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SMART O&M BUYERS GUIDE

How to Buy 1st Generation Integrated O&M

ABSTRACT

This whitepaper, “Smart O&M Buyer Guide: How to Buy 1st Generation outsourced operations & maintenance services,” provides a comprehensive framework for organizations to effectively implement results driven operations & maintenance. It emphasizes the need for a collaborative and strategic procurement approach, highlighting the limitations of traditional RFP processes and presenting a value-driven alternative. Key components include selecting early partners based on financial strength, cultural fit, and innovation, tailoring commercial models to data maturity and financial risk, and a phased implementation strategy for seamless transition and continuous improvement. This guide aims to help organizations achieve cost savings, operational efficiency, and long-term value through effective IO&M adoption.

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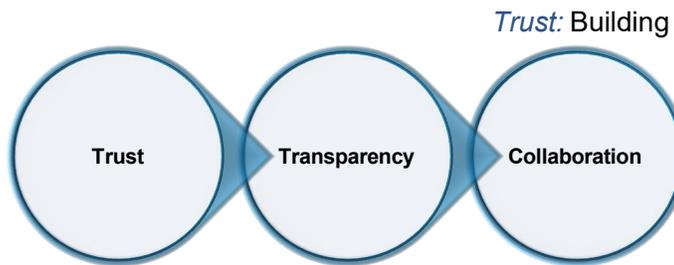
Executive Summary

Overview:

First generation (GEN 1) Integrated Operations and Maintenance (IO&M) contracts are attractive to business executives. Why? When they are executed properly, these outsourcing contracts **optimize and lower operating cost, increase positive cash flows, reduce labor and financial risk, and finally, structure their respective company activities more tightly around their core product or service.** With the “right buying strategy”, all the above business objectives are possible. It becomes imperative for buyers, therefore, to understand and implement the right buying approach”

Because the “right approach” is relative to each client’s internal facility management (FM) or maintenance departments’ maturity level, often, IO&M is bought in the same way widgets or single facility services are bought:

*Supplier Pool → Scope → Bid
→ Compare → Select best value*



Trust: Building a foundation of trust allows both parties to work towards common goals, share risks, and invest in long-term success.

Transparency: Open communication and data sharing enable better decision-making, problem-solving, and innovation.

Collaboration: Jointly developing and implementing strategies ensures that both the buyer and supplier are aligned and committed to achieving optimal outcomes.

Purpose

The purpose of this whitepaper is to provide IH SERVICES's valued partners with a comprehensive guide for purchasing 1st Generation Integrated Facility Management (IFM) services. By focusing on a buying process that fosters collaboration between IO&M suppliers and clients, this guide aims to help organizations **achieve key outcomes:**

This whitepaper argues that achieving the full potential of IO&M requires a procurement approach grounded in trust, transparency, and collaboration between the buyer and the IO&M supplier.

Limitations of the Traditional Approach

Transactional Nature: The conventional process is inherently transactional, focusing on price and immediate deliverables rather than long-term value and partnership.

Limited Engagement: Minimal interaction between buyer and supplier during the bidding phase hinders mutual understanding and alignment on strategic goals.

Reactive Approach: The process encourages a reactive rather than proactive approach to facility management, limiting innovation and continuous improvement.

The Need for a New Approach

To unlock the true value of IO&M, the procurement process must evolve to foster deeper collaboration and strategic alignment. This new approach emphasizes the following principles:

- *Optimizing and lowering operating costs,*
- *Increasing positive cash flows,*
- *Reducing labor and financial risks, and*
- *Structuring business activities more tightly around their core product or service.*

Key Findings

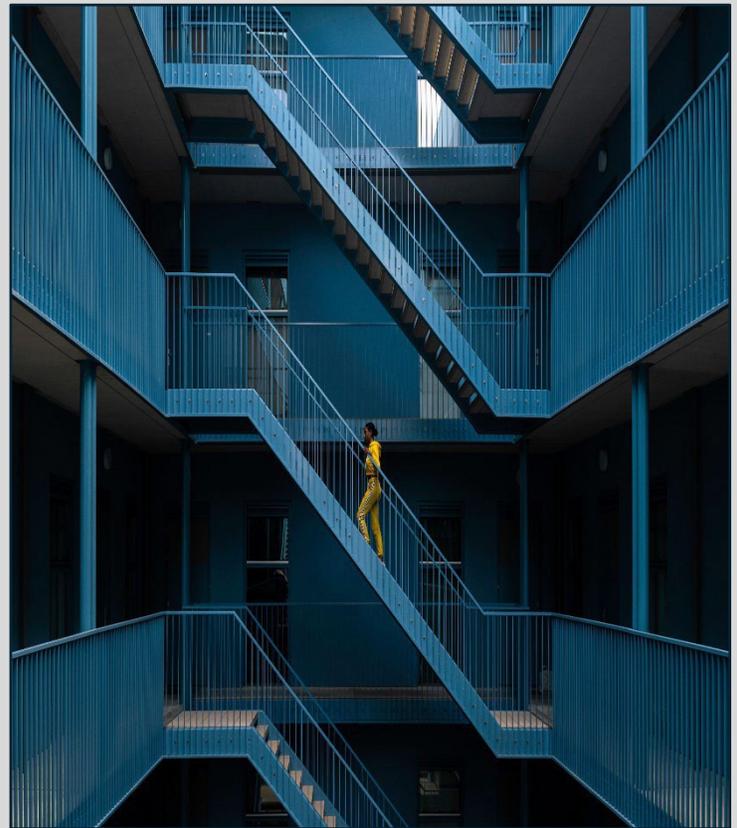
- *Traditional Procurement Limitations:* The conventional IO&M procurement model is too transactional, often missing out on the full potential of strategic partnerships.
- *Importance of Collaboration:* Successful IO&M relationships are built on trust, transparency, and collaboration, which drive better long-term outcomes.
- *Strategic Alignment:* Aligning the objectives of the buyer and the IO&M provider ensures a focus on continuous improvement and innovation.
- *Comprehensive Value Delivery:* Integrated approaches to facility management can deliver significant cost savings, improved efficiency, and risk mitigation when properly implemented.
- *Core Focus:* Shifting non-core activities to an IO&M provider allows organizations to concentrate on their primary business goals, enhancing overall performance and competitiveness.
- *Commercial Model Matrix:* Different commercial models (fixed price, cost-plus, performance-based) have varying implications on risk, cost, and value delivery. Understanding and selecting the right model is crucial for maximizing the benefits of IFM.

Recommendations

1. *Adopt a Collaborative Approach:* Engage IO&M suppliers early in the procurement process to foster a partnership-oriented relationship.
2. *Implement Performance-Based Contracts:* Develop contracts that focus on outcomes and shared goals rather than just cost.
3. *Leverage Integrated Teams:* Create cross-functional teams from both the client and

supplier organizations to drive continuous improvement and innovation.

4. *Focus on Long-Term Value:* Prioritize long-term strategic value over short-term cost savings to achieve sustainable benefits.
 5. *Select the Appropriate Commercial Model:* Use the commercial model matrix to evaluate and choose the best contract type that aligns with your organization's risk tolerance, cost structure, and value objectives.
- *Continuous Evaluation and Feedback:* Establish mechanisms for ongoing assessment and feedback to refine and enhance the IO&M partnership continually.



Introduction

The North American Integrated Facility Management (IFM) market is substantial and continues to grow. As of 2023, the market size for facility management services in North America was estimated at approximately USD 378.8 billion, with projections to reach USD 578.3 billion by 2030, growing at a compound annual growth rate (CAGR) of 6.0%. This growth is driven by the increasing complexity of facility management needs, the rising emphasis on operational efficiency and cost reduction, and the significant benefits and outcomes that outsourcing IO&M delivers.

IFM vs. IO&M

In the evolving landscape of business operations, the need for efficiency, cost reduction, and risk management has never been more critical. Integrated Facility Management (IFM) offers a strategic solution by consolidating various facility services under a single, cohesive management framework. While **Facility Management (FM)** covers a wide range of strategic and administrative functions that support how an organization uses its buildings—such as space planning, workplace strategy, real estate alignment, and move coordination—**Operations & Maintenance (O&M)** focuses specifically on the technical performance, reliability, and day-to-day functioning of the facility itself.

FM teams often oversee the “*people and place*” aspects of the built environment, ensuring the workspace supports business

goals, compliance requirements, and long-term planning. By contrast, O&M is centered on the “*systems and assets*” that keep the building fully operational: HVAC, electrical distribution, mechanical systems, plumbing, life-safety equipment, general

building operations, and the preventive and corrective maintenance programs that sustain those assets over their lifecycle.

This distinction is important for organizations evaluating outsourced service models. Companies like **IH Services specializes in delivering fully integrated Operations & Maintenance solutions**—providing expert staffing, technical capability, and reliability programs that optimize performance and reduce total cost of ownership. At the same time, **we frequently partner with Facility Management providers**, working alongside them to deliver a unified experience for clients who utilize outsourced FM models.

This approach allows organizations to choose the structure that fits them best:

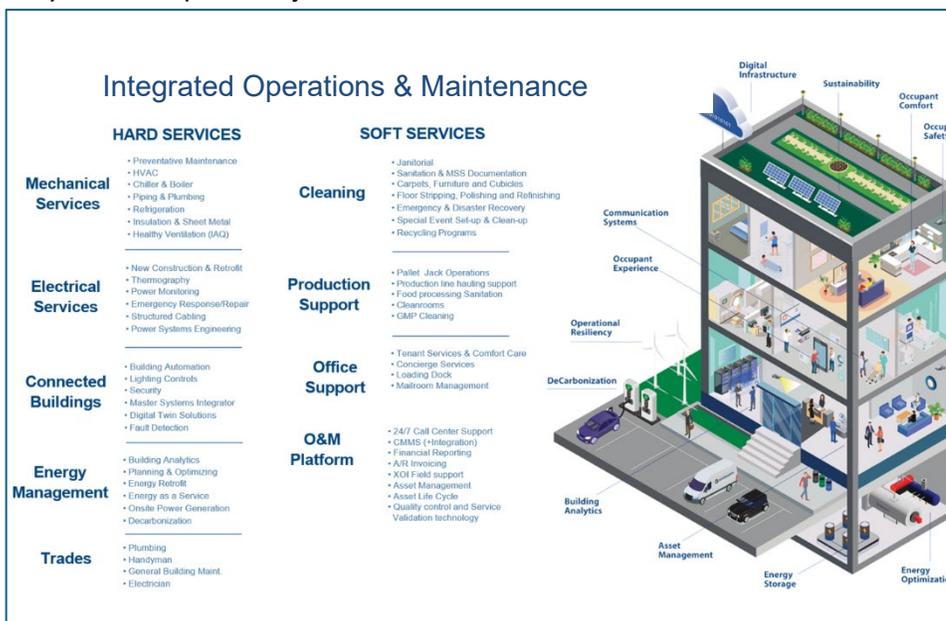
- **Direct-sourced O&M** for customers who want a specialized, technically focused partner managing their critical building systems.
- **Integrated delivery with FM providers** for customers who prefer a broader, consolidated facility services model.

By clearly defining the boundaries between FM’s strategic functions and the specialized technical nature of O&M, buyers can make more informed

decisions—and ensure they receive the depth of expertise required to keep their facilities operating safely, efficiently, and reliably.

Despite its potential, many organizations struggle to realize the full benefits of IO&M due to traditional procurement methods that are often too

transactional and short-sighted. Traditional procurement models typically follow a linear process: Supplier Pool → Scope → Bid → Compare → Select Best Value. While this approach has been effective for purchasing commodities, it may not fully capture



the potential of IO&M due to several inherent limitations: transactional focus, minimal interaction between buyers and suppliers, a reactive approach to facility management, and challenges in risk management. These factors can prevent organizations from fully leveraging the advantages of IFM.

Purpose of This Guide

This whitepaper, titled "Smart FM Buyer Guide: How to Buy 1st Generation Integrated FM," aims to provide a comprehensive framework for organizations looking to implement IO&M services effectively. By shifting from conventional procurement practices to a more collaborative and strategic approach, organizations can unlock significant value and achieve their business objectives.

Challenges with Traditional Procurement Models

Traditional procurement models typically follow a linear process: Supplier Pool → Scope → Bid → Compare → Select Best Value. While this approach may work for purchasing commodities, it falls short for IO&M due to several inherent limitations:

Transactional Focus: Emphasizes short-term cost savings over long-term value creation.

Minimal Interaction: Limits the depth of engagement between buyers and suppliers, hindering strategic alignment and mutual understanding.

Reactive Approach: Encourages a reactive, rather than proactive, approach to facility management, stifling innovation and continuous improvement.

Risk Hedging: The lack of trust, transparency, and collaboration leads traditional RFP responders to hedge against perceived risks, inflating costs and eroding the potential outcomes of an IO&M solution.

The Necessity for a Collaborative Approach

To fully leverage the benefits of IFM, a paradigm shift is needed towards a procurement process that

emphasizes collaboration, trust, and transparency. This approach focuses on:

Building Trust: Establishing a foundation of trust allows for shared goals and risk management.

Ensuring Transparency: Open communication and data sharing enable better decision-making and problem-solving.

Fostering Collaboration: Jointly developing and implementing strategies ensures alignment and commitment to optimal outcomes.

Key Objectives

The guide aims to help organizations achieve critical outcomes through a collaborative procurement approach:

Optimize and Lower Operating Costs: Implement efficient processes to reduce expenditures and enhance financial performance.

Increase Positive Cash Flows: Improve financial health through strategic facility management.

Reduce Labor and Financial Risks: Mitigate risks associated with facility operations.

Focus on Core Activities: Allow organizations to concentrate on their primary business objectives by outsourcing non-core activities.

RISK HEDGING: AS ALL PLAYERS HOLD THEIR CARDS CLOSE, THE LACK OF TRUST, TRANSPARENCY, AND COLLABORATION LEADS TRADITIONAL RFP RESPONDERS TO HEDGE AGAINST PERCEIVED RISKS, INFLATING COSTS AND ERODING THE POTENTIAL OUTCOMES OF AN IO&M SOLUTION.

IO&M Landscape

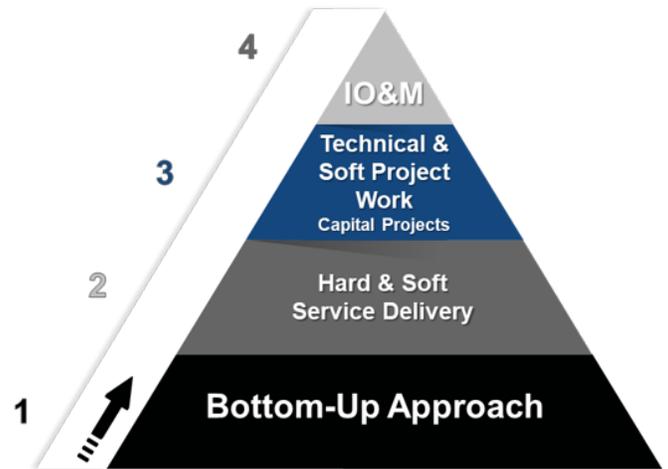
The Integrated Operations and Maintenance landscape in North America is characterized by a robust market size, significant growth potential, and evolving industry dynamics. This matters to buyers as growth provides net positive evidence the path down the IO&M road is both valid as substantiated by its growth. Growth indicates success, and continued growth substantiates it. So, what does the landscape look like? Here is a brief review:

IO&M Market Entry Strategies: Bottom-Up vs. Top-Down

IO&M suppliers typically enter the facility management market using one of two primary strategies: bottom-up or top-down. Understanding these strategies and their implications is crucial for stakeholders navigating the IO&M landscape.

- Bottom-Up Strategy:** This approach emphasizes the foundational aspects of service delivery, starting with hard and soft services, project work, and facility management. Suppliers employing this strategy often have a

deep understanding of operational intricacies and focus on self-performance to ensure high-quality outcomes and natural efficiency improvements. For example, IH SERVICES Integrated Facility Services



Dominate Strategies for FM Entry & their partnership implications



utilizes a bottom-up strategy, prioritizing flexibility, self-performance, and a comprehensive approach to facility management. This strategy is characterized by:

- ***Flexibility and Less Friction:*** Adaptable solutions that minimize operational disruptions.
- ***Self-Performance:*** Direct management and performance of services to ensure quality.
- ***Deep Operational Understanding:*** Expertise in the intricacies of facility management.
- ***Top-Down Strategy:*** This approach originates from commercial real estate or property management firms expanding into IFM. These suppliers often integrate IO&M services into their broader property management offerings, leveraging their existing relationships and infrastructure. However, this strategy can sometimes lead to added layers of complexity and costs due to reliance on subcontractors. The top-down strategy includes:
 - **Heavy Supplier Reliance:** Outsourcing significant portions of service delivery.
 - **Complexity and Added Cost:** Multiple layers of management and subcontracting.
 - **Market Leverage:** Using established relationships and infrastructure in real estate.



Market Size and Growth

The North American IO&M market is substantial and continues to grow. As of 2023, the market size for facility management services in North America was estimated at approximately USD 378.8 billion, with projections to reach USD 578.3 billion by 2030, growing at a compound annual growth rate (CAGR) of 6.0%.

Key Players

Prominent companies in the North American FM market include CBRE Group, Jones Lang LaSalle, Cushman & Wakefield, GDI Ainsworth, Compass Group, and Sodexo. These companies are known for their comprehensive service offerings and significant market presence.

Service Offerings

The IO&M market encompasses a wide range of services, which can be categorized into three main types:

1. **Hard Services:** These include maintenance of mechanical, electrical, and plumbing (MEP) systems, HVAC systems, and building fabric maintenance.
2. **Soft Services:** These encompass cleaning, landscaping, security, waste management, and pest control.
3. **IO&M Management & Shared IO&M Platform:** This includes finance, management teams, call centers/dispatch centers, CMMS and asset documentation systems, quality systems, and accounts receivable.

Technological Integration

The adoption of technology in IO&M is pivotal. Innovations such as IoT sensors, data analytics, and AI-driven systems are transforming facility management by enabling predictive maintenance, optimizing space utilization, and enhancing overall facility

performance. The integration of Computerized Maintenance Management Systems (CMMS) and Building Management Systems (BMS) further supports these advancements.

Sustainability and Environmental Impact

Sustainability is a major focus in the IO&M landscape. There is a growing demand for green building certifications (LEED, BREEAM) and sustainable facility management practices aimed at energy efficiency, waste reduction, and overall environmental impact reduction. Sustainable practices not only help in complying with regulations but also improve the long-term operational efficiency of facilities.

Regulatory Environment

Compliance with health, safety, and environmental regulations is critical. Facilities must adhere to standards set by OSHA, EPA,

GROWTH IS DRIVEN BY THE INCREASING COMPLEXITY OF FACILITY NEEDS, THE RISING EMPHASIS ON OPERATIONAL EFFICIENCY AND COST REDUCTION, AND THE SIGNIFICANT BENEFITS AND OUTCOMES THAT OUTSOURCING IO&M DELIVERS

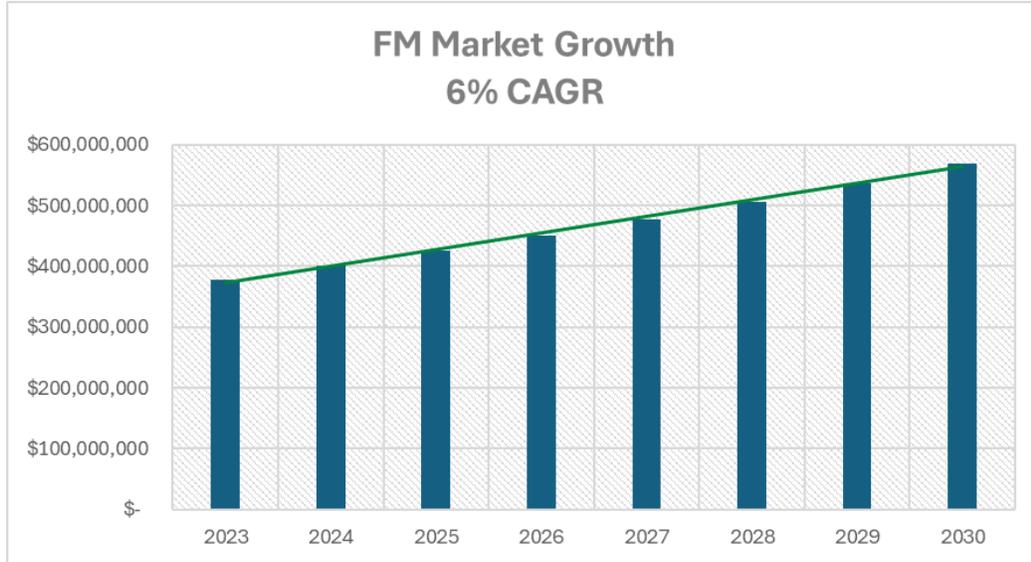
and other regulatory bodies to ensure safe and sustainable operations. The regulatory landscape continually evolves, requiring IO&M providers to stay updated and ensure their practices are compliant.

Market Trends

Several trends are shaping the IO&M landscape:

1. **Outsourcing:** There is a strong trend towards outsourcing facility management to specialized IO&M providers to leverage their expertise and achieve cost efficiencies.

2. **Integrated Solutions:** Clients prefer integrated service models that offer a comprehensive range of services from a single provider to streamline operations and improve accountability.
3. **Focus on Technology:** The increasing use of technology to drive efficiencies and improve service delivery is a significant trend.



Understanding these elements is crucial for stakeholders to navigate and succeed in this competitive market.

Challenges

The IO&M industry faces several challenges, including:

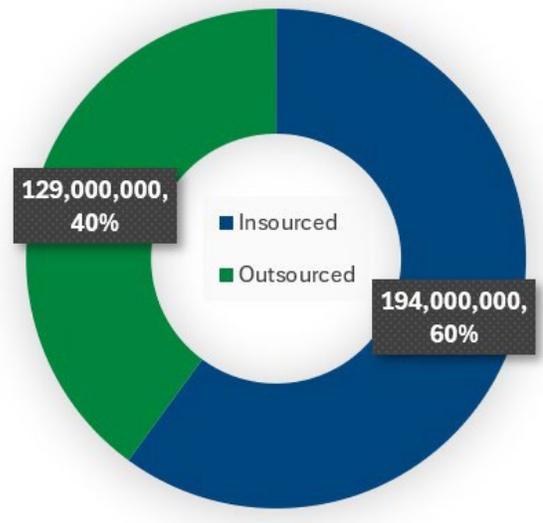
1. **Labor Shortages:** The industry faces a shortage of skilled labor, which can impact service delivery.
2. **Cost Pressures:** Providers must balance delivering high-quality services with the demand for cost-effective solutions.
3. **Complexity of Integration:** Integrating various services and technologies can be complex and requires significant expertise.

Future Outlook

The IO&M market in North America is expected to continue its growth trajectory, driven by technological advancements, increasing outsourcing trends, and a heightened focus on sustainability and efficiency. Innovation in service delivery and technology integration will be key drivers of this growth.

The IO&M landscape in North America is dynamic and evolving, shaped by technological integration, sustainability efforts, and a strong market growth trajectory.

FM Market Distribution



Top 10 IO&M Key Factors

IO&M encompasses a broad range of services and strategies aimed at optimizing facility operations. Here are the key components:

1. Understanding IO&M Services

Definition and Scope of IO&M: Organizations create more value when strategic leadership stays anchored to the core business and operational complexity is managed through a dedicated delivery model. The central shift is not simply structural; it is a change in how responsibilities are assigned. Strategic functions such as real estate strategy, policy, and standards remain with client to assure they fit to serve the core business, while execution-oriented work moves into an integrated Operations and Maintenance model.

In many traditional structures, the client retains far more than strategic oversight. Alongside direction-setting responsibilities, the client often carries a wide range of facility and support functions, including performance management, financial management, accounts payable, call center support, technology, EHS, service category management, and maintenance-related tasks. That arrangement expands the client's span of control well beyond the core business. Overtime, the result is distraction—leadership attention becomes diluted by operational coordination rather than focused on business outcome.

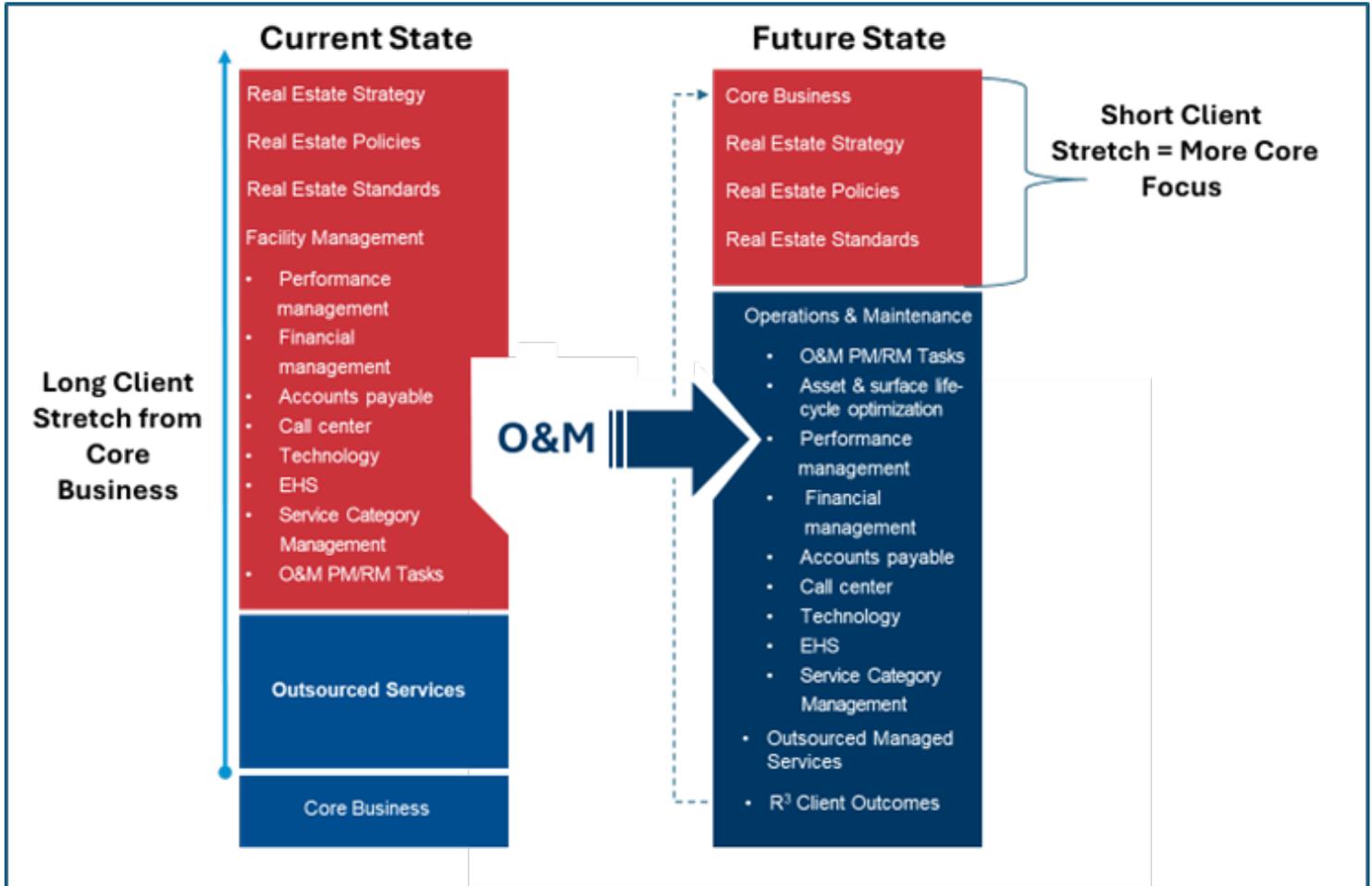
A more effective future state model separates strategy from execution with greater discipline. The client continues to own the decisions that shape long-term value, but operational responsibilities are consolidated within a specialized O&M platform. That platform can absorb maintenance execution, lifecycle optimization, administrative support, managed services, and performance accountability in a more coordinated and scalable way. Rather than eliminating complexity, the model places complexity where it can be managed most efficiently

The advantage of this approach is focus. When leadership is no longer burdened by fragmented operational oversight, leadership can concentrate on core priorities, governance and enterprise alignment. At the same time, service delivery becomes more integrated, with clearer consistency across service lines. For example, janitorial representatives attend

TOP 10 IO&M COMPONENTS

- 1 Understand IO&M Services
- 2 Know the Service Delivery Models
- 3 Clarify Vendor Selection Criteria
- 4 Know the Industry Evaluation Metrics
- 5 Contract with the Right Commercial Model
- 6 Define Service Level Agreements & KPI's
- 7 Understand available IO&M Technologies
- 8 Change Management
- 9 Compliance & Regulatory Requirement
- 10 Understand IO&M Services

Ultimately, this model represents a move from ownership of tasks to ownership of outcomes. The client retains strategic control where it matters most, while operational delivery is organized under structure built for efficiency, optimization, and sustained performance. The result is a leaner operating model, as shorter stretch from the core business, and stronger foundation for long-term value creation



Value Proposition of IO&M

Cost-Saving Potential Through OpEx

Reduction: IO&M helps organizations reduce their operating expenses (OpEx) by optimizing resource utilization, improving maintenance practices, and leveraging economies of scale. The avoidance of duplicated overheads and profits further enhances cost savings.

Efficiency Improvements and Operational

Excellence: By integrating various facility services, IO&M promotes operational excellence, leading to improved efficiency, reduced downtime, and enhanced service quality. The coordinated management of soft and hard services ensures seamless operations and maximizes resource utilization.

Risk Mitigation in Compliance and Facility

Management: IO&M providers help organizations manage risks by ensuring compliance with health, safety, and environmental regulations. The integrated approach allows for comprehensive oversight and more effective risk management practices.

2. Service Delivery Models

Self-Performance vs. Subcontracted Services:

- **Self-Performance:** IO&M providers directly manage and perform services, ensuring high-quality outcomes and greater control over operations.
- **Subcontracted Services:** IO&M providers outsource specific services to specialized subcontractors, which can offer flexibility but may introduce additional complexity.

Single-Source vs. Multi-Sourcing Strategies:

- **Single-Source Strategy:** Engaging a single IO&M provider for all services can streamline management and ensure consistency but may limit flexibility.

- **Multi-Sourcing Strategy:** Utilizing multiple providers for different services offers flexibility and the ability to leverage specialized expertise but can increase management complexity.

Pros and Cons of Various Models:

- **Self-Performance Model:** Pros include direct control and consistent quality; cons may involve higher initial costs and resource requirements.
- **Subcontracted Model:** Pros include flexibility and access to specialized skills; cons may include coordination challenges and potential quality variations.
- **Single-Source Strategy:** Pros include streamlined management and simplified communication; cons may involve dependency on a single provider.
- **Multi-Sourcing Strategy:** Pros include flexibility and access to diverse expertise; cons may involve increased coordination and management efforts.

3. Vendor Selection Criteria

Key Attributes of Successful IO&M

Providers: Successful IO&M providers possess several key attributes, including:

- Proven track record of delivering high-quality services.
- Strong financial stability and resources.
- Expertise in both hard and soft facility services.
- Advanced technological capabilities.

4. Evaluation Metrics and Performance

Indicators: Evaluating IO&M providers involves assessing various metrics, such as:

- Service quality and reliability.

- Cost-effectiveness and efficiency.
- Compliance with health, safety, and environmental regulations.
- Client satisfaction and feedback.

Importance of Industry-Specific

Experience: Industry-specific experience is crucial for IO&M providers, as it ensures they understand the unique challenges and requirements of the client's sector.

5. Commercial Models

Types of Contracts:

- **Fixed-Price Contracts:** Providers deliver services for a predetermined price, offering cost predictability but potentially limited flexibility.
- **Cost-Plus Contracts:** Clients reimburse providers for actual costs plus a management fee, offering transparency but potentially higher costs.
- **Performance-Based Contracts:** Payments are tied to the provider's performance against predefined metrics, incentivizing high-quality service delivery.

6. Service Level Agreements (SLAs) and Key Performance Indicators (KPIs)

(KPIs): SLAs define the expected level of service, while KPIs measure the provider's performance against these expectations, ensuring accountability and continuous improvement.

7. Technology Integration

Role of Technology in IFM: Technology plays a critical role in modern IFM, enabling predictive maintenance, real-time monitoring, and data-driven decision-making through tools like IoT, CMMS, and BMS.

Benefits of Data-Driven Decision-Making:

Leveraging data analytics allows IO&M providers to optimize resource utilization,

improve maintenance practices, and enhance overall operational efficiency.

Emerging Trends (AI, Predictive

Maintenance): Emerging technologies such as artificial intelligence (AI) and predictive maintenance are revolutionizing IFM, enabling smarter, more proactive management of facilities.

Energy Management and Waste Reduction Strategies:

Implementing energy management systems and waste reduction strategies helps organizations reduce costs, comply with regulations, and minimize their environmental footprint.

8. Change Management

Managing the Transition to an IO&M

Model: Effective change management is essential for transitioning to an IO&M model, ensuring minimal disruption and smooth integration of services.

Engaging and Training Staff: Engaging and training staff is crucial for successful IO&M implementation, ensuring that all employees understand and support the new management approach.

Communicating Changes to Stakeholders:

Clear and transparent communication with stakeholders is essential for gaining buy-in and support for the transition to IFM.

9. Compliance and Regulatory Requirements

Key Regulations Affecting Facility

Management: IO&M providers must adhere to various regulations, including health, safety, and environmental standards set by bodies such as OSHA and EPA.

Health and Safety Standards: Ensuring compliance with health and safety standards is critical for protecting employees, clients, and visitors, and for maintaining a safe and healthy work environment.

Importance of Maintaining Compliance to Avoid Penalties: Non-compliance can result

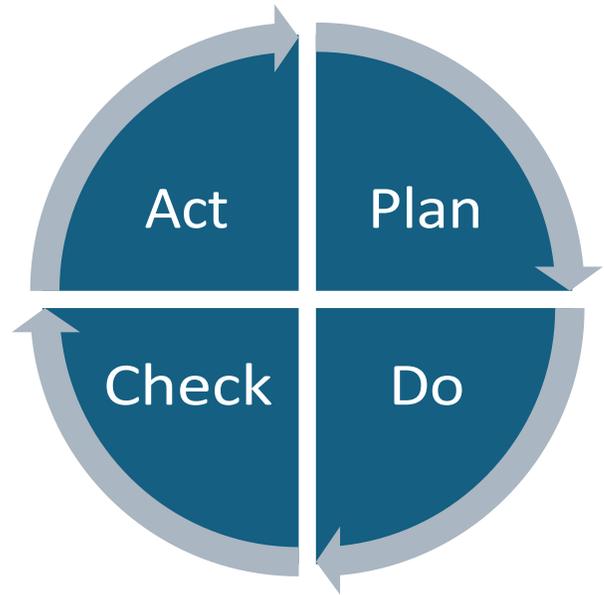
in significant penalties and reputational damage, making it essential for IO&M providers to stay updated on regulatory requirements and ensure adherence.

10. Performance Measurement and Continuous Improvement

Techniques for Monitoring and Measuring Performance: Regular monitoring and measurement of performance using KPIs and other metrics are essential for ensuring service quality and identifying areas for improvement.

Importance of Regular Reviews and Audits: Conducting regular reviews and audits helps maintain high standards, ensure compliance, and drive continuous improvement in facility management practices.

Tools and Methodologies for Continuous Improvement (Lean Sigma, Kaizen): Applying continuous improvement methodologies such as Lean Sigma and Kaizen enables IO&M providers to optimize processes, reduce waste, and enhance overall efficiency.



Value-Driven RFP Process

In the pursuit of achieving the full potential of Integrated Operations & Maintenance (IO&M), a paradigm shift in the procurement process is essential. Traditional RFP processes, while effective for commodity purchases, often fall short when it comes to the comprehensive needs of your facility. To unlock the true value of IO&M, the procurement process must evolve to foster trust, transparency, and collaboration between the buyer and the IO&M provider.

Traditional RFP Process

The traditional RFP process typically follows a linear and transactional approach:

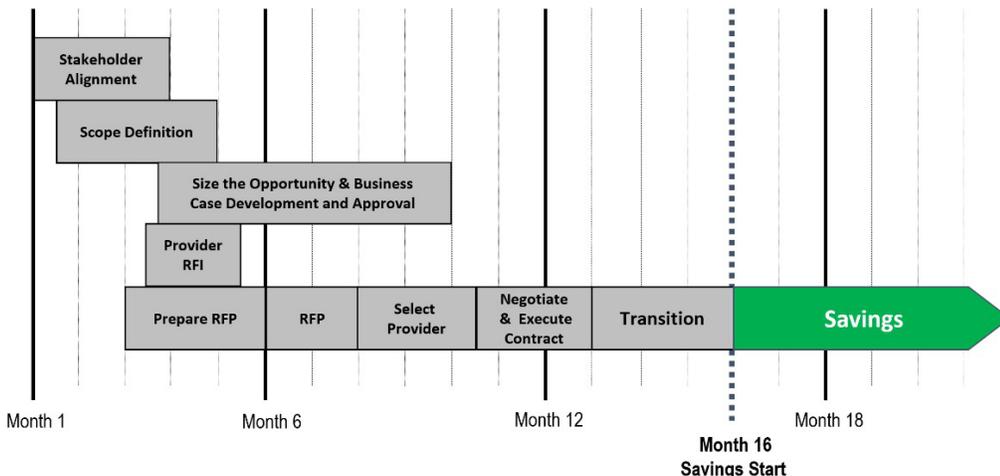
1. **Supplier Pool:** Identify potential suppliers based on initial criteria.
2. **Scope Definition:** Outline the specific services and requirements.
3. **Bid Solicitation:** Request detailed bids from selected suppliers.
4. **Comparison:** Evaluate bids primarily based on cost and compliance.

5. **Selection:** Choose the supplier offering the best value based on the comparison.

Limitations of the Traditional Approach:

- **Transactional Nature:** Focuses on immediate deliverables and cost, rather than long-term value and partnership.
- **Limited Engagement:** Minimal interaction between buyer and supplier during the bidding phase hinders mutual understanding and strategic alignment.
- **Reactive Approach:** Encourages a reactive approach to facility management, limiting innovation and continuous improvement.
- **Risk Hedging:** Suppliers may hedge against perceived risks, leading to inflated costs and eroded potential outcomes.

Traditional IFM RFP Process



A standard outsourcing involves an RFP process and a supplier transition before savings are realized

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New RFP Process That Drives Outcomes

The new RFP process emphasizes a collaborative and strategic approach, aimed at achieving optimal outcomes for both the buyer and the IO&M provider: The core idea is to get to a partnership first, so that you can actually unlock the full value of the IO&M outcomes possible.

1. **Engage Early:** Engage potential IO&M providers early in the procurement process to build relationships and foster collaboration.
2. **Co-Develop Scope:** Work collaboratively with IO&M providers to develop a detailed and comprehensive scope that aligns with strategic goals.
3. **Transparent Bidding:** Encourage open and transparent communication during the bidding process, allowing for the exchange of information and clarification of expectations.

4. **Joint Evaluation:** Evaluate bids based on a combination of cost, value, strategic alignment, and potential for innovation.
5. **Collaborative Selection:** Select the IO&M provider that not only offers the best value but also demonstrates a commitment to partnership and long-term success.

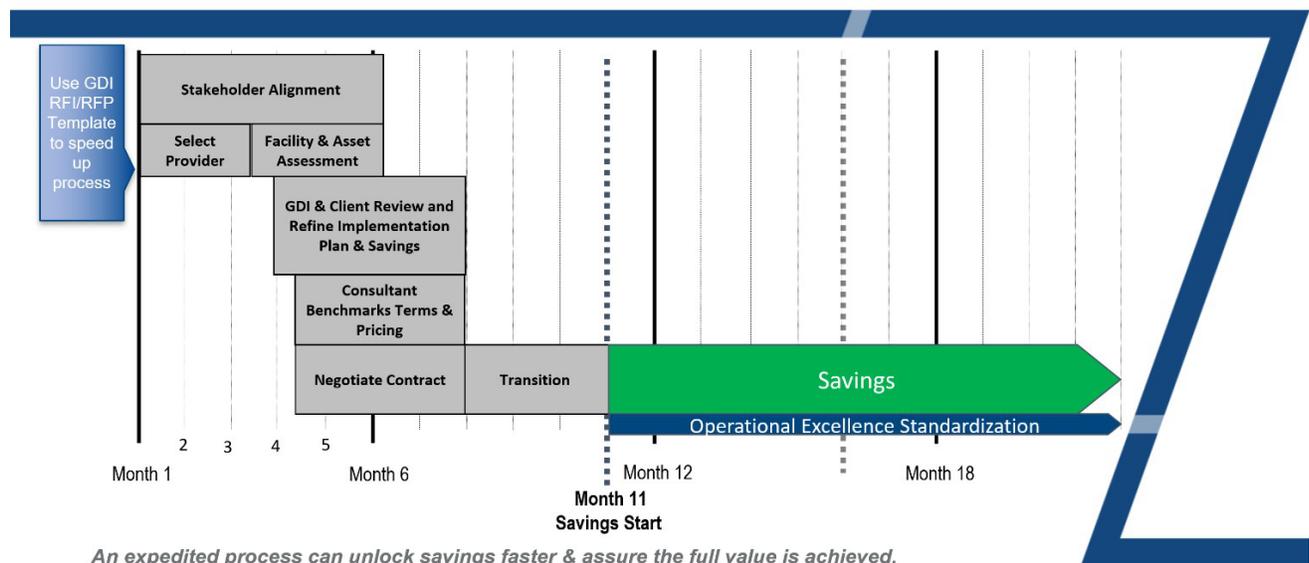
Early Partner Selection: What Do I Include in My RFI to Select My Early Partner?

Selecting the right early partner is essential for the success of an IO&M initiative. The process should focus on three equally weighted criteria: Financial Strength, Cultural Fit, and Innovation & Service Quality. The provided image outlines these criteria in detail, and it serves as a comprehensive guide for clients to structure their RFI/RFP.

Summary and Insights

Balanced Evaluation: By giving equal weight

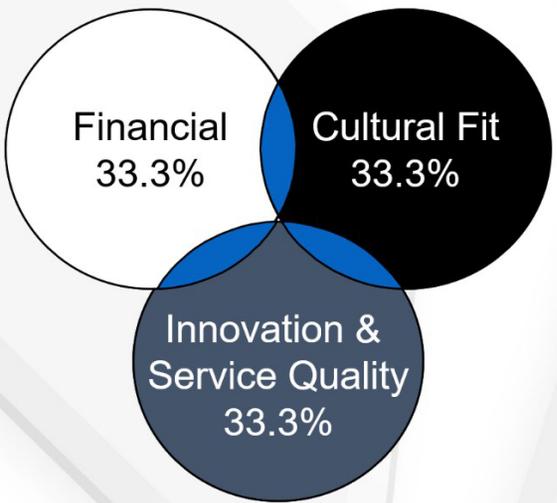
New Value-Driven RFP Process



Criteria for Selecting an Early Partner & Corresponding RFI Categories

Executive Level

Executive level overview consists of three equally weighted criteria:



RFP Criteria	RFP Sub-Category
Financial Solution	Overhead & Fee Structure
	Transition Fees Costs
	Technology Charges/Fees
	Shared Savings Proposal
Organizational/ HR Solution	FM Personnel/Headcount
	Recruiting, Training and Development
	Employee Compensation & Incentives
	Utilization of union labor
Partnering Fit (Business & Cultural)	Candidate's Strategic Decision
	Historic & Forecasted Growth in FM LOB
	Historic & Forecasted Investment in FM LOB
	Budgets & Investment Decisions
	Footprint & Client Base in FM
	Strategic Client Relationships
	Other Services/Capabilities
Operational Management & Technology Solution	Account Management Process
	Expertise in energy management
	Risk management
	Procurement processes
	Strength/value of alliances/contractors
	Green Building
Innovation & Service Quality	Technology value-added
	Service methodology
	Finance reporting
	Process excellence
Cultural Fit (Vision & Values)	Transition management
	Integrity
	Respect for people
	Customer focus
	Community
	Innovation
	Teamwork
	Performance
	Leadership
	Quality

to Financial Strength, Cultural Fit, and Innovation & Service Quality, clients can ensure a holistic assessment of potential partners. This balanced approach helps in selecting a provider who is not only financially robust but also culturally aligned and innovative.

Financial Strength: Assessing the financial stability and cost structure of potential partners ensures that they have the necessary resources to support long-term service delivery and investment in innovation. This criterion includes understanding overhead, fee structures, and shared savings proposals.

Cultural Fit: Evaluating cultural alignment involves looking at the provider's vision, values, and leadership. This ensures a productive and harmonious partnership, as cultural compatibility is crucial for effective collaboration and long-term success.

Innovation & Service Quality: Innovation and service quality are critical for driving continuous improvement and achieving high service standards. This includes assessing the provider's service methodology, process excellence, and technological capabilities.

Why Adopt This Approach?

1. **Comprehensive Assessment:**
 - The structured approach ensures that all critical aspects of a potential partner are thoroughly evaluated, leading to a well-rounded decision.
2. **Long-Term Success:**
 - Selecting a partner who excels in financial strength, cultural fit, and innovation ensures a sustainable and successful partnership that can adapt to evolving needs.
3. **Enhanced Collaboration:**
 - A focus on cultural fit and innovation fosters a collaborative environment where both parties work together towards common goals, leading to better

outcomes and continuous improvement.

4. **Risk Mitigation:**
 - By evaluating financial strength, clients can mitigate financial risks associated with the partnership, ensuring stability and reliability in service delivery.
5. **Strategic Alignment:**
 - This approach aligns the RFI/RFP process with strategic goals, ensuring that the selected partner is capable of delivering on both current and future requirements.

Adopting this structured RFI/RFP approach enables clients to select an early partner who is financially sound, culturally compatible, and committed to innovation and high service quality. This comprehensive evaluation framework supports long-term success and fosters a collaborative, efficient, and effective IO&M partnership. The provided image serves as a detailed guide for clients to structure their RFI/RFP criteria effectively.



Commercial Models

Selecting the appropriate commercial model for IO&M or IFM services is crucial for achieving desired outcomes and managing financial risks effectively. The choice of model depends primarily on two factors: the quality of data available and the level of financial risk the client is willing to retain. The commercial model matrix provides a framework for clients to make informed decisions based on these continuums.

Understanding the Commercial Model Matrix

The commercial model matrix categorizes various contract types along two continuums:

1. **Data Quality:** The accuracy and completeness of data available to both the client and the IO&M provider.
2. **Financial Risk Retention:** The degree of financial risk the client is willing to retain versus transferring it to the IO&M provider.

The primary commercial models in the matrix include:

- **Fixed Price**
- **Cost-Plus**
- **Performance-Based**
- **Gain Sharing**
- **Cost Pass-Through**

Insights from the Commercial Model Matrix

Fixed Price Performance-Based Model:

- **High Data Quality Required:** This model requires high-quality data to

set accurate performance targets and pricing. Clients with poor data quality should avoid this model as it poses significant risks to suppliers, who will hedge against uncertainties by inflating prices.

- **Risk Transfer:** Financial risk is largely transferred to the supplier, making it crucial for the supplier to have precise data to manage costs effectively.
- **Best for Mature Data Environments:** Ideal for clients with mature data environments where performance metrics are well-defined and reliable.

Cost-Plus Model:

- **Low to Moderate Data Quality:** This model is more flexible regarding data quality, as costs are reimbursed based on actual expenses plus a management fee.
- **Shared Financial Risk:** Financial risk is shared between the client and the supplier, with transparency in cost management.
- **Incremental Improvement:** Suitable for clients looking to gradually improve data quality and operational efficiency over time.

Gain Sharing Model:

- **Moderate to High Data Quality:** Requires a reasonable level of data quality to identify and measure cost savings and efficiency improvements.
- **Shared Incentives:** Both the client and the supplier share financial gains from achieved efficiencies,

		GDI's IFM COMMERCIAL MODELS EVALUATION CHART						
		Model	Description	Pros	Cons	Data Needed		
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Client Data Quality and Detail</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Frequency/Task based Contract Orientation</p>	<p>Lower Data Quality</p>	Unit Rate/T&M Data Quality: Low Client Financial Risk: High Cost: High (Street rates)	The client pays for the actual time spent and materials used. The service provider has little incentive to control costs, and the client bears the risk of cost overruns.	<ul style="list-style-type: none"> - Easy to accommodate changes in scope or unforeseen tasks - Client pays the actual time spent & materials used, providing clear visibility into costs - Straightforward billing without complex contract terms 	<ul style="list-style-type: none"> - Clients bear the risk of cost overruns due to inefficiencies or unforeseen issues - Minimum incentive for service providers to manage time and resources efficiently. - Difficult for clients to budget accurately due to variable expenses - Limited collection of facility data, hindering long-term planning 	<ul style="list-style-type: none"> - Scope of work - Labor categories & Rates - Materials specifications - Site access information 	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Unit Cost/Risk</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">GEN 1</p>	<p>Higher Client Cost/Risk</p>
		Cost Pass-Through Mgmt. Fee Data Quality: Low to Moderate Client Financial Risk: High Cost: Higher	The service provider passes all costs to the client plus a management fee. There's minimal incentive for cost savings, and the client carries most of the financial risk.	<ul style="list-style-type: none"> - Clients see actual costs plus a fixed management fee fostering trust. - Easy to understand how fees are calculated - The management fee can be tied to performance metrics. 	<ul style="list-style-type: none"> - Clients are responsible for all costs incurred. - Service providers may not be motivated to reduce operational costs. - Better than T&M models but still may lack detailed facility performance data 	<ul style="list-style-type: none"> - Scope of work - Detailed cost reports - Management fee agreement - Financial reporting template 		
		Fixed Price Data Quality: Moderate to High Client Financial Risk: Moderate Cost: Moderate	A fixed price is set for defined services or performance levels. The service provider assumes more risk, incentivizing efficient operations.	<ul style="list-style-type: none"> - Fixed price allows for accurate budgeting and financial planning - Providers are motivated to control costs to maintain profitability - Performance metrics encourage higher quality and consistent service. - Requires detailed data to set pricing and measure performance. 	<ul style="list-style-type: none"> - Difficult to adjust without significant renegotiations of the contract. - Providers might cut corners to reduce and project margins - Misalignment on performance expectations can lead to conflicts - Requires ongoing monitoring and management to ensure provider is in compliance. 	<ul style="list-style-type: none"> - Scope of work - Service Level Agreements (SLAs) - Historical Performance Data - Facility Condition Report - Detailed Asset List - Accurate Facility Specifications - Detailed Asset List - Occupancy Data - Site service matrix - 1-3 Year Work Order Data 		
		Guaranteed Maximum G-Max Data Quality: Moderate to High Client Financial Risk: Moderate to lower. Cost: Moderate	The client benefits from cost certainty up to the guaranteed maximum price. If costs exceed this cap, the service provider absorbs the additional expenses, reducing the client's financial risk.	<ul style="list-style-type: none"> - Clients have assurance that costs will not exceed the guaranteed maximum price. - Providers absorb costs exceeding the maximum, incentivizing efficiency. - Motivates providers to manage resources effectively to maximize profits. - Necessitates accurate data 	<ul style="list-style-type: none"> - Establishing a fair guaranteed maximum requires detailed analysis - Providers may set higher maximum prices to mitigate risk - Clients may not benefit from cost savings below the maximum price unless specified. - Providers might reduce service levels to avoid exceeding the guaranteed price. 	<ul style="list-style-type: none"> - Scope of work - Service Level Agreements (SLAs) - Historic Performance Data - Facility Condition Report - Detailed Asset List - Accurate Facility Specifications - Detailed Asset List - Occupancy Data - Site service matrix - Maintenance & Repair History - Capital Plans - Asset life cycle - 1-3 Year Work Order Data 		
		Gain-Sharing Glidpath Savings Data Quality: High Client Financial Risk: Lower Cost: Lower	Both parties share in the savings achieved over time. There's a collaborative effort to reduce costs, and financial risk are more balanced.	<ul style="list-style-type: none"> - Both parties benefit from cost savings, promoting collaboration. - Providers are motivated to find new ways to reduce costs - Requires detailed tracking to measure and validate savings. - Financial benefits and risk are shared, fostering partnership. 	<ul style="list-style-type: none"> - Contracts can be complicated to structure and administer - Success depends on transparent communication & mutual confidence - Disagreements may arise over calculation & distribution of savings. - Initial setup may require significant time and resources. 	<ul style="list-style-type: none"> - Scope of work - Service Level Agreements (SLAs) - Historic Performance Data - Facility Condition Report - Detailed Asset List - Accurate Facility Specifications - Detailed Asset List - Occupancy Data - Site service matrix - Maintenance & Repair History - Capital Plans - Asset life cycle - 1-3 Year Work Order Data 		
		Cost-Plus Mgmt. Fee At Risk/Gain Data Quality: High Client Financial Risk: Lower Cost: Lower	The service provider's fee is at risk based on the performance metric helping to ensure Generation 2 gains are maintained. There is a potential for gain-sharing, aligning interests towards efficiency and cost savings. This model helps assure efficiencies and quality achieves are maintained past the Generation 2 gains.	<ul style="list-style-type: none"> - Providers' fees are tied to meeting or exceeding performance targets. - Both parties benefit from efficiency gains and cost reduction. - Necessitates comprehensive data collection for performance assessment. - Providers are motivated to maintain high standards to protect their fee. 	<ul style="list-style-type: none"> - Requires rigorous tracking, reporting, and management oversight. - Providers may lose part of their fee if performance targets are not met. - Balancing cost savings with maintaining service quality can be challenging. - Negotiating and understanding the contract can be more difficult 	<ul style="list-style-type: none"> - Scope of work - Service Level Agreements (SLAs) - Historic Performance Data - Facility Condition Report - Detailed Asset List - Accurate Facility Specifications - Detailed Asset List - Occupancy Data - Site service matrix - Maintenance & Repair History - Capital Plans - Asset life cycle - 1-3 Year Work Order Data 		
	<p>High Data Quality</p>						<p style="writing-mode: vertical-rl; transform: rotate(180deg);">GEN 2</p>	<p>Higher Client Cost/Risk</p>
							<p style="writing-mode: vertical-rl; transform: rotate(180deg);">GEN 3 +</p>	

COMMERCIAL MODEL MATRIX

The Commercial Model Matrix provides a framework for selecting the appropriate contract type for Integrated Operations & Maintenance services based on two key factors: data quality and financial risk retention. It categorizes various models, including Unit Rate/T&M, Cost Pass-Through with Management Fee, Fixed Price, Performance-Based, and Gain-Sharing Glide Path Savings. The matrix helps clients assess their current data maturity and determine the level of financial risk they are willing to retain, guiding them to choose the most suitable model. It also illustrates how clients can start with simpler models like Cost Pass-Through to collect baseline data and transition to more sophisticated models as data quality improves, ensuring flexibility and minimizing supplier hedging.

- promoting a collaborative approach to cost management and innovation.
- **Progressive Alignment:** Ideal for clients who seek to align incentives with performance improvements progressively.

Cost Pass-Through Model:

- **Low Data Quality:** This model is highly suitable for clients with low data quality, as costs are passed through directly without predefined pricing.
- **Minimal Financial Risk Transfer:** The client retains most of the financial risk, which allows for baseline cost establishment without hedging by the supplier.
- **Baseline Establishment:** This model is advantageous for starting initiatives where data collection is ongoing. Clients can transition to more complex models like fixed price or gain sharing once data quality improves.

Flexible Transitioning:

- **Adaptability:** Clients can start with a cost pass-through model to collect data and establish a cost baseline. As data quality improves, they can transition to fixed price or gain sharing models to optimize costs and share financial benefits.
- **Risk Management:** Starting with a lower-risk model allows clients to mitigate uncertainties and gradually build a robust data-driven environment, reducing the need for supplier hedging and enhancing long-term cost management.

Using the Matrix to Choose the Right Model

Data Maturity and Risk Assessment:

- **Assess Data Quality:** Clients should evaluate the accuracy and completeness of their data to determine which model fits their current state.
- **Financial Risk Appetite:** Clients need to decide the level of financial risk they are comfortable retaining. Higher risk retention models like cost pass-through can be suitable initially, transitioning to lower risk retention models like fixed price as data quality improves.

Strategic Implementation:

- **Start Simple:** Clients with low data quality should start with a cost pass-through model, allowing time to gather reliable data and establish cost baselines.
- **Transition Strategically:** As data quality and confidence increase, clients can transition to gain sharing or performance-based models to incentivize continuous improvement and cost efficiency.
- **Collaborative Planning:** Engage IO&M providers early to develop a strategic plan for data collection and model transitioning, ensuring alignment and smooth implementation.

Long-Term Value Creation:

- **Baseline Establishment:** Use cost pass-through models to establish initial cost baselines without supplier hedging, ensuring transparent and accurate cost tracking.
- **Continuous Improvement:** Transition to more sophisticated models to drive innovation,

efficiency, and cost savings over time, leveraging improved data quality.

- **Optimal Outcomes:** The goal is to achieve optimal financial outcomes by aligning the chosen commercial model with the client's data maturity and risk management strategy.

The commercial model matrix serves as a valuable tool for clients to navigate the complexities of IO&M contract selection. By understanding the implications of data quality and financial risk retention, clients can choose models that best fit their current capabilities and strategic goals. This approach ensures a balanced and effective partnership with IO&M providers, leading to enhanced service delivery, cost management, and long-term value creation.

Implementation Strategy

A well-defined implementation strategy is crucial for the successful deployment of IO&M services. This strategy should outline the steps necessary to transition to IO&M, ensure seamless integration, and achieve long-term operational excellence. The following roadmap provides a comprehensive guide for implementing IO&M services effectively.

Typical IH SERVICES Roadmap Example

The IH SERVICES roadmap example illustrates a step-by-step approach to implementing IO&M, divided into quarterly phases to ensure systematic progress and continuous improvement.

Phase 1: Initial Transition (Quarter 1)

Seamless Transition:

- **Site Service Matrix:** Develop a detailed service matrix to map out all facility services and their respective providers.
- **Spend Analysis Baseline:** Conduct a thorough baseline analysis of current spending to identify cost-saving opportunities.
- **Supplier/Employee Transfer:** Plan the transfer of suppliers and employees to ensure minimal disruption.
- **Work Order System (WOS) Setup:** Establish priority response setups for the work order system to streamline service requests.
- **Compliance Matrix:** Create a regulatory, warranty, health, safety, and environmental compliance matrix.
- **Asset Documentation:** Begin comprehensive documentation of all assets to facilitate accurate tracking and management.
- **KPI/SLA Set:** Define key performance indicators (KPIs) and service level

agreements (SLAs) to measure performance and service quality.

Phase 2: Site Assessment and Documentation (Quarter 2)

Comprehensive Site Surveys:

- **Asset Assessment:** Conduct detailed assessments of all facility assets, including condition and lifecycle analysis.
- **Preventive Maintenance (PM) Schedules:** Develop preventive maintenance schedules to enhance asset longevity and performance.
- **Facility Assessment:** Perform a thorough assessment of the facility to identify areas for improvement.
- **System Integration:** Launch the Computerized Maintenance Management System (CMMS) and integrate it with asset data for real-time tracking and management.

Phase 3: Service Optimization (Quarter 3)

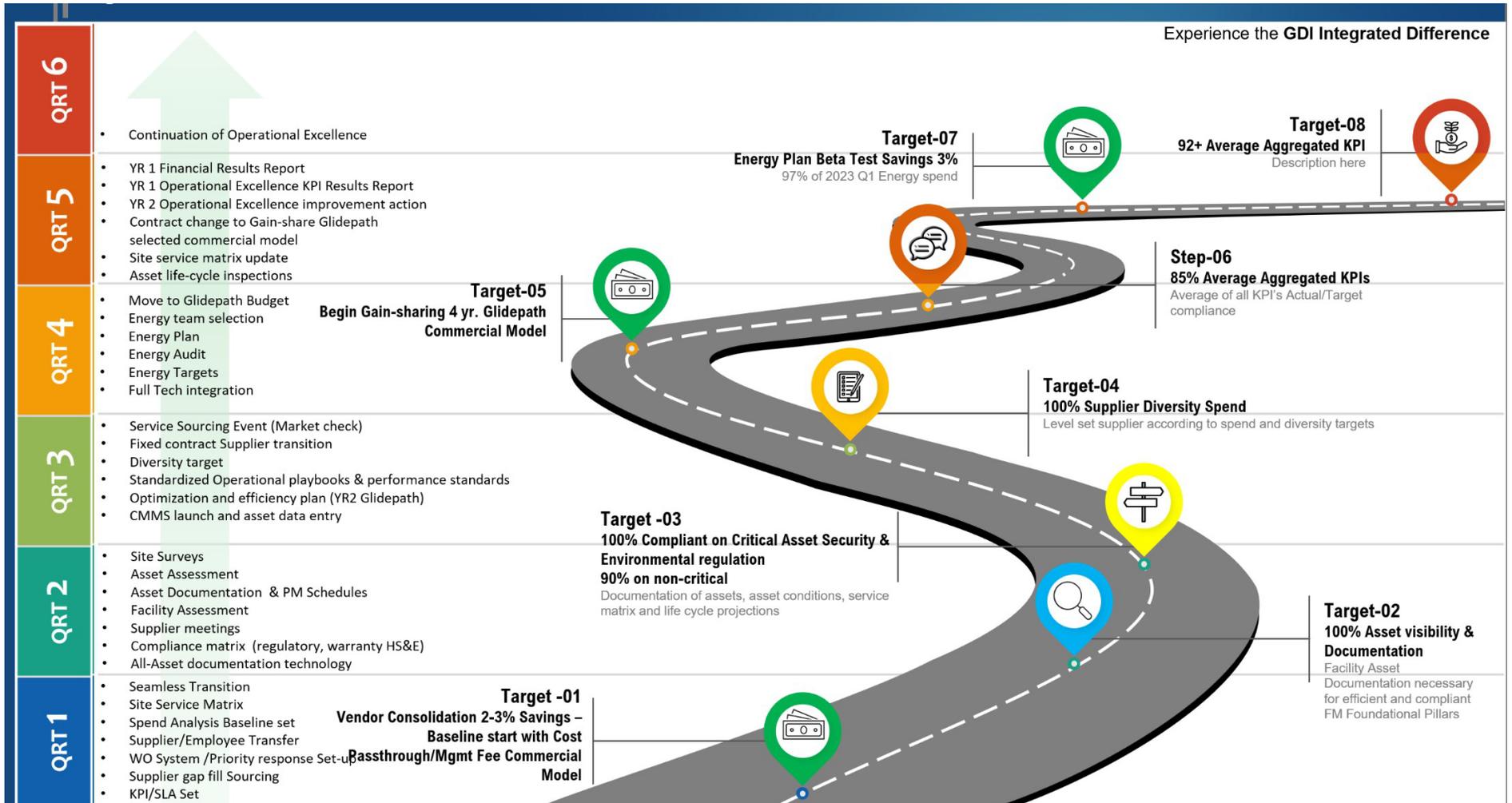
Service Sourcing and Optimization:

- **Market Check:** Conduct a market check for service sourcing to ensure competitive pricing and high-quality service delivery.
- **Fixed Contract Supplier Transition:** Plan and execute the transition to fixed contract suppliers.

Diversity Targets: Set and implement diversity targets for supplier selection to enhance inclusivity.

- **Standardization:** Develop standardized operational playbooks and performance standards.
- **Energy Plan Development:** Create and implement an energy management plan to optimize energy use and reduce costs.
- **Efficiency Plans:** Optimize and implement efficiency plans based on the second-year glide path.

TYPICAL IO&M FIRST GENERATION ROAD MAP EXAMPLE



Phase 4: Operational Excellence (Quarter 4)

Continuous Improvement and Reporting:

- **Operational Excellence Initiatives:** Begin initiatives to improve operational excellence, including process improvements and best practice implementations.
- **Energy Audits:** Conduct energy audits to identify additional cost-saving opportunities.
- **Financial Reporting:** Develop and refine financial reporting systems to track savings and performance.
- **Technology Integration:** Continue integrating advanced technologies to enhance service delivery and operational efficiency.
- **KPI and SLA Review:** Regularly review and adjust KPIs and SLAs to ensure alignment with strategic goals and performance expectations.

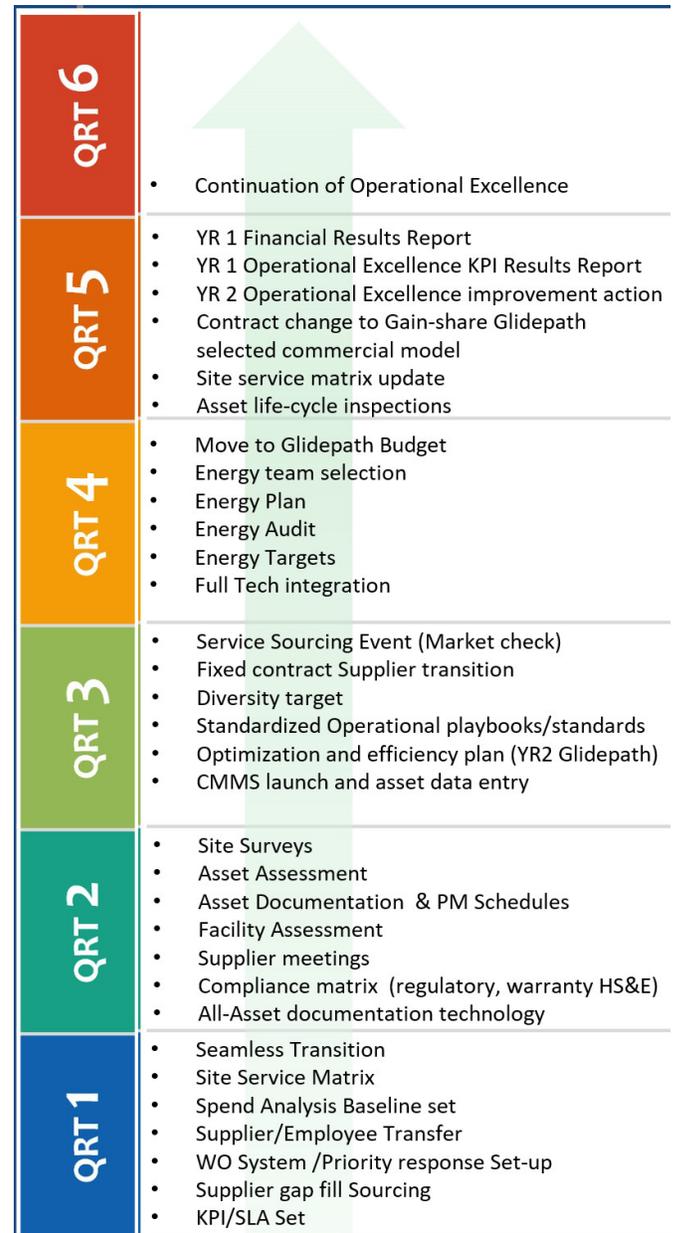
Phase 5: Performance Measurement and Gain Sharing (Year 2 Onwards)

Performance-Based Adjustments:

- **Gain Sharing Implementation:** Begin gain-sharing initiatives to align incentives between the client and the provider.
- **Performance Audits:** Conduct regular performance audits to ensure continuous improvement.
- **Strategic Adjustments:** Make strategic adjustments based on performance data and feedback.
- **Continual Improvement:** Foster a culture of continuous improvement, leveraging tools like Lean Sigma and Kaizen to optimize processes and reduce waste.

Implementing an IO&M strategy requires a structured and phased approach to ensure successful integration and long-term operational excellence. The IH SERVICES roadmap example provides a clear and detailed guide to navigating this complex

process, emphasizing the importance of initial assessment, systematic transition, ongoing optimization, and continuous improvement. By following this roadmap, organizations can achieve significant cost savings, enhanced service quality, and sustainable operational efficiency.



Conclusion

Integrated Operations & Maintenance (IO&M) represents a transformative approach to managing facility operations, offering significant benefits in terms of cost savings, efficiency, and risk management. However, realizing the full potential of IO&M requires a strategic shift in how organizations approach procurement, implementation, and ongoing management of facility services.

This whitepaper has provided a comprehensive guide for organizations looking to adopt 1st Generation IO&M services. By shifting from traditional procurement practices to a more collaborative and strategic approach, organizations can unlock significant value and achieve their business objectives. Key takeaways from this whitepaper include:

1. Strategic Procurement Approach:

- Traditional RFP processes are often too transactional and short-sighted. A value-driven RFP process that emphasizes trust, transparency, and collaboration is essential for achieving optimal outcomes. This approach fosters stronger partnerships, encourages innovation, and ensures long-term value creation.

2. Selecting the Right Partner:

- Choosing the right early partner is crucial for the success of IO&M initiatives. By evaluating potential partners based on financial strength, cultural fit, and innovation & service quality, organizations can ensure a comprehensive and balanced assessment. This selection process supports long-term success and strategic alignment.

3. Tailored Commercial Models:

- The commercial model matrix provides a framework for selecting the appropriate contract type based on data quality and financial risk retention. Clients can start with models like cost pass-through to establish a baseline and transition to more sophisticated models as data quality improves, ensuring flexibility and minimizing risk.

4. Comprehensive Implementation Strategy:

- A phased implementation strategy ensures systematic progress and continuous improvement. By following a structured roadmap, organizations can ensure a seamless transition, optimize service delivery, and achieve operational excellence.

5. Continuous Improvement and Performance Measurement:

- Regular performance measurement, reviews, and audits are essential for maintaining high standards and driving continuous improvement. Leveraging tools and methodologies such as Lean Sigma and Kaizen can help optimize processes and reduce waste.

Adopting IO&M services is not just about immediate cost savings but about building a sustainable and efficient facility management framework that supports the core business objectives. By embracing a collaborative and strategic approach, organizations can achieve enhanced operational performance, reduced risks, and significant long-term value.

This whitepaper serves as a guide to navigating the complexities of IO&M procurement and implementation, providing the insights and tools needed to make informed decisions and achieve success in facility management. By following the principles and strategies outlined herein, organizations can experience the IH SERVICES Integrated Difference and realize the full potential of their facility management initiatives.

About IH SERVICES

IH SERVICES delivers integrated facility operations and maintenance for the nation’s most secure environment. As a financially independent member of the GDI Ainsworth group of companies, we offer small company flexibility with large company scale and maturity unified through the R3 Secure FacilityOps™ System– all engineered to drive service reliability, customer responsiveness and reductions in our client’s pains, cost and risk.

As leading provider of comprehensive facility management solutions, leveraging a bottom-up self-performance model to deliver exceptional service quality and operational efficiency. IH SERVICES's approach integrates both hard and soft services under a unified management team, ensuring seamless coordination and communication.

By focusing on self-performance and leveraging internal expertise, IH SERVICES eliminates the complexities and additional costs associated with traditional top-down facility management models. This integrated approach ensures greater control over service delivery, enhances efficiency, and drives continuous improvement, making IH SERVICES a trusted partner for organizations seeking to optimize their facility management operations.

