Outsourcing Services:

The Power of Strategic Partnerships

PwC

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Outsourcing Services
The Power of Strategic Partnerships

March 2018

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Agenda

Polling Questions
Summary – Outsourcing Strategy
Outsourcing Update – Facilities Management
Outsourcing Update – Welcome & Occupancy
Q&A
About PwC

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Polling Questions
Polling Question 1

What type of transactional Facilities and Office Services does your organization outsource today?

- Facilities Maintenance Services
- Transaction / Brokerage Services
- Document Services
- Hospitality / Front of House
- Records Management
- Catering and Food Services
- Others?
Polling Question 2

How does your organization manage it’s outsource supplier relationships?

- KPI’s/SLA (performance bonuses/fees at risk)
- Periodic business reviews (e.g., QBRs)
- Management by exception (“fix what is broken – leave the rest alone”)
- “Wing it”
Summary – Outsourcing Strategy
“Coming together is a beginning, staying together is progress, and working together is success.”

- Henry Ford
“We must all hang together
or most assuredly we shall all hang separately.”

- Benjamin Franklin
# Why did we change?

## Key drivers to outsourcing FM/OS

<table>
<thead>
<tr>
<th>Internal Drivers Included...</th>
<th>Market Offers...</th>
</tr>
</thead>
<tbody>
<tr>
<td>• No in-house expertise – not a core competency</td>
<td>• Many strategic options in the market</td>
</tr>
<tr>
<td>• Pressure to manage operating costs</td>
<td>• Scalability to allow for business cycles</td>
</tr>
<tr>
<td>• Not core to our business</td>
<td>• Day-to-Day service delivery</td>
</tr>
<tr>
<td>• Extra costs for scalability (e.g., OT)</td>
<td>• Service delivery improvement</td>
</tr>
<tr>
<td>• In-house customer service and customer satisfaction needed improvement</td>
<td>• Opportunity to improve internal customer satisfaction</td>
</tr>
<tr>
<td></td>
<td>• Value - cost savings, avoidance, and innovation (e.g., year over year savings guarantee)</td>
</tr>
</tbody>
</table>
**Our Strategy**

**Align with Strategic Partners**

Redesign transactional Office Services and Facilities Maintenance model by leveraging *industry leaders with innovative solutions*.

- Leverage best in-class service providers to gain increased subject matter expertise, scalability, and advanced technologies
- Achieve greater agility in our operations model
- Increase customer productivity by delivering a higher quality customer experience
- Further reduce risk related to physical information protection and client confidentiality
How did we do it?....

Bundling Key Services

- Facilities Maintenance
- Document & Records Management
- Leadership & Management
- Welcome Program & Occupancy Services
**How did we do it?.... Bundling Key Services**

<table>
<thead>
<tr>
<th>Document &amp; Records Management</th>
<th>Facilities Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reprographics (incl. tax processing in medium &amp; large offices) &amp; binding</td>
<td>• Furniture &amp; fixture maintenance (proactive &amp; reactive)</td>
</tr>
<tr>
<td>• Printer fleet management</td>
<td>• Supplemental cleaning</td>
</tr>
<tr>
<td>• Convenience print</td>
<td>• Recycling &amp; waste management coordination</td>
</tr>
<tr>
<td>• Mail—USPS &amp; accountable</td>
<td>• HVAC</td>
</tr>
<tr>
<td>• Courier/messenger services</td>
<td>• Painting &amp; handyman services</td>
</tr>
<tr>
<td>• Office supplies &amp; stationery</td>
<td>• Parking maintenance</td>
</tr>
<tr>
<td>• Records management &amp; archiving – Records Center management</td>
<td>• Internal signage maintenance</td>
</tr>
<tr>
<td>• Digitizing records</td>
<td>• Physical security/security maintenance</td>
</tr>
<tr>
<td>• Document destruction</td>
<td>• Mechanical &amp; electrical</td>
</tr>
<tr>
<td>• Large print, print on demand</td>
<td>• Locksmith services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Welcome Program &amp; Occupancy Services</th>
<th>Leadership &amp; Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Customer relationship focused</td>
<td>• Crisis management, business continuity and security operations</td>
</tr>
<tr>
<td>• Reception</td>
<td>• Building management and landlord relationship management</td>
</tr>
<tr>
<td>• Switchboard</td>
<td>• Purchasing</td>
</tr>
<tr>
<td>• Hoteling support (system admin, change management, policy enforcement)</td>
<td>• Ergonomics assessment</td>
</tr>
<tr>
<td>• IPP – Information Protection Principles (clear desk policy)</td>
<td>• Oversight of local operations</td>
</tr>
<tr>
<td>• Floor Hosts</td>
<td>• Supplier integration and management</td>
</tr>
<tr>
<td>• Visitor management &amp; security badging</td>
<td>• Budget creation and adherence</td>
</tr>
<tr>
<td>• Storage &amp; hoteling locker allocations</td>
<td>• Local occupancy strategy</td>
</tr>
<tr>
<td>• Room configurations</td>
<td>• Space/occupancy management</td>
</tr>
<tr>
<td>• Collaboration space maintenance</td>
<td>• AP Invoice Payment Review</td>
</tr>
<tr>
<td>• Meeting room management &amp; support – catering services on request</td>
<td>• MAC</td>
</tr>
<tr>
<td>• Local directory maintenance</td>
<td>• Real Estate projects &amp; office moves</td>
</tr>
<tr>
<td>• AV coordination</td>
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</table>
What we hoped to achieve?

**Intended Benefits of Outsourcing**

- Utilize best in class providers, leading practices
- Create strategic relationships to drive continuous improvement/ innovation for shared benefits
- Provide a streamlined, flexible, scalable delivery model
- Drive consistency in service delivery
- Reduce costs
- Utilize technology to improve data and reporting
- Allow retained staff to focus on core strategic activities
- Expand the career path for OS/FM professionals
- Advancement opportunities for outsourced staff
Outsourcing

PwC Updates
Nearly 50% of employers that outsource say the quality of their service providers and a reactive versus proactive attitude are the most frustrating issues to deal with.

Source: Plunkett Research
What we achieved?
 Aligning with a Strategic Partners

• Single nationwide supplier for FM
• Dual model for OS
• Streamlined processes nationwide
• Robust reporting and analytics
• Achieved year over year cost reduction
• Leveraged supplier to push innovation and efficiencies
• Resulted in opportunities for outsourced staff to advance careers
PwC Update: Outsourcing Facilities Management
**PwC Update: Outsourcing Facilities Management**

**What’s in Scope?**

- Furniture & fixture maintenance (proactive & reactive)
- Supplemental cleaning
- Recycling & waste management coordination
- HVAC
- Painting & handyman services
- Internal signage maintenance
- Carpet programs
- Mechanical & electrical
- Locksmith services
- Life safety
**PwC Update: Outsourcing Facilities Management**

**Our Internal Stakeholders**

<table>
<thead>
<tr>
<th>Primary Stakeholder</th>
<th>How We Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director, US Facility Management</td>
<td>• Bi-weekly check-ins</td>
</tr>
<tr>
<td>• Responsible for over 100 facilities</td>
<td>• QBRs with supplier</td>
</tr>
<tr>
<td>• Facilities include Data Center and service delivery centers overseas, including Mexico</td>
<td>• Quarterly KPI reviews</td>
</tr>
<tr>
<td>• Over 6M rsf of real estate</td>
<td>• Annual contract reviews</td>
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<td></td>
<td>• Impromptu discussions and solution discussions</td>
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</tbody>
</table>
**PwC Update: Outsourcing Facilities Management**

**How do we measure our success?**

<table>
<thead>
<tr>
<th>KPIs</th>
<th>Service Quality</th>
<th>People Experience</th>
<th>Cost</th>
<th>Innovation/Continuous Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Orders Completed</td>
<td></td>
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<tr>
<td>Completed Within SLAs</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Project Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Customer Satisfaction</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Cost Savings and Avoidance</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Opportunities</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Process Improvement</td>
<td></td>
<td></td>
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</tbody>
</table>
**PwC Update: Outsourcing Facilities Management**

**Why it worked...**

- Accountable leadership team on the supplier side
- Concise set of actionable and measurable KPIs
- Strong supplier team that quickly built trust by delivering against expectations
- Nimble and responsive to early reported issues, allowing the team to talk about strategic opportunities vs. transactional issue resolution
PwC Update: Outsourcing Facilities Maintenance

**Minimal Integration Challenges**

- Cultural and change management issues
- Realistic timeline
- Gathering the local office data to mobilize the supplier
- Developing buy-in and trust from internal team
- Synergy between FM supplier and other firm suppliers where services overlap
- Overlap with Landlords’ systems for service tickets
- Areas where third-party suppliers remain for select, but not all, services on the account
- Response rates on customer satisfaction survey tool
PwC Update: Outsourcing Facilities Management

What we achieved

- Clear understanding of FM spend
- Year over year savings and avoidance
- Implemented Liaison role for assisting with Third-Party supplier issues
- Regular strategy sessions with other primary suppliers to synergize and drive value
- Yielded key, measurable metrics
- Leading valuable discussions on QBRs
Supplier...

- Seat at the table for strategic discussions
- Credible opportunities to share emerging products, technologies, services, etc.
- New RFx opportunities

Client...

- Strategic partnership
- Ongoing/future savings and avoidance opportunities
- Innovation for more value
- Discussions that transition from tactical to ones that are truly strategic and future-focused
*PwC Update: Outsourcing Facilities Management*

*What are we working on now?*

- Rolling Mexico FM to an outsource model
- Other opportunities being explored include....
  - More integration of larger spend categories (e.g., office supplies, courier services, etc.)
  - Lease administration
  - IT integration services
  - Network firm relationships
PwC Update:
Outsourcing Welcome & Occupancy
PwC Update: Outsourcing Welcome & Occupancy

What’s in Scope?

- Reception & Switchboard
- Hoteling support
- IPP – Information Protection Principles (clear desk policy)
- Floor Hosts
- Visitor management & security badging
- Storage & hoteling locker allocations
- A/V Coordination and Room configurations
- Collaboration space maintenance
- Meeting room management & support – catering services on request

- Reprographics & binding (incl. tax processing in medium & large offices)
- Printer fleet management
- Convenience print
- Mail services
- Office supplies & stationery
- Records management & archiving
- Records Center management
- Digitizing records
- Document destruction
- Large print, print on demand
- Onsite security (HQ only)
PwC Update: Outsourcing Welcome & Occupancy
Our Internal Stakeholders

Primary Stakeholder
Director, US Office Services

- Responsible for 96 US offices and 11 Mexico offices
- Responsible for over 500 internal staff
- Directly manages key functions including office operations, hoteling, meeting programs, and records management
- Also covers client deliverables including support of tax prep functions

How We Work

- Weekly check-ins
- QBR prep sessions
- QBRs with supplier
- Quarterly contract discussions
- Impromptu issue briefings and solution discussions
PwC Update: Outsourcing Welcome & Occupancy

What we achieved

• Streamlined process nationwide, so clients have the same experience at all locations
• Centralized some functions, creating opportunity to focus on core competency
• More services lines moved to outsourced model with supplier
**PwC Update: Outsourcing Welcome & Occupancy**

*How do we measure our success?*

<table>
<thead>
<tr>
<th>KPIs</th>
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<tbody>
<tr>
<td><strong>Continuous Improvement</strong></td>
</tr>
<tr>
<td>- Innovation &amp; Continuous Improvement</td>
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<td>- Local/National Projects</td>
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<tr>
<td>- Technology</td>
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<tr>
<td>- Consistent Process Application</td>
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<tr>
<td><strong>Cost</strong></td>
</tr>
<tr>
<td>- Staffing</td>
</tr>
<tr>
<td>- Time Charging</td>
</tr>
<tr>
<td>- Cost Savings</td>
</tr>
<tr>
<td><strong>People Experience</strong></td>
</tr>
<tr>
<td>- Response &amp; Resolution</td>
</tr>
<tr>
<td>- Training</td>
</tr>
<tr>
<td>- Print Center Operations</td>
</tr>
<tr>
<td>- Customer Interactions</td>
</tr>
<tr>
<td>- Reception Experience</td>
</tr>
<tr>
<td>- Overall Customer Satisfaction Score</td>
</tr>
<tr>
<td>- Site Visits &amp; Focus Groups</td>
</tr>
<tr>
<td>- Clean/&quot;Ready to Work&quot; Environment (IPP)</td>
</tr>
<tr>
<td><strong>Quality</strong></td>
</tr>
<tr>
<td>- Hotelling/Common Space Conditions</td>
</tr>
<tr>
<td>- Scoring for Performance, including Responsiveness, Billing &amp; Reporting Accuracy, Work Product Quality, etc.</td>
</tr>
<tr>
<td>- Print Service Request Completion Performance</td>
</tr>
<tr>
<td>- Key Records Management Performance, including Circulation, Collection, and Tracking</td>
</tr>
<tr>
<td>- Time Charging for Services</td>
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</tbody>
</table>
PwC Update: Outsourcing Welcome & Occupancy

**Notable Integration Challenges**

- Uniform rollout program missed deadline by several months
- Service level “slippage” at many sites
- Lack of depth for “bench players”
- Turnover of staff
- Difficulty attracting/retaining staff
- Turnover of account management staff
- Lack of accountability to own/fix problems
- Lack of confidence by internal stakeholders

March 2018
PwC Update: Outsourcing Welcome & Occupancy

When it does not work, no-one wins....

Supplier...
- Struggled to maintain credibility and trust with internal stakeholders
- Tactical vs. strategic discussions
- Lack of opportunity for participation in future sourcing events
- Partnership struggles to evolve from tactical to strategic

Client...
- Far too much time spent on transactional issues
- Tactical work rolling back to FTEs (OSMs)
- Lack of trust with supplier
- No focus on future savings and avoidance opportunities
- Lose faith in the model; pressure to revert back to “the old way”
**PwC Update: Outsourcing Welcome & Occupancy**

*How did we fix it?*

- Better work by the supplier to fully vet costs associated with attracting and retaining the right talent
- More accountability by supplier’s third-party contracts to execute apparel program
- More focused and frequent reporting on the KPIs
- More accountability/better responsiveness to issue resolution
- More focused SRM efforts
- More managed QBRs
- Changes on supplier side to address performance issues (e.g., program administrator change)
What are we working on now?

• Rolling records management to an offsite model
• While not yet explored with internal stakeholders, other opportunities include....
  ─ Rolling floor hosts and manned security to single supplier
  ─ Integrating other essential services contracts under the agreement – e.g., office supplies, courier services, etc.
Questions?
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Thank You

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