Trends and Developments within Facility Management

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This paper deals with further trends and developments within Facility Management based on the fieldwork of the Vienna University of Technology, department of Information and Facility Management, and experiences from the delivery side of the Facility Management business through service provider ISS.

ISS White Paper
January 2010

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Executive Summary

Discussions about Facility Management are becoming increasingly common in our community.

Facility Management should be seen as an important part of a company's strategic management, which has also been identified by European standard EN 15221. The operational and tactical levels of Facility Management are easily outsourced, most efficiently to an Integrated Facility Services provider.

To be able to generate synergies from integrating a bundle of services into one package, a very high self-delivery rate is of the utmost importance.

If a service provider has in a high self-delivery rate, it is a question of integrating services into one service package through an Integrated Facility Services model. The issue is what one service can do to support other service areas to reduce time and consumption of resources, in order to fulfil the service level agreements according to the customer's demand.

Introduction

In times of recession, all parts of a company are focused on cutting costs. In addition to the core processes, this also includes all secondary service areas. Outsourcing becomes a key task, dealt with by Facility Management (FM), which seeks to either gain more value for the same money or reduce costs. Ideally it manages to achieve both.

In the past, European countries have defined FM in a variety of ways. The reason for this is that different interest groups have pushed FM in the various countries based on certain historical and cultural circumstances.

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Facility Management Standards

Definition of FM (EN 15221)

The European standard EN 15221 combines different views on the subject. The following chart and text are taken from the EN 15221:2005, which was prepared by the Technical Committee CEN/TC 348 "Facility Management".

Definition of Facility Management according to standard EN 15221: in general, all private, business and public organisations use buildings, assets and services to support their primary activities. By coordinating these assets and services, by using management skills and by handling many changes in the organisation's environment, Facility Management influences the organisation's ability to act proactively and provides all necessary requirements. This is also done to optimise costs and the performance of assets and services.

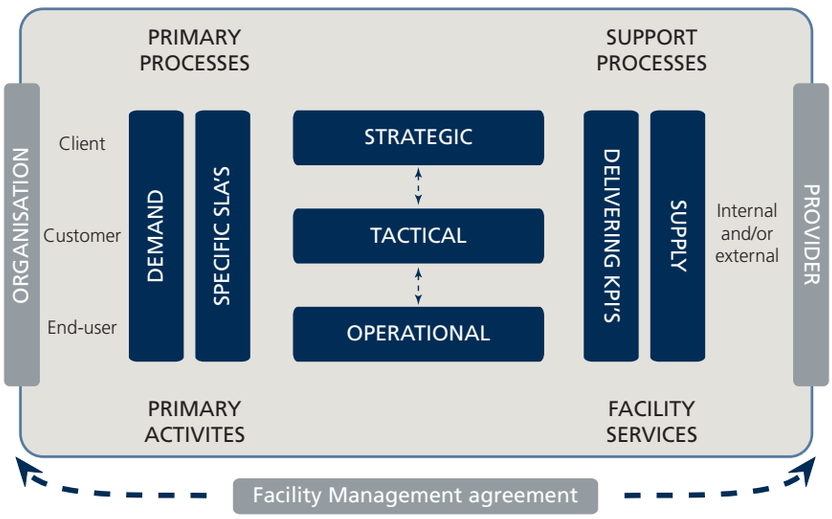

Figure 1: Facility Management Model according to EN 15221 Annex A

An organisation relies on its primary processes in order to achieve its strategic objectives. Changing market forces and developments coming from legislation, technology, mergers, etc influence these processes constantly. These changes must be managed and structured in strategic, tactical and operational levels, in order to remain viable and compliant.

The support processes - like FM -, which can be a part of the organisation or be delivered by external service providers, have a direct impact on the efficiency and effectiveness of the primary activities. The distinction between the primary activities and support services is decided by each organisation individually; this distinction has to be continuously updated.

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The organisation is made up of three levels:

- client (corporate level),
- customer (business unit level) and
- end users (persons receiving facility services on a permanent or temporary basis)

It's the task of the client, to specify needs and to procure the required Facility Services. The customer specifies and orders the delivery of these services within the conditions of a Facility Management agreement. On operational level the end users receive these support services where appropriate.

The Facility Manager has three main tasks:

- To define requirements at the three levels (strategic, tactical and operational)
- To procure the required services and to control the provisions
- To analyse if the requirements defined in the first task are truly efficient and effective for the core business or if they have to be adapted.

Therefore the Facility Manager has to define demand on the strategic level as a framework for the rest of the definitions relating to demand. The strategic level should only be defined together with the board of directors.

The strategic level is to achieve the objectives of the organisation on corporate level in the long term through:

- Defining the overall Facility Management strategy; (e.g. renting versus buying, in general all outsourced or all done by own personnel)
- Policymaking, elaborating guidelines for space, assets, processes and services; (e.g. 13 m² per person, highest quality for rooms where clients have access)
- Active input and response at corporate level;
- Initiating risk analysis and providing the direction to adapt changes in the organisation; (e.g. risk/dependency of having only one provider)
- Initiating and monitoring key performance indicators (KPIs); (e.g. availability)
- Managing the impact of facilities on the primary activities, external environment and community;
- Maintaining relations with authorities, leasers and tenants, strategic partners, associations etc.

The tactical level has to ensure fulfilment of the strategic level. It is more focused on the demands of core process departments like sales and production.

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Tactical level is to implement the strategic objectives on business unit level in the medium term through:

- Implementing and monitoring guidelines to follow strategies;
- Developing budget plans;
- Translating business objectives to operational level;
- Defining and interpreting KPIs (performance, quality, risk and value);
- Monitoring compliance to laws and regulations;
- Managing projects, processes and agreements;
- Managing the Facility Management team;
- Optimising the use of resources;
- Interpreting, adapting and reporting changes;
- Communicating with internal or external service providers on a tactical level.

The operational level has to ensure fulfilment of the strategic and tactical levels. It is more focused on the demands of end users (company employees and clients). It is closely connected or even equivalent to service provision. Operational level is to create the needed environment to the end users on a day-to-day basis through:

- Delivering services (like cleaning, maintenance, safety and security);
- Monitoring and checking the service delivery processes;
- Monitoring the service providers (internally by the Facility Management and by the service provider);
- Receiving requests for service e.g. via help desk or service line;
- Collecting data for performance evaluations, feedback and demands from end users;
- Reporting to tactical level;
- Communicating with internal or external service providers on an operational level.

It is important to understand that an external service provider can provide the external services and support the internal department, but is definitely not a substitute for the responsibility that lies with the internal manager.

According to the EN 15221, FM is an integrated process to support and improve the effectiveness of the primary activities of an organisation by the management and delivery of agreed support services for the appropriate environment that is needed to achieve its changing objectives.

The strategic level can only be performed internally, but an external partner can support this process. Naturally, both tactical and operational levels can be outsourced.

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It is important to have at least one contract owner from the client's side, who has the following responsibilities:

- Defines the demands and the corresponding services
- Ensures that the board of directors understands why these demands/services are necessary and why this budget is necessary
- Procures these services.

For all these tasks, the service provider can offer support to the internally responsible department. The level of acceptance, support and cooperation is what makes the difference.

Based on the demand, the FM agreement is defined. According to EN 15221, it is a document and/or agreement stating the conditions for provision of facility services between clients and external service providers as well as internal service providers

Facility Services are a support provision to the primary activities of an organisation, delivered by internal or external providers.

This is the European standard. Now let us look at the current situation of FM within large European countries and current trends within FM.

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Status of FM in European Companies

The Vienna University of Technology has carried out surveys over the last three years in several European countries. The largest companies (according to their turnover) in these countries were interviewed on how they organise their FM.

The following paragraphs provide an overview about the internal organisation and the outsourcing of FM. It must be stated that the situation at medium-sized and small enterprises is different, but it can be assumed that "best practise" from large companies will be implemented by medium-sized and small enterprises after a short period of time.

Internal Organisation of FM in large companies

According to the survey in Germany, Austria, the Netherlands, Bulgaria and Hungary the number of companies with their own internal FM department is growing. In western countries, 80% to 85% of companies have an internal FM department. The figures from Switzerland and the Netherlands are similar to the figures from Germany and Austria. In Eastern European countries, internal FM departments are not as common, but these countries are rapidly catching up.

Initially, Facility Management was positioned as a line function. This was necessary as these departments did not only perform the strategic tasks described in the standard EN 15221 (like definition of demand), but also carried out a lot of the Facility Services on their own. As companies started to outsource services and to concentrate on the management function, FM increasingly became a strategic function, and was therefore implemented as a staff function.

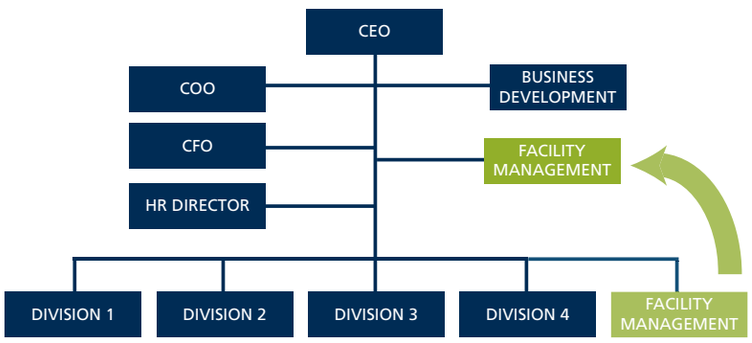

Figure 2: The organisational position of Facility Management

Over the years, the number of companies with only one or two managers taking care of the strategic FM tasks and outsourcing all services has increased, and is still growing.

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Outsourcing of Service Provision

Areas of Outsourcing

In 2008, cleaning was the fastest growing outsourced service, and was replaced in 2009 by maintenance as illustrated in table 1 and table 2 below.

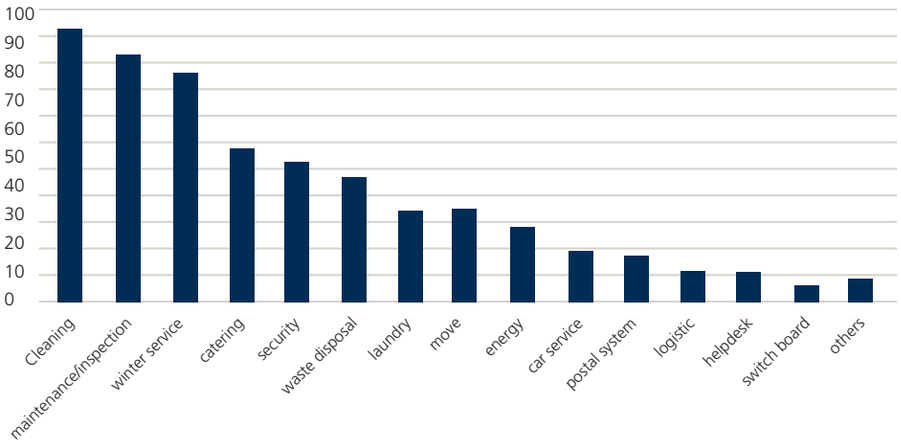

Table 1: Outsourced services 2008

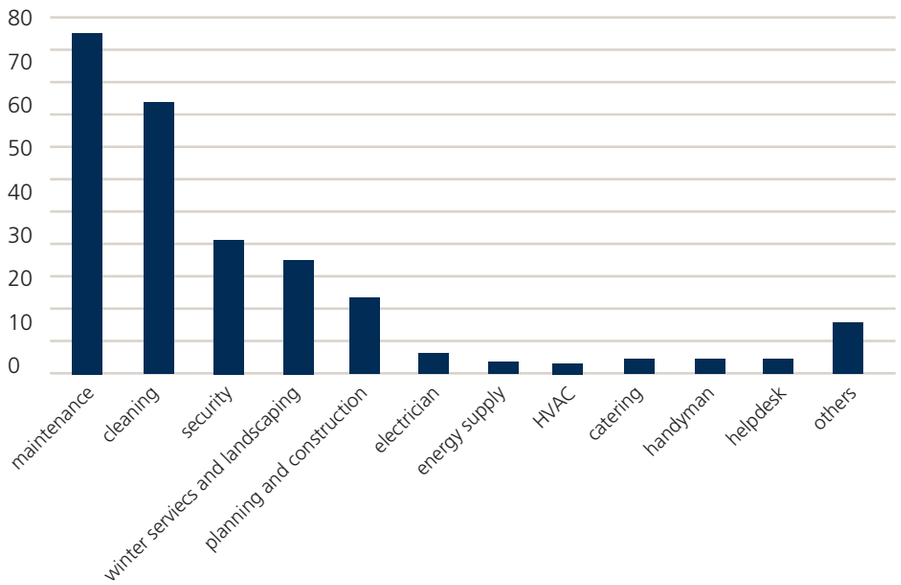

Table 2: Outsourced services 2009

According to the eighth EU directive, companies of public importance have to implement an internal control system. This system is intended to safeguard the accuracy of financial statements, but it also ensures company compliance with all relevant laws and regulations. Facility Management and especially maintenance must comply with many laws (such as safety regulations and fire protection). Therefore maintenance and inspection are currently quite often outsourced, not only to reduce costs but also to transfer risk to service providers.

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Number of Contractors

Large companies still rely on many service providers. The number has decreased over the years, but still 20% of large companies have more than ten service providers for their Facility Service provision. This requires a lot of internal coordination and effort. If companies relied on just one service provider, the advantages would outweigh the disadvantages. Advantages would include, just to mention a few: one face to the customer, one interface, one culture, one workwear.

Duration of Facility Service Contracts

In terms of contract duration, there are two trends:

1. There are many long-term contracts especially in the area of technical maintenance.
2. The number of longer contracts in respect of one-year contracts is growing. Companies have noticed that preparing new tenders every year requires a huge effort, and that internal costs are too high. Switching costs and start-up costs can create additional expenditure. Longer partnerships tend to improve performance over time.

Demand side of the market/current situation

In times of recession, all areas of a company are focused on cutting costs. In addition to the core processes, this also includes all secondary service areas. Outsourcing becomes key; Facility Management (FM) deals with these tasks and seeks to either gain more value for the same money or reduce costs. Ideally, it manages to achieve both.

Service providers recognise a growing demand for service outsourcing on the market. This started with cleaning services, which still represent the biggest outsourced service.

FM providers come from different backgrounds, such as technical/engineering, the construction business and the service industry. FM companies have had a great deal of time to position themselves on the market. The key issues were managing single services on behalf of customers, or having better procurement and contract management abilities. Often, both technical and construction companies are strong at their core business, but have a somewhat narrow understanding of service management, and therefore a limited self-delivery rate for additional service provisions, which they have traditionally sub-contracted on clients' behalf.

For this reason, technical- and construction-based FM companies normally charge a fee for the management of bought-in services (margin-on-margin model). Due to the fact that the more technical services are smaller in volume than infrastructure services, it was just a question of time before FM companies started offering service packages consisting of several Facility Services.

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Trends and Developments

In the future, the potential customers will expect service providers to be able to support them with different delivery models with one-face-to-the-customer and with a very high self-delivery rate.

In the past, classic FM companies have managed subcontractors on behalf of the customer, thereby creating a margin-on-margin model. Such an FM model will normally also include procurement. In the future, they will be need to integrate services into a package, often called Integrated Facility Services (IFS) or Integrated Facility Management (IFM). A so-called Integrated Facility Services Manager (IFS Manager) is fully responsible for the total service package and also for its operational implementation (service delivery). These solutions fuel efficiency and reduce costs through multitasking jobs with own personnel to carry out the additional tasks or create more value for the same money.

For example, these companies train cleaning and security personnel to perform additional tasks such as the inspection of fire equipment and performing simple maintenance tasks. This can be achieved with much lower wage costs compared to technicians' salaries. Technicians will then primarily concentrate on planning and their core technical tasks.

The red line in the model below represents the "borderline". Everything above this line can be done internally, because it is strategically important and influences the implementation of the customer's strategy. It therefore requires a specialist within the client's organisation (interface).

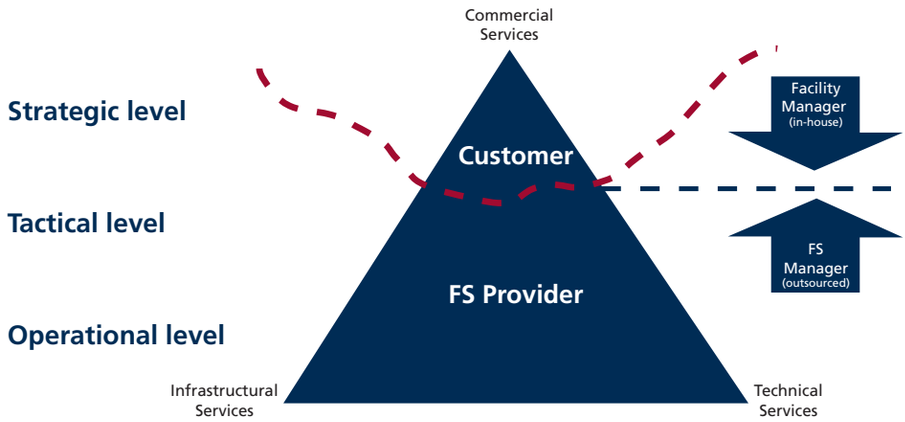

Figure 3: Customer interface

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