Facilities Management: 
realising the value of the investment

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Every organisation, regardless of size or sector, depends on a range of ‘non-core’ services to support its ‘core’ operations. No organisation can thrive or perhaps even survive long term without effective security, cleaning, catering, maintenance, and a host of additional facilities services. These, and the management required to deliver them in line with dynamic corporate needs, are increasingly recognised as critical business functions. So how should they be sourced: through in-house capabilities, one or more outsource providers, or a combination of both?

The choice is not an easy one; nor is it a case of ‘once done and that’s finished’. The purpose of this paper is to help senior executives think through the decision, whether for the first time or in review of a past choice. It does not advocate a particular course: the best option can only be identified in the light of the organisation’s own circumstances.
"FM is an essential management discipline, and a multi-billion pound business sector employing hundreds of thousands of people"

What is Facilities Management? That’s the question with which we start this paper because FM - despite being an essential management discipline for every organisation of any size, despite being a multi-billion pound business sector, and despite employing hundreds of thousands of people - remains comparatively unrecognised in the UK.

Facilities management is a big, diverse and maturing area of business. Tactical in its day-to-day operations, it is nevertheless closely related to - and often deeply involved in - strategic planning and decision-making at private and public sector organisations alike. Who is responsible for ensuring the workplace is clean, safe and fully compliant with all relevant legislation? Who can plan and implement the consolidation of accommodation resources; or manage the move to a new HQ in support of growth? Who knows which buildings in a portfolio are the most energy efficient and what can be done to improve the poor performers? More often than not, the answer in each case is the Facilities Manager.

The purpose of this paper is to provide an introduction to this critical business role and to explain some of the ways in which organisations can obtain the facilities management services they need. Advice is provided on how to approach the fundamental decision of in-house vs outsource. Finally, the paper highlights from real-world examples some of the important benefits that can flow from good-practice implementation.

Facilities management has been something of a Cinderella discipline. It is well past time for that to change.
Every organisation, public or private, relies on a mix of functions and services to provide the support essential to its main operations. Ensuring that this support is available in the right form, at the right quality and for the right cost is the task of facilities management.

In essence, FM is about taking responsibility for those support functions and services, leaving the organisation free to focus on its central objectives, whether those involve manufacturing products, providing specialist services, operating a government department or delivering healthcare - or any other activity carried out on all but the smallest scale.

Since the early ‘80s when facilities management began to be recognised as a separate discipline, a variety of definitions has been offered. This can be seen as a process of evolution, culminating in 2007 with the publication of European Standard EN 15221.1. That standard defines FM this way: Facilities management is the integration of processes within an organisation to maintain and develop the agreed services which support and improve the effectiveness of its primary activities.

FM was also recognised in the 2008 revision of the UK Standard Industrial Classification code. SIC 81.10 covers ‘combined facilities support activities’. That represents a further big step in formalising an understanding of the market and indeed in the maturing of facilities management as a critical business discipline.

And FM is not just about support. Good practice facilities management can also make a significant positive contribution to a range of key business concerns: risk management, productivity, reputation, corporate social responsibility, the talent agenda etc. Equally, poor FM may have a negative impact on such issues.

"Facilities management is about taking responsibility for essential support functions and services"
What services does FM encompass?

Typically, when we talk about facilities management we have in mind a list of activities that includes cleaning, catering, security, mechanical & electrical services and building fabric maintenance. The list can be much longer, however, taking in reception services, reprographics, washroom hygiene, internal and external landscaping and so on according to the needs of a particular organisation.

The distinction is often made between ‘hard’ and ‘soft’ FM when considering the services included. In this context, ‘hard’ generally focuses on those services associated with buildings (M&E, for example), and ‘soft’ generally focuses on services associated with people (such as catering or cleaning).

By the late 20th Century, with its climate of continuous change in business and technology, and the consequent emphasis on effective utilisation of all corporate resources, facilities management had emerged as an important business activity. This has only been reinforced by the continued change we have witnessed in the 21st C - in addition, of course, to the global economic fluctuations affecting virtually every public and private sector organisation.

With this recognition of FM has come a growing range of choice in how specific functions and services can be secured. Though it can be confusing to newcomers (and occasionally to old hands, too), the fact is facilities management is both a critical business discipline and a thriving industry.

This is a commonly made distinction, especially in the context of outsourcing. ‘Core’ is used to describe the key or essential activities of an organisation, with ‘non-core’ applied to other areas of activity - specifically, those that might be beneficially provided by an external supplier. For example, offering customers financial advice is a core activity for a bank; but most banks take the view that catering, security and M&E services can be more effectively provided by specialist partners.

How core and non-core are defined, and indeed whether any non-core activities are outsourced, is a decision for an individual organisation, taking account of its own business, culture, strategy, objectives etc.

The critical point is that non-core does not mean ‘not important’. 
One of the Facilities Manager’s primary responsibilities is providing and managing a range of services to his or her ‘customers’, that is, the employees within the organisation - whether the FM is employed by that organisation or by an external partner. These services may span the spectrum from security and M&E, through cleaning and catering, to plants and landscaping. Increasingly, such services are outsourced; in other words, purchased from and delivered by dedicated suppliers - a practice that has grown and developed in parallel with the rise of facilities management itself.

From a decades-old starting point of single-purpose contracts (typically, maintenance, cleaning or security), each handled by a specialist provider, the outsourcing concept has broadened over the years to encompass ‘bundles’ of services put in the hands of multi-discipline contractors. More recently, many larger contractors have sought to bring diverse service lines together in ‘integrated’ packages, promising greater efficiencies and reduced management costs.

Alternative service supply routes are offered by a number of FM companies who focus specifically on the management of services that are delivered by sub-contractors - though this once-common approach has become less so as many of these specialists have either diversified their skill base or been bought by ambitious contractors. ‘Total facilities management’ is another alternative, in which the provider takes on responsibility for the delivery and management of the required service lines. TFM solutions can be sourced from FM specialists or from diversified contractors, who will generally meet as much of the need as possible from their own resources.

How big is the UK market?

A recent study from the research firm MBD (published December 2010) defined a UK market encompassing in-house, single, bundled and TFM services, putting a value on this of £118.8bn.

The researchers were moderately optimistic on growth prospects for the short-term, pointing towards the likelihood of an increasing number of client-side organisations choosing to outsource services on the basis that this is perceived to be more cost-effective than delivering them with in-house resources. MBD projects annual FM market growth rates for the period 2011-15 of between 2% and 4% - a significant uplift from the recession-hit rates of the past year or two. Growth at these rates will result in a market valued at £135.4bn in 2015.
"FM is about providing the support to meet business objectives"

The choice is not an easy one; nor is it a case of ‘once done and that’s finished’. The purpose of this part of the White Paper is to help senior executives think through the decision, whether for the first time or in review of a past choice. It does not advocate a particular course: the best option can only be identified in the light of a specific organisation’s own circumstances. And because circumstances change, periodic review is essential.

Ensuring the most efficient delivery of facilities services is an increasingly critical decision. It is also a decision with far-reaching consequences. The dispassionate and objective process that this decision requires must avoid superficial analysis of headline costs in favour of an in-depth review of FM’s impact on the full scope of an organisation’s operations. An approach that regards FM services as ‘non-core’, and by association of little importance to the performance and delivery of critical success factors, should be avoided. FM is very much ‘core’ in the sense that it is about providing the support to meet business objectives. It should not be perceived as some sort of add-on or after-thought.

The starting point

Any organisation considering its needs for support services and for procuring the most advantageous solution should begin by analysing the strategic importance of FM to achieving the main purpose and objectives of the business. An organisation’s response to this will be driven by many factors including (but not limited to):

- What is the ‘essence’ of the organisation’s proposition - its strategy, structure, operational ethos, future vision and corporate culture?
- What is the organisation doing - expanding, contracting, changing direction?
- What is the corporate strategy - is it supported by a delivery model for facilities services which enables that strategy to be achieved?
- Does the organisation have a strategy for FM and has it taken full account of the intentions of the Board?
- How would the organisation’s Corporate Social Responsibility agenda be affected by its FM procurement strategy?
- Has the organisation developed its own sustainable estates strategy and how are decisions about FM services tied to this?
Risk management

The case for outsourcing as against in-house provision is often promoted on the basis of risk transfer. Some organisations mistakenly view this as eliminating all risk to their business by placing the responsibility on the FM provider. In practice, the impact of failure always remains with the client, whether or not the cost of failure has been shared with others.

Any risk transfer comes at a price, and an assessment of the true value should be undertaken before decisions are made. Although risk can be transferred, legal duties and responsibilities cannot. A risk assessment is needed so that consideration can be given to those risks that should be transferred or retained.

The full scope of the business support service requirement needs to be understood, too. The relationship and role of FM services must be assessed alongside other key services, including finance, human resources, IT, logistics, asset management, property management and other professional services.

Managing risk needs to be fully integrated into the contractual arrangements and the day-to-day management of the FM undertaking, whether this is in-house or an outsourced service contract / partnership. Risk ownership must be carefully identified and accepted and a contingency plan agreed to deal with any incidents or issues that arise.

The specific risks will vary depending on the organisation and the range of services involved. A detailed risk register will be required to identify the consequence of failure and the cost of transferring the risk to a partner organisation. Value-based decisions can then be made on those risks to be transferred and those to be retained.

Whilst cost savings may be an important objective of any change process, such savings need to be weighed against the value obtained. By structuring a service in such a way that it is delivered more efficiently, and not simply by reducing pay rates or trying to squeeze too much into too little time, levels of service can be maintained and customer satisfaction enhanced.
People management

Whether services are provided in-house or by contracted staff, ensuring the commitment of the people involved in the delivery of those services at all levels is critical. Would an in-house or outsourced service arrangement provide a better solution in terms of cost, value and/or service quality? Would retention of an existing in-house facilities team provide better understanding of the business requirement; or is a completely new approach required that will be better supported by the introduction of new managers from an external contractor?

In-house teams, provided they are properly integrated, can be closer to corporate strategy than external providers. In-house facilities managers may collaborate and liaise much more closely with business stream managers because they are viewed as being ‘on the same team’. In-house managers can also obtain access to other management peers more easily and know who to speak to in order to make things happen.

In-house teams are often looked upon as being more loyal to their employer. There is an expectation that, particularly in secure environments, an in-house employee will be more interested in his or her long-term employment prospects and the importance of ‘getting it right’. This interest in longevity may bring with it an extension of knowledge of the business and the way it operates. This in turn brings the additional benefit of historic knowledge, a factor often overlooked when making in-house versus outsourced decisions.

In any case, if major change is required, perhaps rationalisation due to cost pressures, serious consideration must be given to how this will be handled and what consultation processes are appropriate. The human dimension to change is often given too little consideration. Cutting corners can bring disastrous results, and seemingly indiscriminate reductions in staffing levels or pay rates will have the same effect. Such changes become apparent in the poor performance of the service when either reduced service content or delivery occurs or additional charges are needed to compensate. This can be true in either an in-house or outsourced environment.

The right choice is the one that’s right for you

Facilities management lies at the heart of an organisation, and indeed forms an essential part of economies and of society itself. Regardless of the sector - retail, finance, R&D, education, health or defence - facilities management provides the backbone from which economic and social endeavour can grow and develop.

FM requires management skills, as well as a range of technical skills. Implicit is the need to be able to manage a diversity of service areas in a manner that makes the whole much greater than the sum of its parts. In this way, FM adds value to organisations at all levels.
in-house FM

The provision of services using in-house teams potentially carries great benefits provided they are competitive with the external market. This means they must deliver an equal or better service consistently and demonstrate proactivity and excellence in customer focus.

One significant area where in-house teams can deliver over and above the external market is through their unique position of being able to create close customer relationships on a personal basis without the complication of being branded, rightly or wrongly as, ‘a contractor’.

A key to delivering successfully is that the senior FM must be a leader, one who fully understands the capability of his team to become ‘best in class’. Conveying this understanding only comes through direct communication with each individual, explaining their importance to the organisation and, in turn, the importance of the various delivery groups on the site. The leader must set out expectations clearly but must also show that he or she has ‘been there and done it’ - and further, they’re prepared to do it again themselves whenever necessary!

All FMs constantly face the challenge of how to demonstrate value to their employers. This is best achieved through delivering a proactive service and communicating success to the customers, particularly the senior management team. In the right circumstances, in-house FM can hit the target every time.

Derek Paxman, Head of Facilities Management, University of the Arts London
“Specialists build their reputations as experts in the field”

Single service

Frequently procured as a separate exercise, security is one of those ‘Marmite’ services. You either see its intrinsic value and only buy on quality; or it’s simply a commodity and you buy solely on the basis of price.

Yet to buy security on the basis of price alone is surely only justified in situations of very low risk. Where risk is very firmly on the agenda, specialist providers tend to tackle its different forms in a way that the generalists rarely can. After all, it’s their core business, and they build their reputation as experts in this field. Furthermore, they are less likely to take risks with customers’ reputations when striving to achieve financial efficiencies.

That is not to say that by being more risk-aware specialist providers must always be a more expensive option. In fact, the better ones are very able to develop unique solutions that save the customer money and deliver a better and more robust solution.

An example of this enlightened approach is the exercise PriceWaterhouseCoopers went through in 2009/10. They approached the market to explore what options were available to integrate their security and welcome services for their London offices. Their aim was to achieve a fully integrated package demonstrating genuine world-class front-of-house service.

But rather than select a single provider to offer this package, they instead opted for a partnership approach, using two specialist companies, Wilson James for the security service (and acting as the main contract holder) and Portico for the Welcome service.

A year on, PwC’s Head of Security for the UK and Welcome Services for London, Richard Stanley, had this to say: “The transformation and integration of both teams over the last 12 months has been exceptional. We have seen noticeable behaviour change and service improvements in the last 12 months with a ‘can do’ attitude across both services. Having security officers who are trained in ‘5 star’ front-of-house behaviours and the Welcome teams being more involved in security awareness have delivered the elusive ‘value adds’.”

This case demonstrates the value of specialist companies working together, perhaps dispelling a myth of a silo mentality when specialists of similar standards and values come together with a common purpose.

Stuart Lowden, Managing Director, Wilson James
Bundled services

The bundled services delivery route is defined as two or more distinct processes or functions contracted to a service provider.

G4S provides bundled FM services to numerous customers across government, the NHS and the private sector. In the case of the Food Standards Agency, bundling of cleaning, security, reception and workplace management services allowed the organisation to outsource its soft FM to a single provider while retaining more direct control over service elements.

When the Agency made the decision to move away from managing multiple providers to establishing a relationship with one partner, its objectives included securing the benefits of cross-service efficiencies, economies of scale and professional development of the services. Bundling allowed it to do this while leaving the hard FM with another provider under the landlord contract.

One of the benefits bundled services offers is that both client and provider have an opportunity to develop trust and grow the contract over time as partnering value is demonstrated. This was expressed at the FSA when seven months after the initial contract began the team decided G4S had the professional skill and expertise to be trusted with a range of additional services, including management of the catering contractor.

In these difficult economic times, the quality of relationships is crucial to continuing success for both partners. The FSA has been asked to deliver 30% savings by central government over the next 3 - 5 years. To support them in this, G4S has suggested 25% savings on the contract. That’s 6% year on year for 4 years. We will do this by changes to shift patterns, increased multi-skilling and voluntarily ending our ‘cost plus profit’ arrangement. We take this as our own responsibility to support our customer as we consider their challenges to be our own.

Bundling means you’re all in it together for the long-term. You share any pain, but you also share the success of your customer and enjoy a relationship built on trust and mutual understanding.

Emma Pearson, Corporate Development Director, G4S
Integrated services

Integrated facilities management is the bringing together of several support services into a single management structure. The resulting simplified management and reduction in administration, as compared to managing multiple contractors, enables efficiency benefits to be embedded leading, in turn, to cost savings.

Often applied to services assembled into soft FM or hard FM packages, this model enables clients to continue to manage the contract from an operational perspective, but always one step removed from the frontline. This creates the opportunity to build a collaborative approach with the supplier in developing appropriate solutions to the more challenging aspects of the FM provision, where organisational understanding and insight into core business objectives are invaluable.

For example, a Eurest Services team provides an integrated services solution for the 108 Members of the Northern Ireland Assembly, plus the 400 support staff based at Stormont. The 73-strong team is responsible for a range of services, from catering and floral displays, reception and helpdesk, through to cleaning and portering. The Assembly’s move towards integrated delivery of soft services was driven by its own objectives.

In essence, these objectives centre on customer care. Since 2007, this partnership has resulted in:

- Ancillary services commended by employees and visitors
- 62% increase in sales in the gift shop
- Site awarded ISO 9001-2000, ISO 14001-2004 and OHSAS 18001-2007 with no non-conformances
- Award of Compass Group UK & Ireland Centre for Excellence status.

Through the trust that is built in an integrated facilities management model, teams are aligned and cultures merge with the client organisation. There is opportunity for synergies and efficiencies. This avoids duplication and directs resources towards a customer-focused service for the building user. Consistency is at the heart of this model, with success built on an open relationship and clearly defined objectives shared by the client and the service delivery team.

John Brownless, UK Sales Director - FM, Compass UK & Ireland
“A ‘joined-up’ service with a single point of delivery”

TFM

TFM - total facilities management - describes the delivery of a full service in the main areas of FM, often including mechanical & electrical maintenance, building fabric, cleaning, catering, security, grounds maintenance, waste management and front-of-house services via one lead contractor.

The core principle of TFM is the provision of a ‘joined-up’ service with a single point of delivery. This approach, when fully implemented, can provide customers with the following benefits:

• Clear accountability for the delivery of services
• Reduced management layers in both customer and supplier organisations
• A common data platform giving open access to all data
• Single reporting and billing
• No margin on margin

Value is created through the quality of the relationship between the customer and the provider - true of all FM contracts, but particularly in the case of TFM.

EMCOR and air traffic control organisation NATS have built a highly successful value-oriented relationship, in part by pioneering the PAS 11000 approach to true collaborative working, now enshrined in British Standard BS 11000. This journey began in 2006 with a determination to re-engineer the FM delivery model, moving from service line contracts to bundled services, then to integrated services and on to TFM.

NATS has seen real benefits in this transformation over the years:

• Cost reduction of 16%
• Multi-skilling, employees having an interesting variety of job duties
• One-team ethos and culture
• Improved morale
• Enhanced career opportunities
• Prioritisation of tasks and outputs linked to the client’s own targets

The TFM model has proven its value as a vehicle to improve service and reduce cost in the right circumstances. The BS 11000 methodology is also a valuable aid to clients and suppliers to collaborate together to share the benefits of this approach.

Paul Worland, Director of Business Development, EMCOR UK
“If an FM strategy is based on a sound understanding of needs and opportunities, clear objectives, effective communication and responsiveness to change - it will deliver fully on the benefits promised.”

Facilities management is a discipline that touches virtually every aspect of operations at virtually every organisation, public or private. In that sense, it makes an invaluable contribution to both day-to-day business and to strategies and plans for the future. If that contribution is not fully realised, the need may be for greater communication and promotion or for a fresh look at service delivery and management.

Facilities management is also a big, diverse and dynamic industry, with the UK outsource market valued at well over £100bn.

Whether part of an in-house, outsourced, or mixed mode service delivery model, facilities management is there to ensure corporate objectives are met. There is no ‘right approach’ to whether it should be handled internally or externally via contract. The right decision for any organisation depends on the specific circumstances and context.

Pressure for change is greater when significant external influences, such as poor economic conditions, are felt keenly of course. It is natural for organisations facing this pressure to review all their activities; but to impose change in the operation of facilities services without following a thorough process such as the one outlined in this paper is a mistake which may prove costly, both in economic and reputation terms. Act in haste, repent at leisure is an apt message here.

Whatever service solution is adopted - and however it may change over time - if an FM strategy is based on a sound understanding of needs and opportunities, clear objectives, effective communication and responsiveness to change - it will deliver fully on the benefits promised.
This White Paper grew out of the Workplace Futures conference series.

Specifically, the need for such a paper, as well as the inspiration to produce it, grew out of the 2010 programme (People, Service and Profit: a meeting of minds) and then 2011 (Commoditisation vs Service Solution: which is the future of FM?).

Each conference programme since the launch of the series in 2007 has tackled a different issue in the FM sector; but an underlying theme throughout has been the comparatively low ‘name recognition’ that continues to characterise facilities management, along with the associated tendency toward under-appreciation of the value it both represents and contributes to UK plc.

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The FMA is the only trade body for employers in the FM sector, which works for its continued growth and development. FMA member companies have a collective annual turnover of more than £40bn and employ more than 500,000 people across the UK.

This document incorporates much of the content of Inside Out, a director’s guide to FM decision-making produced by the now inactive) Action FM, a ’ginger group’ working for improved communication and collaboration within the sector.

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7 Acknowledgements