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Testimonials

Ich danke Ihnen vielmals! Thanks a lot
Thought your organization did an
excellent job of organization,
site selection, content and wine selection!
Please keep me on the list for future events.

Mark Burriss
Associate Director, EH&S
Protein Design Labs

Thank you for the invitation
and an enjoyable evening last Tuesday.
I met some old friends and a few new ones.
Thanks again.

Brian Sheehan,
Senior Director Development Engineering
Alza Corporation

Thank you for including me in Thursday evenings
GABA event.
I felt the program was very successful.
You did a great job as moderator.

Barbara Lambing,
Director of Business Development
XL Construction

SHEER FACTS

GABA'S NEWSLETTER FOR THE LIFE SCIENCES COMMUNITY

Facility Management in the Life Sciences: Optimize Outsourcing

Highlights from the Panel Discussion March 22nd SAP Labs, Palo Alto.

The goal of the panel discussion was to learn from each other, and engage in a dialog about the best practices of outsourcing facility services in the life science industry. To facilitate the discussion a panel of experts shared their experiences.



Panelists from left to right:

- Derek Apodaka, Senior Manager, Facilities - Purchasing - Lab Operations, Metabolex
- Chat Kwan, Director Facilities & Operations, Gilead Sciences
- Robert McCullough, Manager Site Engineering, Bayer
- Moderator: Ulrike Ruppelt, M+W Zander and Chairwoman GABA Life Sciences

Background:

Bayer (in Berkeley, 1400 employees, 45 acres site, 30 buildings) manufactures Kogenate, a haemophilia drug.
Gilead Sciences (in Foster City, 650 employees, 35 acres site, 18 buildings) optimizes and markets antiviral and antifungal drugs.
Metabolex (in Hayward, 60 employees, 42,000 sqft facility) develops novel treatments for diabetes and metabolic disorders.

Why Outsource?

Reasons were in line with the findings of a survey: "The two most important reasons stated for outsourcing were 'cost savings' and 'the need for special skills, services or tools/equipment - 'In-house staff reduction', the third most frequent rationale for FM outsourcing, was mentioned by significantly less respondents."

Outsourced services were:

- Custodial and Housekeeping
- Design and Architecture
- Landscape Maintenance
- Major Moves
- Security
- Preventive Maintenance
- Some Preventive Maintenance
- Engineering
- Some Engineering
- Utilities Maintenance

- Gilead; Metabolex
- Bayer; Gilead; Metabolex
- Bayer; Gilead; Metabolex
- Bayer; Gilead; Metabolex
- Bayer; Gilead; Metabolex
- Metabolex
- Bayer; Gilead
- Metabolex
- Bayer; Gilead
- Metabolex



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I wanted to thank you for the beautiful evening!
- you did a great job!

Edda Mihaescu, Ph. D., P. E.
Principal Engineer
Bayer HealthCare LLC, Berkeley

Overall the event was enjoyable
and the conversations were valuable.
If you were to hold it again, I would sign up.

Ramiro Garron,
Project Manager
Bayer Technology Services

IN THIS NEWSLETTER WE QUOTE SEVERAL STUDIES
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The top challenge for Facility Managers

as identified by 43% of the survey participants, is managing a facilities department with insufficient funding. The second most pressing challenge, mentioned by a third of the respondents (32%) is deferred funding and the associated maintenance project backlog. The other resources they lack is staff (24%) and time to complete their work (28%.)

What would Facility Managers most like to change about their work:

22% mentioned adding better qualified and experienced staff, while 17% wished senior management understood the complexities of their work. A smaller percentage, 11%, would like others within their organization to recognize their contribution.

Outsourced services were:

Some Utilities Maintenance
Receptionists, Mail Clerks
Café/Fitness Center Management
Some Calibrations
Some Project Management
IT, Telephony, Waste Disposal

Bayer: Gilead
Gilead
Gilead
Bayer
Bayer
Metabolex

What is usually managed?

Those who manage facilities handle a number of responsibilities, including contract administration (72%), construction management (71%), energy management (68%) and move management (63%). In the last year, 18% were asked to take on disaster planning and manage additional facilities. Although facility professionals' responsibilities may have expanded in recent years, their budgets have not.

What's spent on Outsourcing?

"The average percentage of the annual FM operating budget spent on outsourcing is 38 percent," a FMIlink survey found out.

Bob McCullough: Although his previous firms spend more than 38% on outsourced services, the number is true for Bayer - who keeps custodial services in-house, Chat Kwan expends 60% to 65% of his budget in-house and Derek Apodaka - having only a really small facility management team - uses 25% of his budget in-house - 75% is used on outsourced services.



For Derek contractor performance is not really a problem: I issue a detailed work plan and schedule, when the contractor fulfills the work plan in the given time frame they meet my expectations and I am satisfied.

Bob: Building a manufacturing plant for a product yielding \$500k a year -nobody is getting excited when you exceed the budget but when you deliver on time, your head won't roll

Chat: Our main goal is to deliver the project on time. So - once we set the budget and set the schedule and then - when the end user moves in - everything works. There are always delivery or performance problems along the way but the general contractor has to deal with it. He sets up the contracts with the designers, the architects - he has all the power and because of his relationships he knows that he gets the work done - when need will be with a lot of overtime work and a budget increase.



Contractor Selection:
Lowest price is not the most common contractor selection criteria

During the discussion the focus shifted to Design, Architecture and Construction services as these were the most expensive services.

Bob: Bidding people against each other to get the lowest price - we don't usually do that. Why not? We are trying to establish relationships with these companies. We need them every day on a big campus.

I think that companies deserve our trust that we are not going to bid them against each other - they get in there with their lowest bid and we start to negotiate how we going from there - how they get to their fees or their profit levels.

How do you know the right price?

You can use Informal benchmarking networks through ISPE contacts or other association contacts or published reports with price ranges

Discussion emphasized trust as a performance booster

It became clear that a maximum of performance can be expected when lots of trust is built between clients and service providers. In a competitive bid situation some contractors might factor in marketing dollars - means they buy a project for their portfolio - hoping to attract better paying customers next time. But if competitive bidding is ongoing they can't recover from not earning money for a project and after a while they falter. It can't be in the interest of a client to see good and reliable contractors vanishing from the market - only because their key selection criteria is price.

How do you assure that negotiated mark up's are not exceeded?

If you want to play it by the book, you can run the invoices and time cards through an independent accounting firm who makes sure that the mark up's stay on the negotiated level.

Bob: The preferable way is to stay in close contact to the project progress - if you have 3 or more projects to manage and lack the time to stay close to every project you need to trust. The construction manager has been in business for a long time and if he really wants to skim the job he can do it in half a dozen different ways. He will get his money back anyway. So why go into it with a low bid. I reserve the right to not go with the lowest bid. Some years ago at Johnson & Johnson we used to eliminate the highest and the lowest bid and interviewed the remaining 3 companies. Nowadays I let three contractors know the acceptable range of profit and they can customize their bid to their business situation

What's the most difficult aspect of outsourcing?

A survey reported: Selecting the right contractor" finished first, cited by 39 % of respondents. Ranked next, with 17 %, was "managing the contractor," followed by "writing the proposal to select the contractor," with 13 %.

When you all work with long-term contractors - why don't you hire them as employees?

Bob: We don't want to deal with supervising a lot of people - hiring, terminations, disciplinary actions - then there is the economy of scale; in a custodial contract - they get the soap cheaper and the towels cheaper; they do that and it is not the core of our business, we don't even want to be good at that.

Chat: For me it is obvious: when the subs don't make money they don't perform and the job won't get done. And for us it is more important to get the job done then to squeeze money out of our contractors. We did benchmark our own internal projects and there are pretty standard and similar to each other - we know the cost structure. So we are able to work with the contractors we prefer instead of wasting time with competitive bidding. And we trust our contractors.

Derek: We don't have the deep pockets of a big company. I sit down with my project team and we cut corners where we can to stick to the budget. I usually work with open book contracts so know what their profit is going to be. When I see an unexpected cost increase on the invoice I call up the COO and ask - hey - what is this for? And either I receive a convincing explanation or I don't pay.

How do you qualify your bidder?

Keith from Roche: We have two teams - a financial and a technical team. The technical team comes up with a list of performance criteria they want to see matched. We define 20 attributes - independent from costs - and score them 1 to 5. Depending on the kind of job some attributes are more important then others - e.g. designing and building a GMP environment ask for a high score in technical sophistication, standard laboratories are a different animal. We choose the best qualified firms for the job and ask them for a proposal. The financial team evaluates the price and the technical team the performance criteria. We try to keep that separate but in the end we come together and make a decision.

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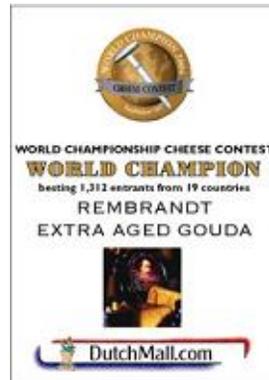
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Maintenance Budget

Study reports: On average, 24% of sites' operating budgets were allocated to Maintenance. There appeared to be little correlation between this percentage and organization size.

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How do you put a program for maintenance out to bid?

None of the panelists bid out the maintenance part - they work with the same technicians they had for years - who come in after hours and have proven their commitment to good customer service.

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How do you deal with maintaining process equipment?

Bob: We have 100 union mechanics on the site who are taking care of the process equipment.

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