BS EN ISO 41012:2018

BSI Standards Publication

Facility management – Guidance on strategic sourcing and the development of agreements (ISO 41012:2017)

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National foreword

This British Standard is the UK implementation of EN ISO 41012:2018. It is identical to ISO 41012:2017. It supersedes BS EN 15221-2:2006, which is withdrawn.

The UK participation in its preparation was entrusted to Technical Committee FMW/1, Facilities management.

A list of organizations represented on this committee can be obtained on request to its secretary.

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Facility management - Directives sur le procédé d'approvisionnement stratégique et d'élaboration des accords (ISO 41012:2017)

Facility Management - Leitfaden zur strategischen Beschaffung und der Entwicklung von Vereinbarungen (ISO 41012:2017)

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This European Standard shall be given the status of a national standard, either by publication of an identical text or by endorsement, at the latest by December 2018, and conflicting national standards shall be withdrawn at the latest by December 2018.

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The text of ISO 41012:2017 has been approved by CEN as EN ISO 41012:2018 without any modification.

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Foreword

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

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

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Introduction

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

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

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

— improve quality, productivity and financial performance;

— enhance sustainability and reduce negative environmental impact;

— develop functional and motivating work environments;

— maintain regulatory compliance and provide safe workplaces;

— optimize life cycle performance and costs;

— improve resilience and relevance;

— project an organization's identity and image more successfully.

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

This document also provides guidance on:

— types of agreements;

— development, structure and contents of agreements;

— clarification of definitions, where appropriate.

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

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

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

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

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INTERNATIONAL STANDARD **ISO 41012:2017**

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

1 Scope

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

— essential elements in FM sourcing processes;

— FM roles and responsibilities in sourcing processes;

— development processes and structures of typical agreement models.

This document is applicable to:

— strategic processes related to service and support functions for the core business;

— development of FM strategies;

— development of facility service provision agreements covering both public and private service demand and internal and external production/delivery options;

— development of FM information systems;

— FM education and research;

— organization development and business re-engineering processes in major types of working environments (e.g. industrial, commercial, administration, military, healthcare, accommodation).

2 Normative references

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

ISO 41011, *Facility management — Vocabulary*

3 Terms and definitions

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

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

— ISO Online browsing platform: available at http://www.iso.org/obp

— IEC Electropedia: available at http://www.electropedia.org/

4 Sourcing strategy and understanding the core business context

4.1 Sourcing strategy

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

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

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

— the competitive environment;

— value drivers (including cost/benefit analysis);

— the need for resource flexibility;

— business risk;

— reliability of supply chain / risk of over-reliance on single suppliers;

— operational interdependencies;

— availability of in-house FM expertise;

— the availability and capability of various supply options;

— corporate policies (e.g. environmental and corporate responsibility);

— regulatory compliance requirements and expected legal changes;

— organizational culture and management style;

— reporting requirements and management information systems;

— corporate targets on strategic and operative level;

— innovation;

— real estate and FM strategy;

— property portfolio.

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

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

— understand core business;

— analytic skills;

— management skills;

— communication skills;

— appropriate knowledge of FM;

— procurement skills;

— legal skills;

— environmental, social and cultural awareness;

— ability to evaluate services options and required outcomes.

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4.2 Strategic, tactical and operational level

4.2.1 General

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

— strategic;

— tactical;

— operational.

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

4.2.2 Strategic level

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

— defining the FM strategy in accordance with the organization's strategy;

— policy-making, elaborating guidelines for space, assets, processes and services;

— active input and response;

— initiating risk analysis and mitigation and providing the direction to adapt to changes in the organization;

— defining performance management policy and outcomes;

— assessing the impact of facility on the primary activities, external environment and community;

— maintaining relations with authorities and other stakeholders;

— approving business plans and budgets;

— providing advisory services to demand organization;

— defining re-procurement criteria;

— making procurement decisions.

4.2.3 Tactical level

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

— administration;

— reporting (setting up and performing);

— recording (status and events);

— implementing and monitoring guidelines for strategies;

— developing business plans and budgets;

— translating FM objectives into operational level requirements;

— defining service level agreements (SLAs);

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— defining key performance indicators (KPIs);

— managing projects, processes and agreements;

— managing the FM teams;

— managing the services team;

— optimizing the use of resources;

— adapting to and reporting on changes and statuses;

— communicating with internal or external service providers on a tactical level.

4.2.4 Operational level

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

— delivering services in accordance with the SLA;

— monitoring and checking the service delivery processes;

— monitoring the service providers;

— receiving requests for service (e.g. via a help desk or service line);

— collecting data for performance evaluations, feedback and demands from end users;

— reporting to tactical level;

— communicating with internal or external service providers on an operational level.

5 Sourcing process in FM

5.1 Process flow chart

The sourcing process consists of the steps described in Clauses 5 to 10, as illustrated in Figure 1.

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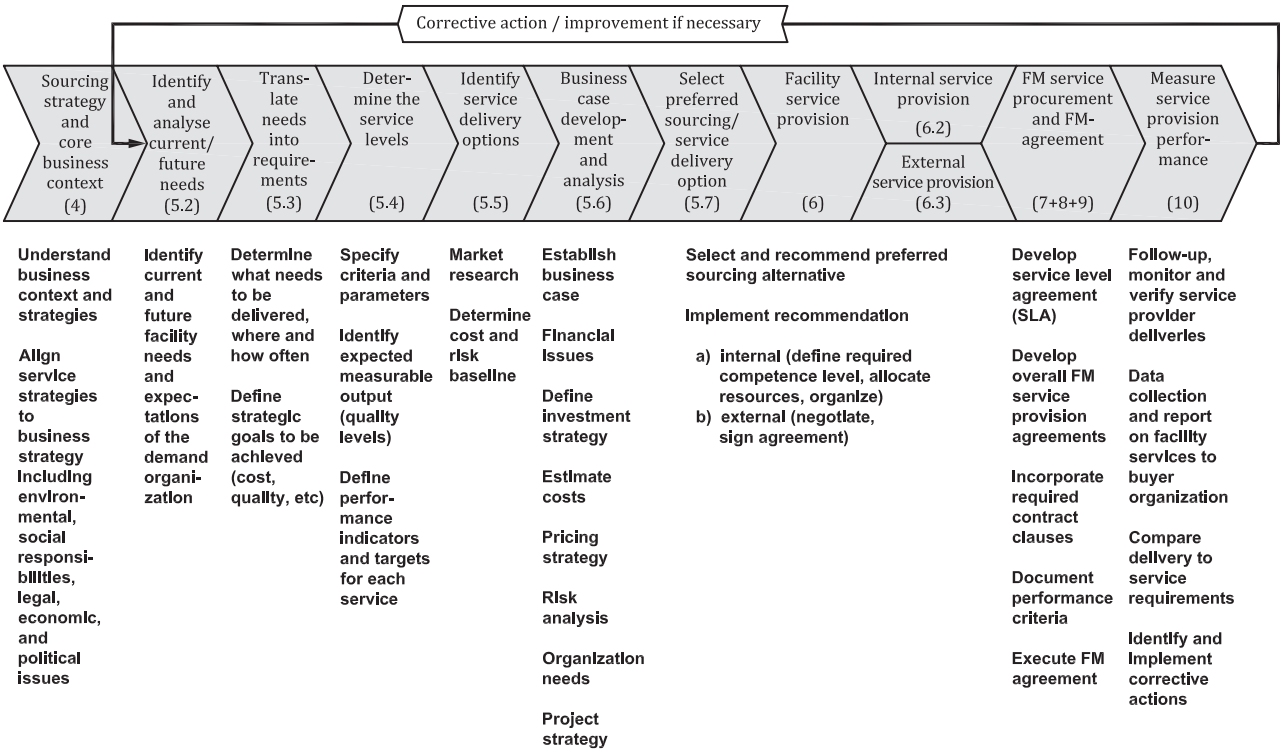

Figure 1 — Sourcing process overview

5.2 Identify and analyse current and future needs and expectations

This step of the sourcing process is shown in Figure 2.

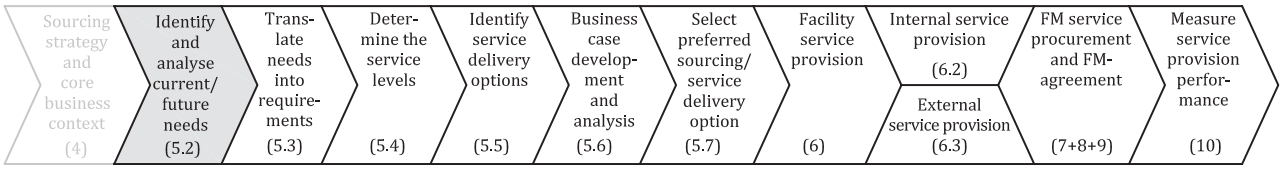

Figure 2 — Sourcing process: Identify and analyse current and future needs and expectations

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

— primary activities and core business, mission, vision, strategy and corporate values;

— key objectives of business/activities;

— geographical locations and areas of operation, building portfolio and space;

— strategic directions of the organization short/long term and its influence on, for example, building portfolio, technical infrastructure, work force and competence;

— organizational culture, structure, governance and principles of decision making (local, regional, global);

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— current and possible future (intended) corporate image and trademark;

— range and nature of core products/services and distribution (local, regional, global);

— strategic considerations related to sustainable environmental issues and social responsibilities;

— security, resilience and other risk concerns with decisive influence on strategic choices;

— customers, demand organizations and other stakeholders with decisive influence on strategic choices;

— management of information for planning and controlling services;

— existing basis and arrangements for service provision and scope of services;

— the interface between the primary activities and support services;

— the "as is" situation: users' expectations and satisfaction of present range and quality of services provision;

— applicable statutory and legislative requirements.

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

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

The FM organization should have information on:

— the top management's impressions of the present FM-organization's performance, service levels and qualities;

— the strategic planning timeframe of the demand organization/business unit;

— changes in core strategies which, within their planning horizon, are expected to cause notable impact on:

  — stakeholders' expectations;

  — geographic representation;

  — building portfolio/tenancies;

  — sites and locations;

  — workspace/workplace;

  — products and distribution;

  — technical infrastructures and other infrastructure assets;

  — human resources and corporate culture and identity;

  — security and operational risk issues;

  — sustainability and environmental issues;

  — social responsibilities;

— the most likely serious challenges and what impact they can have on needs and demand of service and support;

— business objectives, main drivers and constraints;

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— split between core and non-core business;

— sustainability aspects;

— scope of services;

— innovation requirement;

— special service requirements and hazardous operations, where applicable;

— transitional arrangement;

— current service delivery model.

5.3 Translate needs into requirements

This step of the sourcing process is shown in Figure 3.

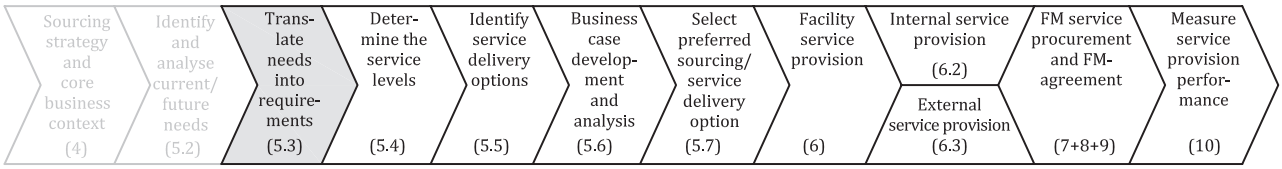

Figure 3 — Sourcing process: Translate needs into requirements

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

See Annex A for examples of how to translate needs into requirements.

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

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

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

— check required and available data for assessment/estimation of service options to satisfy new requirements;

— estimate volumes, specify preliminary service levels, quality and performance requirements for new service provision and get verification/acceptance from top management;

— adjust volumes, service levels, quality and performance requirements on current service and support in accordance with information from the primary activities;

— express performance requirements in measurable terms with corresponding/suggested performance indicators, in order to compare agreed/decided performance requirements with measured results;

— consider interdependencies between FM activities which are important for creating or retaining synergies between them.

5.4 Determine the service levels

This step of the sourcing process is shown in Figure 4.

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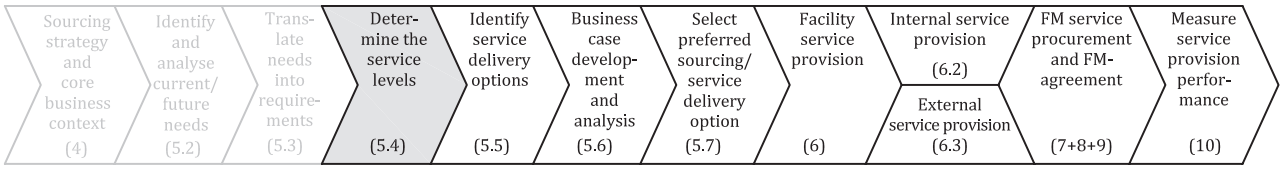

Figure 4 — Sourcing process: Determine the service levels

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

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

a) the expectations should be practical and achievable;

b) the expectations should acknowledge that the relationship between level of service and quantity of resources needs to meet the level of service.

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

A format and structure for service level requirements is included in Annex D.

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

— budget compliance/variance;

— response times (e.g. emergency, urgent and routine work);

— work completion rates;

— amount of proactive versus corrective (i.e. reactive) work;

— preventive maintenance compliance;

— safety inspection and testing compliance;

— staff/contractor utilization/productivity;

— level of cleanliness (internal and external);

— move and relocation management;

— project performance compliance;

— sustainability performance;

— system or equipment reliability;

— interruptions to operation;

— utilization of space or vacancy rates;

— energy conservation performance;

— life cycle performance of assets (i.e. meet expectations for useful life);

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— benchmarks;

— total costs of ownership.

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

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

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

5.5 Identify service delivery options

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

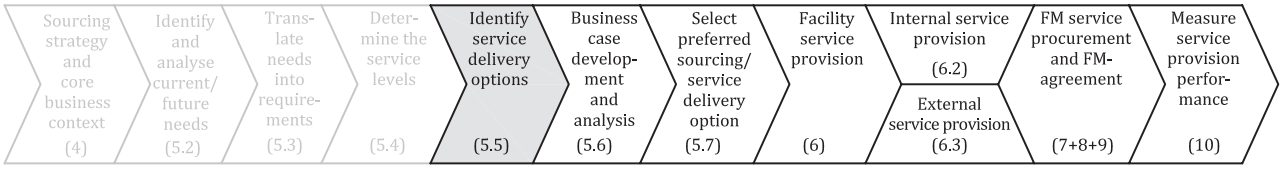

Figure 5 — Sourcing process: Identify service delivery options

There are three main options for service provision:

a) all services provided and distributed by an in-house FM organization;

b) all services outsourced on agreement(s) with one or more external service providers;

c) some services provided by an in-house FM organization and some by external service providers.

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

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

— Does the organization have the staff levels, capabilities, skills, knowledge, organizational and supervisory structure, and supporting facility and tools to meet internal service provision requirements?

— Does the market offer the total range of services with the quality specifications which are required by the primary activities, or only partly?

— Will the organization be operating in regions where there is no qualified market offers for the required services?

— Is the value of demand for the required service(s) large enough to keep an economical viable competence level and an in-house organized production capacity compared with what the market offers for similar services?

— Are there special considerations to secure business continuity or specific security measures which only can be satisfied by keeping the appropriate service(s) produced by in-house resources?

— Are there principal strategic decisions or considerations of political, cultural or other social aspects which are mandatory and/or override conclusions on one or more of the questions above?

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5.6 Business case development and analysis

5.6.1 General

This step of the sourcing process is shown in Figure 6.

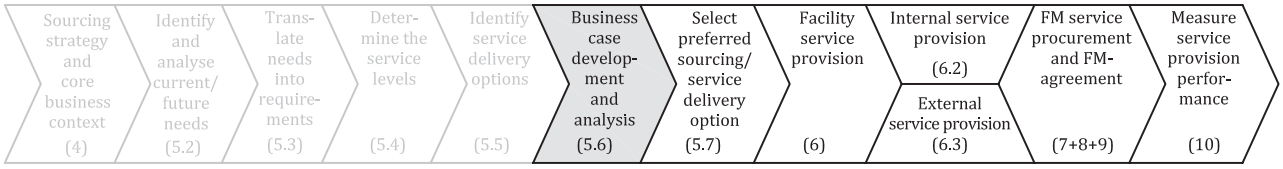

Figure 6 — Sourcing process: Business case development and analysis

The next step in the sourcing process includes the development of a business case which summarizes the scope, benefits, value, financial implications and risks of a proposed solution to a business need.

5.6.2 Financial considerations

There are a number of important financial considerations to be closely analysed before finally deciding whether a service should be sourced by internal production or alternatively purchased from an external provider, including the following:

— Is there sufficient demand/scope ("critical mass") to organize and produce services with internal resources, or alternatively create sufficient competitive interest in the market for external provision?

— Is internal production cost (covering both direct and indirect cost/overhead) adequately understood and documented?

— Does business case and or financial analysis deliver a positive advantage or added value?

— For an extended or amended service, can the historic costs be accurately extrapolated to provide a clear projection of future costs?

— Are there strategic decisions/policies that affect the acceptable level of cost?

— Are there other related investments that will affect the cost assessments?

5.6.3 Investment strategy

The demand organization should determine the required facility operating model to meet their asset/equipment investment strategy.

The implications of any strategy chosen should be discussed with the service provider, including the ownership, right of use, operation, maintenance and ending of obligations that need to be agreed upon for the investment, in relation to the terms of the agreement.

Investment strategy should include a clear investment model. It should also include an adaptive asset management strategy or plan and a continuous follow up on maintenance.

At a strategic level it is important to consider the life cycle costs of each acceptable solution. This can also include the principles of sustainability by considering not only the financial costs but also the social and environmental impacts and their associated costs. These costs can then be carried forward to a life cycle analysis to provide an enhanced financial assessment.

NOTE For specific asset management information, see ISO 55000, ISO 55001 and ISO 55002.

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5.6.4 Estimate costs and added value

The development of cost estimates for services requires a careful accounting of the scope, areas and inventory/registry of assets. Determining the cost of providing services can be accomplished by using a number of methods depending on the requirements for new or existing services:

— historical data can be used for incremental analysis for the expansion of existing services;

— benchmarking with published resources and cost indexes;

— zero-based budget analysis using detailed inventory/registry of asset and spaces coupled with engineered performance standards to accomplish the necessary services.

The need for reliable information on comparable price levels and assessment of other relevant market information can involve procurement specialists. If in-house management and staffing are estimated to require personnel recruitment, investments and other organizational changes, human resources and finance should be involved.

If new service requirements are identified, reliable figures of cost of services and delivery should be established. As the new service requirements may be produced and distributed in new market environments and even in new countries, a common measurement structure may be an appropriate tool for calculating comparable figures across regions and borders.

To check cost of expanding existing service(s) agreements against similar current service cost (in-house or purchased on agreements) one should check official cost indexes or benchmark with similar organizations using the same services.

At this point in the process, conclude preferred alternative(s) from a cost/added value viewpoint.

5.6.5 Pricing strategy

5.6.5.1 General

At the sourcing stage each service level should be calculated separately to ensure the link between the estimated cost, service level and value. This methodology should be retained in subsequent stages.

A price mechanism needs to be decided as part of the sourcing process.

5.6.5.2 Price and rate mechanisms

Listed below are some of the methodologies of price and rate mechanisms that can be considered:

— lump sum;

— unit rate;

— cost plus;

— actual cost.

These prices can be fixed (fixed price) over a period of time and can be capped at a guaranteed maximum price or adjusted based on agreed criteria (variable price).

For all the above pricing mechanisms an open-book clause can be used. In this case the details of all relevant financial transactions are available to the demand organization.

Financial accountability should be agreed in accordance with the type of price mechanism chosen stating precisely what financial documentation or information is available for the demand organization.

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