

## ***Beware the Procurement Dept.***

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I've noticed an interesting and challenging shift in the RFP portion of the outsourcing process. Instead of dealing with the corporate real estate department directly, more service providers must also interface with the client's internal procurement department. It has become commonplace for Procurement to be involved in most purchasing endeavors, and for the most part this is not a problem.

However, it can become an issue when management abdicates its role as it relates to CRE outsourcing. In fact, it can be downright confounding to be completely cut off from the CRE group, especially when they're the people you've known and trusted for years. I understand that the decision whether or not to involve Procurement in the outsourcing process may not belong to the CRE director, however, the two groups can approach outsourcing together in a unified approach that will serve the company and preserve what has become a highly personal, relationship-based association.

Historically, the job of procurement has been to manage contracts and purchase necessary goods and services for the corporation. But when it comes to outsourcing corporate real estate services in particular, I see a few problems with Procurement-led initiatives.

First, some procurement groups can't buck the compliance mindset. Many procurement professionals are accustomed to soliciting and making decisions based on low-bid (rather than qualifications-based) alternatives. However, when a price-only measure-and-evaluation methodology is used, it usually has to adhere to a specified standard or benchmark. This model is unwieldy and lends itself better to commodity purchases.

Commodity goods (such as office supplies or other standard items) can be purchased electronically with relatively little human involvement. Moreover, this type of procurement does not require much involvement by the business unit staff. Procurement simply adheres to a quality/price guideline, complies with a set of standards, and acts accordingly. Unfortunately, this doesn't help the service provider or the client.

Even if your procurement department has overcome the compliance mindset, procurement of specialty goods and services requires its own specific set of guidelines. It asks for a greater level of involvement with business units since people in each unit will have the required expertise needed for the purchase. This is important because specialty goods and services require a highly analytical, methodology.

This type of procurement usually involves pre-qualification, RFQ/RFP management and ultimately, selection of the vendor based on input from business-unit management. Once the business unit has had a chance to provide its input, the ongoing relationship can be managed directly by the purchasing group. Any time you have a variable application or flexible cost service requirement, you are wise to use a qualification-based selection process. The good news is that procurement departments realize this, and the level of collaboration is higher than with commodity-based purchases.

The most troubling is the incidence of inadequate client-side collaboration in the procurement of consulting and professional services. While you'd expect this type of process to have the greatest level of business-unit involvement, in some cases the opposite seems to be true. Granted, any service acquisition affecting the entire company should allow for the involvement of Procurement, but you should attempt to use Procurement mainly for pre-qualification of service providers. If

they must be involved to a greater extent, try to have them value the purely objective measures in the RFP responses but leave the final (and subjective) decision to CRE. After all, CRE has to work on a day-to-day basis with the service provider. If CRE can't stay directly involved, at least attempt to build your procurement group's skill set in the niceties of procurement of professional services.

Explain to them your methodology, which should involve at a minimum: The opportunity to discuss directly with the service provider any issues and questions; joint Procurement/CRE attendance at all face-to-face meetings with the service provider; and a final say on the selection (as long as CRE and the service provider fulfill all the requirements posed by procurement for process and qualification).

I fully understand the importance and relevance of the procurement department in CRE outsourcing, but real estate is a relationship business, and the service nature of the business depends on keeping personal relationships, trust and integrity intact. Neither of these are commodities.

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