achieve customer retention rates and operating profits never before known in the airline industry. They were able to achieve such success because their goal was not merely to satisfy customers during each interaction, but to delight them. This made a key difference.

Another way to view moments of truth is to consider them as potential fail points or times when there is a risk that a procedure or service may "go wrong" or function other than intended. Mapping possible fail points, and developing a plan to reduce the risk of failure, is a proactive approach to improving quality services.

In almost every case, these moments of truth are surrounded and supported by facilities. Facility managers must step up to this leadership opportunity to be a strategic partner with administration in delivering quality services that delight customers.

A New Approach for New Times

It is difficult for any institution to have the depth of knowledge, expertise and resources necessary to meet all the new demands by stake holders and economic conditions. Even some of the largest institutions outsource parts of their overall facilities operations. Over the last 15 years a maturing has taken place in which service providers have improved their "core competence" and institutions have learned how to better use service

providers in a true partnership and shared service model. This overall maturation has led to the development of strong synergistic relationships that are providing the right formula to place certain institutions on successful tracks. The collective learning from industry best practices coupled with institutions and providers learning how to "dance together" has helped institutions minimize their weaknesses and exploit their opportunities.

Unfortunately, change is always difficult whether it is done in-house or outsourced. It has often been said that change in institutions of higher education is even more difficult than other businesses because they are so steeped in tradition. Furthermore, most facility departments are comfortable with the status quo and are averse to change. Often these departments have systems that are outdated, and long-term employees who want to keep things the way they are. Their mentality is typically to keep their head below the firing line, with the thought that as long as no one complains then life is good. The goal appears to be merely to stay out of trouble rather than try to ensure stakeholder satisfaction.

Maintaining operations status quo versus constantly seeking for opportunities to improve is the difference between management and leadership. The remainder of this book explores how institutions of higher education are leading out. The research will highlight various institutions that effectively balance in-house and outsourced services to not only improve their bottom line, but enhance their services to stakeholders.

Book Organization

Chapter 2, Where We've Been and Where We're Going, highlights the findings from researching and reviewing more than 140 articles, books and websites. This literature review is divided into six sections: Current and Future Challenges of Higher Education, Outsourcing Facts and Fiction, The Past and Present of Outsourcing, The Future of Outsourcing, Relevant Case Studies About Outsourcing, and Other Relevant Literature Findings.

Chapter 3, Research of Higher Education Shared Services, contains the results of an APPA survey about outsourcing, transcriptions of qualitative interviews conducted with college and university facility managers and administrators, and interviews with other industry experts.

Chapter 4, Research Findings, describes and explores the 48 findings of the research. The findings are divided into eight categories: Uniqueness of Institutions, Historical

Perspectives on Outsourcing and Change, Myths and Miscommunication, The Cost and Quality Balance, Risk Mitigation, Delivery Expectations, Challenges, and The Future.

Chapter 5, Conclusions and Recommendations, provides a roadmap for developing an improved shared service model.

The Appendix details the references, the APPA survey questionnaire, the qualitative research questionnaire, and the APPA Facilities Management Evaluation Questionnaire.

Chapter 2: Where We've Been and Where We're Going

Current and Future Challenges of Higher Education

There are a number of critical issues facing facility managers in higher education. Some of these challenges are:

- Accountability and performance measurement
- Declining resources
- Deferred maintenance and modernization
- Efficiency and effectiveness
- Employee retention and recruitment
- Energy management
- Environmental compliance
- Financial viability
- Impact of changing technologies
- Managing and sharing risk
- Regulatory compliance
- Security and safety issues
- Space planning and management
- Staffing issues
- Training and development

APPA has set a strategic direction that both mitigates these challenges and helps prepare facility leaders to embrace the future. Lander Medlin, APPA executive vice president, has delivered several presentations that reflect how educational facilities professionals must learn how to better engage in symbiotic and collaborative relationships and partnerships. These collaborative efforts can:

1) Provide knowledge and expertise
2) Ensure flexibility and adaptability
3) Demonstrate an interdisciplinary approach
4) Provide efficient and effective design
5) Provide informative and reliable specifications for installation and integration
6) Help achieve system reliability within reasonable budgetary constraints
7) Reduce overall risk and liability
8) Promote open systems and open standards

The facilities profession has evolved dramatically over the last 100 years. In the early 1900s there were buildings and grounds superintendents; by the 1950s they were called physical plant administrators; in the 1980s they became known as facilities officers; and from the late 1990s to present many in the profession are now considered asset managers. One projection for the future is that they will be called *stewards of the institutional mission*. These stewards are now assuming the role of strategic planning where the physical facilities are better aligned to the mission and goals of the institution.

It is becoming clear that the emerging roles of facility professionals are going to become more complex and include specific skill sets. The new *steward of the institutional mission* will need to be proficient in numerous fields: operations expert, information technologist, resource manager, strategist, partner, executive, and leader.

The following list reflects a shift in how higher education is approached and how facilities are adjusting:

- **Teaching to Learning** In the past, much of education was strictly focused on the delivery of teaching. While teaching is still important, there is now a greater focus on learning outcomes and competencies.

- **Faculty to Student** To be competitive in the marketplace the customer must be satisfied. The main customer is now the student.

- **One-Way Learning to Two-Way Dialog** The days of large lecture halls and one-way dialog are mostly gone. Engaging students' thoughts and encouraging discussion are now considered an important part of learning.

- **Passive to Interactive**   New generations of students require interactivity to stay engaged. Have you ever had a young adult look at you and communicate, '*boring*'? To avoid this problem, using interactive lesson plans is vital.

- **Producer to Consumer** Following World War II, the economy was in such a highly tuned state that almost any product produced was purchased by consumers. Not anymore. Consumers now drive what is produced, how it is labeled, and even how it is delivered.
- **Monopoly to Competition**   Technology has opened the doors to exponential education growth.

Consumers/students now have many more educational options to choose from, thus fueling a fierce competition for students.

- **Controlled Environment to "No Time or Place"** In the past, brick and mortar defined learning environments. Technologies now provide on-demand learning that can take place virtually anywhere and at anytime.

- **Market-Driven to Growth Industry** Higher education is moving from being market-driven to becoming a growth industry. The demand for education continues to increase as global economies become more complex and sophisticated.

It is forecast that external forces will also significantly challenge higher education. These challenges will come from:

- Environmental deterioration and sustainability
- Governmental intervention
- Information technology
- Resource scarcity
- Societal needs (public accountability, performance measurement, diversity)

Furthermore, there are other challenges to higher education that will be affected by public policy:

- Affirmative action
- Assessment and accountability
- Deteriorating economic and fiscal environment
- Energy and sustainability
- Federal tax policy
- Homeland security
- Intercollegiate athletics
- Rapid tuition increases
- Reauthorization of the Higher Education Act
- Scientific research
- Surging numbers of diverse students

APPA has identified six strategic perspectives to help facilities professionals effectively address these challenges:

1) Customer Service
2) Innovation and Learning
3) Internal Process Management
4) Financial Stewardship
5) Technology Management
6) Knowledge Management

While the first four challenges are clearly evident, the final two, Technology Management and Knowledge Management, are becoming more critical. At many institutions the annual cost of technology has eclipsed the cost of operating facilities, which is a major shift. Knowledge Management is especially challenging because organizations are flooded with information 24/7, causing information overload.

Technology Management refers to an organization's ability to adapt to the ever-changing technological environment by addressing how the facilities organization can or should use technology to optimize limited resources by identifying and applying the appropriate technology. A facility officer's primary concerns for managing technology are to:

1) develop strategies and plan priorities (tradition must be challenged)
2) have a comprehensive technical knowledge of buildings and systems (understand IT and how it relates academic needs)
3) be able to adjust to changing institutional concerns
4) be willing and able to develop partnerships with all constituencies

Knowledge Management explores ways to identify, store, access, and integrate information at the right time to assist in decision-making processes. A good manager understands how to leverage data and information that will lead to knowledge, understanding, and wisdom.

Retired NACUBO President Jay Morley said, ". . . new and more effective leadership is required. The broad impact of facilities on future institutional success provides unprecedented opportunity for facilities officers *and* also new skill expectations" (Medlin, 2004).

Outsourcing Facts and Fiction

As business officers look to effectively manage future demands, outsourcing is a viable consideration for optimizing resources. Unfortunately, there seems to be a constant battle raging over outsourcing. Some self-operators refer to professional outsourcing companies as the "enemy," while some outsourcing companies refer to self-operators as being "incompetent." In order to fairly address these views, the research team reviewed numerous articles on the topic and interviewed many managers and administrators at all levels. Also, numerous case studies were reviewed and analyzed. The research shows that there are five factors at the heart of the self-operation versus outsourcing dilemma.

1. **Size of the Institution.** This includes square footage, number of students, and the number of faculty and staff. There is a breakeven cost effective point which drives the cost justification. Obviously smaller institutions outsource facility services because they lack the capacity to do the work.

2. **Culture of the Institution.** Some cultures are proactive in trying new business models while others are slow to adapt to changes.

3. **Level of Technical Expertise.** Some institutions have high levels of training and technical expertise while others may be severely lacking.

4. **Levels of Perceived Quality and Customer Service.** Large institutions may have the resources necessary to provide superior customer service, while smaller institutions may have the desire but lack the resources to meet preferred levels of service.

5. **Cost.** This is always the bottom line. There must be a cost-benefit analysis that makes good business sense.

While these five areas are typically at the heart of the self-operation/outsourcing decision point, it is difficult to make blanket statements about who is and who isn't a good candidate for either service mix because every institution is unique.

In the late 1980s and early 1990s, when outsourcing became popular, most service providers learned and matured as the outsourcing industry developed. However, some poorly prepared service providers jumped on the outsourcing bandwagon and signed contracts that they could not fulfill.

The following diagram demonstrates the conflict between self-operated institutions and outsource service providers. See Self-Operation vs. Outsource Force Field Analysis below.

Force Field Analysis

Self Operation | Outsource

Self Operation:
- Lack of responsiveness and flexibility
- Possible job loss/benefits for long term employees
- Doesn't understand institutional culture
- Not aligned with institutional mission
- Lack of loyalty
- Loss of financial control, cost too much
- Historic cultural attitude

Outsource:
- Provide financial outcomes
- Improved employee training and development
- Provide higher level of service
- Enhanced campus environment
- Provide benchmarking performance measures
- Better expertise, resources and experience, best practices
- Peace of mind

There are numerous service models that outsource providers offer that many institutions are not aware of. The following are definitions that may help as self-operators and outsource service providers seek to bridge the gap and better partner together.

- **Custodial Only or Single Service Contract** - Only one service is outsourced while the others are managed by the institution.

- **Full Service Contract** - All services (at a minimum custodial, maintenance, grounds, and energy) are outsourced to a single provider.

- **Insourcing** - The business practice of retaining a service, project, or production activity as a stand-alone unit within the facilities department.

- **Management Only Contract** - Management staff are outsourced while trade labor remains on the institution's payroll.

- **Management and Labor Contract** - Both management and trade labor are outsourced to a service provider (trade labor is on the service provider's payroll).

- **Multiple Providers** - This refers to an institution that uses multiple service providers (i.e., one service provider for custodial, another for grounds, and another for maintenance and/or energy).

- **Multiple Site Service Contracts** - Where two or more institutions share service delivery. They may operate in a consortia arrangement. Neither institution can afford the service or technical expertise individually; however, they can afford to share the service or expertise collectively.

- **Out-tasking** - Hiring an individual or specialized vendor or supplier for a specific project such as construction.

- **Outsourcing** - Contracting a specialized company for a full-service operation such as custodial. This may be a management only contract or a management and labor contract.

- **Performance Based Contract** - Contracted services based on specific outcomes or performances.

- **Self-Operated** - All management and services are provided by an institution's own in-house staff.

Where We've Been and Where We're Going

- **Shared Services** - To engage in symbiotic and collaborative relationships with trusted partners (following APPA's strategic direction).

- **Technical Services** - Specialized services such as architecture, engineering, master planning, etc. These are often considered out-tasking services because they are for a specific project for a specific time.

The Past and Present of Outsourcing

The following is a synopsis of the extensive literature review that was conducted. It is intended to provide a sense of breadth and depth of the past and current use of outsourcing in higher education. While it is evident that some research identified was performed by self-serving outsourcing companies, other research made a sincere attempt to get to the heart of the subject. There has been no comprehensive research conducted that accurately identifies the key aspects and issues of outsourcing for higher education. However, the literature review made one thing clear: the views of outsourcing have changed over time, and continue to change.

In the 1970s and 1980s outsourcing contracts were set for one year, and there was no guarantee to the provider if the contract would be renewed. This led to a high turnover rate, resulting in a poor customer service relationship between the client and the provider (Incognito, 2001). By the late 1980s, outsourcing was used as a method to reduce cost, or a manner in which a company could avoid doing troublesome activities. These short-term methods caused problems for many companies because effective outsourcing relationships and strategic partnerships can only be developed over time (Raiford, 1999).

In 1997 54 percent of higher education organizations expected to outsource more of their services, but by 1999 that percentage decreased to 37 percent, and in 2001 to 36 percent, according to *American School and University* (Agron, 2001). In contrast, Ernst and Young surveyed Fortune 100 companies and found that the outsourcing trend for large corporations had steadily increased since 1999. When corporate revenue is flat outsourcing can reduce expenses (McMorrow, 2003). A desire to gain a competitive advantage led to the growing trend of businesses outsourcing non-core activities. Companies outsourced $100 billion in services in 1999. However, 50 percent of facility managers were not happy with their outsourcing because it failed to deliver

everything it promised. Early on there were several disadvantages to outsourcing that caused this view, i.e.; no direct consequence for poor performance, "what's in it for me?" mentality; contractor's bid price not clearly specified; short-term goals were too focused, performance measurements were unreliable; and, the buyer-specified work process**.** Thus, trouble prompted companies to shift to performance-based outsourcing (Elliot, 2001).

Also during 1999, companies began to be faced with heavy competition from domestic acquisitions and mergers, as well as international pressures (Elliot, 2001). Competition has driven outsourcing for traditional "brick and mortar" schools as online education/colleges create pressure to keep the cost of tuition down (Frost, 2003).

The majority of organizations believe that the spending patterns of outsourcing will not change much in the future. There are a few that say that it will increase significantly and a few that say it will decrease significantly, according to a 2000 survey by *Facilities Design & Management* (Anonymous, 2000). According to Frost (2003), some of the major factors driving the growth in revenue in North America Integrated Facility Management (IFM) services are:

- Corporate restructuring
- Competitive pressure
- Specialized services
- Consolidation outsource companies
- The preference of single-source contractors
- Special equipment needs
- Innovation with strategic outsourcing

In the fourth annual FM outsourcing survey done in 2001 by *Facilities Design & Management*, 80 percent of facility managers said they would most likely not use a single provider for all their outsourcing needs. In that same survey, more than 67 percent indicated that they would prefer to contract separately for each service that needs to be performed (Anonymous, 2001). The survey showed that outsourcing was used most often to cut cost or because a company lacked of internal resources (Anonymous, 2001).

In 2002 the Integrated Facility Management market was spread over the following industries: 5 percent education, 10 percent hospitals, 15 percent for healthcare, 19 percent for retail, and 51 percent for commercial accounts (Frost, 2003). Outsourcing was used less in higher education organizations because the industry is more complex than a simple financial decision.

Of the total potential market in North America, 6.6 percent are using other contracted companies to provide Integrated Facility Management services. There are currently more than 100 Integrated Facility Management outsource companies in North America. That number is expected to decrease due to the consolidation of outsourcing companies as they try to cover a larger area and provide more services (Frost, 2003).

In dealing with higher education, organizations must use caution so as not weaken the educational community by outsourcing important tasks to the lowest bidder (Kennedy, 2002). Colleges might be taking a more commercial approach to resource allocation (Frost, 2003). The recent massive expansion of educational facilities has made these organizations think of more economic uses for their facilities. Universities will have a different challenge in this aspect because of the wide spectrum of buildings and needs, than most other organizations (Frost, 2003).

ARAMARK Facility Services completed outsourcing research that was published in March 2005. The research for Higher Education Outsourcing Methodology for Facility Services included research samples from ARAMARK Facility Services clients and non-clients. Presidents, Chief Business Officers, and Senior Facility Officers were surveyed. The margin of error for the total sample is +/-6.7 percent and higher for sub-groups. The research for Dining Services included research samples from ARAMARK Campus Services clients and non-clients. Respondents included Presidents, Chancellors, Chief Business Officers, VPs of Student Affairs, and other Executive VPs. The margin of error for the total sample is +/-6.27 and higher for sub-groups.

The following are key higher education outsourcing ARAMARK findings:

1. *Dining Services:*

More than half (53%) of respondents feel that an outside dining service management company can bring knowledge of best practices to their institution.

More than half (53%) of respondents define the value of dining service management not in terms of how much they pay, but in terms of what they receive.

Eighty percent of respondents believe that an excellent dining service program contributes to the enrichment of the student living and learning experience.

Only 10 percent of respondents believe that generating increased revenue is the top priority in dining service programs.

Respondents that currently manage their own dining services rated cost effectiveness, shared priorities, loss of control, and employee jobs to be the most important barriers to food service outsourcing.

2. *Facility Services:*

Custodial is the most frequently outsourced facility service, followed closely by maintenance and grounds. Capital management (8%) and commissioning (5%) are the least used, but respondents stated they would consider outsourcing these functions in the future, including energy management (49%).

Only 4 percent of respondents do not outsource a single service at their higher education institution.

Facility services are less frequently outsourced than food, vending, and bookstore outsourcing. Most universities are more likely to consider outsourcing facility services if they are already outsourcing dining services.

Two-thirds of respondents do not have a structured process to evaluate the decision to outsource services.

Lowering the cost of facilities is considered important, but not the most pressing issue in facilities management today. Other issues mentioned include expansion plans, renovation/up-grade needs, and demanding faculty and students.

Sixty-one percent of respondents indicated they would consider outsourcing. Of that 61 percent, only 9 percent believe that an outside company cannot navigate politics of the institution, and 7 percent do not believe an outside company can bring best practices to the institution.

Other things listed as very important by respondents were enhancing living/learning environment (68%), employee training and development (67%), providing value for investment (63%), achieving financial objectives (69%), and providing professional responsive service (63%).

UNICCO surveyed 112 attendees at the 2002 National Association of College and University Business Officers (NACUBO) Conference. The survey encompassed 20 services outsourced by colleges and universities.

The survey found that 91 percent of respondents' institutions outsource at least one service, up from 82 percent in a similar survey conducted in 2000. The survey further found that 78 percent of colleges and universities outsource two or more services.

The top outsourced service on college campuses is food service with 61 percent of the respondents reporting that they turn to outside vendors. Other top outsourced activities include bookstore operations (52%) and endowment fund management (41%).

Fifty-eight percent of the respondents considered improving quality to be very important in driving their desire to outsource. Fifty-three percent said outsourcing was also very important to reduce costs, and 48 percent cited outsourcing as very important to help them focus on core competencies.

When asked what services they are most likely to outsource or renegotiate in the next 12 months, more schools mentioned housekeeping/janitorial than any other function. Bookstore led overall in longer time horizons as a primary area of outsourcing interest.

Attendees were also asked what service they would not consider outsourcing. Payroll is ranked as the least likely service to be outsourced.

The most significant outsourcing study completed recently is the 2006 IFMA Research Report #27, *An Inside Look at FM Outsourcing*. Of the 487 survey respondents, 93 percent were internally employed facility managers. Seventy-three percent of the respondents had been employed at least five years with the same company. The national survey represented 50 percent services, 19 percent manufacturing, and 31 percent institutions. Sixty-seven percent of the facilities represented were described as headquarters, other offices, and multi-use. This is the third longitudinal outsourcing survey IFMA has conducted. The first was in 1993, then 1999, and the most recent in 2006.

Outsourcing Changes
The IFMA report compares the outsourcing managed practices for the 2006 and 1999 surveys. The totals are for both contracted staff and in-house staff supervision and coordination. The study shows no change in housekeeping and landscaping, and a decrease in

cafeteria and recycling. There is double-digit growth in five areas, with the largest growth in utility systems.

	2006	1999	Change
Operations and Maintenance			
Housekeeping	77.0%	77.0%	0.0%
Landscaping	69.0%	69.0%	0.0%
Roads, Parking Garages	70.0%	NA	NA
Utility Systems	67.0%	44.0%	23.0%
Building Exterior	68.0%	58.0%	10.0%
Interior Bldg Maintenance	54.0%	44.0%	10.0%
Admininstration			
Cafeteria	59.0%	60.0%	-1.0%
Building Security	64.0%	56.0%	8.0%
A/E/C Services			
Arch/Eng/Interior Design	90.0%	86.0%	4.0%
Construction Management	60.0%	47.0%	13.0%
Environmental Health and Safety			
IAQ	55.0%	41.0%	14.0%
Recycling	41.0%	42.0%	-1.0%
NA= Not Available			

Why Outsourcing
Four of the top five reasons given for outsourcing were to control costs and improve financial condition of the company. The top two reasons perceived as barriers to outsourcing were: provider employees would not have the same loyalty as in-house employees; and outside providers would not understand the organization's culture.

Satisfaction of Outsourcing
Eighty-eight percent of facility managers said they were either very or somewhat satisfied with their outsourcing providers. Fifty-six percent said outsourcing saved them money. Thirty-two percent said their quality had improved, while 53 percent said their quality had stayed the same. Thirty-nine percent brought services back in-house for the following reasons: to improve quality, reduce costs, improve response time, and to regain control.

The Outsource Contract
Contract approaches were split between specifying everything in the contract that the provider is responsible for (59%), and retaining overall management for each function by a small core of in-house managers (40%). Only 17 percent of contracts were based on performance

measures. Forty-eight percent of contracts were fixed price, while 17 percent were cost pass through plus fixed fee. Only 26 percent had bonus or penalty fees.

Performance Measures
The top measures for performance were regular inspections, customer evaluations, key performance indicators, and complaints.

Length of Contracts
Twenty-five percent of the respondents reported that the length of their contracts had grown, while 15 percent said they were shorter; 60 percent reported they stayed the same.

Trends
Thirty-eight percent of respondents had increased their third party budget, while 15 percent had decreased it (a 23 percent difference). Fifty-five percent said they had consolidated their vendor base. Sixty-two percent thought outsourcing would continue in specialized areas as compared to 61 percent in 1999. Forty-one percent said outsourcing would increase in the next five years as compared to 49 percent in 1999 (IFMA, 2006).

The Future of Outsourcing

Though opinions differ about the future growth of outsourcing, there are several factors that point to its growth:

1) The increased complexity of facilities and their integration with technology will require specialized technology skill sets
2) Risk management and limited liability will play a greater role as institutions seek to streamline core competencies and push exposure to outsourced contractors
3) Finding, hiring, training, and retaining skilled and semi-skilled workers, especially in custodial services.

The following are general findings from the literature review.

The Integrated Facilities Management Services Markets show that the revenues in the outsource industry totaled $9.98 billion in 1999, $12.39 billion dollars in 2002, and are expected to reach $21.89 billion in 2009 (Frost, 2003).

In a survey done by IFMA, FM Link, AFE, BOMA, and APPA in 2004, outsourcing ranked as the most likely issue to change the industry in the future (Blanchett, 2004).

In addition to increased competition and larger markets, technology is a driving force behind outsourcing. Technology is updated and improved constantly, and many companies do not have the money and/or expertise to keep up with all the changes in the technology sector (Kelly, 2004).

Relevant Case Studies about Outsourcing

Bowling Green State University – Dining Services
Bowling Green State University, Bowling Green, Ohio was founded in 1910. This public university has over 22,000 students and 1,338 acres. When the student union building at Bowling Green State University was renovated, administrators had to reconcile what services should be provided through the university, what services could best be provided through a franchise product, and what areas should be fully outsourced. This was a complex decision that required more than considering the lowest price and meeting customer needs. Administrators were worried that off-campus businesses may view on-campus franchises as a threat and therefore hurt community relationships. Another concern was how outsourcing dining services in the student union would impact dining services to other campus departments.

In the planning stages of the renovation, administrators learned that students wanted quality fast food. To meet this need, outsourcing at various levels was the solution: space was leased to Wendy's; food was purchased from Freshen; coffee beans and bagels were purchased from local shops; and a Steak Escape franchise license was purchased by the university. Campus Dining Services also continued to provide cafeteria-style services across campus.

This smorgasbord of outsourcing food service offerings has met with great success, particularly at lunch. However, Wendy's success (because of its strategic location and the students' desire to have brand-name products) has impacted campus Dining Services revenue, causing them the challenge of right-sizing their operational overhead. Another problem arose with the operation of the on-campus Black Swamp Pub that was opened to create a place that would ensure responsible drinking. However, students avoided the pub, preferring to drink off-campus. More challenges are expected as the student union addresses issues of overcrowding in the food court and replacing some operations with new services or product.

One area of the student union that was not outsourced is the bookstore. Though bookstores have been successfully outsourced on other campuses, Bowling Green found success in maintaining its own management. The bookstore was expanded during the union renovation, which allowed for a better product line and improved service to students.

The outsourcing options used by Bowling Green in its student union building evidence the fact that a variety of outsourcing methods may be the best way to meet an institution's needs (DeBard, 2003).

Beaumont Hospital O & M

Beaumont Hospital in Royal Oak, Michigan is ranked in eight categories in the prestigious 2008 *U.S. News & World Report* "Best Hospitals" lists.

Beaumont Hospitals is a three-hospital regional healthcare provider with a total of 1,696 licensed beds, 18,000 employees, and 3,000 physicians in Oakland, Macomb, and Wayne counties Michigan. Beaumont's 1,061-bed hospital in Royal Oak is a major academic, research, and referral center with a Level I trauma designation. It ranks first in the United States for inpatient admissions and second for surgical volume. In addition to its hospitals, Beaumont operates numerous community-based medical centers, five nursing centers, a research institute, home care services, and hospice.

U.S. News & World Report has ranked Beaumont Hospitals highly for the past 14 years. These rankings are based on the quality of care the hospitals provide to patients. The rankings are based on the hospitals being a teaching hospital, affiliated with a teaching hospital or to have six important medical technologies from a defined list of 13. The second requirement is that the hospitals to have a specified volume over three years or to have been nominated in their yearly specialist survey. The third requirement is whether the hospital does well enough to be ranked, based on its reputation, death rate, and factors such as nurse staffing and technology.

Though Beaumont Hospital's facility management department was operating effectively, the need to cut cost prompted administrators to look into a new outsourcing strategy ("resourcing") that had been successful at other hospitals. Beaumont defined the major difference between resourcing and outsourcing is that resourcing forms a new company that utilizes existing employees, while outsourcing brings in an outside company that replaces existing employees. Even though outsourcing practices throughout the industry use existing employees, Beaumont interpreted a difference between the two.

Beaumont invited ReSourcing Services Co., (a partnership between PricewaterhouseCoopers and Jacobs Engineering) to discuss how resourcing could benefit the healthcare industry. ReSourcing Services Co. analyzed various departments in the hospital. Though many industries outsource housekeeping, this would not work for Beaumont because their housekeeping employees require specialized training since they come in close contact with patients and must handle unexpected emergencies. Beaumont also did not feel comfortable resourcing hospital security. However, the facilities management department, which is responsible for biomedical engineering, plant operation, maintenance, planning, design, and construction, seemed ideal for implementing the resourcing model.

In November 1997 Beaumont hospital spun off its FM department and created Beaumont Service Co. (BSC), transforming the department from a cost center to a profit making business. BSC is owned equally by Beaumont Hospital and ReSourcing Services Co. Beaumont retained 50 percent ownership, believing that in time, BSC will be able to bring in revenue to the hospital by servicing other businesses. Employees reported to the same place for work but were now employed by a different company.

Some employees had concerns with the split, but through sensitive management – which allowed employees to redesign their benefits package, reshape the organization structure, and create the mission/vision statement – nearly all of the 300 department employees remained during the transition, continuing to service Beaumont with their unique skills and existing knowledge of the hospital.

In the first two years of operation, BSC saved Beaumont Hospital more than $6 million, and maintenance costs per square foot were down $500,000. Beaumont added an 80,000-square-foot Heart Center without an increase in maintenance costs, and quality of service survey data continued an upward trend. In October 1999 BSC took a closer look at their organization which consisted of two separate groups: maintenance and in-house construction. BSC's decision to combine the groups optimized labor usage and allowed BSC to capture more work that previously went to outside vendors. In the first quarter this change produced a $570,000 annual cost savings and 163 percent increase in in-house construction workload.

Not only has Beaumont's resourcing strategy produced substantial monetary savings, it generated goodwill among workers at the hospital because there were no layoffs. BSC's innovative accountability and reward structure

Beaumont Hospitals Maintenance Costs

Old Model	New Model

Year Sq. Ft.	1997 4,008,058	1998 4,126,684	1999 4,465,864	2000 5,047,657	2001 5,092,657	2002 5,347,920
Old Model (Cost per Sq. Ft.)	$2.99	$3.01	$3.10	$3.19	$3.29	$3.39
New Model (Cost per Sq. Ft.)		$2.91	$3.01	$2.88	$2.90	$2.88
Annual Savings		$412,667	$401,927	$1,564,772	$1,986,135	$2,246,126
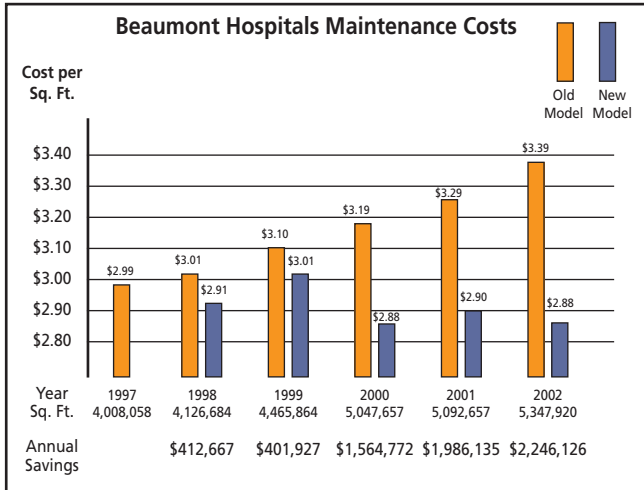
encourages employees to generate new ideas and to have the confidence to implement them (Mosher, 2000).

The following case study shows how three university partnerships were successfully formed to build needed student housing.

California State University-San Marcos Housing

At 15 years old, California State University-San Marcos (CSUSM) was a small university that was surrounded by fields, had a small food service operation, had no library, no student union building, and no student housing. It had leased some off-campus housing, which was becoming difficult to manage and control. The university overcame their housing shortage by building University Village, a 475-bed unit.

CSUSM successfully built University Village by first establishing a university team consisting of the school president and other committed people. The team toured other campuses in the area and conducted a demand study, which showed that 500 beds were needed. They then set up criteria to select a partner, based on financing, construction, and operations abilities. CSUSM invited four companies to submit an RFP, invited the top three to make presentations, and selected Allen and O'Hara Development Company, a subsidiary of Education Realty Trust.

Allen and O'Hara would build and operate the units, requiring numerous approvals and contracts. One agreement of interest is that the university agreed to assume a certain amount of responsibility if a minimum number of beds were not leased for the first three years; to date that problem has not arisen. A student and residential life staff was involved in the construction. After construction, a close working relationship between Allen and O'Hara and the university has continued to make operation of University Village successful.

University of San Diego - Housing

When the University of San Diego had student housing shortages, they hired Capstone Development to meet their fast-track schedule. Capstone determined the project feasibility, coordinated financing, planning, design, and construction.

Capstone removed risk from the university by guaranteeing project costs and a delivery date. Capstone also simplified the university administrator's job by serving as the single source of responsibility. This translated into increased efficiency, a solid understanding of student trends and needs, and knowledge of various design and construction types. Most importantly, Capstone's expertise helped the university by leveraging its working relationships with architects, general contractors, and vendors.

One area that relieved stress from the university was the "liquidated damage clause," which stated that if the project was not ready for occupancy by August 2003, Capstone would house the students within five miles of the campus and transport them. The project was completed on time, however, and the clause was not enacted.

University Center of Chicago (UCC) - Housing

When the neighboring campuses of Columbia College Chicago, DePaul University, and Roosevelt University all needed additional student housing, they partnered to construct the University Center of Chicago (UCC), which would house students from all three campuses. UCC would be a $151 million, 1,720-bed facility, located in downtown Chicago.

The three institutions, as well as the City of Chicago, came together to merge their needs into a common goal, and formed the Educational Advancement Fund (EAF). Together, they worked to achieve balance in addressing student affordability, quality, sustainability, institutional control, flexibility, use of scarce resources, the missions of three diverse institutions, and the city's redevelopment goals.

The Scion Group was selected to construct the project and was later selected to operate and maintain the building. The contractor met the design challenges presented by the institutions' varying needs, by helping them reach agreement on unit types, common areas and amenities, revenue-generating spaces, and other revenue opportunities. Scion also facilitated compromises on music practice spaces and art studios.

Collaboration and leadership were key in moving the project to completion. Some of the lessons learned from

Where We've Been and Where We're Going

the experience were to let each institution conducts its own marketing and to focus on 12-month leases, not academic-year leases. Care had to given to blending the expectations of the three institutions. For example, each institution had a different alcohol policy; these were blended to create a separate policy for UCC (Cirino, 2005).

Auburn University - Security
Outsourcing security operations at a university is not typically done. However, Auburn University is saving money and gaining efficiencies by partnering with the City of Auburn, Alabama, police force. Auburn State and Auburn City had discussed the merits of having a single police force for several years, and when the university's police chief retired in July 2004, it was the perfect time for the merger.

The partnership contract does not specify a length, only that it will continue until one party wishes to end the agreement and gives the other party a nine-month notice. However, adjustments are made and a new contract signed every year. There is also a quarterly financial reckoning: if the city's expenses are more than normal, they bill the university; if expenses are below normal, they send a refund. The university and city communicate regularly through roundtable discussions and phone/e-mail.

The city staffed the additional workload by giving Auburn University's Police Department the opportunity to work for the City of Auburn. Most employees made the transition, which was more than expected. All were hired. To deal with the influx, the city has not rehired during attrition. The city also took possession of the university's equipment and cars, reimbursing them over time based on an agreed upon value.

The transition was quite smooth. The biggest challenge was merging the unit into one police force. In the beginning it was tempting to identify an employee as an "AU guy" or a "City guy," but they have now evolved into the Auburn City police force. Another challenge was that some university personnel felt they no longer had a police force, but that obstacle was overcome by assuring them they still have a police force; its administration is just located off campus. The university and police department communicate regularly about changing needs. They work hard to make sure the partnership does what it was intended to do—make sure students, faculty, and citizens are safe.

Suggestions for other universities contemplating such a merger are: communicate expectations clearly and make sure they can be met; evaluate the pros and cons; and

talk to others who have outsourced their campus security to get their perspective (Kollie, 2008).

Louisiana State University - Energy
Energy management is more than monitoring the price of natural gas and electricity. It entails the best use of facilities and maintenance staff, new equipment, capital improvements, leasing, and planning in case of energy failure. Because energy management encompasses so many aspects, university administrators are taking advantage of energy outsourcing. A professional energy service firm can also help acquire energy supplies under terms that ensure reliability and price stability, as well as keep abreast of current energy technology allowing for more efficiency in energy usage and consumption.

One college who outsourced its energy management is Louisiana State University (LSU) in Baton Rouge. LSU serves more than 34,000 faculty, staff, and students, and in 1989 was preparing for a major expansion of its 650-acre campus. Part of the expansion plan was to overhaul the heating and cooling systems of more than 100 buildings. The retrofit of these systems was projected to save $4.3 million a year, amounting to more than $40 million over a ten-year period. This savings would be used to pay the entire $18.7 million cost of the project.

LSU partnered with an energy management firm for the project. When it was complete, LSU actually saved $4.6 million a year, $300,000 more than the projections. With the help of its energy partner, LSU invested in new equipment, rather than repair its aging equipment, all without any out-of-pocket expense.

Another university that experienced substantial energy savings by hiring an energy services firm is Baylor University in Waco, Texas. Baylor is the largest Baptist college in the U.S. with more than 13,000 students. In 1989 Baylor administrators were looking for ways to improve the campus' energy infrastructure, lower energy costs, and prepare for expansion. They hired an energy firm to develop and implement a campus-wide energy savings project. The project included 90 buildings with 3.7 million square feet, and cut Baylor's energy costs by a third.

With more than 4,500 universities and colleges in the U.S., and a total of 17 million students, faculty, and staff and more than 280,000 buildings, the potential savings through energy-efficiency improvements is great. By outsourcing to energy experts, not only would campuses save millions of dollars, they would experience increased productivity, positive cash flow, healthier indoor air quality, improved lighting, more comfortable working and learning conditions, and a cleaner environment.

Campuses would gain greater control of their energy operations without having to invest in staff and resources (Dickerman, 2002).

Other Relevent Literature Findings

An extensive literature review of more than 140 articles, books, and websites were reviewed between 2004 and 2008. The literature was typically categorized into 12 areas:

1. Balancing Outsourcing
2. FM Outsourcing Case Studies
3. How to Outsource
4. Innovation and Outsourcing Models
5. Misconceptions of Outsourcing
6. Outsourcing Human Resource Factors
7. Outsourcing Risk
8. Outsourcing Statistics
9. Performance Based Outsourcing
10. Trends and Strategic Planning
11. Why Not Outsource
12. Why Outsource

Unfortunately, most of the literature was written as opinion and contained little verifiable substance based on research or actual case studies. Those articles that did contain some merit have been incorporated this publication. One area of interest where little has been written is performance-based outsourcing. The following is some evidence of its merits.

Performance-Based Outsourcing

Two types of outsourcing exist, namely traditional and performance-based. Both have advantages and disadvantages associated with them. Traditional outsourcing involves the contractor explaining what process to follow to achieve the goal, while performance-based outsourcing explains the end goal and allows the vendor freedom to choose how to achieve the goal. "Performance-based contracting is the fastest growing buyer strategy in the U.S. today….According to the U.S. Bureau of Economic Census there are about 4,621,000 buildings in the U.S. comprising more than 61 billion square feet of space" (Eilliott, 2001). In managing a performance-based contract, be aware that it takes a higher level of management skills than traditional outsourcing. There are four steps that are key to successfully managing a performance-based contract: preparation, selection, transition, and ongoing management (Elliott, 2001).

Job Order Contracting (JOC) is an outsourcing method that has been used in the government sector, and is beginning to receive more attention in the business sector. A study from Arizona State University found that performance ratings for "similar services were 33 percent higher for JOC contractor than low bid contractors." Implementing a Job Order Contracting system can provide good results to an organization, while the low bid method often produces low quality and low satisfaction (Cotts, 2003).

Chapter 3: Research of Higher Education Shared Services

Survey of APPA Outsourcing Trends

A survey of APPA institutions was conducted in 2008 to determine current outsourcing trends. Of the approximately 1,200 survey sent by email to the APPA institutional representative, 217 were returned for an 18 percent response rate. The survey was separated into six categories: private, public, less than five million square feet, greater than five million square feet, less than 5,000 students, and greater than 5,000 students.

Profile of Survey Respondents

Public	62.0%
Private	38.0%
<5 Mil SF	79.2%
>5 Mil SF	20.8%
<5K Students	45.6%
>5K Students	54.4%
FM Director	66.0%
FM VP or Asst/Assoc.	33.9%

The survey results are listed below. The charts show how the different categories responded to the questions.

1. Which of the following services do you outsource?

Outsourcing (OS) Percentage	Total	Private	Public	>5 Mil SF	<5 Mil SF	>5K Students	<5K Students
NA = Don't Outsource	19.3%	15.2%	21.6%	20.0%	19.2%	14.9%	23.1%
Custodial	28.3%	*41.8%*	20.1%	17.8%	*31.1%*	*37.2%*	21.4%
Grounds	19.8%	*29.1%*	14.2%	15.6%	*21.1%*	*26.2%*	14.5%
O & M (operations and maintenance)	9.9%	*15.2%*	6.7%	11.1%	9.6%	*13.8%*	6.8%
Energy	9.0%	8.9%	9.0%	6.7%	9.6%	11.7%	6.8%
Capital Projects	15.6%	17.7%	14.9%	17.8%	15.0%	19.1%	12.0%
Building Commissioning	42.0%	41.8%	41.8%	51.1%	39.5%	39.4%	43.6%
Security	13.2%	15.2%	11.9%	11.1%	13.8%	18.1%	9.4%
Other	38.7%	34.2%	41.0%	55.6%	34.1%	33.0%	43.6%

Private institutions outsource custodial, grounds and O & M on an average of 15 percent more than public institutions. Those institutions with less than 5 million SF outsource 13.3 percent more than campuses with greater than 5 million square footage. Those campuses with less than 5 million square footage only outsource 5.5 percent more of their grounds than larger campuses. Conversely, those campuses with more than 5,000 students outsource custodial, grounds, and O & M on an average of 11.5 percent more than those schools less than 5,000 students.

The comments explaining the "Other" category were consistent: they were food service, elevator maintenance, specialty maintenance, and HVAC.

2. What is the main reason why outsourcing is chosen at your institution?

Outsourcing (OS) Percentage	Total	Private	Public	>5 Mil SF	<5 Mil SF	>5K Students	<5K Students
NA = Don't Outsource	24.9%	21.0%	27.1%	20.9%	25.9%	21.4%	28.1%
Cost Savings	14.6%	14.8%	14.3%	11.6%	15.3%	16.3%	13.2%
Better Quality Service	10.8%	*21.0%*	4.5%	7.0%	11.8%	*16.3%*	6.1%
Don't Have Expertise	32.4%	29.6%	34.6%	32.6%	32.4%	31.6%	33.3%
Other	17.4%	13.6%	10.5%	27.9%	14.7%	14.3%	19.3%

Cost savings and better service quality only account for about 25 percent of why institutions outsource services. Not having the technical expertise and lack of staffing (in the "Other" category) were shown as the major reasons for outsourcing.

Private institutions outsource to increase quality at a 16.6 percent higher rate than public schools. Those schools with greater than 5,000 students outsource 10.2 percent more for better quality than those with fewer than 5,000 students.

3. Which method do you primarily use to measure the quality of your outsource service providers?

Managing OS Quality	Total	Private	Public	>5 Mil SF	<5 Mil SF	>5K Students	<5K Students
Number of Complaints	18.2%	16.0%	19.5%	13.2%	19.5%	15.9%	20.4%
Visual Inspections	47.1%	49.3%	46.0%	31.6%	*51.0%*	*55.7%*	39.8%
Key Performance Indicators	44.9%	48.0%	43.4%	50.0%	43.6%	42.0%	46.9%
Other	15.0%	16.0%	14.2%	18.4%	14.1%	11.4%	18.4%

Quality measurement was shown to be a mix of responses. Those institutions that have less than five million square feet appear to be less formal because they perform visual inspections almost 20 percent more than institutions with greater than five million square feet. It is interesting that those campuses with more than 5,000 students do more visual inspections than those with fewer than 5,000 students.

4. What is your forecast for outsourcing at your institution over the next ten years?

Future of Outsourcing	Total	Private	Public	>5 Mil SF	<5 Mil SF	>5K Students	<5K Students
Will Decrease	7.6%	7.4%	7.6%	7.0%	7.7%	9.4%	6.1%
Will Stay the same	61.6%	63.0%	61.1%	62.8%	61.3%	59.4%	63.2%
Will Increase	30.8%	29.6%	31.3%	30.2%	31.0%	31.3%	30.7%
(Will Increase - Will Decrease)	*23.2%*	*22.2%*	*23.7%*	*23.2%*	*23.3%*	*21.9%*	*24.6%*

The numbers for this question are fairly even. The overall perceived increase of outsourcing for the next ten years was shown to be about 30 percent.

Research of Higher Education Shared Services

5. How satisfied are you with your current outsourcing arrangement on a scale from 1 to 5? (1=very unsatisfied, 5=very satisfied)

OS Satisfaction (1 low...5 high)	Total	Private	Public	>5 Mil SF	<5 Mil SF	>5K Students	<5K Students
1	3.7%	2.7%	5.1%	5.0%	3.3%	3.4%	4.0%
2	7.3%	9.3%	6.0%	7.5%	7.3%	6.7%	7.9%
3	23.6%	14.7%	29.1%	25.0%	23.2%	23.6%	23.8%
4	43.5%	40.0%	45.3%	47.5%	42.4%	34.8%	50.5%
5	22.0%	33.3%	14.5%	15.0%	23.8%	31.5%	13.9%
(4 + 5) Positive Rating	*65.5%*	***73.3%***	*59.8%*	*62.5%*	*66.2%*	*66.3%*	*64.4%*
(1+2+3) Neutral/Negative	*34.6%*	*26.7%*	***40.2%***	*37.5%*	*33.8%*	*33.7%*	*35.7%*

Private institutions rate their current outsourcing arrangements 13.5 percent higher (73.3 percent were satisfied) than public institutions (59.8 percent were satisfied). Of public institutions, 40.2 percent gave their outsourcing a neutral or negative satisfaction score.

Qualitative Interviews

	Lehigh U.	Oregon State U.	Berklee C.	BYU	Drew U.	Non-disclosed
Public		X				X
Private	X		X	X	X	
<5 million SF	X	X			X	
>5 million SF			X	X		X
< 4,000 students					X	
> 4,000 students	X	X	X	X		X
FM Director	X	X				X
VP Admin			X	X	X	
Eastern US	X		X		X	X
Western US		X		X		

Qualitative research was conducted in 2004 to uncover the real attitudes about shared services among facility directors and university administrators. Six different universities were identified and appropriate individuals were contacted and interviewed. The following matrix shows the cross section of university type, size, position, and geographical area of the United States.

Lehigh University, Bethlehem, Pennsylvania

Founded in 1865 by an industrial pioneer, Lehigh University remains located in Bethlehem, Pennsylvania. This private institution focuses on the liberal arts and sciences. The founder, Asa Packer, aspired to transform the natural resources of the country into an independent national economy by combing an education of practical skills with theory, judgment, and self-discipline. Lehigh is proud of their ability to cross academic disciplines and provide an integrated learning experience for their more than 4,000 students.

Contact: Gary Falasca, Director of Facility Services

Institution Type: Private

Institutional Square footage: 4 million SF

Enrollment: 4,577

Shared Services Model: Management Plus Labor

Shared Services Mix:

	Self-operated	Outsource	How many years outsourced?
Bookstore		X	3
Food Service		X	50
Information Technology (IT)	X		
Custodial		X	20
Grounds and Landscaping		X	20
Facility Operations and Maintenance		X	20
Energy Management	X		
Capital Project Management	X		
Building Commissioning	N/A		
Security	X		
Transportation	X		

[Interview with Gary Falasca, Director of Facility Services, in November 2004]

Researcher: **What has been your experience with facilities outsourcing?**

Gary: Overall it's been good. I don't know any other way. I've been here 16 years and all of those things that we have done with say, one exception, we had outsourced and then brought back in-house and are still that way. They were outsourced when I got here and they still are.

Researcher: **What item was it, and why did you bring it back in house?**

Gary: It was a ten-year deal we had done with _____ for building controls, automation controls, and HVAC maintenance. We found that as we got closer to the end of the ten-year commitment, they seemed less and less interested in maintaining our equipment the way they should and they were charging us an extreme amount of money, so we got out from under it.

Researcher: **So the question of why you decided to outsource had already been established.**

Gary: I believe that custodial was outsourced because of organized labor. That was the motivating factor. There was a union drive at the time, and they wanted to get a third party in between the workers and management.

Researcher: **When deciding between self-operation or to outsource, what decision tools have you used?**

Gary: As long as we're pretty price savvy and we're getting the kind of service that we hope to get it doesn't seem to become an issue. We monitor our custodial contract, which is the largest outsource contract that we have with a third-party inspection, and so we know we can document their performance. We know that budget-wise it fits into what we're trying to do and the performance is what we expect. We have a risk-management group that's an in-house campus service that prefers that over in-house because of worker's compensation and other liability concerns.

Researcher: **What type of service model do you use? Is it a management only, is it management plus labor, or labor only?**

Gary: It is management and labor.

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Researcher: **Why did you decide to choose that option?**

Gary: It was in place when I got here. I think it gives us a little more flexibility in terms of who we pay and what we pay for.

Researcher: **What methods do you use to control quality and measure provider performance?**

Gary: Take for example custodial, that we have already mentioned. Custodial, which is the biggest one worth about 4 to 5 million dollars, we do a monthly third-party inspection process. We toyed around with performance measures with grounds but it's much harder to get an accurate handle on that because it's so weather affected. So we shied away from that. We have a person on our staff that is assigned to the administration of that contract and he works closely with the management of that group that's here. So we get a lot of cooperation.

Researcher: **An in-house staff is assigned to that outsource provider?**

Gary: Right, that seems to help a lot. It kind of integrates the contractor with our staff.

Researcher: **What do you think are the best attributes of a really good outsourcing company?**

Gary: It's experience more than anything. You can ask them to do things or have them do things for you that you might not be able to accomplish with an in-house staff because of nature of the specifics of what they do. In other words, they can be well schooled in specific things where we are asked to do a lot of different tasks. We have a small staff and have to wear lots of different hats. I don't know that I can sustain a staff that could do the things that we're asking other people to do for us in a continuous fashion with the same continuity. If my grounds manager (from the outsource provider) were to leave because it's a very large national company, they could bring in somebody that is just as knowledgeable to replace them and we wouldn't miss a beat. Whereas, if it was a person on my staff I may struggle a little bit more to find a replacement and then train him or her and bring them up to speed.

Researcher: **What is your forecast for the next ten years for outsourcing on your campus?**

Gary: I don't think there will be much change at our campus. We've found a comfort level that works for us.

Researcher: **How do you feel that facilities contributes to the overall goals and mission of your institution?**

Gary: We try to maintain the facilities the best we can with the money we're given, and certainly everybody acknowledges that is clean, safe, well-lit, well heated, and has other comfort and conveniences contribute to someone's ability to absorb knowledge. So in that regard I guess we do okay.

Oregon State University, Corvallis, Oregon

Oregon State University was first established as a private academy in 1858. The first degrees awarded for college-level courses were in 1870. OSU was once designated as Oregon's state-assisted agricultural college. OSU is Oregon's land grant, sea grant, and space grant university. Many of the unique colleges OSU has to offer range from agricultural sciences, forestry, oceanic and atmospheric sciences, pharmacy, and veterinary medicine. Oregon State has nearly 19,000 students and is nationally recognized for high quality programs.

Contact: Jim Lloyd, Director of Facilities Services

Institution Type: Public

Institutional Square footage: 7 million SF

Enrollment: 19,162

Shared Services Model: Management Plus Labor

Shared Services Mix:

	Self-operated	Outsource	How many years outsourced?
Bookstore	X		
Food Service	X		
Information Technology (IT)	X		
Custodial		X	18
Grounds and Landscaping	X		
Facility Operations and Maintenance	X		
Energy Management	X		
Capital Project Management	X		
Building Commissioning		X	10
Security	N/A		
Transportation	X		

[Interview with Jim Lloyd, Director of Facilities Services, in November 2004]

Researcher: **What has been your experience with outsourcing? Have you had a good experience with it?**

Jim: It has been both good and bad. It is just the custodial that is outsourced right now, but we were looking at a new contractor about three years ago because we weren't happy with it, and then they were bought out by another company that is currently doing it and they're doing a great job.

Researcher: **Why weren't you happy before they changed?**

Jim: Service levels were too low. Too many people were complaining about the lack of cleanliness and so forth, and their senior management wasn't very prompt at getting things fixed.

Researcher: **Was it like that when they started their contract?**

Jim: No, I don't think so. I hadn't been here that long so I think they started out fine but their service just eroded over time.

Researcher: **What decision tools do you use to help make the decision of self-operation or outsourcing?**

Jim: The only tool that works for me is the business case itself; financial business cases, either saving money while increasing quality.

Researcher: **What type of service model is it? Is it management only, management plus labor, labor only?**

Jim: It's management and labor.

Researcher: **Why did you select this service model?**

Jim: It was the business case model. Looking at the financials and the quality that we get for what we pay for.

Researcher: **What methods do you use to control the quality and measure provider performance?**

Jim: They actually do a quality assessment report on a quarterly basis and share that with me.

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Researcher: So the outsource company does a quarterly quality assessment?

Jim: Yes.

Researcher: What are the attributes of the best outsourcing companies?

Jim: The knowledge of the industry is obviously important, along with the level of talent, and then the cost of the outsource contract.

Researcher: Why have you decided to keep the majority of your services in-house?

Jim: It's cheaper.

Researcher: Is that the main driving force?

Jim: I have a personal philosophy which is, I don't care for outsourcing. And it's quite simple. I used to work for _____ (an outsourcing company). I was a director and had three large accounts. I had facilities people at each of those locations taking care of their facilities operations. The fundamental flaw of outsourcing is simply that at the end of the day you want somebody that's managing your facilities that has, as their number one interest, the client's interests. But, the fact is, when you outsource, the number-one interest is their interest and their ability to make a profit. It's a conflict of interest. I can't afford to have a conflict of interest with what I'm trying to do on this campus.

Researcher: So the advantage of keeping it in-house is to have…

Jim: You know the employee at the end of the day is concerned about the university as their number-one priority and not about making a profit. The other issue with outsourcing is in order for the outsourcing company to be profitable they have to pay their employees less than what the market value of the job is. This creates a lot of morale issues, and of course there's a lot of turnover as a result as well.

Researcher: Yes, I know.

Jim: Those are the two primary reasons why I'm against outsourcing. Like I said, for years I worked in the outsourcing industry, so I can speak from experience.

Researcher: So those are some disadvantages to outsourcing. Do you feel there are any advantages to outsourcing? You already talked about costs.

Jim: In private industry there is, but not in a university setting. In private industry if there is a downturn in business you can cut the contract and lay people off and not be liable for any lawsuits and other actions like that.

Researcher: A buffer zone?

Jim: Yes, exactly, it's a cushion.

Researcher: If you were to forecast your practice of outsourcing over the next ten years, how do you think it will play out?

Jim: I think outsourcing will be about the same, to be honest with you.

Researcher: Why is that?

Jim: In the early '90s outsourcing was the buzzword and everybody jumped on the outsourcing bandwagon and said, 'oh what a wonderful thing this is.' And then outsourcing companies sprung up all over the place and

then CFOs started realizing, 'Whoa, this isn't that great of a deal here, folks.' I saw a real curve in the demand for outsourcing services. Now, I think there are certain outsourcing areas that are probably just a no-brainer, like custodial services. To me that's always going to be outsourced. I don't think people are really going to bring that in-house. I also think food services are going to continued to be outsourced, even though we don't do that on this campus.

Researcher: **So you feel that the outsourcing craze has already hit and now people are realizing that it might not be the right choice?**

Jim: Yes, I think they should look at the business and case, and say does this really make sense? This is going to cost us a lot more to outsource and we don't get as much control. Why would we do that?

Researcher: **How do facilities contribute to the overall goals or mission of your institution?**

Jim: Pretty much everything we do from an academic or research standpoint is done in a facility that needs to be heated and cleaned and maintained. So, pardon the pun, but we basically lay the foundation for the university. If the university could figure out a way to operate without new buildings then they'd have to take a different approach. Right now the buildings are, as a land-grant institution, a fundamental part of the mission of this campus.

Berklee College of Music, Boston, Massachusetts

Berklee College of Music, located in Boston, Massachusetts is the world's largest independent music college and has been around for over 50 years. It is the leading institution for the study of contemporary music. Representing students from more than 70 countries, Berklee has the highest percentage of international undergraduates of any college in the United States. This college of music takes an educational approach of not just teaching jazz, as it first began, but also aiding instruction in pop, rock, classical music, and much more.

Contact: John Eldert, Associate Vice President of Administration

Institution Type: Private

Institutional Square footage: 600,000 SF Owned, 250,000 SF Leased

Enrollment: 3,800

Shared Services Model: Management Plus Labor

Shared Services Mix:

	Self-operated	Outsource	How many years outsourced?
Bookstore		X	15
Food Service		X	
Information Technology (IT)	X		
Custodial		X	
Grounds and Landscaping		X	
Facility Operations and Maintenance	X	X	
Energy Management		X	
Capital Project Management	Small	Large	
Building Commissioning	Small	Large	
Security		X	
Transportation	N/A		

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[Interview with John Eldert, Associate Vice President of Administration, in November 2004]

Researcher: **What has been your experience with facilities outsourcing?**

John: I've been doing it for about 15 years here, and longer in other businesses such as airports. It makes a lot of sense to me. I'm a convert to that. It gives you depth of bench, it gives you flexibility, it gives you expertise, but you have to manage it.

Researcher: **What tools do you use when you make your decisions to outsource or self-operate?**

John: We know the industry, who the players are, and we know generally from others how it's working on other campuses. We have a pretty good network that gets us started, and then we enter into individual negotiations for our own campus. We do a formal bid process periodically but it is generally more of a negotiated contract than it is a pure bid situation. We'll have submissions and proposals but then we'll negotiate the final stages of it.

Researcher: **What type of service model do you use? Is it a management only, management plus labor, or labor only?**

John: We do a lot of different models. Most of it is management plus labor.

Researcher: **Why did you select this service model?**

John: Basically, we got started because we were doing a lot of complex tasks on the facilities side specifically and we just didn't have the staff. It didn't pay to staff up for a period of time and try to find the expertise, so by using an outsource provider we can get the expertise a lot quicker on a flexible basis. When it's a complex job we need bits and pieces of different skill sets at different points of time, and you can never properly staff for that. I've done many campus transformations of various forms and major construction. When you're spending 30 to 100 million dollars you can't perform those projects in-house.

Researcher: **What methods do you use to control quality and measure your providers?**

John: There are different providers so we need to have clarity about what we are looking for, with as much specificity as possible. But we also have to have a good gut sense of whether it's working or not, and ultimately the economics at its end. Cultural fit is also an important factor. All of these things take active management that we have to understand. Not just the outsource site manager, which is a critical player, but also we must know the district and the regional managers, and with any luck the national players so that we can get the attention we would like to have. Not everyone does it that way, but I do, and it has worked out for me.

Researcher: **What are the attributes of the best outsourcing companies?**

John: Depth of bench, flexibility, efficiency, state-of-the-art techniques, integrity, vision, and going where the industry is going. Effectiveness and efficiency comes out of all of that.

Researcher: **What is your forecast for outsourcing for Berklee College of Music for the next ten years?**

John: It will increase. We can't do much more on the campus side of it, but I can see HR, possibly more technology, probably outsource more of the financial processes. The trend is not going away. We know that somewhere in there is a mixture of collaborative co-sourcing as well as outsourcing. We do co-sourcing with other institutions as well as outsourcing to third-party providers. It would be a different model.

Researcher: How do facilities contribute to the overall goals or mission of your institution?

John: Well, facilities make it all possible in a simple sense. We don't rely on the visual aspect of the campus like many places do. We rely on the technical capability of the campus fairly intensively. This is a music specialty college so we have a lot of technology. We have a lot of physical spaces that have to be acoustically correct. The technology has to be readily functional such as recording studios and synthesis labs. For us, functionality is probably a larger issue than pure aesthetics.

Brigham Young University, Provo, Utah

Established in 1875, Brigham Young University continues to provide an outstanding education in an atmosphere consistent with the ideals and principles of its sponsor, The Church of Jesus Christ of Latter-day Saints. The university stems from a rich pioneer heritage, located in the beautiful mountain location of Provo, Utah. BYU is recognized for its internationally experienced student body, representing 112 countries. Many of the universities schools and colleges are nationally ranked, such as the business school and college of nursing. BYU is also recognized for its performing arts ensembles and extensive language programs.

Contact: Brad Farnsworth, Administrative Vice President

Institution Type: Private

Institutional Square footage: 9.5 million square feet

Enrollment: 30,000

Shared Services Model: Management Plus Labor

Shared Services Mix:

	Self-operated	Outsource	How many years outsourced?
Bookstore	X		
Food Service	X	X	5
Information Technology (IT)	X	X	some
Custodial	X		
Grounds and Landscaping	X		
Facility Operations and Maintenance	X		
Energy Management	X		
Capital Project Management	X	X	50
Building Commissioning	X		
Security	X		
Transportation	NA		

[Interview with Brad Farnsworth, Administrative Vice President, in March 2005]

Researcher: Overall, what has been your experience with outsourcing?

Brad: Actually, we do a lot of it when it comes to construction and architectural services. It's almost exclusively outsourced. We outsource major maintenance, construction, and design, and even bringing in experts for feasibility studies. We have a full-time architectural staff that really helps manage these outside services. So far, I've been very pleased with our staff and the process they have in place to make it a competitive outsourcing process as well. I think being fair and trying to communicate well with the outside professionals is important. We can always do better, I'm sure, but I'm pleased with the relationships we have with a lot of contractors and architects.

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Researcher: **Have you ever considered outsourcing any other facility services (other than architecture and construction) or have you been pretty committed to always do those services in-house?**

Brad: We consider it all the time, especially as we have growth. For example, as me moved into the Joseph F. Smith building we need to outsource some of the moving services. We just don't have the staff to move in 401 offices of furniture. So when we have things like that, or when we build tech rooms, then we might need to outsource some carpentry work or things like that. We are always considering outsourcing, and yet I like the idea of having a staff full enough that we can give the students the experience as having student employees over there, and having a base that we can maintain BYU standards rather than fluctuating every time we bring in a new contractor. I think we're trying to strike a balance, but we do consider it when there is a need.

Researcher: **How does the position that the university has taken in wanting to employ students affect the decision to outsource?**

Brad: It does a couple of things. One, it affects the number of full-time staff we have. If we didn't have the students then we would probably need more full-time staff. Or, alternatively, if we didn't have students then a lot of the work could be outsourced that they do, but that is one of the major responsibilities we have here, not only in the academic area but also in the employment area and other aspects of BYU is to give the complete, full aims education. That's where those aims point to that we talk about all the time. So, we employ over 700 students in physical facilities to help meet those aims.

Researcher: **Are there any particular decision tools that you use when you're trying to strike that balance between what you do in-house versus what you may outsource?**

Brad: Yes, one is expertise. There might be something where we may have the expertise in-house but it's so critical that we need somebody looking over our shoulder making sure that we're looking at all of the state of the art. A good example is when we went from 4KB to a 12KB. We started that about 11 years ago and we're pretty much 99 percent complete. We brought in a consultant from the outside who stayed with us the entire time to look at the design, as well as the implementation of upgrading the system, and the power load across campus. So the expertise is needed and sometimes we bring in consultants. We call these feasibility studies, but really what they are is an outside expert who comes in and reviews a situation with us and helps us assess the alternatives and maybe gives some independent cost estimates. The third point is the use of the word "independent." From time to time we have people on campus who don't think that the physical facilities department has the credibility to give an independent or unbiased answer and so we say 'okay, let's bring in somebody.' Maybe it is a traffic study, maybe it is something to do with power problems. Over at the ballpark (baseball stadium) last year we brought in an outside consultant because the (Provo) Angels didn't think we had the expertise in-house. So sometimes you need that to ensure everybody, including ourselves, that we do have the expertise and that we are being objective, independent, and unbiased. I have never felt resistance by anyone in physical facilities to bring in outside help. They really do want to know the right answer, and if it means we learn something then we learn something. By and large it's proven that we have some pretty good people in-house.

Researcher: **Are there any particular methods that you might use to measure performance and quality? In other words, to measure the effectiveness of outsourcing.**

Brad: To the extent we outsource projects, obviously we look at budget and schedule and the quality of the work. We stay close enough to these projects that our people know who the good contractors are and who the ones are that we are really going to have to keep an eye on. So it's the traditional type metrics. One that is hidden to a lot of people, but I have learned to appreciate even more, their relationship with their subcontractors. Having subcontractors who enjoy working with these general contractors says something about the integrity and professionalism of the general contractors. So it's nice to hear the subs' opinions of these outside contractors. The same with architects; it's nice to talk with contractors and find out how they enjoy working with different architectural firms. It could be called an informal poll, and one has to take it with a grain of salt because there might be personality differences. But just keeping your ear to the ground

can be very revealing. We talk occasionally and informally with other institutions, so we like to hear their opinions about certain architectural firms and contractors. We just are constantly appraising the performance of those companies that we use for outsourcing, just to make sure that everything is going well and that we don't get caught on our own project. I've even gone to BYU-Idaho and looked at a project that a contractor was doing to see how they're doing. Mike Stratton (a project manager) and I went together and took a look at a project because we'd had some problems with this particular contractor in the past. They appeared to be doing a good job. That's important for us to know, because we were allowing them to bid on projects here on campus. It's just an ongoing effort to stay on top of the quality, the dependability, the professionalism of these types of outsourced services.

Researcher: **What is your forecast for the next ten years as far as outsourcing on campus? Do you see more? Do you see less?**

Brad: If you talk to the deans and the donors, I don't see any slowdown in the construction. As much as I would like to say that we're going to slow down in construction and major maintenance, it's a big campus and I know we're going to be ready to respond to anything that the leadership of the university and the academic vice president would like for us to help them with and plan and assess. So we want to be able to respond to those needs. I think the biggest growth is what we have seen in the last ten years, and that is in technology. This is not only in building the infrastructure in new buildings, but also infrastructure in existing buildings. Buildings that we're not going to renovate, they still need the new technologies, i.e., take our housing for instance; we had to put the Internet connections in our old housing. We need to provide those services with technology and better understand the extent that they affect utilities and those kinds of things. I see that going to be a dynamic area just with technology and providing state-of-the-art service.

Researcher: **How do you feel that facilities on campus contribute to the overall goals and mission of the institution?**

Brad: The greatest compliment that we can receive about facilities is no mention. What happens, of course, if we're not doing our job then the professors, the students, are not able to fulfill their goals and duties because they're distracted by cold buildings, they're distracted by leaky buildings or slippery sidewalks or buildings that aren't functioning. So no news is the greatest compliment that we can receive that we're doing our job and people are able to do their job and not be distracted. We just want to be a quiet, peaceful infrastructure that's dependable, and people are able to do the things that they want to do and not be distracted. I love to see articles in the *Daily Universe* (student newspaper), but I'm even more pleased when there's no mention of anything in the *Daily Universe*.

Drew University, Madison, New Jersey

Drew University first began as a Methodist seminary in 1867 but today is recognized as one of the top liberal arts colleges in the nation. Located 30 miles from New York City, Drew is a selective university with an enrollment of 2, 600 men and women. More than 1,600 of these undergraduates live on campus. Drew University is led by Thomas H. Kean who has recently served on the 9/11 Commission (National Commission on Terrorist Attacks on the U.S). Kean is a former two-term Governor of New Jersey. With a belief in the liberal arts and the use of technology in teaching and learning, Drew is among the top liberal arts colleges in the nation.

Contact: Michael McKitish, Vice President for Finance and Business Affairs

Institution Type: Private

Institutional Square footage: 1,185,000 SF

Enrollment: 2,675

Shared Services Model: Management plus Labor

Shared Services Mix:

	Self-operated	Outsource	How many years outsourced?
Bookstore		X	14
Food Service		X	30+
Information Technology (IT)	X		
Custodial		X	
Grounds and Landscaping		X	14
Facility Operations and Maintenance		X	14
Energy Management		X	14
Capital Project Management		X	14
Building Commissioning		X	
Security	X		
Transportation	X	X	

[Interview with Michael McKitish, Vice President for Finance and Business Affairs, December 2004]

Researcher: **What has been your experience with facilities outsourcing?**

Michael: It has been very positive.

Researcher: **Why did you decide to outsource as opposed to keeping certain services in-house?**

Michael: It's not our main line of business. We are a small school so it's difficult to have backup and rotation in each one of the key positions. What outsourcing gives us is a depth of the human resources pool of people who are very qualified. They also can be trained more efficiently and effectively than we could do it. Those are the primary reasons.

Researcher: **What decision tools did you use when making the outsourcing decision?**

Michael: We primarily looked at the cost. We didn't use a tool specifically but we looked at the cost of inside operations and compared it with the bids that came in from the outsourcing companies. We knew what specifications we wanted and had standards set for cleaning and how we wanted to see our grounds maintained, etc., so we looked at the total package. I would be less than candid with you if I didn't say that the intangibles that I mentioned, which I actually think are very tangible, in the training and the backup and support were also very important in the decision. We just didn't have, at the time, the right mix of people in the right jobs nor did we have any hope of ever rectifying that situation. So that was considered in the analysis. We found that it was cheaper for us to go the outsourcing route. We were more productive than what we were doing in-house and we gained more depth. We gained that depth in both resources and talent. This was done 14 years ago before there were any real tools out there. There were other institutions that have had custodial contracted out, but not many institutions took their whole operation outside.

Researcher: **What kind of service model do you use in your outsourcing: management only, management plus labor, labor only, a mix?**

Michael: Really a little bit of everything, but mostly management only.

Researcher: **What methods do you use to control quality and measure the vendor's performance?**

Michael: We have a number of active committees on our campus. We have a building and grounds committee and a variety of quality control committees where we're getting constant feedback from. The community gives us

feedback about the quality of service that is being provided. We measure, we have a work order system where we review the turnaround of work orders and compare that against the community complaints when they come in. We also have authorized special studies on deferred maintenance. So we have a list of projects that are prioritized that we know could be causing the operational problem. An example is that we know we've got an older boiler in one place (that) we constantly get heat calls about or the newer boilers that we put in we're still getting heat calls about, then we know we have a problem with the construction side of the house. We're looking at the work order system to try to put some measures on how well they're performing and what quality of work they're doing. We get a printout on all of that and we meet with them probably twice a month just to review their status.

Researcher: **In your opinion, what are the attributes of the best outsourcing companies?**

Michael: The companies that become one with the community that they're working in seem to be the best. It's all about people and understanding your environment, and I just don't mean that from a physical perspective. It's very, very important for the contractor to understand those attitudes and behaviors of the community and have people that can make that adjustment, not just a cookie cutter approach to managing facilities; they need to be flexible. There obviously needs to be core values that go across all lines. I happen to believe that work order systems are good ways of measuring performance, keeping upper management informed – maybe not what they want to hear, but what the facts are is very, very important. But you asked me what I thought the most optimal part was, and that that is certainly being more adaptable to the environment that they're in.

Researcher: **What is your forecast for the next ten years for outsourcing?**

Michael: I think it will increase, especially as more colleges and universities learn that their primary business is educating students and not maintaining facilities. Maintaining facilities is very important in supporting student education, but especially with smaller institutions where essentially your facilities is a one person show, there is no depth in the pool. I guess a place like Princeton, University of Michigan, or Penn State can have its own internal resources and probably do it better because they have so many people, but I think the smaller schools will all go with outsourcing. Outsourcing contractors are getting better. When we went out 14 years ago we really felt there was only one company that could do what we wanted to do, and now I would say that there are three or four. The market is getting better in terms of competition, and therefore, the services are getting better.

Researcher: **How do facilities in general contribute to the overall goals or mission of your institution?**

Michael: They are supporting the academic enterprise. We have to keep our eye on the ball that what we do educates students and prepare them for their life outside of these walls. Providing that on a direct basis is the faculty. The faculty has to teach in classrooms and the students have to live in dormitories, unless they're commuters, and if they're commuters we have to provide them with parking spaces. So, to the extent that you can eliminate distracters or inhibitors to education through properly maintaining your facilities, that's where we want to be.

Non-disclosed University, Southeastern United States

Contact: Interview with Non-disclosed University Administrator

Institution Type: Public

Institutional Square footage: 3.5 million square feet

Enrollment: 16,000

Shared Services Model: Management Plus Labor

Shared Services Mix: Outsource major HVAC repair, elevator

[Interview with Non-disclosed University Administrator, in March 2005]

Researcher: **Have you had any experience with outsourcing and, if yes, please comment on your positive or negative experiences.**

Responder: Yes, I have. Not here at _____, but I have had experience at other universities and colleges. Quite frankly, I just can't see the use in it.

Researcher: **Why is that?**

Responder: I can't see any benefit from outsourcing if you can do it in-house.

Researcher: **Why is that you have decided to keep your facilities self-operated?**

Responder: Primarily because we do a better job and do it less expensively.

Researcher: **In your opinion, what are the advantages and disadvantages of remaining self-operated with your facilities?**

Responder: Cost and better service.

Researcher: **Anything regarding the control? Do you believe that you have better control of your operations by doing them in-house?**

Responder: Yes, we have much better control and are able to provide much better service to our university.

Researcher: **What decision tools do you use when making the outsourcing or self-operating decision?**

Responder: Response time, quality service, and reasonable price.

Researcher: **What is your forecast for the next ten years for outsourcing?**

Responder: Hopefully, it will stay about the same.

Researcher: **How do your facilities contribute to the overall goals and mission of your institution?**

Responder: We're a big part of the overall mission. We provide an environment that's safe, clean and comfortable for our students so they can learn.

Industry Interviews

The first three interviews are with managers from large facility operators.

T. Wayne Smith, Director of Facilities
Utah Valley Regional Medical Center, Intermountain Health Care, Provo, Utah, 1,500,000 SF

1. **What do you outsource, and for how long?**

Architectural Design	*60+ years*
Artwork	*60+ years*
Building Commissioning	*60+ years*
Furniture Moves	*60+ years*
Master Planning	*40+ years*
Trash and Waste Management	*50+ years*
Medical Waste	*40+ years*

2. What is the general attitude towards outsourcing by your institution and why?

If you can develop loyalty of staff, much better in-house. There must also be a commitment to quality and it must cost less for it to be kept in-house.

3. What decision tools do you use in making the outsource/self-op decision?

If we can do it better and more affordably doing it ourselves, it will not be outsourced.

4. What methods do you use to control quality and measure provider performance?

Inspections are done periodically. Organizations from outside the hospital come in frequently to do reviews for hospital to keep status. Annual performance reviews are given to each employee and goals are set. Customer satisfaction surveys.

5. What are the attributes of the best outsourcing companies?

The work that they do should be invisible to the client.

6. What is your forecast for the next ten years for outsourcing to increase/decrease, and why?

Outsourcing may grow a little bit, but most things will stay the same. This is a forecast especially for Intermountain Health Care and Utah Valley Regional Medical Center specifically.

Boyd Worthington, Vice President of Real Estate and Facilities
Canopy Properties, Lindon, Utah, 240,000 SF

1. What do you outsource, and for how long?

Building Commissioning	*5 years*
Energy Management	*5 years*
Operations and Maintenance	*5 years*
Grounds and Landscaping	*5 years*
Janitorial	*5 years*
Security	*5 years*
Vending	*5 years*

2. What is the general attitude towards outsourcing by your institution and why?

It is a hard sell at first. Outsourcing companies have to be able to show that they can do it better and cheaper and still keep the same or better quality.

3. What decision tools do you use in making the outsource/self-op decision?

Cost and quality are the tools that are examined when making the OS decision.

4. What methods do you use to control quality and measure provider performance?

Key performance indicators are closely looked at. Semi-annual performance reviews.

5. In your opinion, what are the attributes of the best outsourcing companies?

Flexible, adaptive, responsive. They have an attitude that they are part of something bigger, that they are a part of the company they are providing a service for.

6. **What is your forecast for the next ten years for outsourcing to increase/decrease, and why?**

    Outsourcing will stay the same.

Kent Hardcastle, Director of Corporate Real Estate
Qwest Communications, Denver, Colorado Region, 45,000,000 SF

1. **What do you outsource, and for how long?**

Architectural Design	*30 years*
Code Compliance	*20 years*
Food Services	*20 years*
Furniture Moves	*15 years*
Grounds and Landscaping	*30 years*
IT	*5 years*
Janitorial	*30 years*
Security	*25 years*
Waste Management	*30 years*

2. **Can you describe any negative outsourcing experiences?**

    They had to make a change in OS provider because the provider could not provide the cost difference and quality level that they had agreed to.

3. **What decision tools do you use in making the outsource/self-op decision?**

    Every three years they look internally to see if it can be done faster, better, and cheaper outsourced. They also look to see if services that have been outsourced can be brought back in house for cheaper, with the same level of quality.

4. **What methods do you use to control quality and measure provider performance?**

    The providers must do a self-inspection. Customer satisfaction surveys.

5. **In your opinion, what are the attributes of the best outsourcing companies?**

    They provide reports of measurement of quality. They also are able to show how they work as a team with the company they provide service for.

6. **What is your forecast for the next ten years for outsourcing to increase/decrease, and why?**

    Same.

The next four interviews are from representatives that provide outsourcing services.

Arlo Luke, President and CEO
Varsity Contractors, Pocatello, Idaho

1. **What is the general attitude towards outsourcing by your institution and why?**

    There are some things that are not worth doing on your own because of liability risks. Smaller sites, far away from other sites, have to be outsourced or you will never get it done affordably.

2. **What decision tools do you use in making the outsource/self-op decision?**

    Show consistent systems to assure them certain levels of quality.

3. **What methods do you use to control quality and measure provider performance?**

Most companies measure quality by output. We measure the process rather than the outcome. Study the method and follow the process to get the right outcome.
Computerization of reports that goes to customers, as well as management. Good metrics with good reporting.

4. **In your opinion, what are the attributes of the best outsourcing companies?**

Trust. Demonstrate success by references, not just by a brochure. They can demonstrate that they have applied efficient processes. What are they doing to continually train their employees?

5. **What is your forecast for the next ten years for outsourcing to increase/decrease, and why?**

Outsourcing will continue to be done cheaper, better and quicker. Outsource providers will be on the cutting edge of technology. They will provide better trained employees. Outsourcing companies will partner and share resources and goals with the companies they provide services for.

Fred Trent, Regional Vice President
Sodexo USA, Chicago, Illinois

1. **Can you describe any positive outsourcing experiences?**

We have 97 to 98 percent retention of the clients we provide services for. As an organization we try to understand the customer's needs and expectations.

2. **What decision tools do you provide to clients in helping them making an outsource decision?**

Establish benchmarks. Compare those benchmarks with APPA benchmarks. Compare the client with market benchmarks. Show them where they are now, and where they could be with Sodexo services.

3. **What methods do you use to control quality and measure provider performance?**

Reporting and tracking of budgets of universities as well as Sodexo. It is hard to manage from office; in-the-field inspections must be done. Audits. Customer surveys are compared year to year.

4. **In your opinion, what are the attributes of the best outsourcing companies?**

They are willing to do the right thing. They look out for the client's best interest.

5. **What is your forecast for the next ten years for outsourcing to increase/decrease, and why?**

Outsourcing will become more competitive. More competitors will enter the market.

Mark Woods, General Manager
Novell Account, Provo, Utah, Cushman Wakefield, 1,000,000 SF

1. **What is the general attitude towards outsourcing by your institution and why?**

Outsource companies bring national ability and expertise.

2. **Can you describe any positive outsourcing experiences?**

When the OS provider is allowed to do their job.

Research of Higher Education Shared Services

3. **Can you describe any negative outsourcing experiences?**

People may have the wrong attitude and the wrong personality for the position they are in.

4. **What decision tools do you provide to clients in helping them making an outsource decision?**

Balance sheet. Proof of expertise. References.

5. **What methods do you use to control quality and measure provider performance?**

Monetary motivation for those providing performance. Key performance indicators are examined and budgets must be met.

6. **What are the attributes of the best outsourcing companies?**

Honest, ethical, leadership abilities, understanding the client's needs.

7. **What is your forecast for the next ten years for outsourcing to increase/decrease, and why?**

More outsourcing in the future. Better training will be done by outsource providers with their employees and their clients. OS providers will become more efficient in their operations.

Eric Conrad, Managing Director
CB Richard Ellis, Seattle, Washington, 3,000 Facilities

1. **What is the general attitude towards outsourcing by your institution and why?**

If it is not part of the core competency, the possibility of outsourcing should be reviewed. The balance sheet should be looked at when making the decision.

2. **Can you describe any positive outsourcing experiences?**

When owners stay out of the way and let the outsource company do their job.

3. **Can you describe any negative outsourcing experiences?**

You run into people and personality conflicts. The wrong people may be in the wrong positions.

4. **What decision tools do you provide to clients in helping them making an outsource decision?**

Proposal about what we have to offer. White papers. Past experiences. Case studies.

5. **What methods do you use to control quality and measure provider performance?**

If we don't hit the mark we are penalized by the owner. Key performance indicators are looked at. Internal customer service scores.

6. **In your opinion, what are the attributes of the best outsourcing companies?**

Honesty. Ethics. They understand the business and understand the client.

7. **What is your forecast for the next ten years for outsourcing to increase/decrease, and why?**

Outsourcing will grow. OS companies will become more sophisticated.

The following interviews are from real estate and facilities consultants.

Jon Anderson, Principal/Broker
Commerce CRG, Broker, Property Manager, Provo, Utah

1. **What is the general attitude towards outsourcing by your institution and why?**

   What is measured improves. By outsourcing, you force the outsource provider to report on how well they are doing. This will increase efficiencies over what the people could do in-house.

2. **Can you describe any positive outsourcing experiences?**

   One company he was working for outsourced everything in corporate real estate. This got rid of all the politics that were going on in the office. This provided an opportunity to look at how the company was operated from an objective perspective.

3. **What methods do you use to control quality and measure provider performance?**

   Those that get the contracts are those that can justify and sell themselves by saying, 'this is what we can do and how we can provide you better quality.'

4. **In your opinion, what are the attributes of the best outsourcing companies?**

   Performance is measured. Quality is measured. Successful companies do not reinvent the wheel. They use the tools that have been developed and proven. Providers will find out what the company is really trying to accomplish and the problem the company is trying to solve.

5. **What is your forecast for the next ten years for outsourcing to increase/decrease, and why?**

   Outsourcing will continue to evolve and become more prevalent due to companies wanting to focus on their core competencies.

Jim Whittaker, President, FM Consultant
Facility Engineering Association, Fairfax, Virginia

1. **What is the general attitude towards outsourcing by your institution and why?**

   Measurement is key. If people focus on their core competency and if it is out of the core competency, the possibility of outsourcing needs to be looked at.

2. **What decision tools do you provide to clients in helping them make the outsource decision?**

   The airline industry has had to streamline their services. The maintenance of the terminals and measuring the management of tenant space. Showing that you can measure productivity and efficiency is very important.

3. **In your opinion, what are the attributes of the best outsourcing companies?**

   Successful companies will fill the service gap for the companies they provide service to. They will meet the customers' expectations. Successful companies will understand the mission and vision of the company that they are providing services for.

4. **What is your forecast for the next ten years for outsourcing to increase/decrease, and why?**

   Out-tasking is becoming very popular. You can bring on service providers to level loads and resources when you have needs.

Chapter 4: Research Findings

The research yielded numerous thoughts and findings. Some were glaringly apparent while others were more subtle. The intent of this chapter is to reveal the findings from the research. It is not intended that these findings be construed as statistically significant, nor to generalize the findings to specific institutions of higher education. Every institution is different and unique.

There are eight research areas of general findings:
1) Uniqueness of Institutions
2) Historical Perspective on Outsourcing and Change
3) Myths and Miscommunication
4) the Cost and Quality Balance
5) Risk Mitigation
6) Delivery Expectations
7) Challenges
8) The Future

Uniqueness of Institutions:

#1:   There is no perfect shared service or outsourcing model to follow because every institution is different. Every institutional culture and leadership style is different.

#2:   The level of contracted outsourcing services is in direct relation to the size and specialties of the institution.

#3:   Where an institution does not have the expertise or resources, outsourcing options provide depth of bench, technical expertise, flexibility, and other expertise that an institution could not get in other ways. Institutions also look for industry "best practices," increased efficiencies, a trained labor pool, and a vision of the future of FM industry and technologies.

#4:   Because of the complexity and coordination of facilities with administration, very few institutions are giving full control to outsourcing companies.

#5:   Those institutions that outsource have been doing it for about 20 years, and it has become a part of their culture and general business strategy. Some institutions tried and abandoned outsourcing various FM services for a myriad of reasons.

#6:   Institutional decision-makers talk to one another and share both positive and negative perceptions about outsourcing and contract providers. Institutions share a commonality that is not usually found in other industries.

Historical Perspective on Outsourcing and Change:

#7:   Outsourcing is still threatening to many people in higher education. Much of the attitude toward outsourcing has to do with the culture of the institution and their previous experience with outsourcing – whether it was positive or negative. There are still many myths being propagated about outsourcing. Depending on which side of the discussion a person may be on, arguments are given on both sides whether they may be true or not.

#8:   Outsourcing has increased the professional practices of FM. It has forced many FM departments to improve their business processes and services because of the threat of being outsourced.

#9:   In the early 1990s outsourcing was the trend and grew rapidly. The main reasons were to reduce costs and improve service. Companies wanted to focus on core competencies and allow facilities companies to do what they do best. This rapid increase appears to have slowed down in all aspects of education.

#10:   Outsourcing companies project a massive expansion in the future as they try to drive market growth, while real estate and facility owners are much less optimistic. A point of economic equilibrium will settle in. Though the market will grow, it will not be as expansive as outsourcing researchers predict. APPA members predict the growth to be between 20 and 30 percent over the next ten years.

#11:   Historically, institutions have difficulty changing until they are forced to. They do not change until financial downturns and revenue shortages occur.

#12: It is a difficult task to take an FM strategic initiative, create and implement a tactical plan, then implement that plan, and track the results. Change is always difficult.

#13: Most facility managers rarely have the time nor the resources to create change because they are so busy managing day-to-day operations and doing problem-solving for their institution.

#14: Communicating change and getting consensus of stakeholders is a difficult and time-consuming activity.

#15: Some institutional FM managers and administrators have a difficult time accepting new ideas, processes, and technologies.

Myths and Miscommunication:

#16: There is some confusion understanding the difference between outsourcing and out-tasking. Outsourcing is defined as contracting a specialized company for full-service, day-to-day operations, such as custodial. Out-tasking is defined as contracting a specialized vendor or supplier for a specific project, for a specific time, such as construction.

#17: It appears that every institution out-tasks something, and almost every institution outsources something.

#18: FM outsourcing companies are evolving and maturing over time. Institutions are also maturing with their use of outsourcing and shared services. Some institutional personnel only remember the early days of outsourcing and make incorrect value judgments.

#19: Some institutions propagate the idea that outsourcing means that current employees will lose their jobs. Reality is that many outsource contracts are management only and the employees are still employed by the institution.

#20: There are multiple contract methods that outsourcing providers now offer that are customized to meet the institution's needs, including long-term institutional employees.

The Cost and Quality Balance:

#21: The outsourcing and cost decision typically boils down to the actual cost and management of "FTE" (full-time equivalents) personnel.

#22: Outsourcing is still viewed as a way to reduce costs (primarily) and possibly improve service (secondarily) by many administrators.

#23: It appears that facility managers seek to outsource primarily to improve quality, while administrators seek to outsource primarily to improve financial returns.

#24: The quality of outsource services decreases over time in some circumstances. It appears that larger outsourcing companies have the depth and expertise to maintain a higher level of quality over time than do smaller companies. The larger companies have the resources and commitment to value long-term relationships.

#25: The quality of shared service relationships boils down to team chemistry and the ability of both parties to develop a supportive partnership relationship.

#26: Most decisions to keep services in-house or to outsource are made with a simple business case analysis.

#27: The main decision points to outsource a function are made mostly based on cost, references, and perceived trust that comes through early team chemistry. There are four other factors that are also important: 1) size of the institution, 2) culture of the institution, 3) level of technical expertise, and 4) levels of perceived quality and customer service.

#28: While technology is making advances in facilities management, technology will not replace the many FTEs that are still needed for custodial services, grounds, and general maintenance.

#29: At some point the outsourcing option becomes too expensive, and it is less costly to bring those services in-house. There is a break-even point.

#30: While quality performance reviews take place, they vary greatly and are very subjective. There is an increased need for better performance measures.

Research Findings

Risk Mitigation:

#31: Outsourcing can be used to mitigate risk and potential liability. Example: Potential union labor problems with custodial staff.

#32: Institutions that don't do much outsourcing are sometimes challenged to hire consultants or specialists to verify or provide technical expertise that administrators believe they do not have. This expertise can avoid potential problems.

Delivery Expectations:

#33: Outsourcing contractors must have the mindset of proactively looking for problems and even potential problems, and then solve them early. If the institution has to point out problems on a regular basis then the relationship deteriorates to a point where it may not be salvageable.

#34: It takes time for an institution and an outsourcing provider to learn how to best work together and create a synergistic relationship. Both must be willing to work together, solve problems, and be supportive and helpful as they learn how to 'dance together.'

#35: Some personnel of institutions are too demanding of outsourcing providers, and ask for the impossible that is often outside the scope of the contract.

#36: Facility managers and administrators at institutions are often busy with more work to do than they desire. They greatly value a well-performing outsourced service provider that does not add to their workload.

Challenges:

#37: There is continued pressure on institutions to do more with fewer resources. That same pressure and proposition will be passed on to outsourcing providers. There will be increased pressure to show better performance measures and metrics.

#38: External pressures will continue to place demands on institutions, both directly and indirectly, in the following areas. Regulatory issues: safety, security, and disaster contingency preparations. Energy Issues: energy consumption, greening, and sustainability. Human Resources: Dwindling number of available and skilled workers in the workplace.

#39: There is a natural conflict between an institution and an outsourcing company. Both require a level of service at a particular price point. Unless those service levels and price points are clearly identified and negotiated, conflicts will occur. Employees may also conflict with one another because they work for two different bosses with conflicting priorities.

#40: The new stakeholder "on-demand" mentality requires that facilities be convenient, readily accessible, and have a "branded" environment that provides a sense of style and improved value that can compete with other improved real estate in a community.

#41: Education no longer requires "brick and mortar." Education can now take place anywhere one can access a wireless internet connection, which with the use of orbiting satellites is virtually everywhere.

#42: The FM industry cannot continue to perform work processes the way they have been done for almost a century. For instance, most custodial service practices have not changed for decades. New processes are being developed that significantly reduce worker injuries, improve worker productivity and morale, enhance the life of buildings and really make them cleaner, and reduce the impact on both the interior and external environment (sustainability).

#43: There are a number of critical issues facing higher education that APPA is aggressively addressing. Just one significant change is from focusing on the professors to teach, to the students to learn and learner competency outcomes.

#44: Championing organizational change will continue to be a challenge, as institutions must become more adaptable to the rapid changes in economic cycles, technology, and customer attitudes and demographics.

The Future:

#45: Facility managers must shift from managing to leading through assisting institutional administration and stakeholders to better understand and provide tools to control and enhance their physical assets. These new facilities leaders must be financial and asset stewards. An FM leader must be a committed champion to see change through.

#46: Of the six institutions interviewed, three thought outsourcing would increase in the next ten years and three said it would stay about the same. The main causes driving the growth in outsourcing are new technologies and updating services.

#47: Specialty services will continue to be outsourced but not the overall FM management of the institution.

#48: Through technology, education is becoming a commodity that will be won by those delivering the highest quality customer service and easiest accessibility (with or without walls).

Chapter 5: Conclusions and Recommendations

A Road Map for Developing an Improved Shared Service Model

There are five phases to implementing a shared service model that will lead a company to determine the best mix of in-house and outsourced services. These phases represent a leadership model that tie together the voice of the stakeholders of the institution, the changing needs and goals of the institution, the FM strategic plan, and the FM department continuous improvement initiatives. These five phases are represented in the model below.

Phases to Developing a Shared Service Model
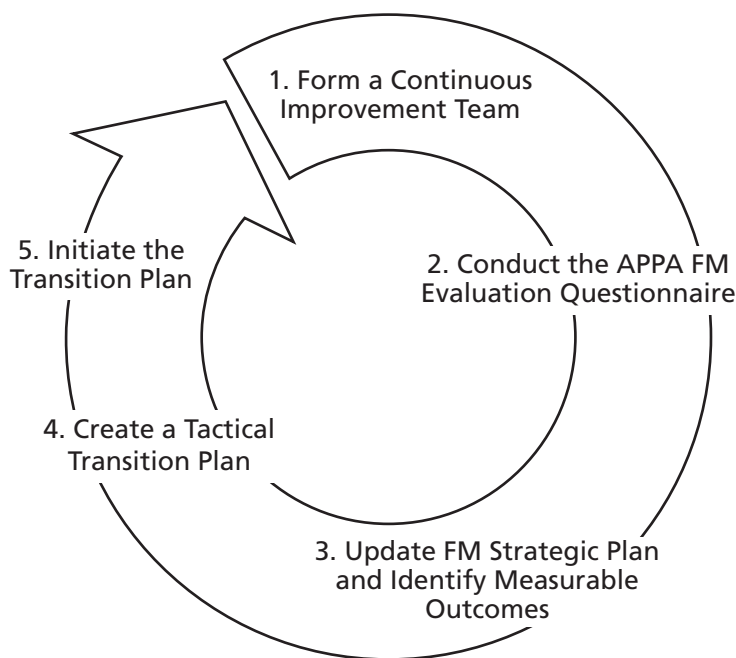
The five phases include ten steps that are recommended in the process, which are outlined below.

Phase 1:   Form a Continuous Improvement Team

Step one: Identify stakeholders and improvement champions who can positively contribute to the team, with the charge to review work processes and continually improve them. When forming a team it is important to

have the right people and to train them appropriately. The team should contain four to seven individuals who represent different organizational functions. These individuals need to have shown that they can adapt to different processes within the company. Most likely, some of the individuals on the team will be the ones to assist in the implementation/transition to change.

Phase 2:   Conduct the APPA Facilities Management Evaluation Questionnaire

Step two: Conduct an analysis of current operations. An excellent analysis tool is the APPA Facilities Management Evaluation Questionnaire (see section A3 in the Appendix). This questionnaire serves as a benchmark or starting place in performing a self-assessment. It also helps an FM department and institution see how they measure up against peer institutions and national best practices.

Step three: Identify core competencies. This identifies the strengths and weaknesses of the institution and the FM department. Strengths indicate opportunity, while weaknesses show possible threats. Obviously, a facilities department would not want to outsource their core competencies. It is best to go through this exercise from the outside in. A strategy may be to outsource those work processes that are the farthest from the core competency and then start moving closer in. In order to do this correctly a department must be familiar with its core competencies (there could be more than one), and how other tasks relate to that competency. There are four elements that aid in defining a department's core competence:

1)   The resource is valuable
2)   The resource is rare
3)   The resource is difficult to imitate
4)   The resource is difficult to substitute

Once the core competencies are identified, other department activities and work processes should be identified and put into three categories: critical, key, and support.

To do this, the team will analyze what is done in each area of the department. Mapping out what is done and

how it is done will prove to be extremely helpful. If the tasks are mapped out in an easy-to-read fashion, sloppy procedures or other flaws might become apparent. It is important to understand how work flows within the department and organization. The team needs to know more than just the process, they need to understand each activity within the process, and who is responsible for that activity.

Step four: Perform a Strengths and Weaknesses Analysis. This step then brings together the two components of the matrix that have already been completed:

1) Strengths and weaknesses as identified through the APPA Facilities Management Evaluation Questionnaire.
2) The evaluation of the FM department's core competencies.

Step five: Formulate direction and initiatives. Step four makes it easy to clearly identify and articulate strengths and weaknesses and to set a direction and initiatives to maximize the strengths and minimize the weaknesses.

Phase 3: **Update FM Strategic Plan and Identify Measurable Outcomes**

Step six: Review, update, or create an FM strategic plan for continuous improvement that addresses what has already been discovered in steps one through five. Clearly, the FM department strategic plan must be aligned with the institutional strategic plan. This activity should identify specific processes and measurable desired outcomes. These metrics are important in communicating progress over time. It is important to rank in order the priorities of what should be done and when it should be done. Resource constraints will dictate most of the priorities.

Step seven: Identify the best approach to achieve desired outcomes using a balance of in-house and outsource resources. This is the creation of the Shared Service Model. Given the previous steps it becomes more obvious what the core competencies and strengths of the FM department are, and which areas are weaker. Given the priorities that have been identified in step six, it becomes more clear as to what services should be performed in-house and which could be outsourced. This careful thinking begins to build the business case, and can provide clearer communication and evidence that due diligence has been applied to the proposed recommendations.

Step eight: Champion the cause and obtain buy-in and approval of the Shared Service Model from stakeholders and administration.

Phase 4: **Tactical Transition Plan**

Step nine: Identify, pre-qualify, and select service providers (both internal and external) for the Shared Service Model. The desire is to match work process to provider competencies to desired outcomes. This seamless alignment is a critical element in striving to achieve success. See Alignment of Transition Plan.

Alignment of Transition Plan
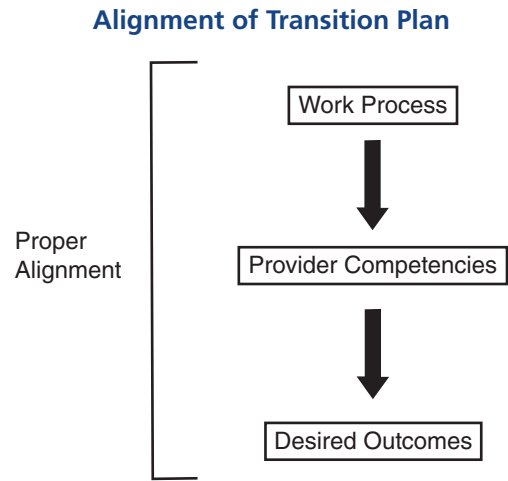
Most failures take place when there is not proper alignment with these three areas. These failures may include undefined work processes, incorrect or no competency for the work process, or unclear desired outcomes.

Phase 5: **Initiate the Transition Plan and Monitor the Shared Services Relationships**

Step ten: Initiate and monitor the transition plan. Continue to review the level of services and the desired outcomes. This is a continuous process that should get better over time.

APPA Facilities Management Evaluation Program

Evaluation is the second process in the phases to developing a Shared Service Model. One of the best methodologies that can be used in evaluating an institution's current situation is to compare their current practices with industry best practices. Using the already-established APPA Facilities Management Evaluation

Program, an institution can, in a very private way, compare their current situation with APPA's identified best practices. These can be personalized guidelines used to create a personalized report card. The evaluation program can also be modified to meet the unique needs of each institution. There are seven general areas that should be evaluated:

1.0 **Leadership:** The facilities organization's senior leaders should set direction, and establish customer focus, clear and visible values, and high expectations, which should be in line with the campus' mission, vision, and core values. Leaders inspire the people in the organization and create an environment that stimulates personal growth. They encourage involvement, development and learning, innovation, and creativity.

2.0 **Strategic and Operational Planning:** Strategic and operational planning includes identifying goals and actions necessary to achieve success, and the deployment of those actions to align the work of the organization. The facilities organization should anticipate many factors in its strategic planning efforts: changing customer expectations, business and partnering opportunities, technological developments, evolving regulatory requirements, and societal expectations, to name but a few.

3.0 **Customer Focus:** Customer focus is a key component of effective facilities management. Various stakeholders (faculty, students, staff, and other administrative departments) must feel their needs are heard, understood, and acted upon. Various tools must be in place to ensure customer communication, assess and assimilate what is said, and implement procedures to act on expressed needs.

4.0 **Information and Analysis:** Information and analysis is used to evaluate performance and drive future performance improvements. Of interest are the types of tools used (for example, peer comparative data, clarified and validated through benchmarking), and how the tools are used to enhance organizational performance. Various aspects of information include facilities inspections or audits, financial or expenditure reports, utility data, and other relevant measures and indicators.

5.0 **Development and Management of Human Resources:** An organization's success depends increasingly on the knowledge, skills, innovative creativity, and motivation of its employees and partners. This criterion addresses the ways in which the facilities organization ensures continuing learning environment through communication, policies, recognition, training, professional development opportunities, and other methods.

6.0 **Process Management:** Effective process management addresses how the facilities organization manages key product and service design and delivery processes. Process management includes various systems such as work management, performance standards, estimating systems, planning and design of new facilities, and other key processes that affect facilities functions.

7.0 **Performance Results:** The facility organization's performance can be evaluated through campus appearance, employee satisfaction and motivation, effectiveness of systems operations, customer satisfaction, financial results, and supplier/business partner results. Where feasible, it is helpful to have measurement tools in place to assess performance in these areas.

8.0 **Other Considerations:** At the request of the Institutional Representative this section would include any items or subjects that are not covered by the criteria in Sections 1 through 7. These items may include things that are specific to the campus.

The evaluation program comprises 57 questions that are scored from zero to four points. The responder can check the box that best identifies their current situation relative to the question. The responder will then write the score on the line to the right. At the end of each section the score can be totaled. A grand total and a percentage score can then be calculated at the end. The following Figure 6.2, APPA Facilities Management Evaluation Questionnaire Score Card, is a breakdown by section.

> 1.0 Leadership -
>   14 percent, 8 questions, 32 points
>
> 2.0 Strategic and Operational Planning -
>   19.3 percent, 11 questions, 44 points
>
> 3.0 Customer Focus -
>   10.5 percent, 6 questions, 24 points
>
> 4.0 Information and Analysis -
>   12.3 percent, 7 questions, 28 points
>
> 5.0 Development and Management of Human Resources
>   - 19.3 percent, 11 questions, 44 points
>
> 6.0 Process Management –
>   12.3 percent, 7 questions, 28 points
>
> 7.0 Performance Results –
>   12.3 percent, 7 questions, 28 points
>
> Grand Total - 100.0 percent, 57 questions, 228 points
>
> Percentage of Total - _____/100 percent

The complete questionnaire is found in Appendix A4 - APPA Facilities Management Evaluation Questionnaire.

Conclusions and Recommendations

Chapter 1 introduced the FM Shared Service model. Here is a look at it again.

FM Shared Service Model

FM Peak Performance At An Affordable Price
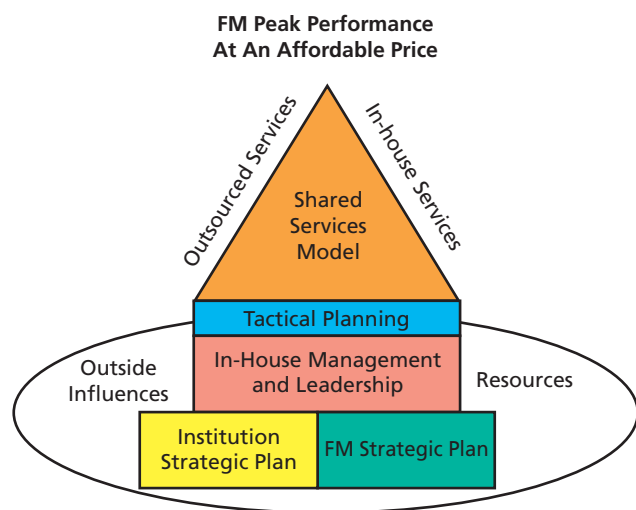
Achieving FM peak performance is about understanding external influences and available resources to effectively align in-house and outsourced FM services with the institutional strategic plan. How the tactical plan is designed with both in-house and outsourced resources is a basic business decision. This research has set forth four important directions in regards to the in-house/outsource decision.

The first is that as changes occur (which they will), institutions will now be fully prepared to manage all those changes themselves, especially technically. A collaboration of minds and expertise might be able to solve the problems and challenges.

Second is that every institution is unique and the cost/benefit value proposition of the balance between in-house and outsourced services is as unique as the institution itself. Both types of services have strengths and weaknesses. This analysis should be done carefully so as to avoid drawing conclusions based on little data and biased opinions.

Third is that all operations should be measured and monitored. Improvement only comes from benchmarking and seeking better ways to improve. Whether facility

operations are performed in-house or outsourced, the same measurements and expectations should be in place.

Fourth is that we don't manage buildings, we manage people who manage buildings. FM is still very much a people business. Trusting relationships, technical expertise, and reasonable levels of resources are still going to be the most important ingredients in successful facility operations.

This research has looked at the current state of FM and predicted future trends in higher education. A balanced shared model of in-house and outsourced services will be essential in the future.

Appendix

A. Survey of APPA Outsourcing Trends Questionnaire

1. **Is your institution public or private?**

   Public
   Private

2. **What is the amount of total square feet at your institution?**

   Less than 5 million
   More than 5 million

3. **What is the number of students at your institution?**

   Less than 5000
   More than 5000

4. **What is your position?**

   Facility Director
   Vice President
   Other (please specify)

5. **Which of the following services do you outsource?**

   None
   Custodial
   Grounds and Landscaping
   Operations and Maintenance
   Energy Management
   Capital Project Management
   Building Commissioning
   Security
   Other (please specify)

6. **Do you primarily self operate or outsource services at your institution?**

   Outsource
   Self operate
   Percent outsourced

7. **What is the main reason why outsourcing is chosen at your institution?**

   NA
   Cost Savings
   Improved Service
   Don't have Expertise
   Other (please specify)

8. **Which methods do you primarily use to measure the quality of your outsource service providers?**

   By number of complaints only
   Visual inspection of work (low level of inspection)
   Key performance indicators (higher level of inspection)
   Other (please specify)

9. **What is your forecast for outsourcing at your institution over the next ten years?**

   It will decrease
   It will stay the same
   It will increase

10. **How satisfied are you with your current outsourcing arrangement on a scale from 1 to 5? (1=very unsatisfied, 5=very satisfied)**

    1   2   3   4   5

B. Qualitative Research Questionnaire

APPA Outsourcing Qualitative Interview Form
November 19, 2004

Date: _____ Student Researchers: _____

1. Name: _____

2. Position Title: _____

3. Phone Number_____ E-Mail Address_____

4. Institution Name: _____ Location:_____

5. Institution's Gross Square Feet _____ Enrollment _____

   Public/Private? _____

6. Which of these services do you outsource?

   A. How long have you been outsourcing these services?

	Self-op	Outsource (OS)	How long (OS)? (years)
Bookstore			
Food Service			
Information Technology (IT)			
Custodial			
Grounds and Landscaping			
Facility Operations and Maintenance			
Energy Management			
Capital Project Management			
Building Commissioning			
Security			
Transportation			

IF FACILITIES ARE OUTSOURCED:

7. What has been your experience with facilities outsourcing?

8. Why did you decide to outsource?

9. What decision tools do you use when making the outsource/self-op decision?

10. If outsourced, what type of service model do you use? (Management-only, Management + Labor, Labor only, other)

11. Why did you select this service model?

12. What methods do you use to control quality and measure provider performance?

13. In your opinion, what are the attributes of the best outsourcing companies (or what do you look for in an external facility services provider)?

IF FACILITIES ARE NOT OUTSOURCED:

14. Have you had any experience with outsourcing?   If yes, please comment on the positive (if any) and negative (if any) aspects.

15. Why have you decided to keep facilities self-operated?

16. In your opinion, what are the advantages and disadvantages (if any) to remaining self-operated with facilities?

17. What decision tools do you use when making the outsource/self-op decision?

18. If you were to consider outsourcing, what attributes would you most desire in a facilities service provider?

ALL RESPONDENTS:

19. What is your forecast for the next ten years for outsourcing? Will it increase/decrease, and why?

20. How do facilities contribute to the overall goals or mission of your institution?

21. Would you be willing to allow a full case study to be developed based on your institution's experience?

C. APPA Facilities Management Evaluation Questionnaire

The Self-Evaluation Criteria

1.0 Leadership

The facilities organization's senior leaders should set direction and establish customer focus, clear and visible values, and high expectations in line with campus mission, vision, and core values. Leaders inspire the people in the organization and create an environment that stimulates personal growth. They encourage involvement, development and learning, innovation and creativity.

1.1 Leadership roles and responsibilities are clearly defined.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

1.2 The leadership system is understood by and communicated among all levels. The leadership system includes mechanisms for the leaders to conduct self-examination, receive feedback, and make improvements.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

1.3 The organization has clearly aligned its mission, vision, and values statements with those of the campus. Regularly communicates with employees, customers, suppliers, and other stakeholders.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

1.4 Facilities management leaders spend time on a regular basis with their customers and front-line staff.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

1.5 Performance measures at each level of the organization are clearly defined.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

1.6 Senior leaders establish and reinforce an environment where shared values support self-direction, innovation, and decentralized decision-making.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

1.7 Informed of current trends and practices in the industry.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

1.8 A succession plan is in place to ensure continuity of leadership.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

1.0 Leadership: Total Points 14%   _____

2.0 Strategic and Operational Planning

Strategic and operational planning consists of the planning process, the identification of goals and actions necessary to achieve success, and the deployment of those actions to align the work of the organization. The facilities organization should anticipate many factors in its strategic planning efforts: changing customer expectations, business and partnering opportunities, technological developments, evolving regulatory requirements, and societal expectations, to name but a few.

2.1 A strategic plan exists that includes the goals and objectives of the department.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

2.2 The strategic plan was developed with participation from internal and external stakeholders, approved by the administration, and effectively communicated.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

2.3 Customer needs and expectations serve as major drivers for setting strategic direction.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

2.4 Goals and key performance measures are understood by all and periodically reviewed.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

2.5 Performance measures at each level of the organization are used to meet goals.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

2.6 A budget is developed with input from staff that reflects historic expenditures, an analysis of needs, effective allocation of available resources to support the organization's goals and objectives, and seeks new and innovative measures to leverage resources.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

2.7 Standards have been defined for overall operational performance, built environment, and landscape.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

2.8 A campus master plan is in place, current, and utilized for decision making.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

2.9 The operational units participate in the development of the construction program and are active partici-pants in the acceptance of completed projects.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

2.10 Strategies and processes are in place to ensure continuity of functions in the event of staff turnover or other disruption.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

2.11 Emergency response plans are in place, current, and communicated to facilities employees and the campus community as required.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

2.0 Strategic and Operational Planning: Total Points 19.3% _____

3.0 Customer Focus

Customer focus is a key component of effective facilities management. Various stakeholders (faculty, students, staff, and other administrative departments) must feel their needs are heard, understood, and acted upon. Various tools must be in place to assure customer communication, assess and assimilate what is said, and implement procedures to act on expressed needs.

3.1 Surveys, tools, and other methods are used to identify customer requirements, expectations, and satisfaction levels.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

3.2 The roles, responsibilities, and services provided by the facilities department are well defined, communicated, and understood within the department and by all communities served.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

APPA Facilities Management Evaluation Questionnaire

3.3 Levels of service are set to exceed customer expectation and are defined in terms that can be understood by the administration, building users, and facilities staff.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

3.4 The communities served know how to obtain, monitor progress, and evaluate the services offered.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

3.5 Customer feedback is used to build positive relationships, drive processes, and effect improvements.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

3.6 Campus users have a clear understanding and positive view of the services provided by the facilities organization.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

3.0 Customer Focus: Total Points 10.5%   _____

4.0 Information and Analysis

Information and analysis are used to evaluate performance and drive future performance improvements. Of interest are the types of tools used (for example, peer comparative data clarified and validated through benchmarking), and how the tools are used to enhance organizational performance. Various aspects of information include facilities inspections and audits, financial and expenditure reports, utility data, and other relevant measures and indicators.

4.1 A systematic process is in place for identifying and prioritizing performance indicators, comparative information, and benchmarking studies for the most critical areas.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

4.2 Benchmarking results, comparisons and performance indicators are tracked and used to drive action within the organization.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

4.3 The department ensures that data and information are communicated and accessible to all appropriate users. The required data and information have all the characteristics users need, such as reliability, accuracy, timeliness, and appropriate levels of security and confidentiality.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

4.4 An effective facilities inspection or audit program is in place that provides a regular appraisal of facilities conditions, identifies maintenance and repair needs, and quantifies facilities maintenance resource requirements.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

4.5 An expenditure report is available to managers on a regular basis and is used to effectively evaluate and control expenditures in assigned sub-units.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

4.6 An effective system of measuring and recording utility data is in place and is used to establish trends, minimize costs, promote energy conservation, and encourage environmental preservation.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

4.7 The organization has a process to ensure that hardware and software systems are user-friendly, reliable, up-to-date, and meet the needs of all users.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

4.0 Information and Analysis:
Total Points 12.3%   _____

5.0 Development and Management of Human Resources

An organization's success depends increasingly on the knowledge, skills, innovative creativity, and motivation of its employees and partners. This criterion addresses the ways in which the facilities organization ensures continuing learning environment through communication, policies, recognition, training, professional development opportunities, and other methods.

5.1 Staff positions are properly classified and allocated in adequate numbers to meet the standards for the targeted level of service.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

5.2 Training programs provide for new employee orientation and technical skills enhancement for all staff.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

5.3 An effective communication system exists within the department to ensure that each employee knows his or her role in the department, the role of related areas, and the overall role of the department.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

5.4 Safety policies and procedures have been established, written, and communicated to all staff.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

5.5 Accident records are maintained and used to reduce accidents and identify needs for special attention.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

5.6 The organization promotes employee development and professional development through formal education, training, and on-the-job training such as rotational assignments, internships, or job exchange programs.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

5.7 Career development is supported through involvement in job-related and professional organizations, and opportunities to advance within the department.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

5.8 Work performance and attendance tracking measures are in place, are understood by staff members, and are used by supervisors to assess performance.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

5.9 The organization utilizes both formal and informal assessment methods and measures to determine employee well being, employee satisfaction, and motivation. Assessment findings are linked to performance results to identify priorities for improving the work environment, employee support climate and the supervisor's effectiveness (coaching).

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

5.10 Employee recognition programs are in place for individuals and groups (may include community service).

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

5.11 Processes are in place to determine the effectiveness of recruitment and retention programs and to identify areas for improvement.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

5.0 Development and Management of Human Resources Total Points 19.3%   _____

APPA Facilities Management Evaluation Questionnaire

6.0 Process Management

Effective process management addresses how the facilities organization manages key product and service design and delivery processes. Process management includes various systems such as work management, performance standards, estimating systems, planning and design of new facilities, and other key processes that affect facilities functions.

6.1 Processes are in place to ensure that departmental facilities and equipment are adequate for the provision of effective and efficient services.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

6.2 An effective work management system is in place to identify, report, correct, and document substandard conditions and maintenance requirements.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

6.3 Work authorization and scheduling procedures have been established that are consistent with the identified role of each work unit and achieve an equitable distribution of resources.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

6.4 An effective preventive maintenance (PM) program is in place to provide regular inspection and servicing of facilities equipment to assure maximum service life, reliability, and operation.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

6.5 An estimating system is used that provides accurate estimates of labor and material requirements in order to plan and schedule the execution of work and to determine the causes of significant deviations between actual costs and estimated costs.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

6.6 Design guidelines that incorporate such elements as energy consumption, operating costs, environmental concerns , maintainability, sustainability, accessibility, and safety have been prepared, updated and are utilized.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

6.7 The delegation of budgetary responsibilities for management of sub-units of the budget is effective in controlling expenditures.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

6.0 Process Management: Total Points 10.5%   _____

7.0 Performance Results

The facility organization's performance can be assessed through campus appearance, employee satisfaction and motivation, effectiveness of systems operations, customer satisfaction, financial results, and supplier/business partner results. Where feasible, it is helpful to have measurement tools in place to assess performance in these areas.

7.1 The appearance of the buildings and grounds is in keeping with the surrounding community as well as the desired image of the institution.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

7.2 The condition and cleanliness of facilities are in keeping with the image and standards adopted by the institution as well as activities associated with its mission and programs.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

7.3 Building systems and infrastructure are maintained and operated at a level of reliability that contributes to the successful implementation of the institution's mission and programs.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

7.4 Funding resources are effectively used and are adequate to support a level of facilities maintenance that prevents the deferral of major maintenance and repairs.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

7.5 Staff is highly motivated and productive, taking pride in the accomplishment of their duties.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

7.6 Customer satisfaction measures ensure that the levels of service are consistent with customer needs and requirements and within the facilities department's capability.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

7.7 Managers and supervisors stay in touch with the needs of higher education.

never 0	rarely 1	sometimes 2
often 3	always 4	Total: _____

7.0 Performance Results: Total Points 10.5%   _____

8.0 Other Considerations

At the request of the institutional representative this section would include any items or subjects that are not covered by the criteria in Sections 1 through 7. These items may include those things that are specific to the campus.

Recap and Scoring: *Score*

1.0	Leadership- 15 percent	_____/32
2.0	Strategic and Operational Planning- 20 percent	_____/44
3.0	Customer Focus- 9 percent	_____/20
4.0	Information and Analysis- 11 percent	_____/24
5.0	Development and Management of Human Resources- 20 percent	_____/44
6.0	Process Management- 13 percent	_____/28
7.0	Performance Results- 13 percent	_____/28

Grand Total: 228 points   _____/228

Percentage of Total   _____/100%

(Totals do not equal exactly 100% due to rounding.)

APPA Facilities Management Evaluation Questionnaire

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