

# Performing a tender process

“What would you do to improve your existing outsourcing provision?” An MBA student recently put this question to a selected panel of facilities professionals and received the following responses:

- Increase performance monitoring of contracted service providers
- Incorporate more robust SLAs and KPIs to ensure standards are measurable and achievable
- A better understanding of how to apply performance criteria in such a way that they contribute to improving the performance of the contract and the relationship between the parties involved in it
- A better understanding of how the availability of performance results can be enhanced using new technologies (i.e. web-based live reporting)
- Encourage continuous improvement, innovation and best practice

The client's total facilities management contract (with the exception of catering services, which are supplied by a separate provider, and reception, which remains in-house) expired on 31st December, 2004. As a regulatory body, the client was required to advertise the tender notice in the Official Journal of the European Communities (OJEC) and duly did so in May 2004. (The preferred supplier was finally selected in October 2004.)

Under the previous contract, the client received a 50-page 'Monthly Report', which was not very co-ordinated and was filled with complicated statistics with little historical and background information. As a result, the previous PMS produced very little indication of whether performance levels were being achieved.

During an early project meeting, it was suggested to the client that they consider the future contract PMS from the outset. A visioning exercise helped the client to understand how they would like such a PMS to look, how they would like the provider to report back, how often and so on.

With around 40 facilities management service providers registering an interest in response to the original OJEC notice, the Pre-Qualification Questionnaire (PQQ) was the first opportunity to gather some valuable information on current PMS systems.

By inserting specific PMS-related questions into the PQQ, you can gather pertinent information from prospective suppliers. Using Customer Service and Quality Assurance as an example, you can ask:

- How do you communicate with your customers?\*
- Who would be responsible for managing the service delivery on this contract and which Director would

provide senior level interface?

- What would your on-site management and supervision structure look like on a contract such as this one?
- Do you operate a 24 hour Control/Communication facility? If so, please provide details\*
- Do you have a Quality Management system?
- Are you registered to ISO 9001/2000 or equivalent?
- Provide details of your performance monitoring system\*
- Please give evidence of recent 'Continuous Improvement' Activity benefiting both client and supplier stakeholders\*
- Do you have an e-capability? i.e. performance reporting,\* issue quotations, receive orders, issue invoices and receive payments via the Internet
  - If yes, provide details of your electronic capability
  - If no, would you be prepared to put an e-procurement system in place within 6 months? (\* These questions relate specifically to gauging a supplier's PMS.)

## INVITATION TO TENDER

The Invitation to Tender (ITT) is a very important part of the tender process. It is at this point that the client needs to set out its service needs and these needs must be presented, as far as reasonably practicable, in such a way that participating contractors feel that they are on a level playing field.

We discussed with our client the importance of the type of specification used in the tender documentation. To ensure a level playing field the specification used was quite prescriptive and leaned towards an 'input' type specification, to ensure that pricing would be comparable and differences easier to detect and understand. However, the client expressed a specific wish that the future PMS should be based on output measurements and therefore an element of 'output' type specification was added to the ITT. Tenderers were asked, under a separate submission envelope, to suggest different ways of obtaining satisfactory output results, of documenting them and of costing them accordingly.

A common mistake is to include SLAs and KPIs in the ITT as a 'fait accompli', non-negotiable and set in stone for the duration of the contract. The definition of the SLA concept includes the word 'agreement' and indicates that some sort of consultation process between client and supplier is necessary to reach a consensus on achievable SLAs and suitable KPIs. An excellent way to tease further information out of the ITT participants is to ask them to volunteer proposals for SLAs and KPIs for the various individual services and for the contract overall.

## THE PREFERRED SUPPLIER

The classic scenario is that a preferred supplier or, in the case of sizeable tenders, an initial shortlist of suppliers, is selected on the financial submission part of the tender. This is shortsighted for the simple reason that money alone will not guarantee a great relationship for the three to five years to come.

It is of vital importance that the client feels at ease with their selection and comfortable that a good solid service partnership can be built, where both parties aim for mutually beneficial objectives. When this is lacking, it does not matter how sophisticated or technically supreme

your PMS is, it will not function.

We advised the regulatory body client to split the evaluation process of the ITT submission into three phases. The initial phase saw written submissions without financial information evaluated against criteria such as:

- Client focus
- Understanding of specific needs
- Health & Safety records and general approach
- Experience with similar contracts and client types
- Quality systems and accreditations

A second phase then allowed for the classic price submission comparison. However, the third phase (and with the PMS in mind, the most important phase), consisted of visiting the support offices of potential suppliers and other client contracts. This exercise demonstrated not only the substance behind the paper submissions, but also the real client-supplier relationships at work.

Three organisations were short-listed on the basis of phases one and two of the ITT evaluation process. Visits to their respective sites almost certainly steered the decision making process in a decisive direction, as the client commented that one organisation's culture and approach 'just felt right'. That particular organisation ultimately became the preferred selected supplier, and the chances of a highly successful partnership with a jointly created and agreed PMS system were greatly increased as a result.

### POST-TENDER MOBILISATION

Where client organisations normally start to relax before the contract commences, allowing the supplier to mobilise the contract, our client was under no illusion that in fact the hard graft started here to create and run a successful PMS.

When questioned in the ITT about creating a joint PMS, a number of suppliers suggested basing it on the Balanced Scorecard (BSc) (Kaplan & Norton, 1992) approach, the benefits of which are:

- It combines financial information with quality, customer service and any other aspects of performance important to the contract
- It can be used at any level, for example as an overall contract overview tool, but just as easily as a tool to chart performance of a specific service within the facilities management contract
- It offers flexibility in case a new aspect needs to be added or an old one replaced
- It can be pictured on a single page document used to brief all levels of the service delivery chain
- It ensures that the supplier's performance as an organisation is measured, as well as its facilities management service outputs (though certain people may argue this is taking the PMS too far)

There are of course some pitfalls too:

- It is tempting to use 'easy to measure' indicators rather than the ones that are harder to quantify but vital to achieving the objectives
- It takes some hard work to build one and achieve consensus across the supply chain, as well as amongst all interested internal parties (finance, procurement,

operations, customer services)

- It requires continuous maintenance and input from various parties in the supply chain

This concept works extremely well when the client organisation itself uses the BSc internally as a guide to how well it is performing.

Another excellent technique to create a PMS is the Mindmap technique (Buzan, 2004).<sup>1</sup> Whilst this technique is a good tool to jointly build a PMS and ensure that the key strategic objectives are all addressed, it does not deal with the 'how' it will operate in the future. The concept is easy to understand: both parties get together and build idea trees around the key strategic objectives, thus ensuring that the indicators are all linked to the key drivers of the service partnership.

When creating the PMS, it is imperative that all involved clearly take into account the differences in, and the different ways of, measuring quality. To include indicators that are partially based on a measurable technical output, and partially on the auditor's perception, could produce a dangerous cocktail. It is better to use indicators that provide an 'either/or' scenario. Taking a helpdesk service as an example, one indicator could be based on the number of calls cleared per week (technically measurable) and another on the friendliness of the helpdesk operative (perception).

### RUNNING A JOINT PMS

Finally, both parties need to agree how they will be running the PMS together, how they will react to changes in the contract's wider environment, how they will deal with the results produced by the PMS, and how these will be reported (i.e. via what medium) and who will be responsible for measuring and updating.

A good starting point is to carry out a pre-contract customer perception survey, as our client did. Not only can this be useful as an opening benchmark, it can also serve to test how easy the PMS is to use and client users' and service provider staff understanding of it.

During the contract the use of external and independent auditors is highly recommended to benchmark the PMS process. The ideal scenario is for supplier and client to share the cost of this, further cementing the partnership and avoiding perceptions, opinions, and subsequent reports being 'guided' by whoever settles the invoice. If possible it would be ideal for this benchmarking to include comparisons with similar contract relationships elsewhere in the industry.

The main message though is for client and supplier to work and develop the PMS together, as the cultural fit between them grows closer and tighter over time. ■

### References

Kaplan, R.S. & Norton, D.P. (1992) *The Balanced Scorecard – Measures that Drive Performance*, Harvard Business Review – Jan-Feb., Harvard Business School Publishing

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