Case Example: Facility Operations

Facility operations are a "stepchild" in many organizations. However, this group of categories frequently offers unusually rich opportunities for performance improvement.

Reducing Facility Operations Costs

Situation

- Client had several hundred sites, and was not aware of the full extent of facility operational costs, or its position relative to benchmarks and market alternatives

- Client self-performed many services, and hundreds of suppliers provided service components.

- Most internal and external suppliers did not have written specifications or contracts.

- Most supplier work was performed on a "cost-plus" basis.

- Client had no standard specifications for service levels.

- Accountability was diffused, and client had no mechanism to measure or monitor performance.

Approach

- Determined facility operations costs to be $30.4MM per year (before energy expenses and capital expenditures), and segmented by component.

- Identified target benchmark levels, by category.

- Developed modular performance-based service level specification standards, and framed a rate card system to synchronize service level and respective cost components.

- Identified a range of internal and external service delivery alternatives, and competitively sourced and outsourced service elements and accountabilities.

- Reengineered overall function and service components, and clarified accountabilities.

Results

- Put in place modular specifications and competitive market-based rate card pricing for service components, that allow client to effectively modulate services and costs according to demand fluctuations.

- Implemented standard contracts and explicit costs for service level components in lieu of cost-plus arrangements.

- Implemented effective planning, measurement, monitoring, incentives, and demand management tools.

- Reduced annual costs for facility operations by $7.6MM (25%).

- Clarified accountabilities, and installed performance monitoring and continuous performance improvement process.