Opportunities to strengthen the control function of the retained organization to assure the quality of service delivery by the SSC

- exemplified on the basis of the Ministry for Health, Welfare and Sport

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The Hague, 18th February 2009
Foreword

You are in receipt of the thesis, examining the control and steering function of the retained organization for facility management of the Dutch Ministry of Health, Welfare and Sport to assure a qualitative service supply by its shared service center.

This thesis has been written as part of the graduation requirements for the Business Administration and Engineering study at the University of Applied Sciences in Berlin. It could not have been achieved without support from many people.

I especially want to thank Jan Hoogstad and Tom Oosterhoff for making it possible to write my thesis with the Dutch Ministry of Health, Welfare and Sport. My special thanks go to Leon-Paul de Rouw, my supervisor, for the fascinating discussions, for the advice and confidence in me, and for motivating and inciting me to best performance.

With a lot of pleasure I worked on the paper at hand – widening my horizon by getting to know interesting people and engrossing my mind by the research. I want to thank the following persons most sincerely for the open and informative dialogues: Frans van Rijn, Chris Ottenhoff, Gerard Dessing, Jan Hoogstad, Henk Rietveld, Paul van der Wolf, Gea Everards, Jeroen Mol, Eefke Barneveld, Hans de Vries, Renée Krol and Wiet Nieuwenhuis, Jochem Meulesteen and Pauline Knopper, Janke Boskma, and Roland van Benthem. Further on I would like to thank all employees of the ministry who were involved in the progress of the thesis and supported me with at hand information as well as for the pleasant time while working on the thesis.

Last but not least my special thanks go to my first supervisor Prof. Dr. Sören Dressler for his guidance, support, and enthusiasm during the progress of my thesis.

Finally, a special word to my friend Joost: Thank you very much indeed for giving me all the space to develop myself.

The Hague, 18th February 2009

Claudia Jung
Management Summary

How can the retained organization strengthen its control and steering function to assure the delivery of facility services by the shared service center appropriate to the client’s needs? This question will be answered for the retained organization for facility and ICT services of the Ministry of Health, Welfare and Sport. The Dutch ministry – developing policies in the field of health care, social support, and sport – decided to insource these services to governmental shared service centers.

The first focus of the research is facility management and its sourcing strategies. Thereby the dependence of the control and steering effort as well as opportunities on the chosen sourcing strategy is disclosed. I.e. the more the services are sourced outside of the organization (e.g. by a SSC) the more professional the relationship gets with output-oriented performance control of the service provider.

Due to the limited literature, interviews with five public and five private organizations – which also implemented a retained organization for facility services – are conducted. Out of the analysis 14 best practices are developed how a retained organization can improve its control and steering function.

Generally it can be concluded that a service delivery by a SSC, conform to the client’s demand, depends mostly on a fair and cooperative partnership with a solid contract and flexible service level agreements. Thereby the main tasks of the retained organization to keep control and steer the supplier are contract management, financial control, relationship management, and performance management.

The emphasis lays on the established ICT-retained organization of the ministry. Therefore the existing means and features of the retained organization are analyzed and compared to the given best practices. The following recommendations are made:
1. Give the entire retained organization an understanding of terms and tasks.
2. Complete and sign the contracts including the SLAs as soon as possible.
3. Implement service level management.
4. Elaborate the master plan as basis for an effective performance management system.
5. Build up a strong and capable account management.
6. Care for BIA acting on strategic level, in strong cooperation with EIS.
7. Implement an IT-tool facilitating the internal workflow of the retained organization.

By implementing the depicted advice the retained organization will be able to perform its control and steering function effectively and efficiently.
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<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>abbr.</td>
<td>abbreviation</td>
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<tr>
<td>acr.</td>
<td>acronym</td>
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<tr>
<td>app.</td>
<td>approximately</td>
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<tr>
<td>BIA</td>
<td>Beleid, Innovatie, Advies (policy, innovation, advice)</td>
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<td>BPO</td>
<td>Business Process Outsourcing</td>
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<td>cf.</td>
<td>confer/ compare</td>
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<td>Ch.</td>
<td>Chapter</td>
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<td>CSF</td>
<td>Critical Success Factor</td>
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<td>DBV</td>
<td>Directie Bedrijfsvoering (directorate operational management)</td>
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<td>e.g.</td>
<td>for example</td>
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<td>ELA</td>
<td>Experience Level Agreement</td>
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<td>esp.</td>
<td>especially</td>
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<tr>
<td>etc.</td>
<td>etcetera (and so forth)</td>
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<tr>
<td>FaSam</td>
<td>Faciltaire Samenwerking (organization for Facility Management)</td>
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<td>Fig.</td>
<td>Figure</td>
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<td>FM</td>
<td>Facility Management, Facilities Management</td>
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<td>FMIS</td>
<td>Facility Management Information System</td>
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<td>FMN</td>
<td>Facility Management Nederland (Dutch FM association)</td>
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<td>FSB</td>
<td>Facilitair Service Bedrijf (facility service organization)</td>
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<tr>
<td>FTE</td>
<td>Full-time employee</td>
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<td>GM</td>
<td>General Motors</td>
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<td>i.e.</td>
<td>that is</td>
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<tr>
<td>ICT/IT</td>
<td>Information and Communication Technology</td>
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<td>KLM</td>
<td>Koninklijke Luchtvaart Maatschappij (Dutch Airline)</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>MFO</td>
<td>Modern Faciltaire Ondersteuning (modern facility support)</td>
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<tr>
<td>Ministry of BZK</td>
<td>Ministry of the Interior and Kingdom Relations</td>
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<td>Ministry of OCW</td>
<td>Ministry of Education, Culture and Science</td>
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<tr>
<td>Ministry of VenW</td>
<td>Ministry of Transport, Public Works and Water Management</td>
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<td>Ministry of VWS</td>
<td>Ministry of Health, Welfare and Sport</td>
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<tr>
<td>Nr.</td>
<td>Number</td>
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<td>PSG</td>
<td>Product and Service Guide</td>
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<tr>
<td>RWS</td>
<td>Rijkswaterstaat (Directorate-General of the Ministry of VenW)</td>
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<tr>
<td>SCD</td>
<td>Servicecentrum Drechtsteden</td>
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<tr>
<td>SLA</td>
<td>Service Level Agreement</td>
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<tr>
<td>SMART</td>
<td>Specific, Measureable, Achievable, Realistic, and Timeable</td>
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<tr>
<td>SSC</td>
<td>Shared Service Center</td>
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<tr>
<td>SSO-ICT</td>
<td>Shared Service Organization for ICT of the Ministry of VenW</td>
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<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities and Threats</td>
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<tr>
<td>WGR</td>
<td>Wet Gemeenschappelijke Regeling (communal settlement)</td>
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1. Introduction

1.1. Motivation

How do organizations adapt to trends and get prepared for the future? For businesses it is important to differentiate themselves, to be able to adapt easily to quick changes in business and – of course – to be innovative. Innovation is defined as “the tactic and purposive renewal or redesign of a portion, functional component or behavioral pattern of an already existing organization with the target to optimize established processes or to comply better with new or changing functional requirements”\(^1\). Mostly, the main purpose of the corporation is to focus on their particular core business by optimizing the supporting processes in the first place. Once the organization is able to concentrate fully on the core business, they can put all their energy and ideas into these processes which add value to the company and thus get an edge over their competitors.

Facility management is a support process – by providing well-functioning facilities it assures a trouble-free working environment, where core processes can be performed as best as possible. To optimize these support processes a corporation can adopt a variety of strategies – depending on what fits best to its organization. With regards to FM\(^2\) there are two main developments to be recognized: Corporations tend to outsource\(^3\) facility services to external vendors or they are likely to insource their facility services within a shared service center. Both trends go along with the redesign of the facility management processes, the consolidation and bundling of facility services. By means of these strategies organizations try to reduce costs, increase quality and make the processes more effective – providing better support for their core business.

But not only private corporations face the abovementioned problems. Also public organizations try to improve their services – offered to the public – by implementing special programs. With regards to the Netherlands the government released the ‘Central Government Reform Program’\(^4\) to provide better governmental services with a smaller governmental body. A part of this program – efficient operational management – includes the optimization of facility management. Thus every governmental institution is asked to improve the management and operation of their facilities.

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\(^1\) Bibliographisches Institut & F. A. Brockhaus AG: 2008

\(^2\) FM (abb.) Facility Management

\(^3\) ‘outsource’ – an artificial word composed of “outside”, “resource” and “using”

The Ministry of Health, Welfare and Sport is one of the governmental institutions which have to comply with the requirements within the aforementioned program to advance their core business and get prepared for future needs. One solution to improve the operational management depicts the program ‘modern facility support’ which includes the insourcing of ICT\(^5\) and facility services of the ministry to public shares service centers. Whereas ICT services were insourced to the SSC\(^6\) of the Ministry of Transport, Public Works and Water Management in 2008, the Ministry of VWS\(^7\) most likely will insource facility services to FaSam\(^8\) – the SSC of the Ministries of the Interior and Kingdom Relations and Justice.

However now we can again raise the question, stated in the beginning, in a slightly modified way: how can efficient and effective performance be assured in the future? I.e. what measures can be taken, in particular regarding FM of the ministry, to guarantee that their needs are satisfied now and prospectively. To answer this question the controlling and steering functions of the retained organization of the Ministry of VWS towards the SSC will be analyzed to ensure a service delivery according to the client’s needs. A detailed description of the objectives can be found in the next section.

1.2. Objectives and thematic restrictions

This thesis focuses on the public facility management in the Netherlands. The aim is to contribute knowledge of how governmental bodies can manage their facility management efficiently and effectively with regards to changes and alterations in the near future. The key question is formulated as follows:

“\textbf{How can the retained organization of the Ministry of VWS strengthen its control and steering function to assure the delivery of facility services by the shared service center appropriate to the client’s needs?”}

This problem implies that the ministry will control results respectively outputs in the form of services provided and not the process of service delivery.

The Ministry of VWS implemented a retained organization for ICT services which depicts the foundation of the research. The main focus of this paper will lay on the analysis of other retained organizations and how they perform the control and steering function. After examining these organizations best practices will be developed. These will be com-

\(^5\) ICT (abb.) Information and Communication Technology

\(^6\) SSC (abb.) Shared Service Center

\(^7\) Ministry of VWS (abb.) Ministry of Health, Welfare and Sport

\(^8\) FaSam (abb.) Facilitaire Samenwerking (engl.: organization for Facility Management)
pared with the current concepts and means of the retained organization of the ministry to give improvement and enhancement recommendations how to strengthen the control and steering function of the retained organization for ICT services as well as for facility services which will be insourced prospectively.

Referring to this problem the following research sub-questions arise, which will be answered in this study to respond to the above mentioned main question.

- How does FM look like in the Netherlands esp. in the Dutch public sector?
- What are the current trends in the Netherlands in the field of facility management?
- Which sourcing strategies play an important role in FM?
- What is a retained organization?
- How does the current situation in the ministry look like?
- How do other retained organizations keep control to assure adequate service supply?
- What best practices exist based on the experience of other organizations?
- Which means are appropriate for the retained organization of the ministry to strengthen its control and steering function?

The central point of the thesis is the Dutch Ministry of Health, Welfare and Sport. Therefore improvement suggestions displayed in the study will be applicable for the ministry. For this reason the study will not provide standard solutions. The research problems can be the same and to a certain extent the solutions may also be suitable – but eventually the particular case has to be analyzed to find the most appropriate and suitable solutions.

1.3. Methodology of the Research

In the following section the methods used to give answer to the research questions – separated into the acquisition of information and the research model – are introduced.

*Literature research*

An in-depth literature research is inevitable to figure out the current status in this particular field of research. Further on the theoretical foundation is lead by literature.

*Internal research*

The internal research includes gathering all needed information concerning the Ministry of VWS. Thereby oral interviews with employees of the ministry – involved in the current processes related to the research problem – will be carried out to get insights into the retained organization of the ministry. Further on internal documentation will be analyzed.
**External research**

The external research is divided into two parts. Within the first section five experts in the field of FM in the Netherlands will be interviewed. The questions will be open and only to a certain extent structured, to get a broad overview as well as particular insights from the interviewees. So the questions of how does FM look like in the Netherlands and in the public sector as well as the current trends and developments in FM will be encountered.

The second part of the external research is the conduction of interviews with other organizations, which have already split facility management and sourced the facility services to a shared service center or outsourced them to a third party. I.e. public organizations as well as private corporations will be researched. In total five public as well as five private organizations will be examined to get insights in the point of view of these organizations. Some service providers will also be investigated, thereby considering the other perspective. In addition two advisors will be consulted. Hereby the question of how do other retained organizations perform their control function will be answered.

Out of the analysis of these organizations best practices will be developed. These will be compared with the present concept of the retained organization of the Ministry of VWS to give suitable recommendations for improvement opportunities.

**Research model**

To give a brief description of the research model taken for this study, the definition of Baarda and De Goede is applied. There are three different models: the descriptive research, the exploratory and the explanatory research. Within this paper at hand the research will be done according to the explanatory model. I.e. beforehand a theory and clearly defined hypotheses are formulated. By using this research model it is attempted to prove and justify the predefined theses.

The following chapter provides the theoretical foundation by depicting facility management in the Netherlands, also with regards to the Dutch public sector, and by giving insights into the sourcing strategies of facility management.

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**Nota bene (Stangl: 2008):**

An interview is an empirical and qualitative method, where the results and interpretations are based on experiences or observations of the interviewed person.
2. Facility Management and its sourcing strategies

2.1. Facility Management in the Netherlands

According to the Dutch standard FM is a general management function responsible for facilities by planning and coordinating supporting processes. The focus is laid on the advancement of the primary processes of the particular organization.\(^{10}\) This definition implies that facility management can be found in any kind of organization. Because of its high diversity the following section will examine facility management in general as well as the public sector and its sourcing strategies. The interview guide – as basis for the findings next to the literature research – can be found in appendix 1.

2.1.1. Brief overview of the history of Dutch Facility Management

Although the very early manifestations are documented in the 17\(^{th}\) century by the development of service trading\(^ {11}\), facility management is a young discipline. During the industrial revolution around 1800 no attention to employees was drawn nor to working environment and conditions. Around 1860 the differentiation between production and administration was made, facilitating the emergence of offices. At the end of the 19\(^{th}\) century Taylor divided the scope of duties and promoted standardization. While many European states were rebuilding their countries after the Second World War, the progress in the USA went on. They focused on efficiency of offices esp. in furniture preventing illnesses caused by wrong sitting behavior. This development was followed by the formation of the first Facility Management Institute - which later became the IFMA\(^ {12}\). The term facility management first gained popularity in the Netherlands in 1988 when Dutch facility managers visited the annual IFMA congress in the USA. This year can be seen as the start of the profession in the Netherlands, also strengthened by the first Dutch book by J. Regterschot. Slowly it became an own field of business. In 1994 the Dutch association Facility Management Nederland (FMN) was founded by mergers of FM-related associations. In the same year FM was approved as scientific discipline with the first FM study at the university in Eindhoven.

2.1.2. Current situation of FM in the Netherlands

In the previous chapter the milestones of the Dutch history of facility management were sketched. Now the focus lays on how FM is seen today with its main characteristics.

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\(^{10}\) cf. Nederlands Normalisatie-Instituut: 2001, p. 6
\(^{11}\) cf. Ytisma; Ytisma: 2005, p. 20
\(^{12}\) IFMA (abb.) International Facility Management Association, cf. IFMA: 2009
Facility Management and its sourcing strategies

Facility Management within the value chain

Since FM is often related to supporting processes, the value chain model is used to define the role facility management plays within an organization.\(^{13}\)

According to Dressler the value chain can be split into primary and secondary processes by examining the added value for the organization (see Fig. 1). By performing primary processes – the core business – a company generates directly value. Hence companies possess key personnel with high expertise, know-how as well as best possible technology. Secondary processes support the core business to ensure its optimal operation. The required knowledge is hard to provide within the organization itself, since these functions only make up a small fraction and the value added is hard to be measured with figures.

Facility management – as a part of ‘other corporate and administration functions’ – is providing well-functioning facilities. There has to be an office, production hall or laboratory with the required equipment in a comfortable environment – but it is not a part of the core business and therefore organizations will look for best possibilities to get optimal support – either by providing the expertise in-house or outsourcing it to external experts.

Fig. 1: Value Chain divided into supporting processes and primary processes\(^ {14}\)

Facility Manager

Although there is a definition existing by the NEN 2748\(^ {15}\), describing the tasks and competencies of a facility manager – these may vary in a wide range and all interviewees

\(^{13}\) An exception is made for facility management providers, where FM is the core business.

\(^{14}\) cf. Dressler: 2007, p. 63

\(^{15}\) “A facility manager gives guidance to facility processes by defining and controlling the demanded facilities (regarding quality and price) that the organization can accomplish its business in an optimal way.”
agreed that there is no so-called ‘one and only facility manager’. The differences mainly derive from the business sector and the scope of the FM-department the facility manager acts in. But also the level of professionalization (operational, tactic or strategic) asks for diverse competencies. An extensive picture of the facility manager is given in the book by Corpeleijn and Schreurs, where the tasks are divided into three categories\(^\text{16}\) (management and administration, process control and management of physical surroundings).

**Education**

There are nine universities of applied sciences offering FM education on a HBO-level\(^\text{17}\) with a total of app. 6,000 students\(^\text{18}\). These universities cooperate in LOOFD\(^\text{19}\), which initiated the lectureship FM Innovation to generate new expertise, professionalize education and lecturers and connect the study with business life. The number of students is nearly constant in the last few years. Next to the HBO education there are also some master studies on university level. According to a recent research 88% of the alumni find employment, but only 55% within a FM-function. 9% of the alumni follow a master education and 3% do not find a suitable job right after graduation\(^\text{20}\).

**FM in Europe**

The Dutch association for facility management FMN plays an important role in promoting and popularizing FM within the Netherlands as well as in Europe – as a member of EuroFM\(^\text{21}\). The association is organized in different circles to advance education, publish journals and articles and work on other topics like e.g. sustainability and FM in care institutions. Through the interviews as well as articles it is stated, that FM in the Netherlands is quiet far in comparison to European standards. Great Britain and the Netherlands play a pioneering role followed by Scandinavia and Germany, whereas Southern and Eastern Europe still need to develop and implement professional FM in their business life\(^\text{22}\).

**2.1.3. Developments and trends in Facility Management**

By now FM in the Netherlands is a well-established profession with international reputation. But still it is in the phase of professionalization. Therefore the most important developments and recent trends are displayed in the next few paragraphs.

\(^{16}\) cf. Corpeleijn; Schreurs: 2004, p. 12/13  
\(^{17}\) HBO (abb.) hoger beroepsonderwijs, equals German level of a study at a university of applied sciences.  
\(^{18}\) cf. Kiesjestudie: 2008  
\(^{19}\) LOOFD (abb.) Landelijk Overleg Opleidingen Facilitaire Dienstverlening (engl. national counsel for FM education)  
\(^{20}\) cf. Corpeleijn; Schreurs: 2004, p. 10  
\(^{21}\) EuroFM is a European network of app. 75 organizations focused on FM, in more than 15 countries.  
\(^{22}\) cf. van Deursen; de Jong: 2007, p. 15
**Nota bene:**
Within this paper the distinction is made between development – the advancement and improvement of a former trend (long-term) – and trend – something new in business.

*Developments in FM*

The first and most important development as already mentioned is professionalization of facility management. It can be read in nearly every FM trade journal, it is stated by FMN and LOOFD and also by the interviewees. After FM disrobed the concierge image, it is now emerging to a profession on managerial and strategic level. I.e. FM organizations gain explicit knowledge about facility-related costs as well as qualities and processes – promoting FM to a strategic role in supportive terms.

The second progress includes the central client focus of facility processes. I.e. that facility management tries to improve its services, products and processes so that clients get appropriate support according to their needs but also with regards to financial constraints – it should not be forgotten that esp. quality improvements mostly do cost money.

The third main development is the sourcing question. Especially the issue whether to buy or make and on which level has to be answered with advanced strategies. In this context strategies like insourcing or main contracting evolved (see Ch. 2.3).

A further strong progress is made by FMIS, as important tool in supporting facility processes on IT-level it can be seen in many FM organizations with increasing numbers.

*Trends in FM*

Because each trend can be a research topic on its own, just a brief introduction is given.

**Corporate Sustainability:** It comprises the corporate social responsibility of the whole organization (3P’s) – People (How do you treat your personnel?), Planet (What do you do for the environment?) and Profit (How do you earn and invest your money?).

**FM in Care:** Care institutions face more and more competition and thereby trying to get an edge by introducing hospitality and transforming to a kind of hotel.

**Experience of FM:** This trend within the development of client focus involves hospitality and special attention on how the client perceives the delivered services (ELA).

**Flexible working:** Employees gain flexibility and organizations can save space and hence money by new office concepts (e.g. working at home, rentable offices). Also regarding the problem of traffic jams it gains popularity with fiscal incentives.

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23 FMIS (abb.) Facility Management Information Systems (German: CAFM – Computer Aided FM)
24 cf. MVO Nederland: 2009
27 cf. Fiscale stimulans voor thuiswerkers, 2008
PPPP: Public Private Partnerships describe a long-term cooperation between the public sector and private companies. A current example is the new construction of the Dutch Ministry of Finance, which will be built and operated by the private sector, where the ministry acts like a tenant in using the building.28

Retained Organization: The ‘Regie Organisatie’ as it is called in Dutch is one of the most important buzzwords within FM. In conjunction with the sourcing question the retained organization performs particular tasks in-house – mostly key functions which the company does not want to give in other hands – whereas most operational tasks are outsourced to external providers or insourced in a captive SSC (see Ch. 3.2).

The interviewees stated that main contracting will increase, hospitality will become the main focus and FM will shift towards real estate management. Thus there are diverse opinions about how FM will look like in the future. But it is certain, that the development towards professionalization and sophisticated sourcing of FM will go on. Before explaining the sourcing strategies, FM in the Dutch public sector will be the following subject.

2.2. Public Facility Management in the Netherlands

There is no literature available which explains particularly the progress of FM in the public sector. By the interviewees it was stated, that it has had in general the same movement as FM in the private sector. Therefore similar developments and trends can be recognized. The main differences can be drawn by looking at the incentives given and in terms of financing. Public organizations are not market-driven since they do not face competition. Thus there is no apparent need to work in a highly efficient and effective manner, in opposition to private companies which have to be competitive to carry on business.

However in the last few years governmental bodies are being carefully examined. By means of the New Public Management29 an entrepreneurial spirit is stimulated within public bureaucracy. Alterations in society like escalating fiscal pressure, increasingly

28 cf. Oskam; van der Vlies: 2008
29 cf. Andisani; Hakim; Savas: 2002, p. 2-12
demanding citizens and benchmarking force public institutions to enhance efficiency by adopting market principles, downsizing governmental bodies and anticipating results. In this context the Dutch government released a policy to reform central government.

In 2007 the cabinet Balkenende IV released a coalition agreement ‘The Central Government Reform Program’. The purpose is that “governmental action and service must be efficient, professional and effective”\(^{30}\) in order to provide better governmental services with fewer civil servants. The total program is said to save 630 million Euro and to decrease the number of functions by a total of 12,800, i.e. a cutback of 20-30% in terms of jobs and costs until 2011 though quality has to be maintained or increased.

The reform focuses on three sections: better policy, reduction of the administrative burden and efficient operational management – proceeding along two lines: ministries are asked to develop own action plans and supra- or inter-ministerial plans are drawn up.

With regards to better operational management – comprising FM – the inter-ministerial plan includes amongst others the establishment of SSCs or partnerships between ministries. By considering the elements of operational management as interconnected uniformity, efficiency, expertise, and flexibility should be gained. In the future there will be one Directorate-General for Central Government Operational Management under the Ministry of BZK\(^{31}\), which will be in charge for all PIOFACH\(^{32}\) tasks to set an integral framework. But each ministry will remain responsible for its own operational management. Within the given framework in form of the reform program the ministries are free to choose the best possible solution according to their needs.

### 2.3. Sourcing strategies for Facility Management

‘Where does an organization get the best possible services respectively products at the lowest possible price’ is a question nearly every organization tries to answer with sophisticated sourcing strategies. To get a comprehensive overview of the evolution of out- and insourcing of FM the model from de Rouw\(^{33}\) is displayed (see Fig. 2).

A traditional FM organization orientates itself on the supply, i.e. it offers services, which it is able to provide. By professionalization this focus changes to a proactive demand orientation – i.e. what does the client need and how can it be provided.

The next step considers how the services can be best provided, which indicates the outsourcing of services to external experts.

\(^{30}\) cf. Ministry of the Interior and Kingdom Relations: 2007, p. 4
\(^{31}\) Ministry of BZK (abb.) Ministry of the Interior and Kingdom Relations
\(^{33}\) cf. de Rouw: 2007
By this the FM organization reaches a high level of professionalization – processes are aligned, cost structures are identified and transparent, the clients and their needs are known. But this phase is mainly populated of outsourcing of single services like catering, security or cleaning without an integrative consideration.

**Fig. 2:** Development of strategic sourcing of facility management

The next development depends on the level of outsourcing and particularly the integration of facility services. The two most significant and extreme forms are shared services and main contracting. Both models often include the differentiation of management and operation of facility management with the establishment of a retained organization.

**Nota bene:**
Changing the sourcing strategy does not only mean changing the service provider. It is rather a complex alteration which esp. asks for attention for the employees. They have to adapt to new situations, develop the needed competencies and work in compliance to new methods. It should not be forgotten that esp. service quality depends on people.

### 2.3.1. Shared Services

Although SSCs are seen as a new trend to optimize back office functions, the origin was led by Alfred P. Sloan, president of General Motors (GM), in the 1920s. The predominance of Ford forced Sloan to be innovative by organizing GM into divisions – a strategy capable to compete with Ford. But shortly after redundancy of supportive functions entailed efficiency losses, which were resolved by centralizing the services, detached from the divisions and insourced to the corporate headquarter. The first SSC was deployed.\(^{34}\)

Many companies followed the paradigm of GM by splitting the organization into divisions – though not applying shared services. This led to complex back-office functions (decentralized services per division). In the last 20 years especially these services became the focus to keep organizations ‘healthy’ by decreasing their supportive apparatus. By

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\(^{34}\) cf. Dressler: 2007, p. 10
implementing SSCs cost savings of about 20-50% regarding administrative functions can be achieved within the first two years\textsuperscript{35} – mainly due to the following aspects\textsuperscript{36}:
- reduction of costs caused by decentralization, lack of efficiency, no standardization,
- increasing professionalization, quality and productivity of supportive processes,
- realizing synergies (by economies of scale), flexibility and transparency.

The SSC is a captive accountable entity with its own budget, tasks, independent governance model and employees – who are not controlled by employees from the operative organization receiving the service but directed by the SSC-manager. The shared service center is often established as a cost center, but in some cases as a profit center, indicating the provision of services to external parties.

Table 1: Alternatives of setups of shared service centers\textsuperscript{37}

<table>
<thead>
<tr>
<th>Price setting</th>
<th>Cost Center</th>
<th>Service Center</th>
<th>Profit Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relation</td>
<td>Cost-price</td>
<td>Cost-price with margin</td>
<td>Market conform price</td>
</tr>
</tbody>
</table>

The quality, quantity and costs of the services to be performed are mutually agreed, mostly in a SLA\textsuperscript{38} between the SSC and the internal organization. With regards to the Netherlands there were app. 100 SSCs established in 2003\textsuperscript{39} with an increasing trend. Although the general definition is clear, there can be diverse setups (functional, independent multi functional, stand alone\textsuperscript{40}) depending on the governance of the SSC within the organization as well as the location\textsuperscript{41}.

Regarding the functional setup of a SSC the following differentiation can be made:\textsuperscript{42}
- Intra-departmental SSC: consolidation of different functions (e.g. ICT, FM) in one SSC for one ministry (e.g. directorate operational management, see Ch. 3.1).
- Inter-departmental SSC: joining of one function (e.g. FM) in one SSC for all ministries (e.g. FaSam, see Ch. 3.1).

\textsuperscript{35} cf. Strikwerda: 2005, p. 1  
\textsuperscript{36} cf. Strikwerda: 2005, p. 4  
\textsuperscript{37} cf. Poels: 2006, p. 128  
\textsuperscript{38} SLA (abb.) Service Level Agreement  
\textsuperscript{39} cf. Strikwerda: 2005, p. 1  
\textsuperscript{40} see Dressler: 2007, p. 52  
\textsuperscript{41} inshore: SSC is situated in the same country as the headquarter, onshore: SSC is located in a nearby country on same continent than the headquarter, offshore: SSC is located on another continent  
\textsuperscript{42} Interview Henk Rietveld
A captive shared service center can be a temporary solution. With the help of establishing a SSC, processes and costs can be harmonized and consolidated internally – providing a good basis for sourcing the processes from the market to gain further efficiency.

**2.3.2. Business Process Outsourcing**

The core of SSCs and business process outsourcing is the question whether to ‘make or buy’. Whereas SSCs represent the make-decision, BPO\(^{43}\) presents the buy-choice.

As already mentioned facility services (e.g. catering or cleaning) mostly have been outsourced as single services to separate service providers. Since the last ten years there is nearly no organization, cleaning their facility or providing catering services on their own.\(^{45}\) The next phase of sourcing (see Fig. 3) was to bundle services into service-packages and outsource these to one supplier – also called multi-services. Thereby management is kept inside the client organization. Though multiple services were provided by one supplier the synergies in form of efficiency gains did not occur to the desired extent. BPO in terms of FM is represented in the third phase of outsourcing and can be found under names like integrated FM, total FM or main contracting. Its definition reads:\(^{46}\)

| BPO is a business relation where a service provider takes over a complete business process or even business function, thereby including process-supporting IT. |

By this means service providers do no longer offer just services, but “A world of facility services”\(^{47}\). I.e. all operational and managerial activities are carried out by the service provider. The client’s role is reduced to strategic tasks to focus as much as possible on its core business. Because of the novelty and the high complexity the anxiety of losing con-

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\(^{43}\) BPO (abb.) Business Process Outsourcing  
\(^{44}\) Interview Chris Ottenhoff  
\(^{45}\) cf. van der Hoven: 2008 Nearly 99% of the Dutch organizations outsourced one or more FM services.  
\(^{46}\) cf. Dressler: 2007, p. 70  
\(^{47}\) cf. ISS: 2009
Facility Management and its sourcing strategies

trol is common amongst organizations and therefore there are very few cases – e.g. Philips with its main contractor Arcadis Aqumen and KLM\textsuperscript{48} who outsourced FM to Sodexo.

Both strategies try to create these advancements – though probably to another extent:
- increase in efficiency, effectiveness and quality through economies of skill,
- decrease of costs through economies of scale and scope,
- output-orientation through well-defined service levels and performance indicators.

2.4. Summary

Within this chapter facility management in the Netherlands is introduced, its most important characteristics and the current trends and developments are examined. As to the Ministry of VWS facility management in the public sector is depicted. With regards to sourcing strategies the sourcing development of FM is pictured and the two most important strategies – shared services and business process outsourcing – are presented.

Insourcing facility services to a SSC or contracting integrated FM to a BPO provider is often linked to the establishment of a retained organization forming the interface between the client organization and the service supplier. The characteristics and functions of a retained organization will be given, amongst others, in the following section.

\textsuperscript{48} Koninklijke Luchtvaart Maatschappij (Dutch Airline)
3. Retained Organization of the Ministry of VWS

The following section introduces the Ministry of VWS and presents its particular sourcing strategy for facility management with the setup of a retained organization.

3.1. Ministry of Health, Welfare and Sport

With the slogan ‘Caring for people in a healthy society’ minister Ab Klink and 5,000 civil servants of the Ministry of Health, Welfare and Sport are developing policies in the field of health care, social support, and sport. The ministry encourages people amongst others to live healthily, smoke less, and drink moderately and to engage in sports – as sponsor of top-level sports. Furthermore it supports indigent people to strengthen social infrastructure in cooperation with the Ministries of Economics, Education and Housing.\(^{49}\)

‘Samen zorgen voor beter’ – together caring for better

With the initiative ‘Samen zorgen voor beter’ the ministry tries to comply with the governmental reform. It will cooperate interdepartmentally in the fields of audit functions, advisory bodies, communication, and ICT. A smaller ministry implies 888 FTE’s\(^{50}\) less. A better ministry will be achieved through an adjusted top structure, clear horizontal steering, an adequate policy cycle and a good work-life balance.

The ministry states in the plan of action\(^ {51}\) that supportive tasks will be thinned more than core processes. The affected supportive departments (PIOFACH) will be joined in one directorate operational management (DBV\(^ {52}\)), comprising the retained organizations.

‘Moderne Facilitaire Ondersteuning’ (MFO) – modern facility support

The FM department (ICT and facility services) of the ministry set up a vision\(^ {53}\) depicting the key objectives next to complying with the central governmental reform program:

- guarantee business continuation also with regards to changes in the future,
- increase efficiency and effectiveness of facility and ICT services and products,
- make use of economies of scale and scope to increase quality and reduce costs.

For that reason the ‘MFO’ was initiated in 2007, as the particular reform program of the ministry for facility management and ICT to realize the abovementioned aims.

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\(^{49}\) cf. Ministry of Health, Welfare and Sport: 2009

\(^{50}\) FTE (abb.) Full-time employee

\(^{51}\) cf. Ministry of Health, Welfare and Sport [01]: 2007, p. 8

\(^{52}\) DBV (abb.) Directie Bedrijfsvoering (engl. directorate operational management)

\(^{53}\) cf. Ministry of Health, Welfare and Sport [02]: 2007
This program models the solution of the ministry (see Fig. 4) – in the form of a retained organization where operative services are insourced as far as possible within public SSCs.

I.e. that the facility organization of the ministry has to undertake a restructuring by separating management (incorporated in the retained organization) and operation – insourcing the facility and ICT services to a suitable public SSC.

Fig. 4: Future organization of the facility department of the Ministry of VWS

To get a better understanding of the features of a retained organization, it is examined in general in the following paragraph – providing the basis for the empirical research.

3.2. Retained organization

Key aspect of a retained organization – whether it is done by one person or a team – is its intermediary role between the internal client organization and the service supplier. Furthermore it implies the splitting of management and operation. Using the example of FM, the operation and coordination of facility services is provided by the service supplier. The management (mostly output-orientated) is done by the retained organization:

The retained organization is responsible for policy and advice, steering and controlling and assigning tasks to the service provider.

De Rouw provides an overview of the functions of the retained organization.

Fig. 5: Setup of the retained organization and its domains

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54 Ministry of Health, Welfare and Sport [03]: 2007, p. 5
55 cf. de Rouw: 2008
56 de Rouw: 2008
The two main domains of the retained organization are the supplier perspective (including contract management and control management) and the client perspective (including client management and policy, innovation, and advice). Operations comprise the delivery of services like catering, cleaning, building maintenance, post services, and ICT-services.

*Nota bene:* There are different kinds of clients:

- **Client** = defines the demand, pays the services and signs the contracts.
- **Customer** = acts within the contract, assigns tasks and controls and steers.
- **Consumer** = (also called user) is in most cases the employee receiving the services.
- **Customer** – in this context – is the retained organization. Therefore in the following research only the differentiation between client and consumer is made.

The degree and scope of the retained organization may vary depending on the sourcing and organizational strategy. I.e. a small retained organization acts on strategic level when it comes to main contracting whereas the retained organization often performs more tasks when services are insourced to a SSC. The retained organization will mostly maintain multiple relationships with suppliers (multiple sourcing) – suitable for the particular services. With regards to the ministry facility services will be insourced to another SSC than ICT services – implying more than one contractual relationship with suppliers for FM services.

The added value of the retained organization is seen through its intermediary role as well as its role as service integrator by coordinating multiple suppliers. This includes especially professionalism, expertise and know-how of the employees of the retained organization. They manage the demand side towards the client by translating the client’s needs into functionalities. They also manage the supply side by controlling if the services are fitting as to the requested functionalities, quality and costs. I.e. the retained organization is a mediator – able to communicate and understand properly its clients and suppliers.

The abovementioned advantages were amongst others the incentives for the Ministry of VWS to opt for the establishment of a retained organization. Within the detailed draft the master plan for the retained organization of the ministry is given (see appendix 2). The mission reads as follows:

The retained organization cares for a healthy facility (incl. ICT) environment in the Ministry of VWS on the basis of current and future needs not linked to locations, places and time. It does it efficiently, appropriately and professionally.

Additional expected benefits are depicted, too, which are briefly formulated as follows:

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57 With the exception of contracting a BPO provider as the only service supplier.
- insights per client as well as per service and product,
- a common view of the kind and level of service delivery,
- transparency and quality of service delivery which fit the client’s expectations,
- output-oriented services and products for an uncomplicated assessment.

3.3. Retained organization for ICT services of the ministry

Due to the complexity of ICT the insourcing actions are handled apart from facility services. Insourcing ICT is the first and still apparently strong focus of the FM department.

In July 2008 in the governmental decision between the Ministry of VWS and the Ministry of VenW both parties declared their intention to place the operational ICT services in the SSC of the Ministry of VenW (SSO-ICT). In October 2008 the services were transferred to the SSO-ICT. After three months the transition period was completed, and the transformation started by aligning and harmonizing processes and systems.

Regarding the sourcing question of facility services the Ministry of VWS declared its intention to join the Ministries of Justice and BZK by insourcing the facility services to FaSam (under the condition that FaSam is part of the ‘Werkmaatschappij’\textsuperscript{59}).

The so-called ‘Werkmaatschappij’ is an autonomous unit of the Ministry of BZK. As a kind of expertise-center it allocates PIFOACH-functions organized in SSCs, partnerships or other intergovernmental co-operations – which changed their typical public cash basis accounting system to a revenue and expense-system.

In September 2008 the Ministry of VWS delivered a request for proposal to FaSam – a framework describing the current products and services with service levels and the particular clients. After receiving an offer including cost-prices from FaSam a business case is set up by the ministry. If this analysis shows that the costs are ± 5-10\% and all the other framework conditions are fitting, FaSam will be the sourcing partner for the Ministry of VWS and further negotiation regarding the transition will be initiated.

Insourcing services within public organizations is a large undertaking. Because there are no other examples yet proving that it will work properly, the Dutch government ‘allows’ multiple SSCs for one service. Regarding facility services there is a second SSC represented by ‘4FM’, providing facility services to the Ministries of Transport, Public Works and Water Management, of Foreign Affairs, of Social Affairs and Employment, and of Housing, Spatial Planning and Environment.

\textsuperscript{59} cf. Warffemius: 2008
3.3.1. Current control and steering function

The Ministry of VWS developed two schemes – one displaying the relations and one indicating the control and steering functions of the retained organization.

The relational model depicts the four main relationships the retained organization has to maintain (see Fig. 6). These partners display the most important stakeholders of the retained organization to perform its primary process with regards to the control function. In other words these relationships have to be managed properly to maintain control of the primary process of the retained organization.

![Fig. 6: Relational scheme of the retained organization](image)  

Further on this model shows the field of tension between client and consumer – which only exist if the client disposes over an own budget. Otherwise the number of relationships will decrease to three due to the elimination of clients and just keeping consumers. Other parties like labor unions, citizens, and other associations which may influence the retained organization or vice versa are excluded within this model. Regarding particularly the control and steering function these parties have a minor importance.

**Management**

The management is represented by the Secretary-General or his/her representative. This function determines the policy, settles the budget, defines the standard functionalities to be delivered and embodies at the same time the main client – in form of all divisions.

**Client**

Within the ministry there is a sum of app. 30 clients – divisions, which administer an own budget and therefore are able to ask for additional services on top of the standard services. The clients determine the content and quality of the extra services (standard plus or made-to-measure services) in a client specific SLA and pay for it separately. The received standard services are financed out of the general budget decided by management.

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60 Ministry of Health, Welfare and Sport: 2008, p. 8
Consumer

A consumer is every employee receiving the services, which are agreed upon with management or client. A client can also be a consumer regarding standard services, whereas a consumer cannot be a client, thus has no direct possibility to alter or add services.

Suppliers

The demanded services are performed by suppliers. Therefore the retained organization handles two different kinds of SLAs – one settled with its clients and one with its supplier. The client defines functionalities, whereas the SLA with the supplier contains the translation of functionalities into particular services. Both SLAs define qualities and costs, allowing the control of specified outputs in form of the delivered services.

An overview of the detailed functions of the retained organization is displayed in appendix 3. With regards to the above given domains (see Fig. 5) they read as follows:

<table>
<thead>
<tr>
<th>Business orientation:</th>
<th>Client orientation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>contract and control management</td>
<td>client management, policy, innovation, advice</td>
</tr>
<tr>
<td>contract management,</td>
<td>relationship management,</td>
</tr>
<tr>
<td>financial control,</td>
<td>strategy translation,</td>
</tr>
<tr>
<td>performance management,</td>
<td>process monitoring and coordination,</td>
</tr>
<tr>
<td>quality assurance,</td>
<td>steering on results.</td>
</tr>
<tr>
<td>information management.</td>
<td></td>
</tr>
</tbody>
</table>

Furthermore the retained organization employs a model for the steering and control function (see Fig. 7). Before explaining this scheme the definition of control and steering is given – a simplified example by means of a car\(^{61}\) – to provide a common understanding:

Press the accelerator, and a car speeds up. Turn the steering wheel, and it changes direction. Press the brake pedal, and the car slows down. With these devices, speed and direction are controlled. If any of them are inoperative, the car is out of control.

The difference between control and steering is characterized by its time horizon. Control is done afterwards – the check between the planned performance and the actual performance (Is the car still on its right track/ right speed?). Steering is done before (i.e. determination of the route for the car) as well as after the control to correct the performance.

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\(^{61}\) cf. Anthony; Govindarajan: 2007, p. 2
The control and steering scheme displays five issues to be in control:

1. Contracts and agreements – Including SLAs (with clients and suppliers) as well as the management of these agreements.
2. Requests, alerts, claims, projects – Service desk as means (telephone, email, personal) to make alerts, ask for information, etc..
3. Delivery – Performance of the services which were asked.
5. Relationship management – Assessment of client/consumer satisfaction if agreed services comply with client’s needs.

The control function of the retained organization will focus on the results of the service delivery, also called output-orientated performance control.63

### Input-orientation:
Focus on effort parameters before service delivery.

### Output-orientation:
Focus on quantitative and qualitative results of service delivery.

### Outcome-orientation:
Focus on actions taken by the client after service delivery.

Thus the service quality is determined by outputs like e.g. room temperature, availability of building equipment or tidiness – and not e.g. by the frequency of cleaning.

### 3.3.2. Service quality

Due to the fact that FM is almost composed of services the following paragraphs will briefly provide information about the most important features of service quality.

**Service**

A service is the provision of performance potentials, i.e. the willingness and ability of the service supplier to perform in form of personnel, objective or immaterial resources.64 By

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64 cf. Güthoff: 1995, p.3
this performance no material goods are made nor do they focus on the material worth of a produced commodity (e.g. cleaning, catering, and security).

**Quality**

Quality, in general, defines the attributes, characteristics or the value of an object.\(^{65}\) If it comes to service quality a value-orientated quality connotation is employed. I.e. the service quality is assessed subjectively by the client by comparing the perceived service performance with his/her expectations (which in turn depend on experiences, ideals and personal needs).\(^{66}\) It indicates that there is no common accepted understanding of the quality of a service which makes it rather a complex issue – e.g. an employee may perceive the cleanliness of an office as sufficient whereas an colleague still experiences it as dirty.

The ServQual\(^{67}\) method is a common instrument to consider the complexity of service quality. As basis for this technique the Gap-model is applied – depicting the experienced quality as discrepancy between expected and actual perceived performance by the client.

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\(^{65}\) cf. Bruhn: 1997, p. 23
\(^{67}\) ServQual (acr.) Service and Quality
\(^{68}\) Güthoff: 1995, p. 70
- Gap 1: Wrong conception of the service supplier of the client expectations.
- Gap 2: Wrong conversion of the client expectation by imprecise service levels.
- Gap 3: No compliance of service performance with service levels.
- Gap 4: Missing or wrong communication between service supplier and client.

The model can be employed for the relation between the client and the retained organization as well as for the relation between the retained organization and the service supplier. I.e. the chance to fail doubles due to the fact that there is an additional layer between client and supplier. The clients have to communicate their needs, the retained organization has to translate the needs into functionalities and the supplier has to deliver concrete services in the defined quality and costs. To ensure that such a complex process chain works properly, the exposed gaps have to be minimized or eliminated and clear SLAs have to be negotiated to manage the expectations of the client and the service delivery of the supplier.

In addition to the well-understanding of the client’s need the service supplier has to consider the following aspects arising from the ServQual model\(^\text{69}\):

- Tangibles - Pleasantness of the employees and facilities of the supplier.
- Reliability - Service performance by the supplier according to the specification.
- Responsiveness - General willingness and speed in answer to client’s needs.
- Assurance - Capability, civility, and security of the service supplier.
- Empathy - Accessibility and communication of the service supplier.

All these features affect the service quality perceived by the client. Therefore it is essential to be aware of all the possible gaps.

3.4. Summary

First of all the Ministry of Health, Welfare and Sport is introduced as well as its particular program to insource FM and set up a retained organization. Furthermore the key characteristics of the retained organization are presented and the features of services and service quality are described with the help of the ServQual model.

The case of ICT sourcing forms the foundation for the further research, whereupon the insourcing of facility services to FaSam will follow. The purpose is to evaluate if the current models and means of the retained organization are appropriate and sufficient to examine potential improvement measures.

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\(^{69}\) cf. Güthoff: 1995, p. 51
4. Empirical Research and Analysis

After defining the theoretical fundamentals answering of the main question: “How can the retained organization of the ministry strengthen its control and steering function to assure the delivery of facility services appropriate to the client’s needs?” will be the subject of this chapter. As already mentioned the schemes as well as the instruments of the retained organization will be examined as to appropriateness and practicability.

Because of the limited literature available interviews were conducted, thereby investigating how other retained organizations fill in the particular roles, manage the relations and keep control. This section describes the interview setup and introduces the investigated organizations. In addition the analysis results are given as input for the best practices.

4.1. Empirical research

To analyze in particular the retained organization-supplier relationship, all links, the retained organization has to care for, have to be considered. The retained organization can have the best relation with the suppliers, but the client may not be satisfied. Thus, it is inevitable that the research covers the whole system. By this reason the relational scheme is employed as basis for the interview guide. Another motive for choosing this model – and not directly the steering and control scheme – is the fact that there is a high diversity of retained organization setups which prohibits disregarding the complete configuration.

4.1.1. Interview guide

The current model is added by the three levels of strategic, tactic and operational decision-making (see Fig. 9) to better distinguish the potential instruments.

![Fig. 9: Relational scheme of the retained organization with levels of decision-making](image)

70 Leon-Paul de Rouw and Claudia Jung
Out of this model the four relationships are taken and two general aspects, environment and lessons learned, are added. Each of the topics, except lessons learned, is complemented with a hypothesis.

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Topic</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Environment</td>
<td>Shared services is the best opportunity to get the needed facility management support for the organization.</td>
</tr>
<tr>
<td>2</td>
<td>Management – retained organization</td>
<td>The functions of the retained organization are policy and advice, steering and control.</td>
</tr>
<tr>
<td>3</td>
<td>Client/ consumer – retained organization</td>
<td>The retained organization must understand and translate the client's needs of functionalities into services.</td>
</tr>
<tr>
<td>4</td>
<td>Supplier – retained organization</td>
<td>Contractor and service supplier have to be partners. The retained organization must not over-control the supplier.</td>
</tr>
<tr>
<td>5</td>
<td>Service delivery</td>
<td>The service supplier has to work market-conform with best skilled employees and best technologies to deliver the needed services and products.</td>
</tr>
<tr>
<td>6</td>
<td>Lessons learned</td>
<td>-</td>
</tr>
</tbody>
</table>

To examine whether the hypotheses can be verified or not, detailed questions enhance the hypotheses. These questions were answered according to a 1-5 scale (see Table 2) to get comparable results assessing the approval and importance of the examined aspects by the interviewees.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>agree completely/ most important</td>
</tr>
<tr>
<td>2</td>
<td>agree/ important</td>
</tr>
<tr>
<td>3</td>
<td>so – so/ neutral</td>
</tr>
<tr>
<td>4</td>
<td>rather disagree/ rather unimportant</td>
</tr>
<tr>
<td>5</td>
<td>disagree completely/ unimportant</td>
</tr>
</tbody>
</table>

The judgment of which aspects are of high or low importance is valuable to get a clear view of which instruments are appropriate and can be applied later on within the ministry. But because there is not yet that much theoretical proven information and most organization developed their own best practices, most of the questions were challenged. I.e. queries for ‘Why do you think it is important?’ as well as ‘How do you apply the instruments?’ were added to research in detail how the investigated organizations function. The comprehensive interview guide can be found in appendix 4.
4.1.2. Introduction of the researched organizations

Before the analysis of the interviews is displayed, the investigated organizations are shortly introduced. The intention was to examine a well-mixed and therefore representative sample. It was chosen to split the sample into public and private organizations. Five interviews were held for each cluster. Within the public sample, two other ministries (1, 2), two organizations with a SSC on municipal level (3, 4) and a municipality starting with a SSC (5) were interviewed. For the private sample, three companies with a SSC (6, 7, and 8), one company with a centralized facility management (9) and one main contractor (10) were investigated. Additionally two independent advisors (11) were asked.

1. Ministry of the Interior and Kingdom Relations and FaSam

The Ministry of the Interior and Kingdom Relations is one of the 13 Dutch ministries whose tasks are, amongst others, to uphold the Constitution, to guarantee the democratic rule of law and to ensure an effective and efficient public administration. App. 2,000 civil servants formulate policy, arrange legislation and supervise, and implement the policies.\textsuperscript{71} In June 2004 the Secretary-General of the Ministry of BZK and the Ministry of Justice decided to join the operation of their facility services in the context of the construction of their new housing. Despite the construction delay of four years (new deadline 2012) they established FaSam – their SSC for facility services.

The facility services are insourced to FaSam with a contract period of five years. The retained organization within the ministry is responsible especially for innovation, policy and quality functions. With the start of 2009 FaSam will join the ‘Werkmaatschappij’ including the transformation from the cash-liability system to a revenue-expense system.

Although the organizational structure is mainly settled, both organizations have to grow into their new roles and implement the instruments in order to be in and maintain control. E.g. the SSC does not have a quality management system yet, there is no proper reporting system and the service level agreement does not define service levels and KPIs\textsuperscript{72} in an efficient way. These facts do not imply that the delivery of facility service is inappropriate, quite the contrary: the operations are well organized, both parties have a good communication system and the client/consumer is generally satisfied (score \textasciitilde7\textsuperscript{73}). Thus the adequate functioning on operational level has to be extended on tactic and strategic level, i.e. getting a clear picture of the demand, managing the client’s needs efficiently and defining meaningful indicators for proper performance management and assessment.

\textsuperscript{71} cf. Ministry of Health, Welfare and Sport: 2009
\textsuperscript{72} KPI (abb.) Key Performance Indicators
\textsuperscript{73} Scale from 1-10: 1 = not satisfied, 10 = totally satisfied
2. Rijkswaterstaat and the ‘Corporate Dienst Facilitair Bedrijf’

The Directorate-General for Public Works and Water Management (RWS\textsuperscript{74}) is a one of the executive departments of the Ministry of VenW\textsuperscript{75}. It administers the Dutch road networks, waterway networks and the national water system.\textsuperscript{76}

Because of its function it is located throughout the Netherlands. In 2008 reorganization took place with the result of one ‘corporate dienst’, located in Utrecht and including amongst others the facility management (called ‘Corporate Dienst Facilitair Bedrijf’).

Although it is stated that the ‘Corporate Dienst Facilitair Bedrijf’ is a SSC and Rijkswaterstaat has a retained organization – it does not. Following the formal definition of a SSC, there is an agreement missing determining the services with cost-prices and quality. There is a product and service guide which could be the basis for such an agreement. Furthermore there is no differentiation between management and operation – no intermediary function, thus no retained organization. FM at the moment is more like a centralization, where service are provided by the ‘Facilitair Bedrijf’ or sourced from external suppliers.

The further steps – said to be taken, show the ambition to become a SSC. E.g. get insights into costs and prices, implement a FMIS or decrease the number of sub-suppliers.

3. Dordrecht and the Servicecentrum Drechtsteden (SCD)

Dordrecht, also called Dordt, is a city as well as a municipality in the province of South-Holland with app. 117,000 inhabitants. It is part of Drechtsteden – a union\textsuperscript{77} of six municipalities (Dordrecht, Zwijndrecht, Papendrecht, Alblasersdam, Hendrik Ido Ambacht and Sliedrecht), which decided to join certain policies and operational activities.

The Servicecentrum Drechtsteden started in April 2008 to deliver PIOFACH-services to the municipalities of Drechtsteden, Drechtsteden itself as well as Zuid-Holland-Zuid\textsuperscript{78}. All these eight organizations are the clients of the SCD and the entity’s owner as well. Each organization has a small retained organization with regards to the above mentioned PIOFACH-tasks (at least one person in charge of this role, in Dordrecht called ‘procesregisseur’). The SCD is performing a wide range of functions, not only on operational level, like e.g. advising tasks due to the limited capacity of the retained organization.

Dordrecht signed the contract with the SSC for three years. The transition went smoothly in general. The next steps are to standardize and harmonize the services and (ICT) systems of the clients and to implement a quality management as well as a reporting system.

\textsuperscript{74} RWS (abb.) Rijkswaterstaat (engl. Directorate-General for Public Works and Water Management)
\textsuperscript{75} Ministry of VenW (abb.) Ministry of Transport, Public Works and Water Management
\textsuperscript{76} cf. Rijkswaterstaat: 2009
\textsuperscript{77} Drechtsteden is a communal settlement.
\textsuperscript{78} Zuid-Holland-Zuid is a communal settlement as well.
4. Eemnes and the ‘BEL Combinatie’

Eemnes, a city as well as municipality, is located in the center of the Netherlands. With app. 9,000 inhabitants it is quite a small and green city in the ‘Eemland’ district.

The three municipalities Blaricum, Eemnes and Laren (of the provinces Utrecht and Noord-Holland) set up the shared service center called ‘BEL Combinatie’ with the beginning of the year 2008. This SSC – settled as WGR\textsuperscript{79} – provides not only the PIOFACH-services to all three clients but indeed all the services on behalf and in the name of the three municipalities, who also form the executive board of the ‘BEL Combinatie’.

The contract with the SSC includes a SLA, whereupon three responsible persons (retained organization) from Eemnes control and steer the SSC. The municipality as well as the citizens of Eemnes receives services performed by the ‘BEL Combinatie’. The services are split into a basis package for all municipalities and additional services, which are negotiated with each municipality separately.

Much like the Servicecentrum Drechtsteden, the ‘BEL Combinatie’ just passed the transition and implementation period. The focus of Eemnes for the next year lies in getting more insights into the performance of the SSC with the definition of appropriate KPIs and CSF\textsuperscript{80} to control and steer the output of the services and the satisfaction of citizens, clients and partners of the municipality of the services delivery by the ‘BEL Combinatie’.

5. Enschede and the ‘Netwerkstad Twente’

The city and municipality Enschede is situated in the east of the Netherlands, in the province Overijssel. App. 155,000 inhabitants are living in the university town.

The Netwerkstad Twente is a collaboration in amongst others the field of operative management including the five townships Enschede, Borne, Hengelo, Almelo, Oldenzaal, and the ‘Regio Twente’. Already five years now this alliance works together on operational activities, by means of cooperative projects (e.g. purchasing) on voluntary basis. This situation does not imply a shared service center or retained organization but it points towards the direction the Netwerkstad Twente wants to go.

This vision is strengthened by the implementation of the first SSC in this region for the local tax office for the three townships Enschede, Hengelo and Borne starting in January 2009. This organization will be set up similar to the model of the ‘BEL Combinatie’ – the shared service center as WGR.

\textsuperscript{79} WGR (abb.) Wet gemeenschappelijke Regeling (engl. communal settlement)

\textsuperscript{80} CSF (abb.) Critical Success Factor(s)
6. Nuon and its ‘Facilitair Bedrijf’

Nuon, a Dutch energy company, supplies about 2.5 million clients in the Netherlands, Germany and Belgium. App. 9,900 employees care for a trouble-free energy supply. Nuon organized its facility management in the shared service center called ‘Facilitair Bedrijf’. Since 2008 the company joined the SSCs for facility management, human resources and finance and accounting into one intradepartmental shared service center. The ‘Facilitair Bedrijf’ handles a service level agreement and works with a sophisticated FMIS, including a dashboard for performance control. I.e. the facility SSC is fully implemented with all needed instruments to deliver facility services appropriate to the client’s needs. Tasks of a retained organization are included in the SSC (called ‘bedrijfsbureau’), thus there is no explicit splitting between operation and management in form of a separate retained organization. Services provided by the SSC are performed by external suppliers as well as by internal SSC-employees.

Following the governmental mandate Nuon was split into two organizations in the mid of the year 2008. Nuon stays responsible for the production and supply of energy, whereas Alliander gets in charge of the networks. Both organizations will have one SSC each – this splitting and implementation displays the focus of the current activities to be taken.

7. Parnassia Bavo Group and its ‘Service Centrum’

The Parnassia Bavo Group is a Dutch organization – formed by fusions and consisting of six specialized companies for mental health care. App. 7,500 employees are providing health care in above 180 locations, esp. in the western part of the Netherlands.

In 2006 the organization implemented a shared service center (called ‘Service Centrum’) for finance and accounting, human resources, advice, ICT and building maintenance for the holding. There is a differentiation of three levels of services to be provided by the SSC. The Board of Directors negotiated a management contract ‘tasks’ with the ‘Service Centrum’, defining the strategic tasks which have to be purchased from the SSC. The interdepartmental governance (‘Concernraad’), consisting of the six companies, decide about the cooperation of operational tasks, which can be provided by the SSC or externally. Additionally SLAs can be settled between the company itself and the SSC for services (like catering, security, etc.) which can be performed by the ‘Service Centrum’, but also purchased from any other market supplier by the different companies.

There is no retained organization as intermediary between the clients and the ‘Service Centrum’. Agreements are directly negotiated and also the reporting is done directly from SSC to client respectively management.
With regards to control and steering, the SSC provides its clients and management with up-to-date information and indicators with the help of a dashboard and reports on a monthly or quarterly basis. Further on consumer (patients and employees) satisfaction surveys are conducted (at least once a year) as well as benchmarks and audits.

8. Delta Lloyd and its ‘Facilitair Service Bedrijf’ (FSB\(^{81}\))

The Delta Lloyd Group – a financial service provider – offers banking services, asset and property management, insurances and mortgages by its units Delta Lloyd, Erasmus Insurances, OHRA en ABN AMRO Insurances. It is a part of the biggest British insurance company Aviva. App. 5,500 employees are working for the Delta Lloyd Group, which besides the Dutch market, is represented in Germany and Belgium.

In 2004 the separated FM organizations of the Delta Lloyd Group were centralized into one SCC – the ‘Facilitair Service Bedrijf’. This SSC provides 26 services to ten locations throughout the Netherlands. By complying with the strategy set by the Board of Directors, the SSC transformed into a retained organization with app. 25 employees. All facility services are already outsourced or in the progress of being outsourced to external suppliers, thereby bundled as much as possible to keep a small number of contractors.

Service level agreements are settled internally with the directors of the business units. These documents differentiate between standard services – provided for all business units in the same way, catalogue services – provided on request from the client and made-to-measure services. These functionalities are translated into services and products which are included in the SLAs with the external service providers.

The FSB operates one central service point and uses a sophisticated FMIS which amongst others provide meaningful performance measurements. Further on the retained organization gets monthly reports from the external suppliers, carries out client satisfaction surveys throughout the year (with a percentage of the total amount of employees, thus in two years every employee is interviewed once) and lets done external audits on the SLAs with its service providers.

9. Heineken and its ‘Facilitair Bedrijf’

Heineken is one of the world’s greatest brewers, founded 1863 by Gerard Adriaan Heineken. The brand Heineken – the “world’s most valuable international premium beer brand”\(^{82}\) – is available in almost every country, next to more than 170 international, regional, local and specialty beers.

\(^{81}\) FSB (abb.) Facilitair Service Bedrijf (engl. facility service organization)

\(^{82}\) Heineken Nederland: 2009
Since 2008 the facility management organizations of Heineken are consolidated in one ‘Facilitair Bedrijf’ for the twenty locations in the Netherlands. Because there is just a service and product guide in place and no agreement describing cost-prices and quality levels per service between Heineken and its ‘Facilitair Bedrijf’ it is not a matter of SSC. There are app. 80 Heineken employees working in the ‘Facilitair Bedrijf’, providing facility services on their own (esp. services close to production) whereas catering and most cleaning services are contracted to external service providers with SLAs. FM is characterized by its operational setup where strategic and professional procedures evolve. There is no separation between client and consumer. The service and product guide is negotiated with the Board of Directors, whereupon the locations have to follow. The ‘Facilitair Bedrijf’ communicates with the locations, but there are limited options to influence services – due to the fact, that they are no longer in charge of an own budget.

10. Sodexo Altys as integral facility management provider for KLM

Since April 2007 Sodexo Altys acts as integral FM provider for the Dutch airline KLM. Sodexo emerged from a catering company to a full facility management provider, offering Food Services, FM Services, Remote Sites Services and party catering & events. The contract KLM signed with Sodexo has duration of five years, including 41 services on 80 locations. Thereby app. 300 employees transferred from KLM to Sodexo. Within KLM a small organization of eight people (Real Estate & Facility contracting) retained, responsible for the demand management, controlling and steering. The contract includes a service level agreement with a total of 152 output-orientated KPIs (for each service app. 2-3 indicators) which have to be measured by Sodexo and reported regularly to KLM. The services are differentiated into regular services – provided for all consumers on the same level and frequency, standard services – predefined, but only performed on request and made-to-measure services. Next to the performance management with the help of the defined KPIs, Sodexo carries out client satisfaction surveys. Sodexo is responsible for all management activities of the delivered services and comprises as well a great part of advice tasks for KLM. Nevertheless, the final decision on strategic level is taken by KLM.

11. Independent advisors

In addition to the examination of other retained organizations two independent advisors were interviewed: Chris Verhoef – a well-known and high-valued IT professor at the VU University Amsterdam and Chris Wauters – an expert in the field of IT in- and outsourcing in Het Expertise Centrum, an advisory agency specialized in government consultancy.

83 cf. Varossieau: 2008
Before providing the analysis a short overview and justification will be given. Although sourcing facility management into a SSC does not necessarily imply having a retained organization, a SSC has relationships with the overall management, the clients and consumers and external suppliers, too. Due to the fact that the control and steering tasks of the retained organization are incorporated by the SSC, organizations with a SSC, but no retained organization, are included in the analysis as well. Because Enschede and RWS neither have a SSC nor a retained organization the two interviews will only be considered regarding its suggestive or indicative answers.

The following table shows the configuration of FM of the above described organizations.

<table>
<thead>
<tr>
<th>Table 4: Organizational overview of the interviewed organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organization</strong></td>
</tr>
<tr>
<td>Ministry of BZK (RWS)</td>
</tr>
<tr>
<td>Dordrecht</td>
</tr>
<tr>
<td>Eemnes (Enschede)</td>
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<tr>
<td>Nuon</td>
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<tr>
<td>Parnassia Bavo Group</td>
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<tr>
<td>Delta Lloyd</td>
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<tr>
<td>Heineken</td>
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<tr>
<td>KLM (Sodexo)</td>
</tr>
</tbody>
</table>

Although there are different names of the retained organization – which do not make it directly obvious – mostly the epithet of ‘regisseur’ indicates this intermediary function.

4.2. Analysis of the interviews

The interview guide was answered by all organizations. Due to the different levels of maturity of the examined SSCs and retained organizations, the results include experiences of fully implemented organizations as well as expectations and intentions of these, transforming or improving at the moment. The following section presents the analysis results. The whole analysis with the scores of the interviewees can be found in appendix 4.

4.2.1. Environment of the FM organization

Starting with the environment of facility management, two main aspects were questioned – importance of strategy and commitment of management and employees.

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84 (engl.) Director: In Eemnes the function is called ‘beleidsregisseur’, in Dordrecht ‘procesregisseur’.
Nearly every interviewee pointed out that a strategy is essential as starting point and confirmed this statement by having a strategy as well as a vision. This is supported by the fact that most organizations know exactly where they stand and are conscious what they have already achieved and what still has to be done to reach the defined objectives.

Sourcing facility management with the help of a SSC, retained organization or main contractor is always accompanied by restructuring. Thereby the interviewees strengthened the commitment of employees and management. Commitment of management is a must-criterion – they have to act as role models and take a trustful and assuring position showing a clear and steady picture to the employees. To achieve the objectives, commitment of employees is needed – they carry the knowledge and perform the tasks eventually. Due to the fact that management defines the strategy and thereby often transferring people, commitment of employees is not gained easily. Therefore most organizations have special programs focusing on change management to keep and reinforce the engagement of the employees and to prevent resistance.

The hypothesis linked to environment was “Shared services is the best opportunity to get the needed facility management support for the organization.” After conducting the interviews and identifying the spectrum of possible FM-configurations, this hypothesis cannot be proven. It has to be considered in a broader sense, including the different setups of the facility organization. The best opportunity e.g. for Delta Lloyd was the implementation of a retained organization whereas for Nuon it is a SSC without an explicit retained organization. Thereby reflecting that the organization has to have a strategy clearly settled by management and employees can identify with it.

4.2.2. Relationships of the retained organization

Relationship between management and retained organization

The focal points of this subject can be split into four aspects which were questioned. First of all the functions and tasks of the retained organization were examined. Therefore the interviewees were asked to rank the three functions: policy and advice, steering, and control. It can be stated, that no differentiation of importance was made by the public nor by the private organizations – all functions were equally important. The degree of performance of these functions may vary, due to the capacity of the retained organization – which does not free it from its final responsibility. E.g. in Dordrecht, policy preparation is done by the SSC and also Sodexo prepares policies and proposes them to the retained organization of KLM. But the final decision is still made by the retained organization.
Moving a step further the value-added by a retained organization should be given by the interviewees – within one sentence. As expected, every answer was unique, conditioned by the kind of configuration and scope of the retained organization. The key words were: objective judgment, translation of client’s needs, with regards to possibilities, strong connection to client organization, intermediary and integrator role, high knowledge and expertise, facilitator and taking away worries. Additionally it was declared, that the employees working in the retained organization have to develop new competencies.

The second aspect was the differentiation between management and client. This was due to the fact that management ordinarily embodies two functions – as owner of the organization and as the main client. It was often strengthened to differentiate these functions, because they have two different points of interests. Although these tasks might be performed by one and the same person they should be explicitly separated, otherwise conflicts of interests will occur. A good example is Eemnes, where they trained this differentiation with the help of role plays. The main task of management is to set the frame and define the standard services for the whole organization.

A further feature is interdepartmental governance – formed by representatives of the clients – defining standards cooperatively and trying to harmonize their systems and services. Such collective governance is seen as vital if there is more than one client.

**Interdepartmental governance is the entity of managerial relations, attributed decision-rights, performance management, and reward and concern guidelines between the Board of Directors, the divisions/business units, the subsidiaries, and SSCs.**

In appendix 5 the governance model of FM of the ministry is briefly illustrated.

The fourth question includes the instruments on strategic level to steer and control. Three methods were proposed. The sourcing strategy as steering instrument was said to be first applicable if the services are purchased from external suppliers. Delta Lloyd e.g. uses this method by a tripartite assessment (SWOT-analysis, action plans and feedback). If the services are provided by a SSC – this SSC is the “preferred supplier”, implying that the organization is obliged to purchase from the SSC (at least a defined number of services) otherwise the SSC will not have enough clients to justify its continuation. Change management was more important for the private than for the public sector due to faster alterations in the market. I.e. the service supplier must be able to adapt to changes within the client organization and adjust by conforming to the new needs. Another instrument – transparency – was declared as important by all interviewees. Apart from the fact that

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85 Strikwerda: 2008
86 SWOT (acr.) Strengths, Weaknesses, Opportunities, and Threads
public organizations are obliged by law to work transparently, it forms the basis of a trustful relationship with management and clients – who will have insights into cost-prices and quality of the services. Thereby two constraints were set: management should be concerned with managing outputs (not processes) and reported information should be as much as needed – not as possible.

Regarding the financial flow, financial means for standard services are mostly administered by the retained organization and dispersed into monthly payments to the supplier to provide its cash-flow. Additional or made-to-measure services are paid by the client per service via the retained organization to the supplier. The WGR is an exception by having an own budget with a settlement at the end of the financial year.

The conclusion to be drawn out of this part of the analysis is that the hypothesis “The functions of the retained organization are policy and advice, steering and control.” has to be extended by the value-added to provide a comprehensive picture of the retained organization. Although often formulated in other words, it can be summarized that there is a common definition of the added value: The retained organization is an integrator, facilitator and intermediary between the client and supplier, incorporating demand and supply management. By means of communicating, coordinating and reporting as well as its expertise, know-how and professionalism it gets insights into client’s needs, translates them into functionalities and assures an appropriate service delivery by the service provider.

**Relationship between client/consumer and retained organization**

The first question asked was examining the differentiation between client and consumer. There were diverse answers – from not necessary at all to very important. This fact depended on the composition of the organization. If divisions or business units possess an own budget, the differentiation between client and consumer was always made. If only management decides about services and financial means, the business units and divisions were also consumers concluding that the differentiation was not important.

The second aspect focused on agreements between client and retained organization. Hereby service level agreements were meant, which are negotiated with the client to define extra services (in addition to the standard services defined by management). There are just few organizations having SLAs particular per client. E.g. Eemnes and Drechtsteden negotiate directly with the SSC, not with its internal retained organization. Apart from the SLA every organization had a product and service guide, describing the standard services
for the consumer and client. The importance of such documents (SLA and PSG\textsuperscript{87}) was strengthened as key instruments to define the client’s needs. If there was a SLA in place, it was mostly tripartite – *standard, additional* and *made-to-measure services*. Further on it was evaluated and if necessary adjusted on a yearly basis.

The last aspect regarding the relationship between client/consumer and retained organization was the contact itself. Nearly every organization had a good relationship with its clients, based on trust and appropriate communication, i.e. periodic meetings and additional communication when needed. Trust, transparency and appropriate information as foundation for a good relation were assessed as very important by the interviewees. Thereby account managers have a crucial role to communicate with clients on strategic and tactical level. On an operational level, consumers often communicate directly via the service desk with the supplier. Next to management reports, the retained organization often provided the client with reports specific to his consumed services. Most of the interviewees agreed that reporting is important, but did not yet have appropriate reporting systems in place. Often it was planned to implement a dashboard\textsuperscript{88} - which e.g. is used within Nuon and the Parnassia Bavo Group. Therefore a sophisticated FMIS is essential.

The given hypothesis “The retained organization must understand and translate the client's needs of functionalities into services and products.” can be approved by the analysis above. Thereby the requirements should be defined in a service level agreement between the retained organization and the client.

### Relationship between service supplier and retained organization

The analysis of the relation between the retained organization and suppliers comprised three topics. First, it was examined if the retained organization negotiates a contract with service level agreements with its supplier. As long as the supplier was a SSC, there is mostly a covenant (no solid contract) and a SLA negotiated. If the supplier was an external market party a contract and a SLA were signed. In nearly all cases, there were SLAs in place – the translation of the SLA agreed with the client. Having these documents was stated important and even very important with regards to the SLAs. Thereby the contract or covenant is fixed, whereas the SLA is adjustable on basis of a yearly evaluation.

The next aspect investigated the relationship itself between the retained organization and the service supplier. Keywords as trust, cooperation, partnership and a good communica-

\textsuperscript{87} PSG (abb.) Product and Service Guide

\textsuperscript{88} Dashboard: derived from the cockpit of an airplane. It provides the user with the most important performance measures at a glance (in digital version and automatically generated by the FMIS).
tion were the most common and important answers. By nearly all interviewees it was reflected, that an honest and open communication and the willingness to build up a partnership are the most essential pillars of a good relationship. This was also supported by the statement that the supplier has to think along with the client and innovate and improve the service delivery as expert. Next to these ‘soft factors’ there has to be a reporting system – from supplier to retained organization, which in many cases was insufficient or missing.

The third topic was about steering and control instruments on tactical and operational level. Different methods were proposed and assessed by the interviews. On tactical level, contract management was the most important instrument to steer and control the supplier. About an incentive system like a bonus-malus-system, there were diverse opinions. Most of the interviewees believe that it will work and they will probably implement such a system with their supplier (e.g. Nuon and Delta Lloyd have such a system in place). A bonus-malus-system with a SSC is still very uncommon. The only organization that implemented a bonus-system (linked to certain constraints) with its SSC was Eemnes. The SSC can keep a particular percentage of its surplus, but it has to reinvest this money in the SSC, e.g. by employee training, better working conditions or other things eventually improving the services. Other incentives were not seen as important due to the fact of contracting a partnership – being already a big incentive. Service level management – another tactical instrument – was assessed as important by the interviewees, although it often was not yet implemented. Benchmarks can also be a method to control the supplier and steer them, and many organizations are performing benchmarks in regular intervals (1-3 years). It was also declared that benchmarks should only be performed if there is a common basis for comparison. On operational level, key performance indicators were stated as very vital – building the foundation for the reporting system and control management. The second important instrument was surveys to investigate the satisfaction of the client/consumer. E.g. Delta Lloyd has contracted an external office which performs this survey and reports quarterly. Thereby every month ca. 5% of the employees (of all levels and divisions) participate in the survey, thus every employee is asked once within two years – providing a constant overview and feedback. Audits are also relevant, conducted internally or by external organizations. Most organizations fixed the performance of au-

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89 Measurement according to a specified standard in order to compare it and eventually improve own services, processes, etc. toward best practices. It can be differentiated into internal, competitive, functional and generic benchmark. cf. Poels: 2006, p. 140

90 Detailed investigation of the opinions of a particular group (e.g. client satisfaction survey scrutinizes the service-perception of clients). cf. Ministry of Transport, Public Works and Water Management, p. 78

91 Thorough assessment to check if processes match the defined requirements and if necessary make improvements. It can be divided in internal audits (done by own employees) or external audits (performed by an independent third person). cf. Ministry of Transport, Public Works and Water Management, p. 68
dists already in the contract with the supplier. As necessary as these instruments are, often the interviewees mentioned that ample space for the service supplier must be provided and not all attention and resources should be focused on measuring performance.

As to the relationship between retained organization and supplier two hypotheses were made. The first one “Contractor and service supplier have to be partners.” can be confirmed by the analysis. Also the second hypothesis is verified, reading “The retained organization must not over-control the supplier.” – though in the beginning the monitoring and controlling effort will be higher to get grip on the sourced services and build up trust.

### 4.2.3. Service delivery

The last aspect questioned includes the requirements the service supplier has to comply with to actually become the supplier of the client organization. Here a clear differentiation can be made between organizations sourcing services from external suppliers and these sourcing from shared services centers. Where the features like a contingency and risk plan, a quality management system and certificates are required from external suppliers as essentials, a SSC has to develop itself and therefore the requirements are not set – except the demand of implementing such elements.

Therefore the hypothesis “The service supplier has to work market-conform with best skilled employees and best technologies to deliver the needed services and products.” can be seen as objective of the SSC and as fact for external suppliers (with one exception: if the external supplier incurs personnel from the contractor, the market conformance will possibly not reached, due to a mostly higher number of personnel than actually needed).

### 4.2.4. Lessons learned

Closing nearly every interviewee stated the success factor to take enough time for implementing the sourcing strategy – whether it is a SSC, a retained organization, a main contractor or a mix of these forms. Trust as a ‘soft factor’ was strengthened by all interviewees as well as building up a partnership with the service supplier. A further success factor is a common IT-system in form of a FMIS.

### 4.3. Summary

At the beginning the interview guide is given. Further on the interviewed organizations are briefly introduced and the analysis results are provided. With the help of the empirical research the validation and applicability of the deployed relational model is proven. Nearly all interviewees confirmed that they can identify with this model (see Fig. 9).
5. Best practices for the retained organization

After the definition of the fundamentals, the literature and empirical research as well as the analysis of the conducted interviews, the fifth chapter will present advice in the form of best practices. These will be compared with the current situation of the retained organization for ICT services. Out of this comparison recommendations will be given of which particular best practices should be applied by the retained organization of the Ministry of Health, Welfare and Sport to strengthen its control and steering function.

5.1. Best practices

No literature described nor did any examined organization have a best practice model in place – there were rather own solutions appropriate for their particular case: best practices by situation. The following recommendations reflect the best practices extracted from the interviewed organizations, which should be applied by any retained organization.

1. Carry out the vision on the basis of a sourcing strategy.

The first vital recommendation considers the very first beginnings of the retained organization. Before implementing a retained organization the facility management organization has to determine a vision – how the organization looks at its own functionalities and the direction (incl. comprehensive developments) towards which the FM organization wants to go. By defining the vision the overall objective is set. Afterwards the sourcing strategy has to be configured, highlighting the milestones of how to reach the overall aim by establishing sub-objectives. When defining the sourcing strategy the paradigm of smart sourcing\(^\text{92}\) should be followed. By aligning the strategy to the business and substantiating it by a business case – thus an in-depth analysis – it should be assured to choose the right sourcing strategy. Smart sourcing implies to achieve initially effectiveness and then increase the efficiency. It also envisions an as less as possible number of service providers, with whom to build up a partnership. This advice is given due to three facts:

- It is not possible to steer, if there are no objectives to move towards.
- If you do not have a vision yourself, someone else will fill it in and steer you.
- Objectives have to be SMART:
  - Specific – clear and precise definition of the objectives to be achieved.
  - Measureable – objectives must be measureable to determine if they are reached.
  - Achievable – objectives have to be attainable for the organization.
  - Realistic – goals must be achievable with regards to the available resources.

\(^{92}\) cf. Logica; Digital Boardroom: 2008, p. 29
Best practices for the retained organization

- Timeable – it has to be clear when the objectives should be reached.

These aims should be summarized in a *master plan* – displaying the critical success factors, key performance indicators, instruments, norms, units and frequency per objectives to be attained. The following table depicts a short example of one strategic object of the retained organization towards its employees:

**Table 5: Abstract of a master plan**

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>CSF</th>
<th>KPI</th>
<th>Instrument to measure</th>
<th>Norm 2008</th>
<th>Norm 2009</th>
<th>Unit</th>
<th>Frequency</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees are satisfied.</td>
<td>Content employees</td>
<td>Contentment of employees</td>
<td>Employee satisfaction survey</td>
<td>6</td>
<td>7</td>
<td>score</td>
<td>annual</td>
<td>survey</td>
</tr>
</tbody>
</table>

The expectations originating from the strategy have to be clearly formulated and articulated towards all participants to avoid misunderstandings in the first place and further on to gain *commitment* from management as well as employees to prevent resistance. Also regarding the transition of employees from the client organization to the SSC, special programs should focus on the employees and the changes deriving from the set strategy. It is crucial to plan enough time especially for communication – to build up a common mindset as foundation for trust and cooperation.

With regards to a common understanding it is essential to use the right *terminology*. Especially the transformation of governmental supportive services pictures different theoretical approaches. Within the paper at hand this alteration is called insourcing, because the ministries are regarded as one governmental concern due to the following developments:

- One common picture of the Dutch government (e.g. one governmental logo, one governmental-wide internet and intranet site, etc.).
- Cooperation within governmental bodies - captive SSC of particular ministries.
- Employees keep civil servants status, also when transferred to the SSC.

Without these basic features installed the retained organization will not be able to control itself neither its service provider.

2. *Identify your key stakeholders.*

After setting the strategy the key stakeholders of the retained organization have to be identified. These parties have to be known, so that sustainable relationships can be built and the retained organization can respond to the different needs of its partners. The best model to classify the most important stakeholders is the relational model (see Fig 6). Thereby two aspects have to be considered.
The differentiation between management and client has to be made due to these aspects:
- Clear separation between management and client to avoid conflict of interests.
- Management is responsible to set the frame (standard services) for the whole organization; client may amend additional specific needs on its own account.

The differentiation between client and consumer should be made due to the fact that clients have a higher claim (e.g., ask for made-to-measure services) than consumers – but this separation is only possible if clients hold an own budget. This separation (if feasible) is essential because of the much more intensive relationship between clients and the retained organization. Thereby the client has to evolve into a decent principal, able to define its needs and share them with the retained organization.

3. Initiate and implement interdepartmental governance.
Another important feature is interdepartmental governance formed by the clients of the SSC (see appendix 5). It is an adjuvant instrument to promote a common vision of all participants and define the frame of harmonization on highest level, thereby facilitating the effort by the SSC to standardize services, products, and systems among the clients.

4. Determine the scope of the retained organization.
Next to the determination of the strategy and objectives, the scope of the retained organization has to be defined. Thereby three aspects of the retained organization have to be clarified – tasks, competencies, and the value-added.

In the following figure the adapted steering model (compare to Fig. 7) displays the tasks of the retained organization split into supply and demand management.

**Fig. 10:** Pillars of supply and demand management of the retained organization
All the depicted tasks of the retained organization are vital means of demand and supply management to assure that the retained organization is in control and that it can control and steer its suppliers. Thus the control and steering function of the retained organization is depending on the account management, policy and innovation, and process monitoring and coordination on the demand side. On the supply side the key tasks include contract management, financial control, relationship management, and performance management.

A very crucial aspect regarding the tasks of the retained organization is the determination of the competencies of the employees performing these tasks. The alteration of competencies is essential to change the mindset from input-oriented to output- respectively result-oriented. The most important capabilities of the retained organization are:

- mindset for principal-agent relationship (towards clients and towards suppliers),
- result-orientation,
- expertise and intellectual competencies of the field of activity,
- social and communicative skills,
- client-focused and -friendly.

The qualifications of the employees have to be evaluated and if required employees have to be trained or educated to comply with the needed skills.

The last aspect to define the scope comprehensively is the value-added of the retained organization. Therefore the abovementioned (see p. 35) description has an indicative character which should be adapted by the particular organization to provide a clear picture.

5. Arrange effective and efficient communication and proper information flows.

“The magic word is communication”93 as Geelen puts it, to maintain loyalty of all involved parties – especially by the key stakeholders – and prevent informal exception-behavior (i.e. clients should not purchase around the retained organization). Thereby the retained organization has to communicate with all four participants:

- Management – The retained organization has regular meetings with the management/Board of Directors (low frequency).
- Client – Account managers of the retained organization communicate frequently (at least quarterly) with the clients.
- Consumer – The retained organization does not communicate directly with the consumer. Consumers use immediately the service desk.
- Supplier – Contract managers of the retained organization maintain the regular contact with the service suppliers.

93 Geelen: 2004, p. 16
There is also communication between the participants among each other. Especially with regards to operational matters the client directly talks to the service supplier (in form of a consumer). If it comes to assignments connected with costs (thus no standard services) the client has to ask for the service via the retained organization or the service supplier has to feed back the information to the retained organization and ask for accordance before service delivery – so that the retained organization can maintain control.

A communication plan should be set up, describing the meetings by means of the reasons, objectives and content, participants, and frequency. This does not exclude regular daily communication or special interventions by escalations.

Between the consumer and retained organization only an informative relationship exists, i.e. the retained organization informs the consumer about the services and products which are provided, but has no direct contact with the consumer (under the assumption that the service desk is provided by the SSC). At the service desk (accessible via email, telephone or physical) the consumer can request services, ask for information or make claims. Information about offered services should be made available in form of an up-to-date product and service guide placed on the intranet. The intranet is a good means for regular information flow as well as for exceptional announcements (e.g. maintenance workings).

With regards to information management reporting is a vital instrument of the retained organization to keep clients and management informed. Conform the rule ‘as little as possible but as much as necessary’ the retained organization will distributes reports – whereas the content of these reports are fixed within the performance management.


The basis for a trustful and cooperative partnership between retained organization and shared service center is a mutually negotiated agreement which consists of a fixed element and a flexible component. The contract respectively covenant (esp. as to SSCs) is a fixed agreement defining the frame conditions of cooperation. The service level agreement is included as adaptive appendix in the contract – in form of modules, thus can be modified without immediate judicial consequences. Appendix 6 presents a guideline of important aspects to be considered in the contract as well as the SLA to set up a transparent, reliable and balanced agreement as to finances (i.e. costs of services) and as to service levels (i.e. quality of services). Spirit and purpose of the SLA are in particular clear definitions of performances and the measurability of these performances, the foundation of transparency, quality assurance and the prevention of conflicts.
The service level agreement should be split into an internal SLA – negotiated with the clients of the retained organization and an external SLA – negotiated with the SSC. Thereby the internal SLA is an essential instrument to define the client’s needs, maintain the relationship and to steer and control the clients demand. Though it may take more effort to settle one SLA between each client and retained organization and one between retained organization and the supplier – by doing so bundling and aggregation of client’s needs is possible and economies of scale can be achieved.

The SLA has to be tripartite, divided into:

- **Standard services** – defined by management and paid from overall budget.
- **Plus services** – standard services with a higher amount than defined in the standard and paid per client or other additional services for the client’s account.
- **Made-to-measure services** – the determination includes only the frame condition due to the fact that made-to-measure services are not known before, like e.g. projects.

So a convenient compromise between standardization and customization should be made. A further important feature of a fair agreement is an *incentive system* for mutual benefits. The supplier in the form of a SSC is often established as a cost center, where no profit or surplus is made. There the question arises, what stimulates the SSC to work client-friendly and output-orientated (apart from it being documented in the SLA) without making profit. An example of Logica\(^4\) points out to give the right incentives. The paradigm pictures a client wanting a fixed price per call for the help desk service. In contrary Logica proposed a fixed price of the total amount of current calls. If a fixed price per call was agreed, the service supplier would make profit with every further call – whereas the fixed price of the current total amount of calls motivates the supplier to decrease the number of calls (i.e. less disturbance of the client’s work) without the fear of making losses.

Another incentive may be cost savings due to a decrease of energy consumption. Here the 50-50 norm can be applied, thus a stimulus for both, where client and service provider share the bonus. There are diverse opportunities to agree on an incentive system\(^5\), as shown above, where the following four most important aspects have to be regarded:

- A partnership itself is a great incentive and should be valued and well maintained.
- There should be as few malus-clauses as possible due to the fact that penalties often create an adversarial climate and do not stimulate the service provider. Incentives to challenge the supplier to perform as best as possible prove to be the best system.

\(^4\) Logica is an international provider of IT and consulting services.  
\(^5\) cf. Logica; Digital Boardroom: 2008, p. 37

Appendix 7 provides an overview of possible stimulations of the service provider apart from KPIs.
- If the service supplier is able to generate profit respectively a bonus, the additional funds should be reinvested in the SSC to eventually increase the service performance.
- Simplicity works best for incentives, thus no complex KPI incentive mechanism. Thereby increasing effort is made to influence the parameters with a biased result.

Besides the recommendation to have such agreements in place is the fact to have finished negotiation and signed these agreements with all involved parties in time, i.e. before transferring the services and employees to the SSC. It is crucial for providing a basis and common understanding. Thus every participant has the same picture preventing later discussions or discrepancies about services, costs and qualities.

Considering the integration of the services into the SSC, it is important to transfer:
- ‘as-is’ and then improve the services (bundling, harmonizing, standardizing) or
- improve first and then transfer the services.

It is not feasible to perform both steps (transition and transformation) at the same time. Service supplier, client and retained organization have to be well prepared (structure, organization and processes) to transfer the services.

With regards to the tasks of the retained organization displayed in Fig. 10 the following recommendations are made – as to supply management and demand management.

7. Establish a sophisticated contract management.
Practical experiences confirm that the most effort of sourcing lays in contract management with app. 80%. The sourcing decision takes circa 5% and the supplier selection about 15%. Thus contract management is crucial to bring the sourcing strategy to success. The most essential components of contract management are negotiation of contracts, controlling of risks, handling of the contracts as to monitoring of the agreed conditions and incorporating necessary changes or modifications.

Risk management is an important aspect of contract management. Therefore a risk management plan should be carried out by both parties to handle amongst others risks like:
- Inflexibility – to be encountered with evaluation and adaption of the SLA.
- Vulnerability – avoiding supplier lock-ins.
- Personnel agitation – informing and motivating staff by communication and training.

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96 A risk is the possibility of an adverse consequence causing loss, damage or injury.
97 cf. Maas; Pleunis: 2006, p. 322-323
Service level management makes up a serious fraction of contract management – providing the flexibility\textsuperscript{98} agreed in the contract throughout the contract period by evaluating the SLAs in a yearly frequency. I.e. the contracted services with their defined quality are assessed regarding to their appropriateness to the client’s needs and regarding to the level of achievement by the supplier. Thereby services can be adapted if the client’s demand changes or if the SSC does not deliver the services as agreed. The assessment can best be done by auditing.

8. Arrange comprehensible financial control.

The retained organization is responsible for the financial flow from the client to the service provider. I.e. it manages the general budget for the standard services it receives from the management, makes sure that it gets the funds from the clients for additional or made-to-measure services and computes the payments to the SSC. The main objectives of financial control are clear financial flows according to the agreements in the contract and the advancement of transparency.

9. Build up a trustful partnership with your supplier.

A service transaction often is a relationship contract between the two parties emphasizing performance, long-term investments by one party in another and innovation.\textsuperscript{99} Such a kind of cooperation – also called strategic alliance or partnership – is characterized by cooperative work towards a common objective which in turn improves coordination (comparison see appendix 8). Its definition reads\textsuperscript{100}.

A relation between organizations which cooperate to create more value (or realize lower cost-prices) than would have been possible in a usual business agreement.

Against focusing on the self-interest, trust is essential in a successful partnership, confirmed by the statement of Domberger “never sign a contract with someone you don’t trust”\textsuperscript{101}. Thereby the integrity – ‘say what you do and do what you say’, the reliance in the competence of the partner as well as the commitment to an open and fair management style have to be assured by both partners. Although there is no strict principal and agent relationship, the parties have to act professionally. I.e. past performance conditions future behavior (e.g. a shading quality asks for tighter monitoring). The sensitivity of responsibility of both partners – thinking along with the other – ensures a proactive attitude. Such an intense and close relationship provides better communication, thereby preventing mi-
sunderstandings and facilitating feedback. Special attention should be paid on the so-called ‘we-feeling’\textsuperscript{102} – supported by a balanced contract where risks are accepted and rewards are shared on both sides (‘pain and gain’ felt by both).

A healthy relationship consists of regular personal contact, awareness of responsibilities, and fairness. It is important to keep talking and informing and not making it into a lawsuit. An alliance is much more self-enforcing – the cooperation and frank exchange of information cannot be enforced, only mutually solicited. Therefore a good balance of giving each other space and keeping each other sharp is the key to a successful partnership.

\textit{10. Set up an elaborated performance management system.}

Managers adhere that “ownership gives power to direct and control”\textsuperscript{103}, thereby fearing a loss of control by transferring the ownership of the service delivery to a service provider. Consequently the client organization becomes more sensitive to performance issues when a contractor is engaged. Therefore the client organization has to develop control management skills to monitor the supplier accurately – by evaluating outputs not inputs. The effort of monitoring is directly depending on the relationship between both parties.

The abovementioned master plan is the foundation to set up a sophisticated performance management system. To consider all necessary and needed information as well as measures for the master plan the Balanced Scorecard (BSC)\textsuperscript{104} is applied:

\begin{center}
\begin{tabular}{|l|}
\hline
It is a limited number of financial and non-financial measures structured in four perspectives and linked to strategic goals to measure the performance of an organization. \\
\hline
\end{tabular}
\end{center}

It is evident to set up a performance management system from top to bottom, thereby configuring all needed and adjuvant variables helping controlling and steering the organization. By this approach measures can be excluded, which e.g. easily can be determined but have no relevance. Indicators to be obtained have to comply with the listed attributes:

- Reliable  - Repeated measurements have to result in the same outcome.
- Valid     - Indicators reveal true information about the intended measurements.
- Up-to-date - Measures have to be as current as possible and ongoingly accessible.
- Relevant  - The chosen indicators matter for measuring the performance.
- Complete  - Measurements as well as the indicators have to be exhaustive.
- Efficient - Adequate balance of the generated benefit and the required effort.
- Accepted - Indicators have to be accepted as meaningful by all participants.

\textsuperscript{102} ‘We-feeling’ to strengthen the partnership vs. ‘we-they-thinking’ indicating two separate entities.
\textsuperscript{103} Domberger: 1998, p. 16
\textsuperscript{104} BSC (abb.) Balanced Scorecard developed by R.S. Kaplan and D.P. Norton.
\textsuperscript{cf.} Lawrie; Cobbold: 2004, p. 611-623
With regards to the BSC one major change is made – instead of learning and growth (here included within the internal business perspective) the fourth perspective becomes the supplier perspective. This modification is adopted due to the big influence the performance of the service provider has on the whole performance.

**Fig. 11: Adapted Balance Scorecard**

The BSC serves as an overview for the management report with aggregated information – ideally containing maximal 15 KPIs\(^\text{105}\). On a more detailed level client’s reports have to be generated out of the data of the master plan considering the consumed services specific for each client. The most detailed report the retained organization gets is the performance report of the SSC containing all settled measurements out of the master plan.

The four perspectives are complemented with critical success factors – strategic objectives – and performance indicators – measures how to determine the achievement of the CSF. To keep it manageable and implement the BSC, the CSF and KPIs are transferred into the master plan, thereby added with measure instruments, norms and time spans.

When setting up the control system a null-measurement has to be done due to two reasons. Firstly there has to be a comparable basis of indicators and secondly a reliable assessment of quality changes is only achievable if former quality levels are known.\(^\text{106}\)

The objectives to be accomplished have to be achievable and realistic (SMART) especially as to a new settled SSC. It should have the opportunity to reach the goals and grow respectively improve ongoingly. Collaborative KPIs should be agreed mutually between retained organization and service provider – so that both parties can directly determine how the KPIs can be measured and which effort is connected to the measurement.

When the service delivery starts and the first measures are determined the Deming cycle also called *PDCA*\(^\text{107}\)-cycle has to be implemented simultaneously (see Fig. 12).

\(^{105}\) cf. Dressler: 2004, p. 181
\(^{106}\) cf. Domberger: 1998, p. 43
Thereby the retained organization controls the service delivery in form of a target-performance comparison. Afterwards it takes actions (if needed) to adjust and steer the output. The assessment of the parameters can be done by the exemplified classification:

- under expectation: \( x < 80\% \),
- according to expectation: \( 80 < x > 100\% \),
- above expectation: \( x > 100\% \).

The assessment has to be based on reliable data which in turn is the foundation for a constructive dialogue between the two parties. By this means the service quality is arranged in a continuously improving process.

**11. Develop convenient client liaison and support.**

A strong and capable *account management* has a crucial role for developing and maintaining a good relationship with the client — the central focus of the retained organization. Thereby the account manager acts as:

- expert of the environment he/she works within,
- representative of the client towards the supplier,
- relationship manager, coordinator and partner.

The most important attitude of account management is client orientation:

> The attitude originates from the needs of the client. It is the willingness to satisfy the client by best performance, and within the limitations of the organizational objectives.

By means of account management the explicit demand and latent needs of the client are reconciled. The process of account management includes three tasks (see Fig. 13).

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**Fig. 12: Deming cycle**

**PDCA (acr.) Plan, Do, Check, and Act**

- **I. Plan**
  - Mutually agreed KPI’s and service levels

- **II. Do**
  - Performance of services by supplier

- **III. Check**
  - Performance control

- **IV. Act**
  - Improvement of performance

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107 PDCA (acr.) Plan, Do, Check, and Act
108 cf. Schakel; Smid; Verstappen; van der Woude: 2004, p. 36
The first task is to get to know the client and their needs by employing communicative skills as well as an adequate attitude and behavior. Moreover the client and account manager negotiate agreements (SLAs) to define the client’s need in comprehensive and accomplishable services. When making the agreements a balance between customization (delivers specialization and differentiation) and standardization (delivers agility and speed) has to be found because “having everything [the client’s] way is going to be expensive.”

Therefore the retained organization has to inventory, bundle and harmonize the client’s needs as much as possible.

The last process is the control of service delivery. Means to control the service performance can be used mutually with the client or by account management itself (e.g. audit of the SLA). The objective is it to assure a service delivery which fits the client’s needs.

This whole process is done once – to firstly record the client’s demand and to fix it in service level agreements. But as already indicated by the circle the relationship has to be maintained further on especially because client’s needs may change over time. Following this cycle the focus shifts towards service level management with two important features:

- Account plans - Annual plan (also regarding budgeting) of each client with information about what the client intends to do in the following year (e.g. wide-ranging projects) which do not have permanent influence on the SLA.

- SLA evaluation - Annual assessment of account management and client if the defined services and service levels still fit to the client’s needs and eventually adapt.

Thereby the needs of the client are known to the account manager and can continuously be managed, also if the needs are changing. Adaptations of the SLA which may arise out of changing client’s needs are incorporated in the agreements with the supplier by contract management – the corresponding part on the supply side. Amendments to increase

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Fig. 13: Core process of account management

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110 de Jong; Niesten: 2004, p. 220
111 Cohen: 2009
the client-orientation are Experience Level Agreements\textsuperscript{112} (ELAs) for a better management of the expectations of the client.

Even though SLAs as well as account management is implemented adequately it cannot be precluded that a client claims. Therefore a special claim procedure has to be in place:
- The claim has to be taken seriously to give the client the feeling of being understood. It has to be solved, so that the contentment of the client can be regained.
- An unsatisfied client repeats his/her experiences seven times more than a satisfied one.
- If the support is inefficient, the client may lose trust in a competent retained organization and probably does not communicate further problems to the account manager. Thus summarizing a claim can be regarded as the chance of doing it better tomorrow.

12. Translate strategies and facilitate innovations.
A further important steering instrument is provided by policy – esp. the translation of the strategy from management or clients and innovation – to improve and enhance services. This role can also be taken by the account manager in very limited retained organizations. But the best solution is to split these functions, due to the difference in competencies of these two roles. An account manager has high communicative and social competencies, whereas the innovation respectively strategy manager has high professional competence and expertise in the subject area.

Because of the splitting of production and management the service supplier will have a crucial role in promoting and improving the service delivery by innovation. To develop innovative services and products which give answer to the client’s needs is easier said than done, especially with regards to the measurement of innovation. Therefore two possible procedures are presented to agree innovation management with the SSC:
- Each quarter year new ideas on the field of service improvement have to be provided.
- A budget is settled exclusively for innovation (independent from service delivery).
I.e. the supplier is challenged to advance services and innovation is made measureable.

13. Provide advice by maintaining special expertise.
Next to the above displayed account management, policy and innovation function of the retained organization the advisory role complements the demand management including process monitoring and coordination. By transferring the services to the SSC the retained organization often fears a loss of expertise and professional capacity. But it is more likely a shift of expertise transferred to the service provider, where skills are enhanced due to

\textsuperscript{112} see Broumels: 2009
the higher capability of the SSC. Nevertheless expertise concerning professional content has to stay in the retained organization – needed to give appropriate advice to the clients. If necessary these employees have to get additional information to fulfill the advisory requirements of the clients, implying interfaces with external experts.

14. Implement a sophisticated Facility Management Information System

Besides the above given recommendations of how to strengthen the control and steering function of a retained organization one vital feature has to be installed particularly by the service provider – an advanced FMIS. It is an essential facilitator of the facility management processes by acting as a:

- central knowledge system,
- registration desk and further on order processing,
- generator of reports, analysis and evaluation.

The FMIS is important to handle and control the own processes of the shared service center. With regards to performance management the FMIS can be applied as a dashboard – to have the most important measures at a glance and as report generator for more detailed information. A further aspect is the integration of all suppliers within one FMIS or at least compatible systems to ease the facility processes and measurements.

Furthermore such a system can be employed for tracking and tracing of requests. Thereby clients and consumers have the possibility to look up the current status of their request. To inform the clients and consumers is essential, since a lack of information and communication might displease the clients and they experience the service as unsatisfying.

5.2. Advice for the retained organization of the ministry

After providing advice how a retained organization can implement and strengthen its control and steering function the comparison between the best practices and the current means of the ICT-retained organization is made. In order to give appropriate recommendations for the retained organization of the Ministry of VWS appendix 9 depicts the evaluation according to the 14 abovementioned improvement suggestions.

The following section presents advice for enhancement of the ICT-retained organization as well as remarks for the retained organization for facility services to be considered before insourcing the services to FaSam.

Firstly it is important to use the right terminology (as to insourcing) and have a common understanding (as to the retained organization). Due to the splitting of the retained organization, the already established retained organization has a clear picture of insourcing,
their tasks and functions, whereas the new joining employees did not have the same insights and understanding. The first part of the retained organization was established before transferring the services and therefore guarded and supported the transition enormously. The second part of the retained organization for ICT services joined the existing group in the beginning of 2009. It is necessary to build a homogeneous retained organization with a common understanding esp. by communicating with each other and answering open questions of the new members of the retained organization.

The second most vital recommendation is to have signed the contract (including the amendments in form of the service level agreements – internal and external) before transferring the services to the shared service center. As to the ICT-retained organization the covenant with the SSC was not signed until four months after the transition of the services – offering a wide area for discussion with regards to services, quality levels, financial arrangements and the contract clauses itself. Having clear agreements with defined cost-prices per service also prevents argues about computing of payments, thus comprising transparent financial flows. The ICT-retained organization passed already the transition stage, but should try to complete the service level agreements as soon as possible. Further on this advice should be heeded when insourcing facility services.

Regarding the covenant agreements there were no incentives negotiated. Because of the current importance of finishing the covenant and SLA, arranging an incentive system is of minor priority. In the long term the best opportunity would be if the SSO-ICT joins the ‘Werkmaatschappij’ – changing their accounting system to revenue-expense-system. Thereby a surplus at the end of the financial year does not need to be given back to the Ministry of Finance, but cost-prices with a margin can be calculated and the margin can be kept and reinvested by the SSC. FaSam will be a good paradigm of shifting this system at the beginning of 2009.

Furthermore the establishment of service level management is suggested. Because of the direct dependence on the completion of the SLA – internal as well as external – the implementation of service level management is more a mid-term objective, to be achieved at the end of 2009. I.e. the first evaluation of the SLAs with clients and SSC can be done at the beginning of 2010.

The third suggestion deals with the elaboration of the master plan. The retained organization developed a master plan describing the success factors, indicators and measure means roughly (appendix 2). To make use of the master plan as an applicable basis for performance management it has to be finalized more in detail.
Appendix 10 depicts the worked out master plan on the basis of the existing one. There the CSF were broken down and amended with explicit KPIs, means how to measure, norms, frequencies, and sources of the measurements. Due to other current emphases of the ICT-retained organization – esp. signing the covenant and finishing the SLAs with SSC and clients – the included norms and frequencies within the master plan are indications and have to be clearly determined, also in cooperation with the supplier, before implementing the performance management system.

It is evident that the master plan contains a lot of information. With the help of an extraction of separate measures, one A4-page providing detailed information per KPI can be placed. A proposal of such a form is shown in appendix 11. The measurement itself can best be done in a FMIS or if this system is not available in MS Excel.

After the implementation of the sophisticated master plan as basis for the performance control, reporting can be established as well. I.e. the agreed performance indicators are formatted by the SSC and distributed in form of reports to the retained organization, which in turn condition the management reports aggregated by the retained organization.

A suggestion directly depending on the implementation of the performance management system is the installation of a continuous improvement cycle (PDCA-cycle). I.e. to not only measure the performance of the SSC respectively the services but also to improve detected failures and weak points. Like the reports, the PDCA-cycle can first be realized after the establishment of the performance management system.

In the currently setup retained organization there is one account manager announced. Because of the high amount of clients and their made-to-measure service requests – which are handled directly via the account manager (and if necessary directed to the SSC afterwards) more attention has to be paid by the account manager to the needs of the clients. I.e. to arrange a strong and capable account management, where most probably one account manager for 30 clients and app. 25 made-to-measure service requests per month (consuming a lot of time and effort) is not sufficient.

As already indicated account management is not strong enough to handle made-to-measure service requests alone. I.e. it strongly depends on BIA\textsuperscript{113}, which performs tactic respectively operational tasks to process the made-to-measure service requests.

The recommendation is to reinforce account management, so that BIA exercises its original tasks – to deal with strategies, innovation and advisory as program manager, innova-

\textsuperscript{113} BIA (abb.) Beleid, Innovatie, Advies (engl.: policy, innovation, advice) part of the retained organization
tion manager and portfolio manager with their expertise and special knowledge. If the account manager needs help, BIA of course will give advice, but not take over initial tasks of account management.

A further suggestion regards the splitting of ICT strategic topics between BIA and EIS (‘entity information strategy’). Due to the fact that EIS is not part of the retained organization there is an additional interface for strategic topics between the retained organization (including BIA) and EIS. In the long-term operation of ICT strategies concerning the Ministry of VWS it would be better to join these two groups within the retained organization for a better and intense cooperation.

The last advice for the retained organization to improve its control and steering function is the usage of a sophisticated IT tool to support its own work processes, esp. as to made-to-measure service requests for the account manager. This process has interfaces with the whole retained organization (contract management to check the financial and contractual agreements and BIA to give advice if necessary) as well as with the SSC – when the service actually has to be delivered to the client. Currently an excel sheet is used with many restrictions in processing the work orders efficiently, properly, and in acceptable time. In the short term there has to be a computer-based tool to facilitate the work flow.

Regarding the long-term relationship between the retained organization and the shared service center a sophisticated solution would be the utilization of a cooperative FMIS. The information and functions have to be technically split (that only the person responsible for the particular process has access to the information) but where the interfaces ease and fasten the work flow. Due to the high technical effort of such a system the time horizon to implement such an IT-tool would take three to five years considering the current status.

Before summarizing the results and concluding the thesis one last outcome of the conducted interviews and analysis will be presented in the next section. It concerns the level of professionalization and strategic sourcing of a facility management organization, to determine in which phase a FM organization is situated and what characteristics this stage includes in general.

5.3. Professional facility management organization

The degree of control and steering of the facility organization depends on a grand scale on the level of strategic sourcing. Basis for the following explanation are the conducted interviews as well as Fig. 2 – displaying the intervals of professionalizing. The following
illustration (see Fig. 14) comprises the levels of professionalization and strategic sourcing, thereby indicating the maturity of the facility organization.

The progress shown in the following figure can be made by most FM organizations, i.e. it cannot be feasible for every facility management organization.

The first step towards a FM organization in control is to centralize the facility processes. Thus by getting insights into the own processes the organization is able to align and standardize the processes to a certain extent.

After the organization is aware of its tasks, procedures and responsibilities it can evolve to a shared service center. Here the organization makes clear agreements in form of SLAs with the facility SSC against determined costs, which improves the cognizance of the costs and quality of the facility processes.

Subject matter of the third level is to split the management and production by setting up a retained organization which develops a principal-agent relationship with the SSC. I.e. the relation becomes more professional and the retained organization undertakes explicitly the role of controlling and steering the SSC – especially steering of outputs.

To achieve a market-conform performance of the facility processes the retained organization will develop contractual relationships with external suppliers, in contrary to the internal SSC. It means the transition to flexible contracts, choosing the best provider for the particular service, but bundling the number of contractual relations to a minimum.

The last step to reduce the effort of the retained organization, thus decreasing the tasks of the principle to a minimum (thereby focusing strongly on the own core processes) is to contract one service supplier in the form of main contracting.

These developments have effects on all levels – operational, tactical and strategic. Whereas the retained organization mostly has functions on tactical level, if it partners with a SSC, the retained organization draws itself back towards only strategic tasks when having a main contractor.

Fig. 14 illustrates the different levels of strategic sourcing given above. Professionalizing the facility organization does not suppose that all levels have to be passed one after the other, but that the means and parameters of the preceding level are fulfilled. A centralized facility organization can immediately evolve to a retained organization with a SSC but the processes, costs and qualities have to be known and settled in SLAs.
Appendix 12 provides a process to determine the maturity level a FM organization.

![Fig. 14: Scale of strategic sourcing of the facility organization](image)

**5.4. Summary**

In the beginning of this chapter the best practices – as results of the interview analysis – are presented. After comparing the best practices with the existing ICT-retained organization, statements are given about how much the retained organization deviates from the best practices (appendix 9). Afterwards appropriate recommendations are made how to improve the retained organization of the Ministry of VWS as to its steering and control function.

The last finding resulting from the conducted interviews is the scale of professionalization respectively strategic sourcing of the facility organization which completes this section.
6. Conclusion

6.1. Display of the Results

The objective of the paper at hand was to give answer to the question stated in the beginning: “How can the retained organization of the Ministry of VWS strengthen its control and steering function to assure the delivery of facility services by the shared service center appropriate to the client’s needs?” Hence the thesis proceeded along two lines. First the theoretical foundation was lead in chapter two. By introducing facility management and its sourcing strategies it became evident that the sourcing strategy a FM organization chooses, conditions the opportunities as well as the effort to control and steer.

With regards to the chosen strategy of the Ministry of Health, Welfare and Sport to in-source their ICT and facility services to governmental SSCs, the ICT-retained organization of the ministry – performing the control and steering tasks – was analyzed in detail in the third section.

The results of the examination of the established ICT-retained organization were the foundation of the second part of the research: the conduction of interviews with other organization, which had also established a retained organization. The fourth chapter, after introducing the interviewed organizations, presents the in-depth analysis. Thereby the existing relational model of the retained organization was verified to be applicable in nearly every FM organization.

The outcome of the evaluated interviews was summarized in chapter five by suggesting 14 best practices for a retained organization how to improve its control and steering function. It can be concluded that many organizations (including the interviewed ones) having implemented a retained organization still often struggle with the control and steering function, not exactly knowing how to measure service quality and steer on outputs. That is amongst others a reason why performance management is a constantly up-to-date subject, where best practice solutions often consist of tailor-made systems.

After comparing the proposed best practices with the current means of the retained organization of the ministry seven recommendations were made, which briefly read:

1. Give the entire retained organization an understanding of terms and tasks.
2. Complete and sign the contracts including the SLAs as soon as possible.
3. Implement service level management.
4. Elaborate the master plan as basis for an effective performance management system.
5. Build up a strong and capable account management.
6. Care for BIA acting on strategic level, in strong cooperation with EIS.
7. Implement an IT-tool facilitating the internal work flow of the retained organization.

Generally the conclusion can be drawn that most of the best practices are installed in the retained organization. Some features were missing due to the short period of operation of the retained organization, which will consequently evolve over time. With the implementation of the given advice the retained organization will be able to perform its control and steering function effectively and efficiently.

6.2. Outlook

Fast changes in businesses force organizations to increase their innovative capabilities – not only for their core processes, but as well for supporting processes – especially attaining cost savings and quality improvements. This development in the field of facility management is answered by sophisticated sourcing strategies like insourcing or main contracting. Particularly the establishment of the retained organization towards its maturity pictures a currently strong focus and development of FM in the Netherlands.

The retained organization can become a success if it cares for a well maintained communication and a trustful relationship with its management, clients, consumers, and suppliers.

To achieve client satisfaction, the retained organization has to manage the demand as well as the supply and steer and control both sides – considering the stress field between individualism and standardization of services.

To ensure a retained organization in control, two supporting tools are indispensable: service level agreements and performance management systems. These tools should cause no extensive additional administrative work, to measure and increase the service quality, obtain transparency and improve the cooperation with the service provider. Thereby it is essential to continue to research whether the definition, delivery, measurement and assessment of facility services can be standardized with the help of SLAs and performance management. Otherwise the developed control means will stay individual solutions.

With regards to the effort of the retained organization to steer and control its service supplier, the retained organization has to find a balance between control and trust towards the shared service center to satisfy its clients.

As Einstein already put it: “Not everything that counts can be counted, and not everything that can be counted counts.”
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ISS: ISS Facility Services.


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Own Work Declaration

I hereby declare that this master thesis has been written independently only by the undersigned and without any assistance from third parties. Furthermore, I confirm that no sources have been used in the preparation of this thesis other than those indicated in the thesis itself.

This thesis, in same or similar form, has not been available to any audit authority yet.

The Hague, 18th February 2009

__________________________
Signature
Appendix

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Appendix 1: Interview Guide ‘FM in the Netherlands’

Content overview:
1. History and development
   – appearance of FM in the Netherlands, value-added of FM
2. The Facility Manager
   – skills and competencies, tasks and functions
3. The Education
   – supply of universities, number of students, focus of study
4. International comparison
   – role of Dutch FM within Europe
5. Current focus of FM
   – focus on special sectors
6. Trends and developments
   – developments and trends esp. with regards to sourcing of FM
7. Public FM
   – development of FM in the public sector, trends within public FM
8. Assumptions/ guess work

Interviewed persons:
Chris Ottenhoff - Controller at the facility SSC of Delta Lloyd
Gerard Dessing - Editor-in-Chief at Facto Magazine and Kluwer
Frans van Rijn (MSc) - former head of staff department of FaSam
Jan Hoogstad - Docent for FM at the Hogeschool Rotterdam
Henk Rietveld - Director of RIEFA (Rietveld Facilitair Advies)
### Appendix 2: Master Plan (only in Dutch)

| MISSIE | De regieorganisatie zorgt voor een gezonde facilitaire (=AZ én ICT) omgeving bij het ministerie van VWS op basis van bestaande en toekomstige behoeften en ongebonden aan locatie, plaats en tijd. Dit doet zij efficiënt, doelmatig en deskundig. |
| DOELEN | Kritische succesfactor | Prestatie-indicator | Meetmethodiek |
| Klant | Intake van de (veranderde) klantvraag Advisering: Vertalen van klantwensen naar mogelijke diensten en producten Leveringsvoorstel Innovation van projektmatig en zorgvuldig implementeren van veranderingen in dienstverlening | Intake conform stramien Advies conform stramien Leveringsoverstel conform stramien Implementatie conform leveringsvoorstel Eén actuele DVA/SLA met elke klant DVA/SLA conform stramien Rapportage en evaluatie conform afspraken Wijzigingsvoorstellen | iKTO Facilitair strategieplan Servicemanagement DVA/SLA Klachtenprocedurowijzigingen Managementcontract |
| Leveranciers | Contractafspraken zijn duidelijk, doelmatig, relevant, consistent en onderhoudbaar. Regieorganisatie stuurt op de contractafspraken. Prijz en kwaliteit van geleverde diensten is marktconform. Partnerschap met wederzijds commitment en vertrouwen | Actuele contracten met alle leveranciers Contract conform stramien Rapportage conform afspraken Evaluatie conform afspraken Verbeterpunten | Prestatiemetingen Benchmark Financieel model FMIS |
| Regieorganisatie | Planning van de innovatie- en verbe- teracties Adequate inzet van bedrijfseconomische middelen (personeel en middelen) Financieel beleid is helder en consistent Efficiënte en doelmatige financiële sturing Efficiënte en doelmatige kwaliteitsbewaking Controle van aanvragen op legitimiteit. | Actualiteit van de PDG Nakomen service levels Klachten van an- nevers Interne management informatie Tijdigheid van factu- rering en betaling | Functioneringsgesprekken Marap Verzuimregistratie Bedrijfsvoerings-administratie Managementrapportage Inning van gelden bij klanten |
| Regiemedewerkers | Goed opgeleide, deskundige, zakelijke en servicegerichte medewerkers. Competent houden van medewerkers. Medewerkers zijn geïnformeerd over hun taken en rollen, alsmede de trends en ontwikkelingen hierin. | Functioneringsgesprekken Persoonlijk ontwikkeling Tevredenheid medewerkers Interne communicatie | Functioneringsgesprekken POP Opleidingen iMTO |

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### Appendix 3: Processes of the retained organization (only in Dutch)

<table>
<thead>
<tr>
<th>Proces</th>
<th>Definitie / inhoud</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beleid- en strategievorming en opstellen strategische plannen</td>
<td>Het eenduidig definiëren van de bedrijfsstrategie en die zodanig vertalen naar ICT en AZ, dat de synergie met en de ontwikkeling van de organisatie optimaal is op basis van interne en externe ontwikkelingen. Het vervolgens uitwerken van de gekozen strategie tot strategische plannen</td>
</tr>
<tr>
<td>Zorgen voor de levering van diensten en producten</td>
<td>Het proces dat er voor zorgt dat diensten en producten ook feitelijk geleverd worden: marktverkenning, bepalen behoeften, leveranciersaanbod, afsluiten contract, dienstverleningsafspraken (SLAs) en totstandkoming dienstverlening.</td>
</tr>
<tr>
<td>Relatiebeheer</td>
<td>Het onderhouden van vakmatige relaties met klanten (en soms afnemers) met als doelen: herkennen van behoeften en ontwikkelingen bij klanten, ontvangst van verzoeken voor nieuwe of aangepaste diensten, voorleggen van leveranciersaanbod, vastleggen van de afspraken met klanten, alsmede samen met klant sturen op resultaten.</td>
</tr>
<tr>
<td>Adviseren / informatiemanager</td>
<td>Het vertalen van klantvraag of beleidsvraag naar functionaliteiten en mogelijke oplossingen waarbij rekening wordt gehouden met afhankelijkheden van bedrijfsprocessen en informatie-systemen en inzicht wordt gegeven in de (financiële) gevolgen van de oplossingen.</td>
</tr>
<tr>
<td>Contractenbeheer</td>
<td>Het beheren van contracten op het strategische en tactische niveau: Onderhandelen over contracten, aanpassen van contracten wanneer veranderende omstandigheden dit vereisen, bewaken van het beoogde doel (van best buy tot partnerschap).</td>
</tr>
<tr>
<td>Leveranciersbeheer (extern gericht)</td>
<td>Beheren van de leveranciersrelaties: Marktkenenis, marktontwikkelingen, (ver)kennen van leverancierspositie en (veranderingen in) dienstenaanbod,</td>
</tr>
<tr>
<td>Diensten integratie</td>
<td>Het bewaken en borgen van de samenhang van de leveranciersoverstijgende productieprocessen en de infrastructuur, inclusief het zorgen voor goede afspraken ten aanzien van de functionaliteiten van de totale (productie-) keten.</td>
</tr>
<tr>
<td>Architectuur/blauwdruk van de bedrijfsvoering managen</td>
<td>Het bewaken en controleren van de architectuur/blauwdruk van de bedrijfsvoering, d.w.z. het consistent geheel van principes en modellen dat richting geeft aan ontwerp en realisatie van de processen, organisatie-inrichting en informatievoorziening, inclusief de bewaking van het optimaal gebruik van de diensten.</td>
</tr>
<tr>
<td>Portfoliomanagement</td>
<td>Het op tactisch niveau bepalen en bewaken van de technische en logische samenhang tussen de systemen. Voor de groei van de business is een snelle time-to-market van nieuwe systemen van belang. Het betreft de juiste prioriteiten hierin alsmede het elimineren van legacy. <em>(De strategische invulling van portfoliomanagement voor ICT vindt buiten de huidige FD plaats).</em></td>
</tr>
<tr>
<td>Sturen en meten</td>
<td>Het monitoren van kwaliteit van de dienstverlening. Dit omvat onder meer het meten, analyseren, evalueren en verbeteren van de resultaten (kwaliteit, kosten, satisfactie) over de dienstverlening en het beheren van de servicecatalogus.</td>
</tr>
<tr>
<td>Beheersing</td>
<td>Het bewaken en controleren van de doelmatigheid en rechtmatigheid van de geleverde dienstverlening</td>
</tr>
<tr>
<td>Programmamanager</td>
<td>Managen van de projecten die voor de klantorganisatie worden uitgevoerd door de leverancier. Het coördineren van de onderlinge samenhang van die projecten en het optimaal benutten van de synergiemogelijkheden.</td>
</tr>
</tbody>
</table>

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### Appendix 4: Interview Guide ‘Control and Steering Function’ with scores

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>RESEARCH HYPOTHESIS (questions)</th>
<th>Yes/No</th>
<th>FILTER QUESTION</th>
<th>Average public</th>
<th>Average private</th>
<th>Average TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Environment</td>
<td><strong>Shared services is the best opportunity to get the needed facility management support for the organization.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have a strategy for FM?</td>
<td>Y</td>
<td>How does it read?</td>
<td>2.2</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have an organizational chart?</td>
<td>Y</td>
<td>How does it look like (department &amp; organization)?</td>
<td>1.8</td>
<td>2.0</td>
<td>1.9</td>
</tr>
<tr>
<td></td>
<td>Do the employees showed/ still show commitment?</td>
<td>Y</td>
<td>Is the success depending on the commitment?</td>
<td>1.6</td>
<td>2.0</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>Do the management showed/ still show commitment?</td>
<td>Y</td>
<td>Is the success depending on the commitment?</td>
<td>1.8</td>
<td>2.0</td>
<td>1.9</td>
</tr>
<tr>
<td>2. Management Retained Organization</td>
<td><strong>The functions of the retained organization are policy and advice, steering and control.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have a defined area of responsibility for the retained organization?</td>
<td>Y/N</td>
<td>How important is the policy and advice function?</td>
<td>2.0</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Do you have means to steer and control in place on strategic level?</td>
<td>Y/N</td>
<td>Is it important to continuously improve within the retained organization?</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have an interdepartmental governance?</td>
<td>Y/N</td>
<td>Is it important to have a common vision/mission within the governance?</td>
<td>0.6</td>
<td>1.6</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Client/Consumer Retained Organization</td>
<td><strong>The retained organization must understand and translate the client’s needs of functionalities into services and products.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you differentiate your clients? (client vs. consumer)</td>
<td>Y/N</td>
<td>Is the differentiation necessary?</td>
<td>3.2</td>
<td>2.2</td>
<td>2.7</td>
</tr>
<tr>
<td></td>
<td>Are you able to satisfy your client’s needs?</td>
<td>Y</td>
<td>How important is the satisfaction of the client?</td>
<td>1.2</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Do you have agreements with your client?</td>
<td>Y/N</td>
<td>Are these agreements fixed?</td>
<td>2.4</td>
<td>1.8</td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have a good relationship with your clients?</td>
<td>Y</td>
<td>Is it important to trust in the relationship?</td>
<td>1.2</td>
<td>1.6</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>Do you have a good communication with your client?</td>
<td>Y</td>
<td>Is it necessary to communicate on all levels (strategic, tactic, operational)?</td>
<td>2.2</td>
<td>2.0</td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have a reporting system with your client?</td>
<td>Y/N</td>
<td>Is the necessary reporting in general?</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>CATEGORY</td>
<td>RESEARCH HYPOTHESIS (questions)</td>
<td>FILTER QUESTION</td>
<td>Average</td>
<td>Average</td>
<td>Average</td>
<td></td>
</tr>
<tr>
<td>----------</td>
<td>--------------------------------</td>
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<td>---------</td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>public</td>
<td>private</td>
<td>TOTAL</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Contractor and service supplier have to be partners.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have a legal framework? (contract, rights, duties, penalties)</td>
<td>Y Is it important to have a legal contract?</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Would you be likely to make use of it?</td>
<td>3.4</td>
<td>2.8</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have functional agreements? (SLA, DVA)</td>
<td>Y How important are these agreements? (content?)</td>
<td>1.4</td>
<td>2.0</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Are these agreements fixed?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have a legal framework? (contract, rights, duties, penalties)</td>
<td>Y How important is trust in the relationship?</td>
<td>1.4</td>
<td>1.8</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have functional agreements? (SLA, DVA)</td>
<td>Y How important is the communication?</td>
<td>1.4</td>
<td>1.8</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have a good relationship with your service supplier?</td>
<td>Y How important is the relationship?</td>
<td>1.2</td>
<td>1.6</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have a good communication with your service supplier?</td>
<td>Y How important is the communication?</td>
<td>2.4</td>
<td>2.0</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have a reporting system with your supplier?</td>
<td>Y/N How often do you get reports from the supplier? (content?)</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The retained organization must not over control the supplier.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have means to steer and control in place on tactic level?</td>
<td>Y How necessary is contract management?</td>
<td>1.8</td>
<td>1.2</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have special requirements on your service supplier?</td>
<td>Y How important is it that the supplier has a contingency plan?</td>
<td>3.4</td>
<td>1.6</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Does the supplier have opportunities to influence the retained organization in decision making/ services/ quality?</td>
<td>Y Is it important that the supplier can influence decision-making?</td>
<td>2.4</td>
<td>1.4</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The service supplier has to work market-conform with best-skilled employees and best technologies to deliver the needed services and products.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have special requirements on your service supplier?</td>
<td>Y How important is it that the supplier has a contingency plan?</td>
<td>3.4</td>
<td>1.6</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have a legal framework? (contract, rights, duties, penalties)</td>
<td>Y How important is risk management of the supplier?</td>
<td>4.0</td>
<td>2.4</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have functional agreements? (SLA, DVA)</td>
<td>Y Is it necessary that the supplier has certificates?</td>
<td>4.0</td>
<td>2.0</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have a legal framework? (contract, rights, duties, penalties)</td>
<td>Y How important is it that the supplier has procedures in place to train and educate their employees?</td>
<td>2.8</td>
<td>2.0</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Do you have special requirements on your service supplier?</td>
<td>Y How important is it that the supplier has a quality management/ system in place?</td>
<td>1.8</td>
<td>1.4</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Does the supplier communicate with the customer?</td>
<td>Y Is it necessary that they communicate? (content?)</td>
<td>2.6</td>
<td>2.4</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Does the supplier communicate with the customer?</td>
<td>Y Should the retained organization be involved in the communication?</td>
<td>2.4</td>
<td>2.6</td>
<td>2.5</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 5: Interdepartmental governance for SSC FaSam

The steering function on the highest level is done by the interdepartmental governance. In the case of the Ministry of VWS the partners will be the Ministry of BZK, Ministry of Justice and the Ministry of OCW\textsuperscript{116} probably. Within this governance decisions are made with regards to facility management which have concern-wide impact. Advantages of such governance are amongst others: a common philosophy and collaborative decision-making which supports harmonization and standardization.

\textsuperscript{116} Ministry of OCW (abb.) Ministry of Education, Culture and Science
Appendix 6: Contract and Service Level Agreement\textsuperscript{117}

The following table provides a guideline for preparing a contract with SLA. This list is not exhaustive – before and during the contract negotiation an experienced lawyer should be apparent.

<table>
<thead>
<tr>
<th>Frame Contract</th>
<th>SLA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contracting parties</td>
<td>1. Preliminary remarks:</td>
</tr>
<tr>
<td></td>
<td>1.1 Objective of the services to be delivered</td>
</tr>
<tr>
<td>2. Preamble</td>
<td>1.2 Terms and definitions</td>
</tr>
<tr>
<td>3. Subject matter of the contract</td>
<td>1.3 Modality and extent of the services</td>
</tr>
<tr>
<td>4. Contract documents</td>
<td>1.4 Effective norms and standards</td>
</tr>
<tr>
<td>5. Performance changes</td>
<td>1.5 Procedure for changes</td>
</tr>
<tr>
<td>6. Take-over by the agent</td>
<td>1.6 Optional services</td>
</tr>
<tr>
<td>7. Subcontractor performance &amp; liability</td>
<td>1.7 Communication &amp; information flow</td>
</tr>
<tr>
<td>8. Contract coordination</td>
<td>1.8 Reporting</td>
</tr>
<tr>
<td>9. Duties of the principle</td>
<td>1.9 Quality management</td>
</tr>
<tr>
<td>10. Duties of the agent</td>
<td>1.10 Terms and deadlines</td>
</tr>
<tr>
<td>11. Information and documentation</td>
<td>1.11 Reaction times &amp; escalation procedure</td>
</tr>
<tr>
<td>12. Staff assignment of agent</td>
<td>1.12 Equipment and materials</td>
</tr>
<tr>
<td>13. Payment and invoicing</td>
<td>1.13 Price</td>
</tr>
<tr>
<td>14. Claims for neglect of duties</td>
<td>2. Services</td>
</tr>
<tr>
<td>15. Accountability</td>
<td>Description &amp; content of contracted services</td>
</tr>
<tr>
<td>17. Concealment and data security</td>
<td></td>
</tr>
<tr>
<td>18. Contract duration</td>
<td></td>
</tr>
<tr>
<td>19. Transition after contract termina-</td>
<td></td>
</tr>
</tbody>
</table>
tion                                       |
| 20. Jurisdiction                        |                                                                      |

\textsuperscript{117} cf. Jung: 2007 and GEFMA: 2006
### Appendix 7: Stimulations of service suppliers to optimal performance\(^{118}\)

| **Growth**                        | - train supplier in important new skills  
|                                   | - give supplier opportunity to benchmark 
|                                   | - assist supplier by new developments  
|                                   | - look out for new growth perspective for the service provider |
| **Operations**                   | - follow a trustful ordering pattern  
|                                   | - ensure immediately payments  
|                                   | - promote a balanced rise  
|                                   | - offer assistance by order decrease |
| **Relations**                    | - solve problems by its roots  
|                                   | - encounter ideas of supplier seriously  
|                                   | - handle objectives parameter when making decisions  
|                                   | - ensure sustainable mutual commitment |
| **Independence**                 | - grant supplier acceptable margin  
|                                   | - respect the cost structure of the supplier  
|                                   | - protect own know-how from service provider  
|                                   | - accept the own decision of the supplier regarding their know-how |
| **Damage prevention**            | - take borders in consideration when negotiating  
|                                   | - ensure compensation by unexpected adverse events  
|                                   | - share the connected risks with these events  
|                                   | - work together on the implementation of new methods |

### Appendix 8: Alliances versus traditional business transactions\(^{119}\)

<table>
<thead>
<tr>
<th><strong>Feature</strong></th>
<th><strong>Traditional transaction</strong></th>
<th><strong>Alliance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Action</strong></td>
<td>Fixed Agreement</td>
<td>Stimulating Agreement</td>
</tr>
<tr>
<td></td>
<td>One sticks to before defined frame conditions.</td>
<td>Supplier makes special effort.</td>
</tr>
<tr>
<td><strong>Results determined:</strong></td>
<td>by the market</td>
<td>by the expertise of the service provider.</td>
</tr>
<tr>
<td><strong>Applied when:</strong></td>
<td>it is accepted that improve-ments are determined by the market.</td>
<td>client asks for more value than market is offering. Supplier is responsible for improvements.</td>
</tr>
<tr>
<td><strong>Relation</strong></td>
<td>Business-like</td>
<td>Purely business-like</td>
</tr>
</tbody>
</table>

---

\(^{118}\) Lewis: 1995, p. 83  
\(^{119}\) Lewis: 1995, p. 37
## Appendix 9: Comparison of best practices and the ICT-retained organization

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Best practices</th>
<th>ICT-retained organization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Carry out the vision on the basis of a sourcing strategy.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vision</td>
<td>Vision and mission amply defined (see detailed draft).</td>
<td></td>
</tr>
<tr>
<td>Sourcing strategy</td>
<td>Special program (MFO) set up to implement the strategy.</td>
<td></td>
</tr>
<tr>
<td><strong>Master plan</strong></td>
<td>Objectives, CSF and KPIs described roughly, not yet sophisticated plan (see detailed draft).</td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>The program “Mens &amp; Verandering”&lt;sup&gt;120&lt;/sup&gt; focused especially on the alterations the employees faced.</td>
<td></td>
</tr>
<tr>
<td><strong>Terminology</strong></td>
<td>‘Insourcing’ and ‘outsourcing’ of ICT or facility services used – retained organization itself has common picture but by using different terms, other parties may be confused.</td>
<td></td>
</tr>
<tr>
<td><strong>2. Identify your key stakeholders.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relational model</td>
<td>Key stakeholders are identified in relational model (see detailed draft).</td>
<td></td>
</tr>
<tr>
<td>Differentiation: management / client</td>
<td>Management (Secretary-General or representative) and clients (divisions) are separated.</td>
<td></td>
</tr>
<tr>
<td>Differentiation: client / consumer</td>
<td>Clients (app. 30 divisions) and consumers (employees) are distinguished.</td>
<td></td>
</tr>
<tr>
<td><strong>3. Initiate and implement interdepartmental governance.</strong></td>
<td>It is in the starting phase to establish common governance between the ministries of VenW and VVS.</td>
<td></td>
</tr>
<tr>
<td><strong>4. Determine the scope of the retained organization.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tasks</td>
<td>Functions are clearly defined within separated clusters – demand and supply side (see detailed draft). For each task within the retained organization a function description is available.</td>
<td></td>
</tr>
<tr>
<td>Competencies</td>
<td>Competencies were assessed and summarized by a research institute. For every task of the retained organization a competence profile was made.</td>
<td></td>
</tr>
<tr>
<td>Value-added</td>
<td>Value-added is described in the detailed draft.</td>
<td></td>
</tr>
<tr>
<td><strong>5. Arrange effective and efficient communication and proper information flows.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication plan</td>
<td>Currently phase of initiating meetings and conferences based on the developed communication plan.</td>
<td></td>
</tr>
<tr>
<td>Service Desk</td>
<td>The service desk (operated by the SSC) can be contacted personally, per email or telephone.</td>
<td></td>
</tr>
<tr>
<td>Product and Service Guide</td>
<td>On the internet the current product and service guide can be found.</td>
<td></td>
</tr>
</tbody>
</table>

<sup>120</sup> ‘Mens & Verandering’ (engl. Human being & Change)
<table>
<thead>
<tr>
<th>Reporting</th>
<th>Due to the not yet installed performance management based on an elaborated master plan, reporting is not yet done (only on special request), but no frequent and structured reporting.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>6. Negotiate clear, transparent and fair agreements.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Contract resp. covenant</strong></td>
<td>When transferring the services to the SSC, no covenant was signed. The negotiations took about four month until both parties agreed to sign.</td>
</tr>
<tr>
<td><strong>Internal SLA</strong></td>
<td>The retained organization developed SLA forms with a tripartite differentiation of the services, but these forms are not yet fully filled out.</td>
</tr>
<tr>
<td><strong>External SLA</strong></td>
<td>Due to the internal SLAs – which are still in process – the external SLAs are not yet complete as well.</td>
</tr>
<tr>
<td><strong>Incentive system</strong></td>
<td>There are no incentives explicitly agreed with the shared service center.</td>
</tr>
<tr>
<td><strong>7. Establish a sophisticated contract management.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Service level management</strong></td>
<td>Because of the SLAs, which are not yet completed, service level management has to be established after fixing the SLA with clients and supplier.</td>
</tr>
<tr>
<td><strong>Management of general budget</strong></td>
<td>The settled budget by management for standard services is managed by the retained organization.</td>
</tr>
<tr>
<td><strong>Management of client’s funds</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Computing of payments</strong></td>
<td>Although the contract was not signed right after the transition the payments for the delivered services were computed by the retained organization to the SSC. But still clear cost-prices for the services are not comprehensible respectively not fully traceable.</td>
</tr>
<tr>
<td><strong>9. Build up a trustful partnership with your supplier.</strong></td>
<td>The retained organization and SSC built up and maintain a partnership esp. by well communicating.</td>
</tr>
<tr>
<td><strong>10. Set up an elaborated performance management system.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Master plan</strong></td>
<td>As mentioned under point 1, an elaborated master plan forms the basis of performance control.</td>
</tr>
<tr>
<td><strong>PDCA-cycle</strong></td>
<td>Next to measuring the services regarding quality and costs, detected weak points have to be improved. This continuous improvement cycle can first be installed when performance management is in place.</td>
</tr>
<tr>
<td><strong>11. Develop convenient client liaison and support.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Account management</strong></td>
<td>Currently there is one explicitly named account manager in place for the ICT-retained organization.</td>
</tr>
<tr>
<td><strong>Claim procedure</strong></td>
<td>The retained organization implemented in corporation with the SSC an elaborated claim procedure.</td>
</tr>
</tbody>
</table>
12. **Translate strategies and facilitate innovations.**

<table>
<thead>
<tr>
<th><strong>Policy</strong></th>
<th>With regards to ICT-strategy a splitting was made. I.e. there exists a group ‘entity information strategy’ (EIS) out of the retained organization and a group called BIA (policy, innovation, advisory) which is included in the retained organization.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Innovation</strong></td>
<td>Innovation management is facilitated by the group BIA as well as by the SSC.</td>
</tr>
<tr>
<td><strong>Advisory</strong></td>
<td>Advice as to ICT is provided by BIA</td>
</tr>
</tbody>
</table>

13. **Provide advice by maintaining special expertise.**

| **FMIS** | The SSC handles an IT-system to process their work flow. The retained organization does not yet have an IT-based supportive tool in place for the non-standard client’s requests. |
# Appendix 10: Master plan performance management

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>Critical success factor</th>
<th>Key performance indicator (additional: definition)</th>
<th>Instrument to measure (additional: calculation)</th>
<th>Norm</th>
<th>Area of tolerance</th>
<th>Unit</th>
<th>Frequency</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Financial perspective</td>
<td>The financial policy is clear and consistent.</td>
<td>1.1 Mutually agreed costs</td>
<td>1.1.1 Cost transparency</td>
<td>Cost-prices per service and product available</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.1.2 Cost reliability</td>
<td>Budget per year / invoices per year</td>
<td>100</td>
<td>100</td>
<td>10</td>
<td>110</td>
</tr>
<tr>
<td></td>
<td>1.2 Efficient and appropriate financial steering</td>
<td>1.2.1 In time invoicing and paying</td>
<td>Collection of money from clients (in time)</td>
<td>5</td>
<td>5</td>
<td>7</td>
<td>10</td>
<td>days</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.2.2 Cost decrease</td>
<td>Costs of last year/ cost of current year</td>
<td>-1</td>
<td>-1</td>
<td>-1</td>
<td>0</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>1.3 Market conform price and quality of services</td>
<td>1.3.1 market conformance</td>
<td>Benchmark (e.g. FaSam and 4FM)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. Internal business perspective</td>
<td>Management is efficient and appropriate.</td>
<td>2.1 Business alignment</td>
<td>2.1.1 Mission/ vision</td>
<td>Sourcing strategy available</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.2 Adequate assignment of business economics means (personnel, means)</td>
<td>2.2.1 Management administration</td>
<td>Audit on management administration</td>
<td>if required</td>
<td>Audit</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.3 Innovation and improvements</td>
<td>2.3.1 Topicality of product and service guide</td>
<td>Current product and service guide available</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.3.2 Improvement or alteration proposal</td>
<td>Audit</td>
<td>if required</td>
<td>Audit</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.3.3 Implementation conform proposal</td>
<td>Audit</td>
<td>if required</td>
<td>Audit</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.4 Efficient and suitable quality monitoring</td>
<td>2.4.1 Management reports</td>
<td>aggregated KPIs from operational management</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>90</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.4.2 Dash board</td>
<td>KPIs from operational management available</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>90</td>
<td>%</td>
</tr>
<tr>
<td>Strategic objective</td>
<td>Critical success factor</td>
<td>Key performance indicator (additional: definition)</td>
<td>Instrument to measure (additional: calculation)</td>
<td>Norm 2008 / 2009</td>
<td>Area of tolerance</td>
<td>Unit</td>
<td>Frequency</td>
<td>Source</td>
</tr>
<tr>
<td>---------------------</td>
<td>------------------------</td>
<td>-------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-----------------</td>
<td>------------------</td>
<td>------</td>
<td>----------</td>
<td>--------</td>
</tr>
<tr>
<td>Internal employees are satisfied.</td>
<td>2.5 Content employees</td>
<td>2.5.1 Contentment of employees</td>
<td>Employee satisfaction survey</td>
<td>7</td>
<td>10</td>
<td>7</td>
<td>5</td>
<td>score</td>
</tr>
<tr>
<td></td>
<td>2.6 Committed employees</td>
<td>2.6.1 Absence</td>
<td>Illness registration</td>
<td>5</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.6.2 Retention of employees</td>
<td>Turnover</td>
<td>5</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>%</td>
</tr>
<tr>
<td>Professional and result-orientated employees work client-friendly.</td>
<td>2.7 Well-educated, professional and service-orientated behavior and attitude</td>
<td>2.7.1 Competence of employees</td>
<td>Competence profile available</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>90</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>2.8 Maintenance of competence</td>
<td>2.8.1 Personal development</td>
<td>POP (personal development plan) available</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>90</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>2.9 Employees know their tasks and roles and trends and developments herein</td>
<td>2.9.1 Performance interview</td>
<td>Registration of performance interviews</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>90</td>
<td>%</td>
</tr>
<tr>
<td>Employees address each other and are approachable on their acting and performance.</td>
<td>2.10 Well maintained internal communication</td>
<td>2.10.1 Internal communication</td>
<td>Evaluation by employees</td>
<td>100</td>
<td>100</td>
<td>90</td>
<td>80</td>
<td>%</td>
</tr>
<tr>
<td>III. Consumer perspective</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional principal-agent-relationship: client demand is focal point. The supply is continuously negotiated according client needs. The client is satisfied.</td>
<td>3.1 Content clients and consumers</td>
<td>3.1.1 Contentment of client and consumer</td>
<td>Client and consumer satisfaction survey</td>
<td>7</td>
<td>10</td>
<td>7</td>
<td>5</td>
<td>score</td>
</tr>
<tr>
<td></td>
<td>3.2 Registration of client request</td>
<td>3.2.1 Intake conform standard patterns</td>
<td>Audit on non-standard request (intake)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.3 Adequate translation of client needs into services</td>
<td>3.3.1 advice conform standard patterns</td>
<td>Audit on non-standard request (process)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.3.2 progress of non-standard requests</td>
<td>total throughput time of request</td>
<td>15</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>days</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.3.3 delivery proposal conform standard patterns</td>
<td>Audit on non-standard request ('offerte')</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic objective</td>
<td>Critical success factor</td>
<td>Key performance indicator (additional: definition)</td>
<td>Instrument to measure (additional: calculation)</td>
<td>Norm 2008 / 2009</td>
<td>Area of tolerance</td>
<td>Unit</td>
<td>Frequency</td>
<td>Source</td>
</tr>
<tr>
<td>---------------------</td>
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<td>-----------------------------------------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----</td>
<td>----------</td>
<td>--------</td>
</tr>
<tr>
<td>Efficient agreements of the services to be purchased made with all clients (incl. management).</td>
<td>3.4 Clear, appropriate, relevant, consistent and manageable service level agreements</td>
<td>3.4.1 One current SLA with each client</td>
<td>Current SLA available</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>90</td>
<td>%</td>
</tr>
<tr>
<td>3.4.2 SLA conform standard patterns</td>
<td>Audit on the SLA</td>
<td></td>
<td></td>
<td>if required</td>
<td></td>
<td></td>
<td></td>
<td>Audit</td>
</tr>
<tr>
<td>3.5 Agreements of next year's planning of client</td>
<td>3.5.1 Account plan per client</td>
<td>Current account plan available</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>90</td>
<td>%</td>
<td>annual</td>
</tr>
<tr>
<td>The compliance of the agreements is managed together with the client and retained organization.</td>
<td>3.6 Compliance of services delivered with agreed services</td>
<td>3.6.1 Performance control</td>
<td>Audit on SLA compliance</td>
<td>if required</td>
<td></td>
<td></td>
<td></td>
<td>Audit</td>
</tr>
<tr>
<td>3.7 Compliance of agreed services with client's needs</td>
<td>3.7.1 Service level management</td>
<td>Evaluation of SLA</td>
<td></td>
<td>annual</td>
<td></td>
<td></td>
<td></td>
<td>SLA</td>
</tr>
<tr>
<td>3.8 Communication and information</td>
<td>3.8.1 Regular meetings, client dialogue</td>
<td>Communication plan</td>
<td>100</td>
<td>100</td>
<td>95</td>
<td>90</td>
<td>%</td>
<td>annual</td>
</tr>
</tbody>
</table>

**IV. Supplier perspective**

Suitable agreements are made with the supplier about the services and products to be delivered.

<p>| 4.1 Clear, appropriate, relevant, consistent and manageable contract agreements | 4.1.1 One current contracts with SLA with each service suppliers | Current contract and SLA available | 100 | | | | % | annual | Contract documents |
| 4.1.2 Contract conform standard patterns | Audit on contract form | | if required | | | | | Audit |
| 4.1.3 SLAs conform standard patterns | Audit on SLA form | | if required | | | | | Audit |
| 4.1.4 Service level management | Evaluation of SLA | | | | | | | |</p>
<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>Critical success factor</th>
<th>Key performance indicator (additional: definition)</th>
<th>Instrument to measure (additional: calculation)</th>
<th>Norm 2008 / 2009</th>
<th>Area of tolerance</th>
<th>Unit</th>
<th>Frequency</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2 High quality of service delivery.</td>
<td>4.2.1 Competence of supplier employees</td>
<td>Competence profiles available</td>
<td>100</td>
<td>10</td>
<td>95</td>
<td>90</td>
<td>%</td>
<td>annual</td>
</tr>
<tr>
<td>4.2.2 Contentment of supplier employees</td>
<td>Employee satisfaction survey</td>
<td>7</td>
<td>10</td>
<td>7</td>
<td>5</td>
<td>score</td>
<td>annual</td>
<td>Survey</td>
</tr>
<tr>
<td>4.2.3 Quality management system</td>
<td>Audit</td>
<td>if required</td>
<td>Audit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.3 Steering on contractual agreements.</td>
<td>4.3.1 Reports conform standard patterns</td>
<td>Audit</td>
<td>if required</td>
<td>Audit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.4 Best possible operational management</td>
<td>4.4.1 Request performance</td>
<td>Percentage of solved requests</td>
<td>100</td>
<td>10</td>
<td>95</td>
<td>90</td>
<td>%</td>
<td>daily</td>
</tr>
<tr>
<td>4.4.2 Response speed</td>
<td>Mean time to respond (MTTR) - within working hours</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>hours</td>
<td>daily</td>
<td>FMIS</td>
</tr>
<tr>
<td>4.4.3 Reaction speed</td>
<td>Mean time to fix (MTTF) - within working hours</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>hours</td>
<td>daily</td>
<td>FMIS</td>
</tr>
<tr>
<td>4.4.4 Reliability</td>
<td>Mean time between failures (MTBF)</td>
<td>12</td>
<td>12</td>
<td>5</td>
<td>1</td>
<td>months</td>
<td>daily</td>
<td>Audit</td>
</tr>
<tr>
<td>4.4.5 Compliance with norms and standards.</td>
<td>Audit on current norms and standards to be regarded (e.g. ISO 9001, 14001)</td>
<td>if required</td>
<td>Audit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.4.6 Availability of services</td>
<td>Opening hours of service desk from 8.00 - 18.00 o’clock</td>
<td>daily</td>
<td>FMIS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.4.7 Claims</td>
<td>Amount of claims</td>
<td>5</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>amount</td>
<td>monthly</td>
<td>FMIS</td>
</tr>
<tr>
<td>4.4.8 Flexibility of service delivery</td>
<td>Speed of changes in services</td>
<td>5</td>
<td>5</td>
<td>7</td>
<td>10</td>
<td>days</td>
<td>if required</td>
<td>FMIS</td>
</tr>
<tr>
<td>4.4.9 Proactiveness</td>
<td>Amount of innovative ideas</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>amount</td>
<td>quarterly</td>
<td>FMIS</td>
</tr>
<tr>
<td>Strategic objective</td>
<td>Critical success factor</td>
<td>Key performance indicator (additional: definition)</td>
<td>Instrument to measure (additional: calculation)</td>
<td>Norm 2008 / 2009</td>
<td>Area of tolerance</td>
<td>Unit</td>
<td>Frequency</td>
<td>Source</td>
</tr>
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<td>---------------------</td>
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</tr>
<tr>
<td>Professional principal-agent relationship: suppliers are trustful partners and communicate openly.</td>
<td>4.5 Partnership with mutual trust and commitment</td>
<td>4.5.1 Partnership</td>
<td>Evaluation on partnership done by both parties</td>
<td></td>
<td></td>
<td></td>
<td>quarterly</td>
<td>evaluation during meeting</td>
</tr>
<tr>
<td></td>
<td>4.5.2 Effective risk management</td>
<td></td>
<td>Current risk matrix available</td>
<td>100</td>
<td>10</td>
<td>95</td>
<td>90</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>4.5.3 Communication and information</td>
<td></td>
<td>Regular meetings and supplier dialogue</td>
<td>100</td>
<td>10</td>
<td>95</td>
<td>90</td>
<td>%</td>
</tr>
</tbody>
</table>
## Appendix 11: KPI-sheet

<table>
<thead>
<tr>
<th>KPI</th>
<th>Name of the performance indicator.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Detailed description of the parameter and its objective to measure.</td>
</tr>
<tr>
<td><strong>Target Value</strong></td>
<td>Determination of the margin the indicator has to reach.</td>
</tr>
<tr>
<td><strong>Measurement</strong></td>
<td>Description of the measurement, the means of measurement as well as measurement unit.</td>
</tr>
<tr>
<td><strong>Calculation</strong></td>
<td>( X = ) Description how to calculate the parameter, if it consists of more than a simple measurement.</td>
</tr>
<tr>
<td><strong>Tolerance areas</strong></td>
<td></td>
</tr>
<tr>
<td>Better than the margin.</td>
<td></td>
</tr>
<tr>
<td>Within the margin.</td>
<td></td>
</tr>
<tr>
<td>Worse than the margin.</td>
<td></td>
</tr>
<tr>
<td><strong>Relation to CSF</strong></td>
<td>Description of the relation of the KPI towards the CSF.</td>
</tr>
<tr>
<td><strong>Interrelations</strong></td>
<td>Description of relations to other KPIs.</td>
</tr>
<tr>
<td><strong>Frequency</strong></td>
<td>Determination of the periods when to measure the parameter.</td>
</tr>
<tr>
<td><strong>Source</strong></td>
<td>Description of the source where to get the indicator from.</td>
</tr>
</tbody>
</table>
Appendix 12: Simplified process to identify on which level FM is situated

- **Facility Management**
  - Do you have a strategy?
    - no ➔ **Develop strategy**
    - yes ➔ **FM is centralized?**
  - yes ➔ **I. Centralization**
    - FM in a SSC?
      - no ➔ **FM by a retained organization**
      - yes ➔ **II. Shared Service Center**
        - yes ➔ **II. Retained Organization with SSC**
        - no ➔ **Multiple suppliers?**
          - no ➔ **V. Main contractor**
          - yes ➔ **IV. Multi-vendor**
        - yes ➔ **management by retained organization**
      - no ➔ **Bundle facility services**