

# Optimizing Outsourcing Arrangements in Facilities



Michael Fischer  
Senior Analyst  
[MFischer@eab.com](mailto:MFischer@eab.com)

# Audio Options



## Using Your Telephone

If you select the “Use Telephone” option, please dial in with the phone number and access code provided.

A screenshot of a software window titled "Audio". It contains two radio button options: "Use Telephone" (which is selected with a green dot) and "Use Mic & Speakers" (which is unselected). Below these options, the text "Dial: +1 800 555 1212" and "Access Code: 141-607-114 (and [additional numbers ..](#))" is displayed. At the bottom, it says "You are connected to audio". A red line is drawn on the left side of the window.

## Using Your Microphone and Speakers

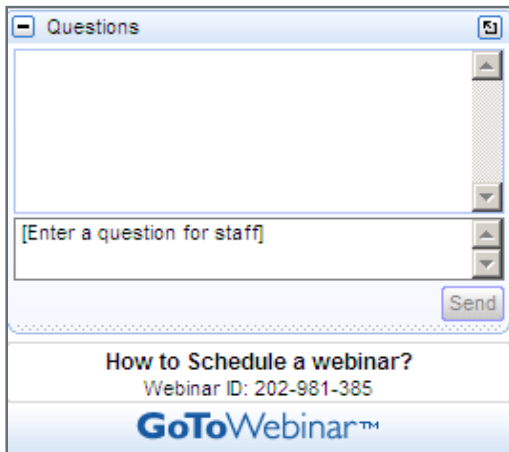
If you select the “Use Mic & Speakers” option, please be sure that your speakers or headphones are connected.

A screenshot of a software window titled "Audio". It contains two radio button options: "Use Telephone" (which is unselected) and "Use Mic & Speakers" (which is selected with a green dot). Below these options, there is a status bar showing a microphone icon followed by the word "MUTED" in red, and a speaker icon followed by a series of zeros "000000000". Below the status bar is a blue hyperlink labeled "Audio Setup".

# Questions Panel and Minimizing GoToMeeting

## Asking a Question

To ask the presenter a question, type it into the question panel and press send.



The screenshot shows a 'Questions' panel with a title bar, a close button, and a maximize button. It contains a large text input area with a vertical scrollbar, a smaller input area with the placeholder text '[Enter a question for staff]', and a 'Send' button. Below the input areas, it displays the webinar title 'How to Schedule a webinar?' and the ID 'Webinar ID: 202-981-385'. The GoToWebinar logo is at the bottom.

## Minimizing and Maximizing Your Screen



- Use the orange and white arrow to minimize and maximize the GoToMeeting panel.
- Use the blue and white square to make the presentation full screen.



# The Current State of Outsourcing Facilities Services

## Institutions Considering Outsourcing to Alleviate Growing Facilities Pressures

### Pressure on Facilities



Tightening  
Budgets



### Potential Benefits from Outsourcing

Outsourcing holds cost saving potential for institutions with expensive fringe benefits; it also locks in the cost of providing that service.



Limited  
Workforce



Hiring, onboarding, and firing staff is the responsibility of the third-party vendor. Such arrangements can also provide access to workers with hard-to-source skills.



Complex  
Technology



Vendors ensure qualified technicians are available to manage systems. The institution further gains from the innovation and specialized knowledge of the vendor.

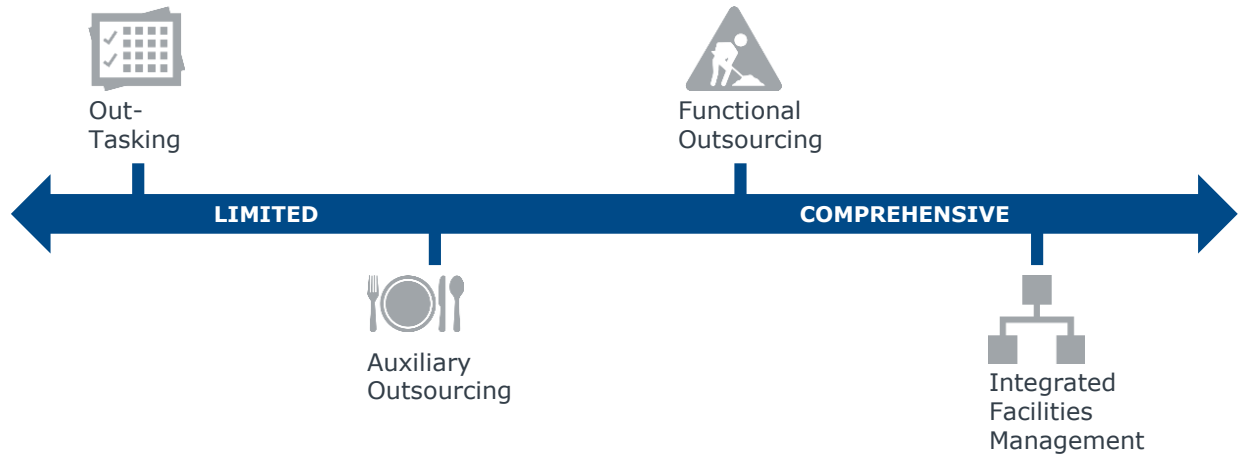


Compliance  
Concerns



Outsourcing offloads some risks and responsibilities to a third party. This also allows the institution to focus its resources on mission-critical activities.

# Spectrum of Facilities Contracting Options



# Executive Framework for Better Outsourcing



1



**Improve the  
Outsourcing  
Decision Analysis**

2



**Strengthen the Outsourcing  
Arrangement by Avoiding  
Unanticipated Mistakes**

3



**Implement Oversight  
Processes to Manage  
Vendor Relationship**



# Improve the Outsourcing Decision Analysis

- Consideration 1: Comprehensive Value for Money Analysis
- Consideration 2: Complexity of the Function
- Consideration 3: Value of Incremental Improvement to Service Levels
- Consideration 4: Expected Frequency of the Activity
- Consideration 5: Staffing Burden on Human Resources
- Consideration 6: Strategic Value of the Function to Goals

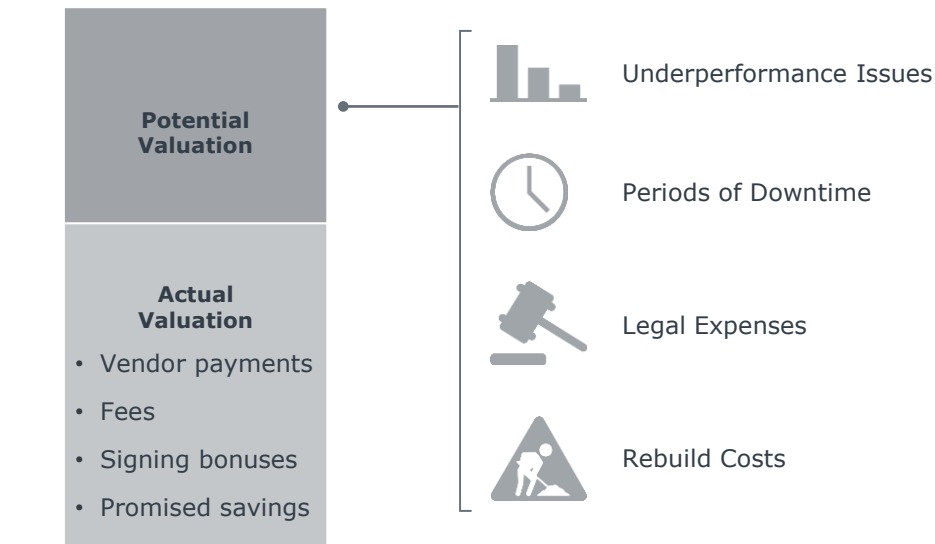
SECTION

1

# Comprehensive Value for Money Analysis

Institutions Balance Risks of Potential Costs with Known Savings and Fees

## Breakdown of the Total Valuation of Outsourcing

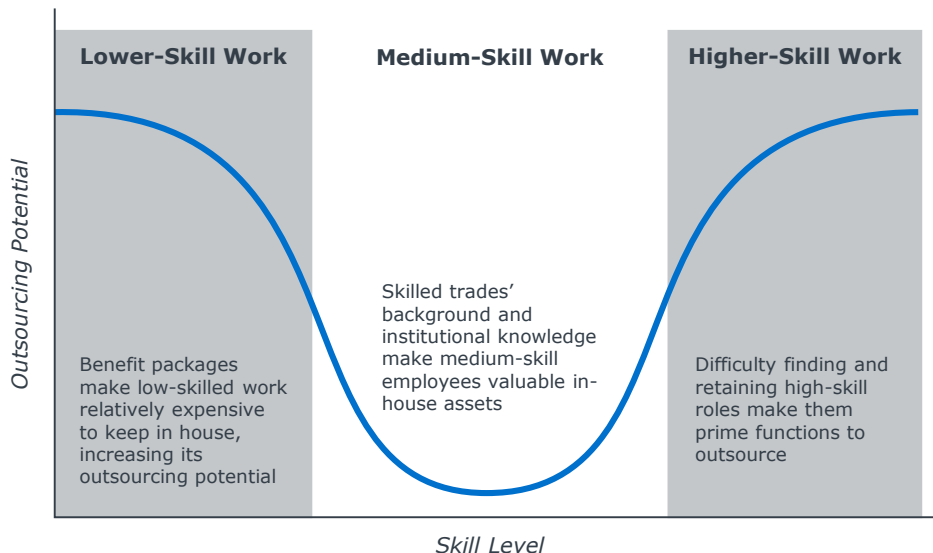




# Complexity of the Function

Ends of Complexity Spectrum Have Greatest Opportunities for Outsourcing

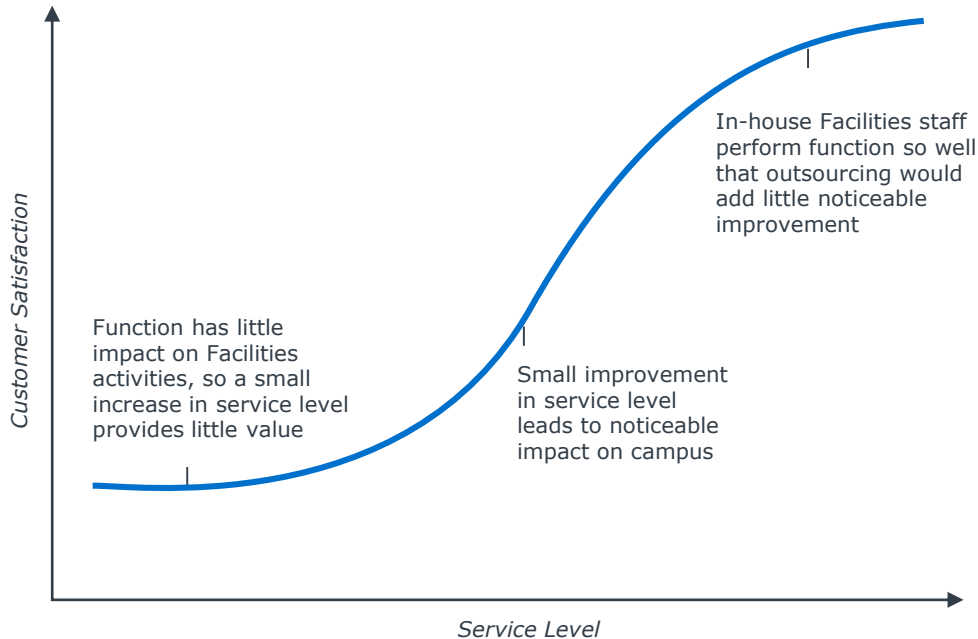
## Outsourcing Spectrum Based on Skill Requirement of Task



# Value of Incremental Improvement to Service Levels

Some Functions See Outsized Gains in Customer Satisfaction from Changes

## Variation in Customer Satisfaction with Increase in Service Levels



# Expected Frequency of the Activity

Keep Frequent, Predictable Functions In-house

## Three Frequencies of Functions Often Contracted or Outsourced



Seasonal

*Example:  
leaf blowing*



Infrequent

*Example:  
window cleaning*








Unpredictable

*Example:  
snow plowing*

# Staffing Burden on Human Resources

## HR Problems That Outsourcing Helps Reduce

|   |             |   |
|---|-------------|---|
|  | Recruitment | In tight labor markets, HR may have trouble attracting highly skilled candidates or filling roles with high vacancy rates. Outsourcing shifts the burden of sourcing and hiring onto the vendor.  |
|  | Vetting     | HR divisions incur transactional work for each employee hired, including checking criminal records, right-to-work statues, and references. In functions where turnover rates are high—such as custodial services, where annual turnover rates can reach 70%—these continual screening needs can create a significant burden on HR.        |
|  | Training    | Onboarding and training new staff for positions can overwhelm HR resources, especially with highly technical roles or functions with significant turnover.  |
|  | Retention   | Positions with high rates of absenteeism or turnover focus HR's attention on policing attendance records and hiring replacement employees.  |
|  | Termination | In-house removal processes are often time- and resource-intensive. Termination protocols may require large amounts of paperwork, extensive verification activities, and representation from multiple divisions. For outsourced functions, institutions can lean on the vendor to fire employees—and remove problematic staff expediently. |

# Strategic Value of the Function to Goals

## Institutional Priorities May Dictate Outsourcing Decision Points

### Matrix of Strategic and Operational Importance of Outsourced Functions

| High Value,<br>Low Impact  | High Value,<br>High Impact   |
|--|--|
| <p>"Even though <b>unclean floors</b> won't keep students from class, they might keep new students from coming to campus."</p> | <p>"<b>Maintenance</b> is at the core of everything I do, and I have a mandate to reduce deferred maintenance."</p>    |
| Low Value,<br>Low Impact   | Low Value,<br>High Impact  |
| <p>"I don't have many running concerns about the campus <b>bookstore</b>, so I let someone else manage it."</p>                | <p>"Our central <b>utility plant</b> will never draw students, but if the lights go out, no one will be learning."</p> |

# Facilities Outsourcing Decision Worksheet

## Tool Guides Leaders Through Considerations, Provides Viability Scores

### Facilities Outsourcing Decision Worksheet

This tool guides senior leaders through the first step of a more comprehensive evaluation process to determine the viability of outsourcing a function or sub-function. To use this tool effectively, leaders must possess a basic understanding of the scope, responsibilities, costs, and activity of the function or sub-function in question.

**Directions:** Score each of the 10 qualitative criteria based on the level of agreement with the state either zero (disagree), one (somewhat agree), or two (strongly agree). After scoring each criterion, the scores on the scoring sheet on page 24 will follow the directions to calculate a total weighted final score corresponds to the function's or sub-function's outsourcing viability.

| Criteria   | Assessment  | Agreement Score | Relevance to Outsourcing  |
|--|---|-----------------|---|
| <b>Actual Valuation</b>                                      | The known savings from outsourcing this function (e.g., cost savings, saving functions) are anticipated to be larger than the known costs of the arrangement (e.g., vendor fees, administrative costs). |                 | Outsourcing is often touted as savings opportunity, but not all arrangements will actually save savings. Institutions must weigh whether the initial and ongoing costs of the contract outweigh the overall gains.        |
| <b>Potential Valuation</b>                                   | The risks of failure for outsourcing this function (e.g., underperformance, rebuilding the function from scratch) are low.  |                 | Outsourcing generates some of the under-sold underperformance. The underperformance of the function can lead to expensive legal and rebuilding costs for the institution.   |
| <b>Amount of Transactional Work<sup>1</sup></b>              | The majority of the function's responsibilities are low-skill, low-complexity tasks.  |                 | The impact of transactional work often lower than the amount must pay employees to perform functions, with experience of an easier access to talent, can often perform these tasks more cost effectively.                 |
| <b>Complexity of Work<sup>1</sup></b>                        | The majority of the function's responsibilities are high-skill, highly complex tasks.   |                 | High-skill tasks sometimes lack the capacity of in-house teams require extensive training, and involve substantial compliance functions frequently can stay changes and small-scale tasks efficiently than in-house team. |
| <b>Agreement Score Scale</b>                                 |   |                 |   |
| Disagree = 0      Somewhat Agree = 1      Strongly Agree = 2 |   |                 |   |

1. The degree of complexity and volume of work within the function is critical to determining the viability of outsourcing. Functions with high-skill, highly complex tasks are more likely to be outsourced than functions with low-skill, low-complexity tasks.

©2017 EAB Global, Inc. • All Rights Reserved • 2022

22

Source: Facilities Forum

### Facilities Outsourcing Decision Worksheet

| Criteria   | Assessment  | Agreement Score | Relevance to Outsourcing  |
|--|---|-----------------|---|
| <b>Improvement in Customer Satisfaction</b>                  | An improvement in the service level of the function will increase customer satisfaction by an appreciable amount.   |                 | Vendors frequently drive performance improvements due to their size and ability to start with a clean slate. Performance improvements do not always lead to increased customer satisfaction. The degree of improvement is a function of the institution's satisfaction, the more likely an outsourcing arrangement is to improve satisfaction.  |
| <b>Frequency of Activity</b>                                 | The function occurs on an infrequent, seasonal, or irregular basis.   |                 | Institutions should assess who has full-time staff support the function matches the frequency of the activity. Functions that occur on an infrequent, seasonal, or irregular basis are more likely to be outsourced.  |
| <b>Human Resource Requirements</b>                           | The workforce responsible for the function has high vacancy, turnover, absenteeism, and/or inconsistent rates.  |                 | Institutions should assess who has full-time staff support the function matches the frequency of the activity. Functions that occur on an infrequent, seasonal, or irregular basis are more likely to be outsourced.  |
| <b>Strategic Value</b>                                       | The function's performance is essential to institutional priorities (e.g., reducing deferred maintenance, which means the institution will still decide to outsource the function). The function's performance is essential to institutional priorities (e.g., reducing deferred maintenance, which means the institution will still decide to outsource the function). |                 | Institutions should determine the function directly connects institutional priorities, such as cost reduction or reducing deferred maintenance. While some functions will still decide to outsource the function, the function's performance is essential to institutional priorities (e.g., reducing deferred maintenance, which means the institution will still decide to outsource the function). |
| <b>Operational Impact</b>                                    | The function's performance has little impact on the performance of other facilities functions and/or institutional divisions (e.g., operations and maintenance, facility instruction).  |                 | Institutions should determine the function directly connects institutional priorities, such as cost reduction or reducing deferred maintenance. While some functions will still decide to outsource the function, the function's performance is essential to institutional priorities (e.g., reducing deferred maintenance, which means the institution will still decide to outsource the function). |
| <b>Vendor Proximity</b>                                      | Multiple potential vendors for this function exist and work in the surrounding area.  |                 | A larger number of potential vendors for the function exist and work in the surrounding area.   |
| <b>Agreement Score Scale</b>                                 |   |                 |   |
| Disagree = 0      Somewhat Agree = 1      Strongly Agree = 2 |   |                 |   |

©2017 EAB Global, Inc. • All Rights Reserved • 2022

24

Source: Facilities Forum

### Facilities Outsourcing Decision Worksheet

#### Calculating a Total Outsourcing Viability Score

This section provides a final weighted score highlighting the potential value of outsourcing an evaluated function or sub-function. After scoring each criterion, record the answers in the Score column below. Each criterion is weighted according to its importance in determining outsourcing viability. For each criterion, multiply the score by the criterion weight to calculate a weighted score. Finally, add the weighted scores in the last column of the table to calculate a total weighted score. The total weighted score corresponds to the level of outsourcing viability: high, medium, or low.

| Criteria                             | Score | Weight | Weighted Score |
|--------------------------------------|-------|--------|----------------|
| Actual Valuation                     |       | 3      |                |
| Potential Valuation                  |       | 3      |                |
| Amount of Transactional Work         |       | 2      |                |
| Complexity of Work                   |       | 2      |                |
| Improvement in Customer Satisfaction |       | 2      |                |
| Frequency of Activity                |       | 2      |                |
| Human Resource Requirements          |       | 2      |                |
| Strategic Value                      |       | 2      |                |
| Operational Impact                   |       | 1      |                |
| Vendor Proximity                     |       | 1      |                |
| <b>Total Weighted Score</b>          |       |        |                |

| Total Weighted Score | Outsourcing Viability |
|----------------------|-----------------------|
| 0 to 12 points       | Low                   |
| 13 to 27 points      | Medium                |
| 28 to 40 points      | High                  |

#### Evaluate the Viability of Bringing a Function In House

While the Facilities Outsourcing Decision Worksheet is designed primarily for facilities leaders determining the potential value of outsourcing a function or sub-function, this tool can alternatively be used to evaluate the viability of bringing a function in-house. In this case, the scores on the scoring sheet on page 24 will follow the directions to calculate a total weighted final score corresponds to the function's or sub-function's outsourcing viability. For example, a function scoring between 0 and 12 points would have a "low" score for outsourcing but a "high" score for bringing it in-house.

©2017 EAB Global, Inc. • All Rights Reserved • 2022

25

Source: Facilities Forum interviews and analysis.

EAB-2022



# Strengthen the Outsourcing Arrangement by Avoiding Unanticipated Mistakes

- Mistake 1: Giving Up Strategic and Managerial Control
- Mistake 2: Leaving Expectations and Responsibilities Vague
- Mistake 3: Focusing on Operations (Instead of Results)
- Mistake 4: Misaligning Institutional and Vendor Goals
- Mistake 5: Committing to Unnecessarily Long Time Frames

SECTION

2

# Identifying Successful Outsourcing Vendors



## Methods to Evaluate and Verify Vendor Capacity and Expertise



### Contact and Visit Other Campuses

Allows Facilities leaders to uncover details from vendor-provided case studies that may have been left out



### Walk the Vendor through Campus

Provides opportunities for vendor to showcase communication and problem-solving capabilities



### Request Org Chart and Process Maps

Aids institution in evaluating vendor flexibility and efficiency



### Interview Potential Contract Supervisors

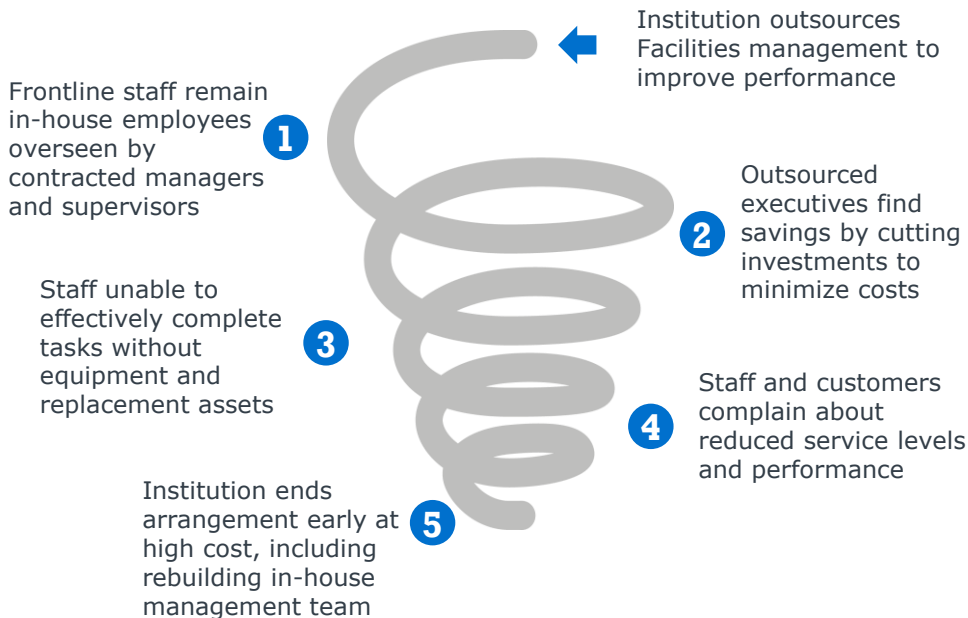
Vets main point of contact and provide with in-person experience



# Giving Up Strategic and Managerial Control

## Outsource Task Completion, Not Task Management

### Devolution of Colbert University<sup>1</sup>'s Outsourcing Arrangement



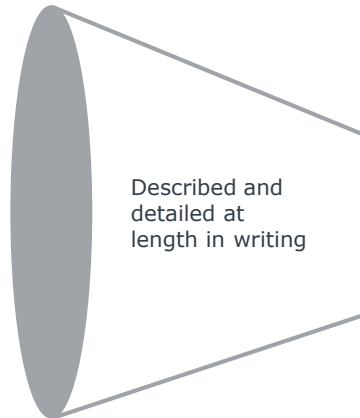
1) Pseudonym.

# Leaving Expectations and Responsibilities Vague

Unspecific Contract Details Lead to Miscommunication, Frustration

## Example Features and Responsibilities Included in Outsourcing Contracts

- Tasks that fall within each activity type
- Expectations for timeliness and responsiveness
- Main point of contact for the institution with the vendor
- Limits to expenses the institution is willing to pay
- Unexpected or one-off needs for additional vendor support
- Identification of service levels required on campus



Effective,  
enforceable  
contract

# Focusing on Operations (Instead of Results)

## Disadvantages to Micromanaging Vendor Logistics



Limits vendor expertise and innovation



Places burdensome hurdles on vendor, reducing effectiveness



Opens door for disputes over operational, logistical, or procurement responsibilities

### Results to Articulate in the Contract

- Service levels achieved
- Cost savings achieved
- Customer satisfaction rates
- Quality assurance evaluations

### What to Leave to Your Vendor

- Materials and processes used to complete the work
- Number of staff involved
- Procurement and distribution of supplies
- Frequencies of particular tasks

# Misaligning Institutional and Vendor Goals

## Two Approaches to Connect Service Provider Goals with Campus Needs

|                 |  <b>Vest the Vendor in Institutional Success</b>                         |  <b>Connect Contract Staff to Community</b>   |
|-----------------|---|--|
| <b>Purpose</b>  | Institutions use gainsharing arrangements to split cost savings with vendor, incentivizing long-term stewardship  | Institutions integrate the vendor staff into the campus community, showcasing their impact on the institution’s mission and values   |
| <b>Examples</b> | Gainsharing contracts, performance contracts, financial penalties   | Listening sessions, joint PD <sup>1</sup> trainings, uniforms in school colors   |
| <b>Guidance</b> | Performance contracts are common in the private sector, and so vendors who also work outside higher education will likely have familiar establishing them | While some Facilities meetings may only make sense for institutional employees, town halls and all-hands meetings may be appropriate to celebrate contracted staff accomplishments |

1) Professional development.

# Committing to Unnecessarily Long Time Frames

## One Institution Wrestles with a Time-Restrictive Contract

### Initial Outsourcing

---

Institution outsources central plant management with a 25-year contract, obtains initial financial savings



### Financial Realization

---

Prior to contract's conclusion, Facilities leaders determine they can save \$2 million a year operating the central plant management themselves



### Frustrating Reality

---

Contract lacks opt-out clauses, forcing institution to wait before obtain new cost savings



# Implement Oversight Processes to Manage Vendor Relationship

- Component 1: Scope an Empowered Contract Manager Role
- Component 2: Implement a Robust Quality Assurance Process
- Component 3: Keep Communication Channels Open Through Frequent Interactions

SECTION

3

# Scope an Empowered Contract Manager Role

## Three Essential Components for a Contract Manager Role



### **Authority**

Ensure the role has sufficient power to make decisions and settle conflicts



### **Expectations**

Detail the role's responsibilities over the contract details and campus communication



### **Non-financial Focus**

Prevent “muddled waters” stemming from conflicts of interest by restricting the role to management of the contract’s performance, not financial matters

# Implement a Robust Quality Assurance Process

## Three Case Studies in Successful Vendor Monitoring

| Recommendation   | Case Study   |
|--|--|
| Enforce established performance criteria through quality assurance   | The <b>University of Houston</b> employs QA inspectors with a technical background in the function they monitor. This ensures the QA team can compare performance against standards for that function without being dependent on the vendor's explanation.   |
| Streamline the inspection process to use valuable time strategically | <b>Florida State University</b> employs two full-time employees to perform QA for custodial services. Each employee evaluates two buildings per day using a checklist of criteria, and has qualitative conversations with building occupants. This prevents QA inspectors from having to rush through the space to achieve untenable targets.  |
| Share inspection data across Facilities stakeholders                 | The <b>University of Alaska Fairbanks</b> contracts with a third-party to provide quarterly scores on building cleanliness. This information, combined with scoring by UAF custodial inspectors, comprises a quarterly average score of campus cleanliness which is shared with the custodial vendor. A review of the quarterly custodial QA data showed that while the average cleaning level on campus met the contract's standards, there were outlier buildings far below the cleanliness goals. The Facilities contract manager then worked with the custodial service provider to improve minimal levels of cleanliness alongside average evaluations. When custodial service performance did not fully achieve the new goals, the institution also implemented random daily inspections with potential vendor fines for underperformance to help complement the effort. |



# Keep Communication Channels Open

## Solutions to Two Common Customer Communication Concerns



### **Problem: Customer-Facilities**

**communication.** Campus customers are frequently skeptical of outsourcing arrangements, which may lead to protests, public condemnations, or union resistance.



### **Problem: Customer-Vendor**

**communication.** Campus customers lack means to contact the vendor to clarify service or determine the status of requested work.



### **Solution: Stakeholder town**

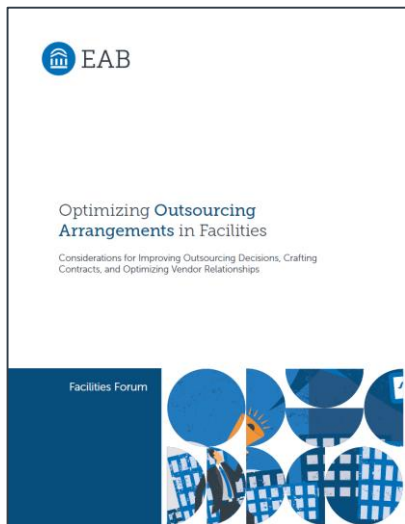
**halls.** Institutions implement town halls that allow campus customers—including students, faculty, and in-house staff—to regularly and productively voice concerns.



### **Solution: Regular communication updates.**

Facilities uses their in-house email, website, social media, and other forms of communication to relay status and work completion updates from vendor to customer.

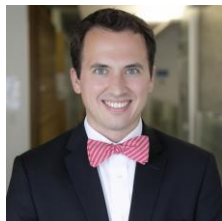
## Access the Full Research Study Online



### Optimizing Outsourcing Arrangements in Facilities

To learn more about how institutions can improve outsourcing analyses, strengthen contract arrangements, and manage vendor relationships, access the full research study [here](#).

## Contact Information



**Michael Fischer**  
Senior Analyst  
[MFischer@eab.com](mailto:MFischer@eab.com)

## Evaluating Today's Session



Please take a minute to provide your thoughts on today's presentation.

*Please note that the survey does not apply to webconferences viewed on demand.*



Washington DC | Richmond | Birmingham | Minneapolis

**P** 202-747-1000 | **F** 202-747-1010 | [eab.com](http://eab.com)