

Chevron looks for new methods of facility management to keep competitive in the market

by Anand Gadgil, Jason Hakes and Theodora Foster

In today's facility management market, change is essential in order to remain competitive. "Business as usual" places an organization at a disadvantage as improvements in processes and technology accelerate at an exponential rate each year, providing opportunities for increased financial savings. Developing the next generation of a facility-management model should support an increase in operations productivity, reduce customer-service response times, and provide scalability during periods of economic decline.

The Chevron Business and Real Estate Services (CBRES) real estate portfolio was previously managed using the out-task facility management (FM) model. Functions that support building operation and services, such as landscaping, painting, plumbing, building engineering and janitorial services were out-tasked to nearly 90 different suppliers. Managing such a large number of contracts and service providers was inefficient and resulted in inconsistent service and vendor culture complications. Changes to the geographic portfolio in both domestic and global markets were slow to evolve using the out-task model because, without strategic partners to drive change, CBRES value was limited to simply replacing individual business unit management with CBRES management.

The increased demand in facility space and service, and the drive to standardize processes, created the need for a new global sourcing model. This new model would include scalability, reliability and reduction in the number of contract service providers, plus opportunity for standardization with improved efficiency at a reduced cost. The new model also would provide the ability to increase the amount of work that is self-performed, as well as the ability to align service delivery and suppliers with modern trends in the real estate and facilities industry.

Tapping into expertise

CBRES launched a sourcing initiative led by a seasoned facility manager, an initiative that focused on standardizing delivery of facility-managed services at CBRES-managed locations in North America with a long-term strategy to expand globally. The role of the experienced facility manager was critical during sourcing to establish credibility of the new process and to gain buy-in from all remaining facility managers. The sourcing team was presented with four dominant sourcing models:

1. Self-perform
2. Out-task (CBRES old model)
3. Bundled services
4. Integrated FM

Based upon current business drivers and market conditions, the solution became apparent – move from tactical, out-tasked (single-service line) FM model to a sourced-category (multiple-service lines) strategic model using suppliers who can self-perform substantial portions of the work.

The integrated FM (IFM) model was seen as the most economical, efficient and easiest to manage. However, as CBRES accumulated and analyzed data, it became clear that an IFM model contained gaps, including global scalability and a special complexity related to oil and gas sites (from refineries to commercial office space). Additionally, the IFM model hands too much control over to the supplier and would reduce our ability to manage our facilities.

A move to bundled services or a fully IFM service would include a strategic integrated facilities management partnership capable of scaling labor and services quickly across the portfolio when opportunities arise or diminish.

Both service models provide improved control over operational costs, support talent attraction and retention, and provide consistent quality portfolio maintenance and standardization while mitigating risk. Adopting one of these two models would provide a more strategic operational model that is capable of integrating several single lines of service into a seamless function that delivers greater value than the sum of its parts. Both models also provide high levels of service and decision criteria focused on maintaining standardized operational control over the portfolio.

CBRES transitions to bundled service

Of the two models, bundled services provides the most efficient and cost-saving benefits of an integrated facility.

The sourcing initiative resulted in the selection of two industry specialists – Sodexo and CBRE. Although both suppliers were leaders in delivering comprehensive facility maintenance and facility services, CBRE was selected to manage hard services and Sodexo to manage soft services. The decision to contract with two competitive companies was to create creative tension that would improve and support "out-of-box" synergies within

the organization. These new strategic partners, coupled with a third legacy food-services supplier, completed our roadmap to a comprehensive global facility management plan. Each of the three suppliers is fully capable of complete facility management, which drives overall quality contractor facility performance at all levels: safety, quality, customer service, and on-time completion.

Service implementation

The path from a self-performed to a bundled-services model required CBRES to change the way services were delivered. Integration of a new FM model would need to be seamless and invisible to our customers. To manage, plan and prepare the facilities for transition to the new model, a global operations service team was developed. This team would provide support at the contract level with suppliers and prepare local facilities with the tools for transition. The team would plan and coordinate CBRES local facility transitions from direct management of work to managing the performance of new suppliers responsible for managing workstreams in the field. Local facility management would retain key subject-matter experts to perform work verification.

Service implementation was an ambitious plan executed over a 12-month period after 24 months of planning. Seventy percent self-performance targets by the new suppliers were expected after a period of stabilization. The key to our successful implementation was the “soft-landing” approach. This is the process where our new supplier transitions many of the current suppliers as subcontractors to minimize change and maximize safety during transition.

To complete a successful transition, we needed to break the implementation into phases as described in Figure 1: due diligence, transition execution, and stabilization.

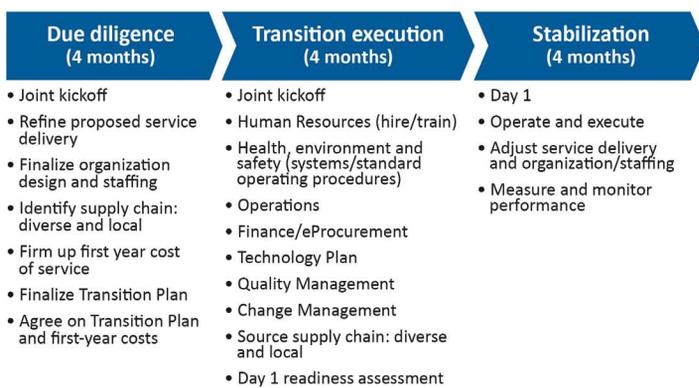


Figure 1

Supplier interface

Procurement/Supply Chain Management (P/SCM) negotiated and developed contracts with each supplier for its respective area of responsibility. Detailed service level specifications and agreements were created to outline contract service requirements. Suppliers performing work for and on CBRES-managed properties

must work in accordance with CBRES-standard procurement requirements, site-specific work requirements, and Contractor Health, Environment and Safety Management (CHESM) requirements. Each contract includes key performance indicators (KPIs) that are based on the respective supplier’s contracted key responsibilities. A team of executive and facility CBRES leadership, contract specialists and operational excellence (OE)/HES teams monitor work performed by the contractors.

The global facility-management and category-management teams monitor suppliers’ contract performance and safety through governance and performance-management compliance. This is a change from our previous decentralized supplier management model. Extensive job/role modeling and change management was required to move from employee-direct management of work to auditing supplier performance of work.

Contract owners are responsible for ensuring the suppliers provide service as agreed upon in the contract. This role is particularly important as contract owners work with both internal company performance-management team members and the suppliers’ facility and management teams to manage the contract. Through stakeholder meetings, intermittent face-to-face contact, and verbal interactions and communication throughout the month with members of the facility management teams, the contract owners and advisors gather feedback regarding supplier performance, suggestions on local-site process changes and gaps, safety and operational concerns, site leadership, adherence to assigned contractor KPIs, and other facility-related successes and concerns. The procurement category manager also provides feedback regarding supplier contract performance. This feedback is used to determine if action is required from an account level to ensure consistent performance and process standardization across all sites.

The contract owner then meets weekly with each supplier to discuss performance-team feedback, current facility operations and concerns, proposed process changes, and other supplier contract responsibilities.

Centralized operations management

Centralized operations management for work performed by Sodexo and CBRE at facilities is overseen by CBRES regional, area and facility managers and their teams (site services supervisors, operations and maintenance supervisors, team leads and specialists, and local HES specialists). Local-facility CBRES teams work and communicate collectively to ensure work is performed safely and in accordance with each service contract. Supplier and CBRES interaction is most important at this level to set and enforce client and contract expectations, adaption and adherence of the supplier to CBRES safety culture, and alignment and agreement on local, site-unique requirements. CBRES central-operation teams ensure adherence to company-mandated facility management policy/procedures and agreed-upon service level expectations, and work to ensure a smooth transition and adaptation of the CBRES safety culture by their suppliers.

Performance management

With implementation of a new FM model, the challenge of managing supplier performance is important. In the bundled-service management model, suppliers are responsible for managing base business processes, tasks, and facility project work, and for ensuring safe work processes are employed in the field. Procurement, the CBRES governance board and contract owners developed KPIs (Figure 2), which help drive desired supplier performance while working onsite. Performance-measurement KPIs and metrics also were developed to support both large and smaller remote facilities, as under-performance at any site affects the overall performance of the supplier.



Performance-monitoring tools

Along with the change to a new maintenance and service delivery model came the need for a new way to audit/verify our suppliers' work and to provide motivation for exceptional service or consequences for substandard service. CBRES entered into a new procurement model built on performance-based contracts. The KPIs (Figure 3) provide additional measures for ensuring safety and work performance.

During quarterly meetings, both the supplier and CBRES jointly discuss value-creation ideas, and review KPIs and financial targets, HES impact and highlights from quarterly stakeholder surveys. This meeting is a collaborative effort where both the supplier and client review performance data. Even during a time of mandatory cost savings, CBRES provides awards for safe operations and superior performance. Providing a financial award to our suppliers represents a period ending in a successful partnership where, ultimately, our tenants are rewarded with safe, reliable and exceptional service.



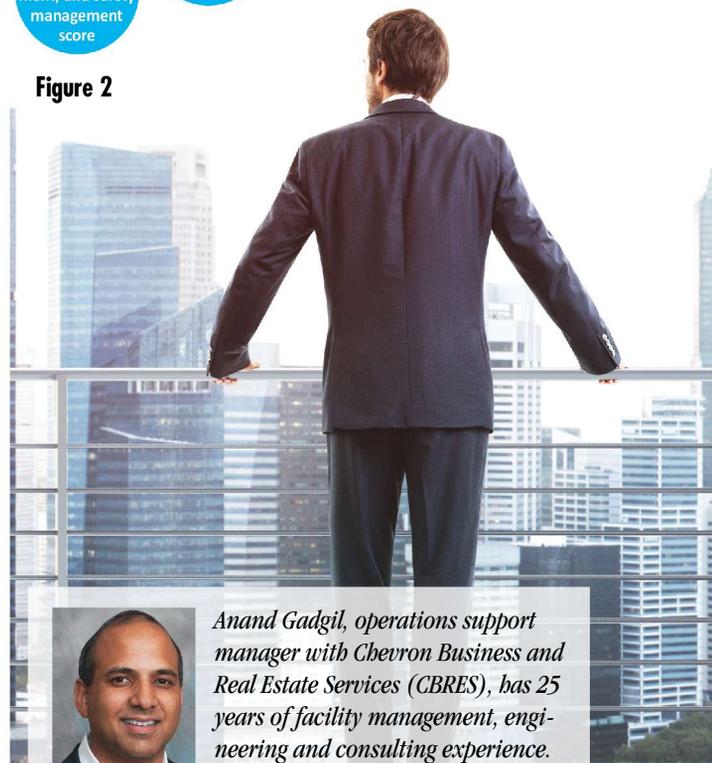
Figure 3

How has the transition worked?

Transition to the new facility model after years of out-tasked management requires not only a tactical shift in how work is performed, but also a paradigm shift for CBRES employees. Constant and clear communication, flexibility and collaboration are required to ensure the supplier staff, facility managers and their site-management support teams are informed about unexpected changes in the project plan or service schedule. The road to stabilization and transformation has been peppered with many successes and has generated just as many lessons learned. Through constant collaboration and communication, the suppliers and CBRES have resolved approximately 95 percent of implementation challenges and continue to create success stories.

An important key to success in our post-sourcing environment will be how we work together with our strategic suppliers to resolve future unexpected challenges and improve partnerships, our operating model and the quality of services delivered.

Figure 2



Anand Gadgil, operations support manager with Chevron Business and Real Estate Services (CBRES), has 25 years of facility management, engineering and consulting experience.



Jason Hakes, CBRES global operations specialist, has 27 years of facility-management experience and now focuses on global sourcing, supplier performance and international service implementation.



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