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ADVANCING OUR PROFESSION

FM AND THE TRUST DIVIDEND

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> INTRODUCTION

Confidence, as the saying goes, breeds success. And as this report suggests, a client's on-going confidence in the ability of its facilities service department, and the facilities management (FM) service providers it works with, is key to the successful delivery of facilities services.

This 'feel-good' factor derives, in the main, from a tight integration with, and analysis of, operational performance data. This analysis, and the flow of information from supplier to client, helps to develop trust between the organisation and its FM department, and then in the performance of any outsourced FM service supplier as well. The long-term effect of all this is reassurance in the statutory compliance and brand protection benefits that result from mature FM relationships. Real-time data, acted upon regularly, improves visibility and allows for early detection of impending operational pressure points that require a mature consideration from both client and supplier.

We've also seen that senior personnel who feel good about their organisation's FM performance do so in part because they believe they have better FM service relationships than other organisations in their field.

The confidence that senior personnel have about their facilities services confirms what is so frequently said by those in the profession about the way FM should be run; that an on-going commitment by senior personnel to establish and routinely measure FM's value – what it brings to operational performance and productivity – leads to more trusting partnerships and, as a consequence, improved levels of service quality.

Conducted by Illuma Research on behalf of the British Institute of Facilities Management (BIFM) and sponsored by Cloudfm, the aim of this research was to identify attitudes by client organisations towards their FM departments and FM service suppliers, also looking at how such attitudes are influenced by the type and quality of data they work with.

Gareth Tancred
Chief Executive Officer
BIFM
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> # 2. PARTICIPANTS IN THIS RESEARCH

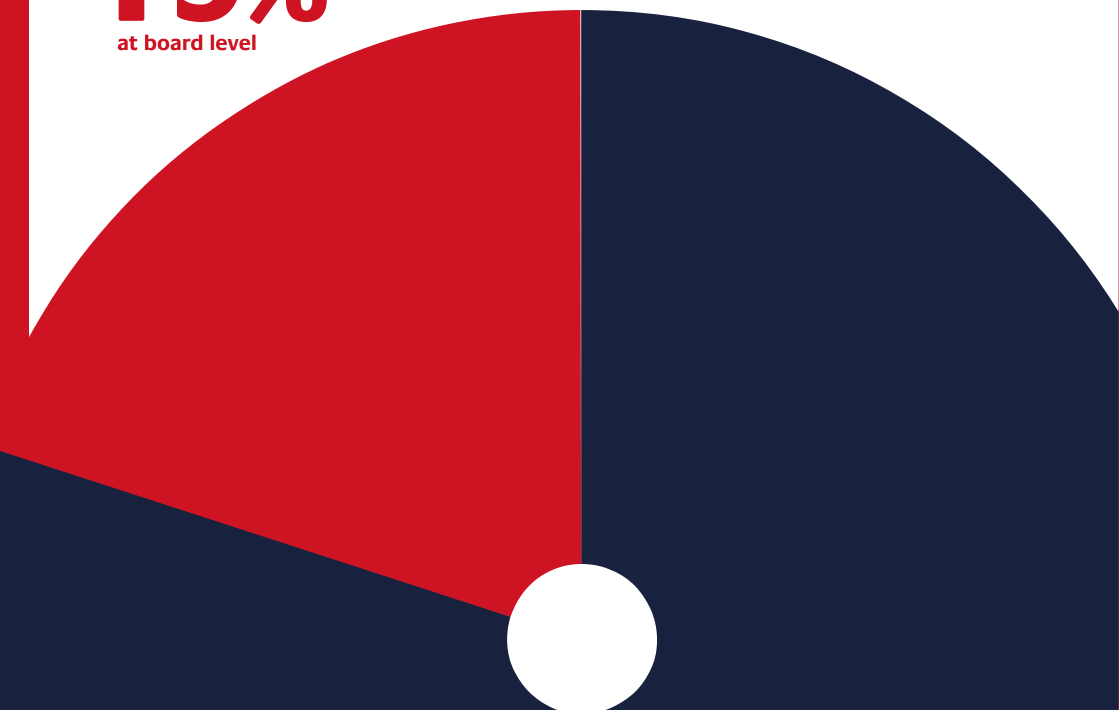
The interviews from which this report was compiled were conducted in the early part of 2014, with a total of 151 people from UK organisations.

Researchers sought to ensure the broadest possible spectrum of business type and sector was represented. In particular, it was important to us that we included representation from industry sectors as diverse as retail / FMCG to transport, telecoms and financial services.

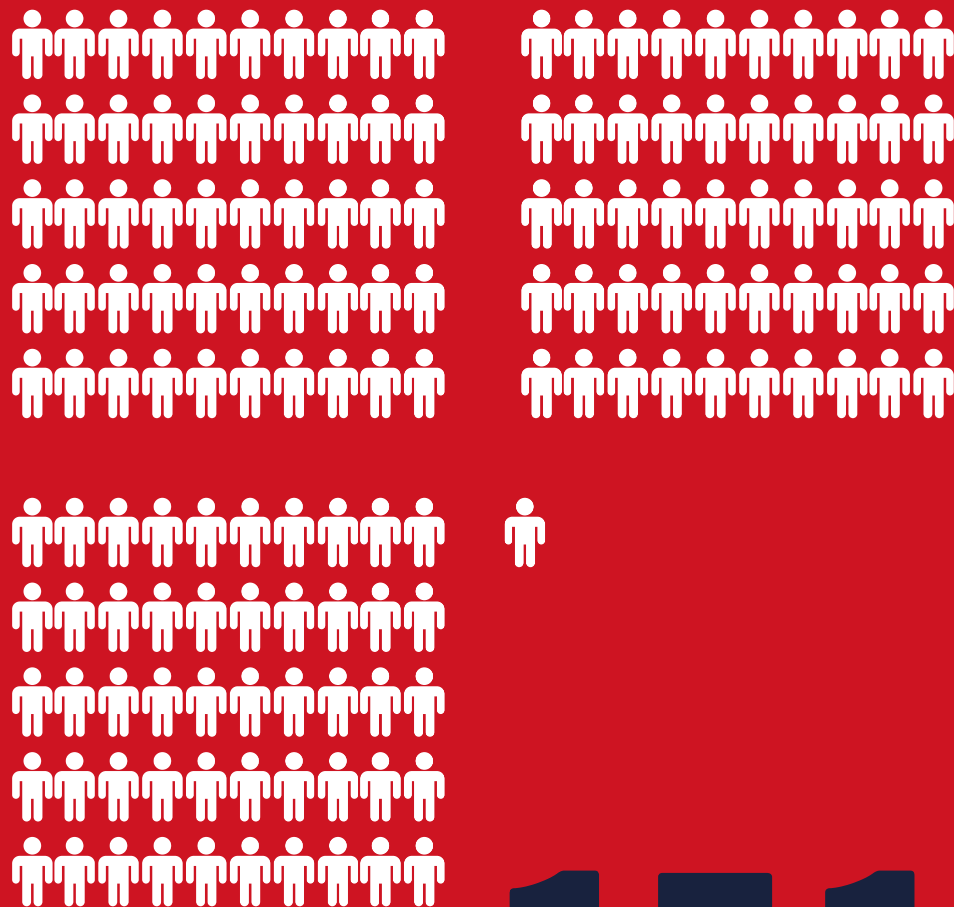
The research was purposefully engineered to exclude less senior respondents. To this end, filters were applied to ensure that researchers spoke only to board level respondents or their direct reports. Accordingly, 19% of those spoken to were at board level, the remaining 81% reporting into the board.

81%
reporting into the board

19%
at board level



RESPONDENTS



151
people from UK organisations took part

> 3. THE INTENT OF THIS RESEARCH

By its very nature, FM involves a huge amount of visibility of service. No one in an organisation is untouched by the provision of facilities management. Thus, its value is really important - and it's a value driven primarily through the people delivering the service.

So do organisations have the right processes in place for their FM people to deliver that value? It's only then can the cost of a service be measured. Assessing the true cost of a service is only ever possible when all aspects of a department and its service provider's performance are made visible to the end-user organisation – and when that organisation then acts upon the information received.

The logic is simple enough: The more detail you have to hand, the more you can expect to measure – allowing both parties to best understand each other's operational pressure points.

Amongst its findings, this research shows a correlation between the amount and quality of performance data made available to clients from their service providers and the trust those clients subsequently put in their FM departments and service providers' ability to perform.

The report delves into the following areas:

1 Current priorities for the FM service.

2 The way in which FM is managed.

3 The state of FM supplier relationships.

4 Perceptions of innovation and value in FM.

5 Organisations' perception of the value of statutory compliance.

6 How organisations see their FM service relationships changing over the next three years.

7 How the FM service is perceived within the organisation.

From an assessment of the priorities for FM departments analysed in this research, the following key themes emerge:

1 In general, issues related to service delivery and statutory compliance are seen as mission critical. The reputation of the business, both internally and externally, are of far less importance by comparison. (Corporate social responsiblity, for example, was seen as a much less important issue.) However…

2 While achieving planned cost reductions is of more importance to this report's board-level respondents, so to is enhancing the business's reputation – two things that could be seen as contradictory priorities.

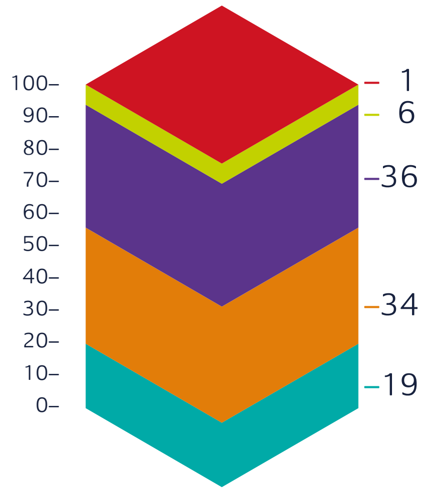
3 The gap between the importance of the FM service and its perceived successful operation is widest in three key areas of delivery – quality, visibility and control, and account management.

4 The gap between the importance of the FM service and its perceived successful operation is widest when judged by members of the board.

This report uncovers some encouraging trends, most of which are connected to the work put in by organisations to ensure that their businesses now have strong FM policies in place. Where such work has been done, the organisation is able to report greater confidence and control over FM cost and performance. It's also notable that those organisations that claim they have better than average FM policies in place have more trusting and less suspicious relationships with their FM partners. Given that a sizeable majority of the overall poll sample also claimed that they would like the relationship with their FM suppliers to be better, there is clearly a dividend to be taken by organisations that have worked to develop their FM departments.

Compared with other organisations similar to yours, how well do you feel that your organisation adopts good practice in its FM policies and procedures?

- **Much worse than other organisations**
- **Slightly worse than other organisations**
- **About the same as other organisations**
- **Slightly better than other organisations**
- **Much better than other organisations**



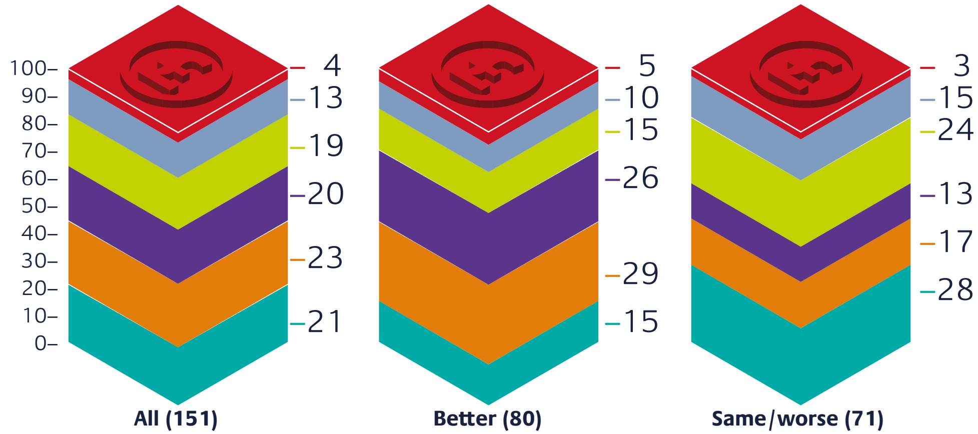
4. MANAGING FM - KEEPING IT CLOSE

Around half of organisations manage their expenditure on FM services through a centralised team, the rest opting either for a decentralised approach to its management or a reliance on independent auditing. A very small fraction - 4 per cent in this research - outsource the management of their FM spend entirely.

Interestingly, those organisations that ranked themselves above average for their adoption of good practice in FM policy were more likely to be managing their FM through a centralised team, be that through day to day or only occasional contact with supplier representatives. It's this routine communication that's important to the development of trust in the FM team and their suppliers to perform their functions.

There's also a link between an organisation's confidence in its own FM performance and the point of time after its expenditure at which the cost of spend on FM is recognised. On average, such costs are recognised three to four months after the event – but those organisations who ranked themselves above average for their adoption of good practice in FM policy were also the organisations that recognised the cost of their FM spend sooner.

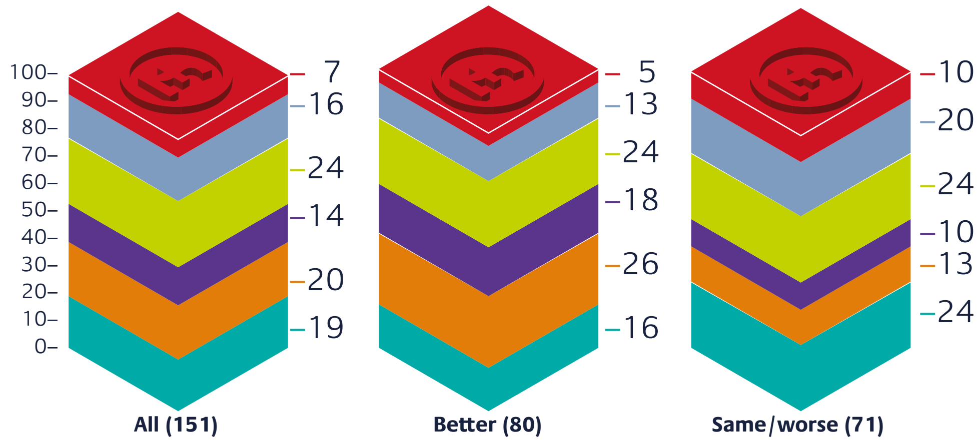
Which of the following best describes the way your organisation manages its FM spend?



- Totally outsourced
- Random auditing
- Decentralised
- High touch central team
- Low touch central team
- DK/NA/combination of these

Responses split between those that rated their performance as better than average and those that felt they were the same or worse.

At what stage do you recognise the actual cost of your FM spend?



- More than 6 months after the event
- 5-6 months after the event
- 3-4 months after the event
- 1-2 months after the event
- Less than 1 month after the event
- Don't know/refused

Responses split between those that rated their performance as better than average and those that felt they were the same or worse.

5. SUPPLIER RELATIONSHIPS -HANDLING THE TRUTH

The only way to drive meaningful decisions on the cost of FM provision is to understand what drives those costs.

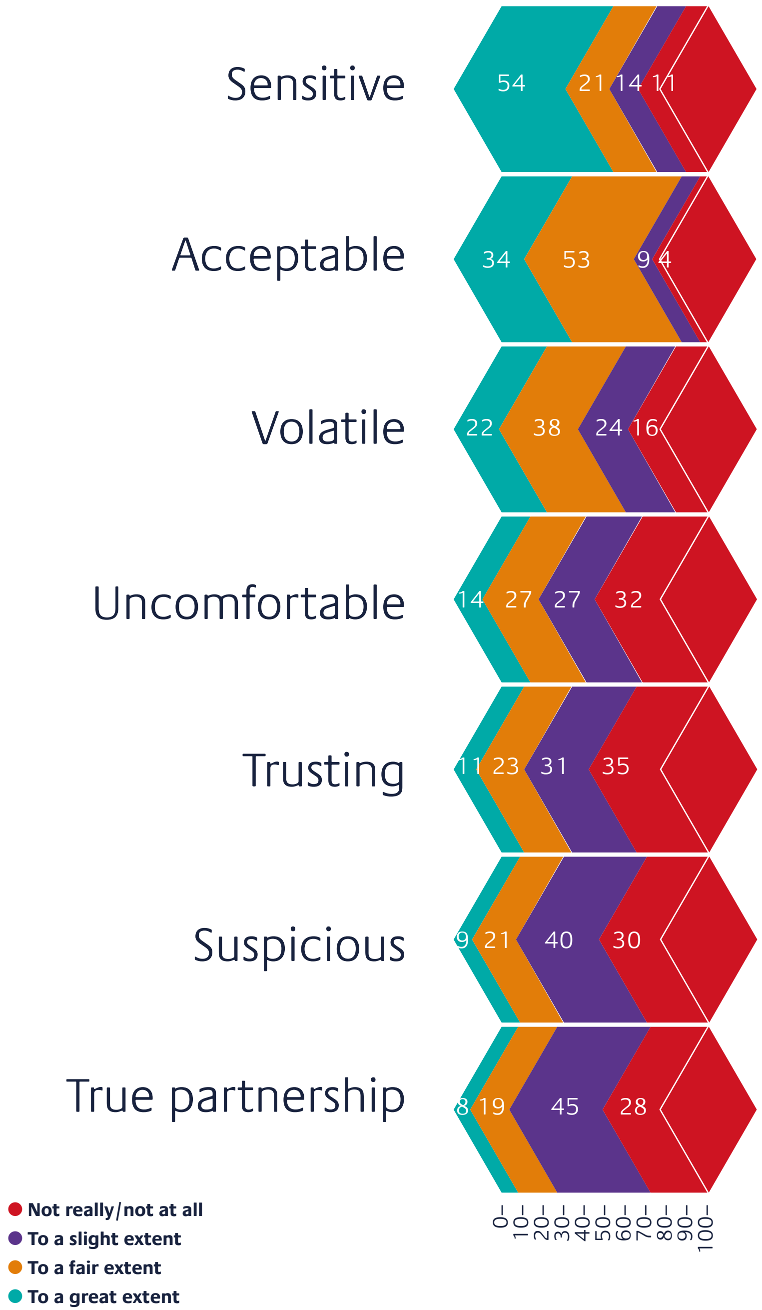
This demands the proper use of data to understand where problems exist, or are likely to emerge, across the account. Yet how often do clients see their account directors? Do they really provide the data when they say they do? And the litmus test – what happens if it all goes wrong?

We asked clients the extent to which they believed their relationship with the FM suppliers was a true partnership. While the state of the relationship between client and supplier proved acceptable to the majority, a highly significant 85% claimed that they would like it to be better. In any event, the relationship was not likely to be a trusting one and certainly not one that could be described as a 'true partnership'. It is notable how frequently the initial confidence in a newly procured client / supplier relationship melts away into one of animosity or, at best, a level of performance seen as unacceptable to the client.

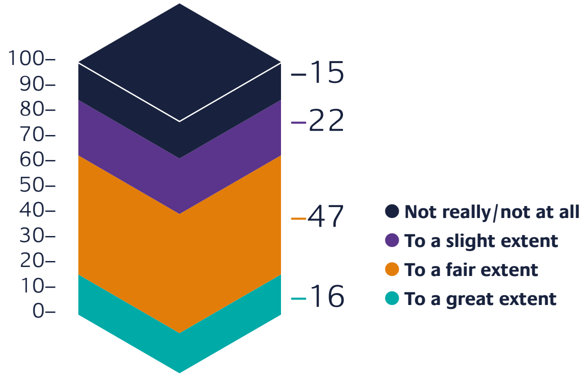
Yet here again, organisations claiming to have better than average FM policy and procedures also had more trusting and less suspicious relationships with their FM partners - prerequisites for 'true partner' status.

When asked to isolate what would improve these relationships, the obvious human issues - the right account manager with the right attitude - scored strongly. But more notable was that more than half of those asked cited trustworthy data and access to real-time information as their top priorities for righting relationships. Board level respondents in particular focused on the availability and trustworthiness of operational data, but also cited better financial skills and greater transparency. Yet an argument exists that the availability of real-time data is key to the transparency craved at board level. >

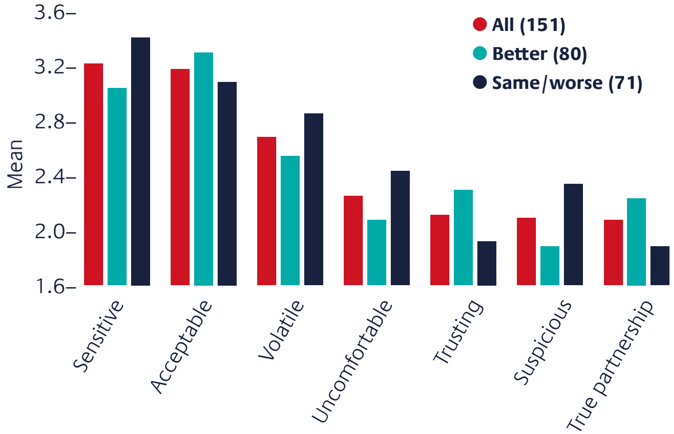
To what extent do each of the following words or phrases describe your organisation's current relationship with its FM supply chain?



To what extent would you like the relationship to be better?

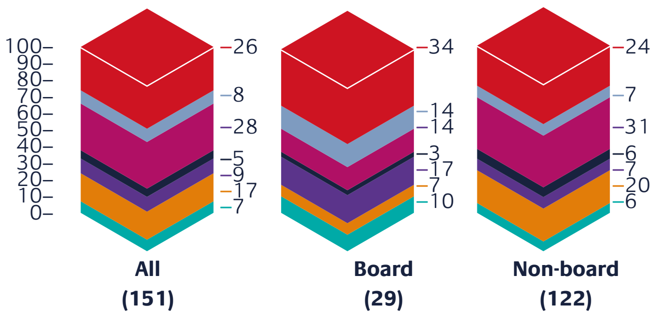


To what extent do each of the following words or phrases describe your relationship with its FM supply chain?



Responses split between those that rated their performance as better than average and those that felt they were the same or worse

Which one of the following would be most likely to improve the relationship?



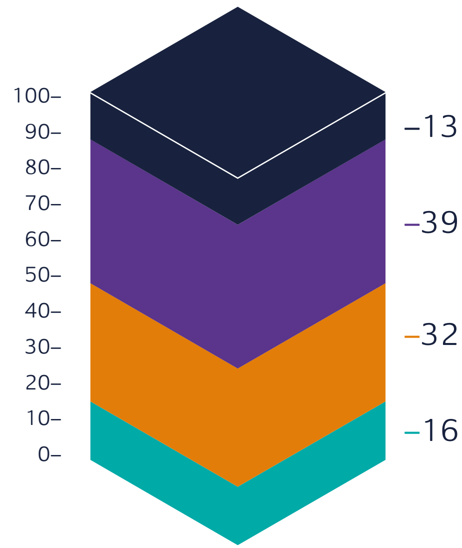
6. INNOVATION & VALUE - A MEASURED RESPONSE

Demands for innovation in the FM service, and proof that service providers are providing and adding further value, grow increasingly loud.

It is in conversations about these issues that the potential for conflict or miscommunication between client and service provider is most likely to take seed - yet what constitutes innovation, and indeed value, varies as much from client to client as it does service provider to service provider; this lack of consistency on both sides of the equation make measurement of performance all the more difficult.

So given the intangible nature of these variables, it is perhaps unsurprising that senior personnel, when asked to what extent they felt their current FM suppliers delivered innovation and best value, offered a generally poor assessment. When participants were asked to rank their service providers out of 10, more than half rated their suppliers as 6 or under.

To what extent do you feel that your current FM suppliers deliver innovation and best value?



On a scale of 1-10 where 10 = high and 0 = not at all

> 7. COMPLIANCE - TURNING TRUTH INTO TRUST

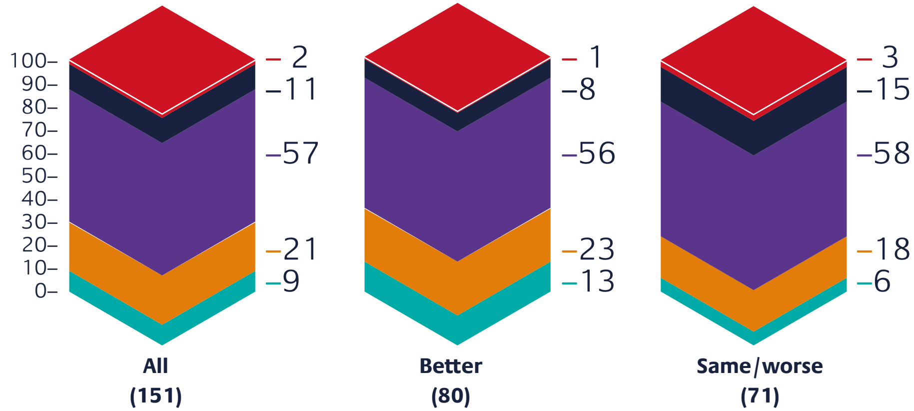
If there is any real hope of the relationship between client and FM service provider lasting, risk issues have to come into the purchasing conversation surrounding FM services.

It's a conversation that both sides - client and supplier - will benefit from having. If a trusting relationship is to be developed, both sides must consider their own commercial risk when entering into a contract arrangement, and such risk can only be evaluated when there is demonstrable transparency in the flow of both financial and operational data between both parties.

Key to any conversation on commercial risk, therefore, is client attitude to statutory compliance. Both organisation and supplier need to show that all bases are covered. Yet, given the importance of this key driver, it's remarkable that in this research just 9 per cent of those questioned said that they were 'extremely confident' that their compliance obligations were being met. A small majority of participants declared themselves 'quite confident' in this area, which, when the options 'very' and 'extremely' confident were also available, should give pause for thought.

It is striking that senior personnel in organisations claiming to be better than average in their FM performance were also significantly more confident in their meeting of compliance obligations – further evidence that client organisations can benefit from the 'trust dividend' >

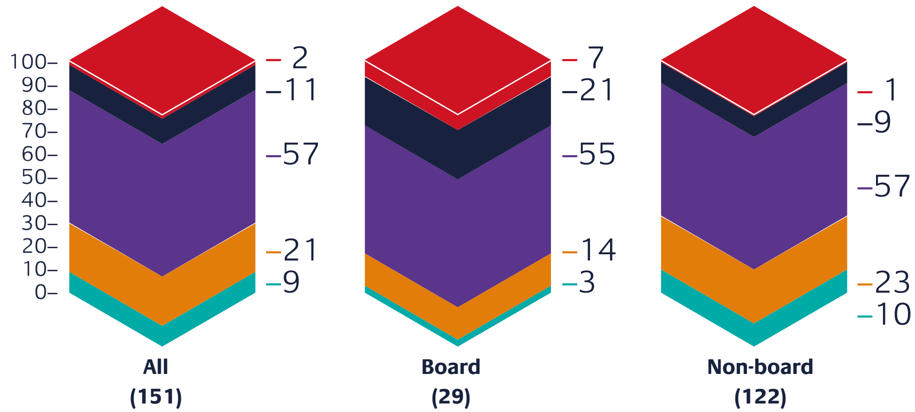
How confident are you that compliance obligations are being met?



- Not at all confident
- Not very confident
- Quite confident
- Very confident
- Extremley confident

Responses split between those that rated their performance as better than average and those that felt they were the same or worse.

How confident are you that compliance obligations are being met?



- Not at all confident
- Not very confident
- Quite confident
- Very confident
- Extremley confident

Responses split between board and non-board respondents.

developed through developing good FM policy and best practice.

In this research, board level respondents were markedly less confident about their compliance obligations being met.

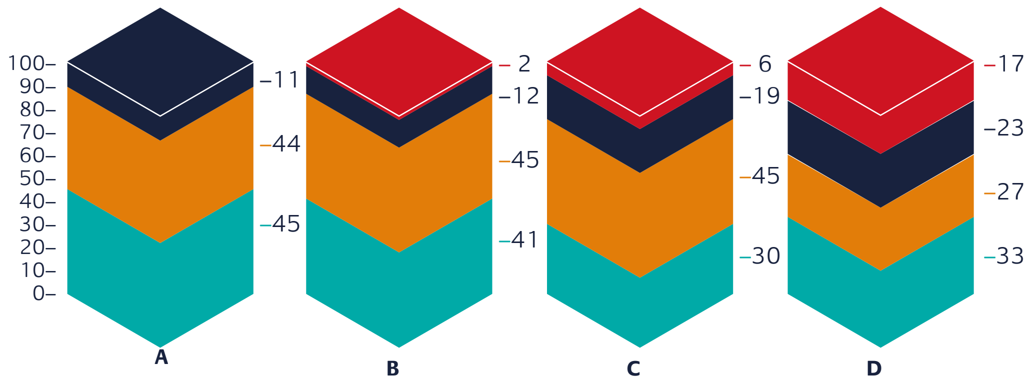
In terms of FM cost drivers, participants ranked more immediate cost drivers - for example whether they felt they were paying prevailing market rates and the timely completion of tasks - far ahead of 'innovation'. Indeed, best value was least likely to be achieved in the areas of account management and innovation.

Again, there is evidence of a demonstrable 'trust dividend'. Organisations claiming to have FM departments that perform better than average also believed that their FM suppliers delivered better value. Board level respondents, perhaps more distant from day to day service delivery, were in the main less confident about their suppliers' delivery of innovation and best value.

So how is innovation encouraged, or indeed initially defined? We found that no clear policy for doing so was being followed. Could it be established within the structure of commercial and / or contractual review meetings? One-to-one relationships with account managers? Competitive pressure? Or the challenging of performance against key performance indicators? All these methods are used, but none more significantly than the others. Clearly, with no standard measure emerging there is scope for miscommunication and an inadequate assessment of performance.

To what extent does your organisation use each of the following methods to encourage innovation and value from your FM suppliers?

- Not really/not at all
- To a slight extent
- To a fair extent
- To a great extent



A= Within the structure of commercial and/or contractual review meetings

B= Through one-to-one relationships with account managers

C= Via competitive pressure

D=Via buyer-specific cost or KPI challenges

8. HOW FM IS PERCEIVED - CONTRADICTORY MESSAGES?

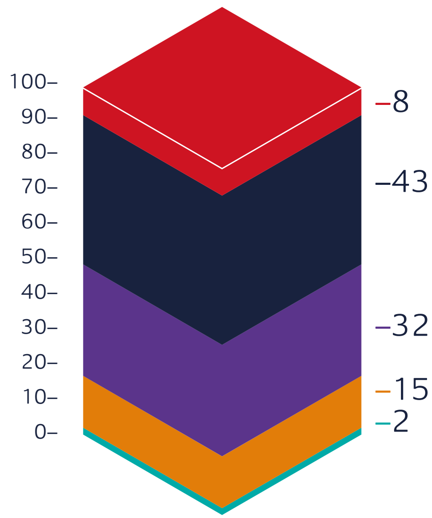
For all the rhetoric surrounding its measurement, the 'value' of facilities management remains an elusive commodity, much debated. Yet as much as this value needs to be defined in the client / supplier relationship, so to is the way in which it is perceived by an organisation's own employees as much an indicator of that organisation's awareness of the value of FM as any dialogue with an outsourced service provider.

Yet just 15% of those surveyed for this report indicated that FM in their organisation was valued 'to a great extent'. An overwhelming majority cited the valuing of the function as either 'fair' or 'slight', while close to one in ten said FM was not valued at all.

When asked about the extent of senior management support for their innovation initiatives, a fifth of our respondents said that they did not feel supported at all and a further third only felt supported in such initiatives to 'a slight extent'.

The 'trust dividend' again comes into play - organisations that claim that their FM processes are better than average get more support from senior management. Yet curiously, board level respondents are considerably more likely to believe that they support their FM staff than the staff itself believes to be the case. >

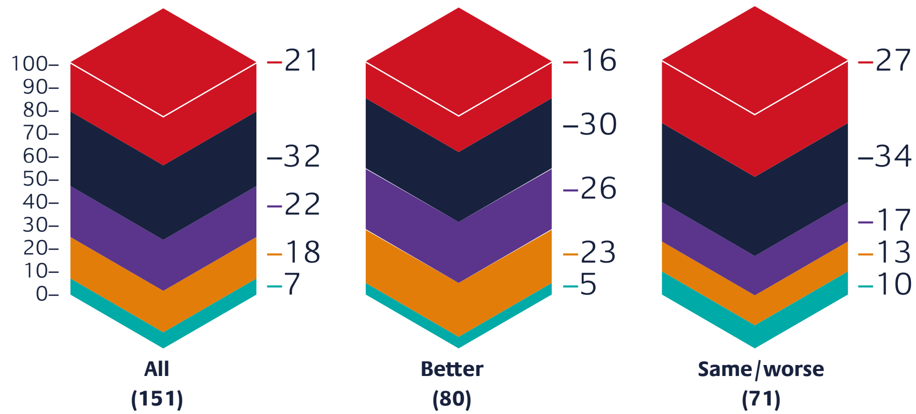
To what extent do you feel that the business really values the FM function?



- Not really/not at all
- To a slight extent
- To a fair extent
- To a great extent
- DK/NA

HOW FM IS PERCEIVED - CONTRADICTORY MESSAGES?

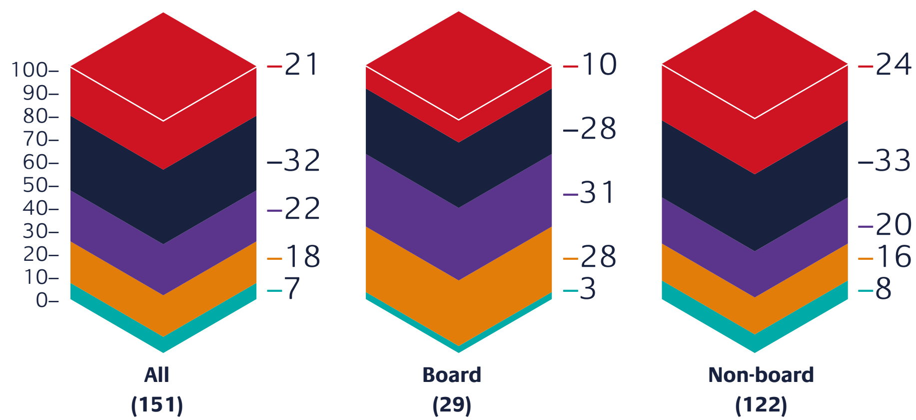
To what extent do you feel that senior management supports you to implement innovation?



- Not really/not at all
- To a slight extent
- To a fair extent
- To a great extent
- DK/NA

Responses split between those that rated their performance as better than average and those that felt they were the same or worse.

To what extent do you feel that senior management supports you to implement innovation?

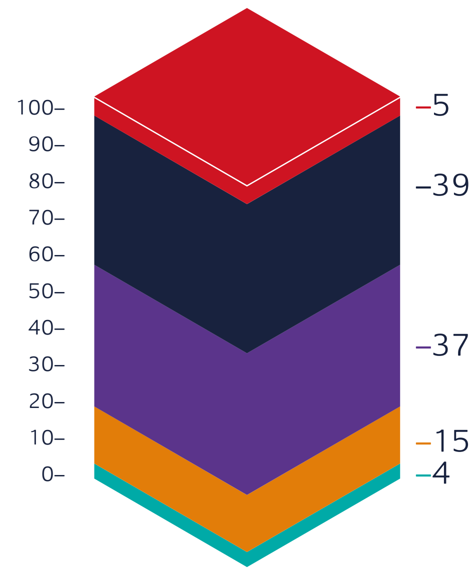


- Not really/not at all
- To a slight extent
- To a fair extent
- To a great extent
- DK/NA

Responses split between board and non-board respondents.

As for the quality of staff, getting the right people with the right degree of training in post is a problem for most. Only 19% claimed to find it easy to attract high-calibre FM professionals to their organisation.

How easy is it to attract high quality FM professionals into your organisation?



- Very difficult
- Quite difficult
- Neither easy nor difficult
- Quite easy
- Very easy

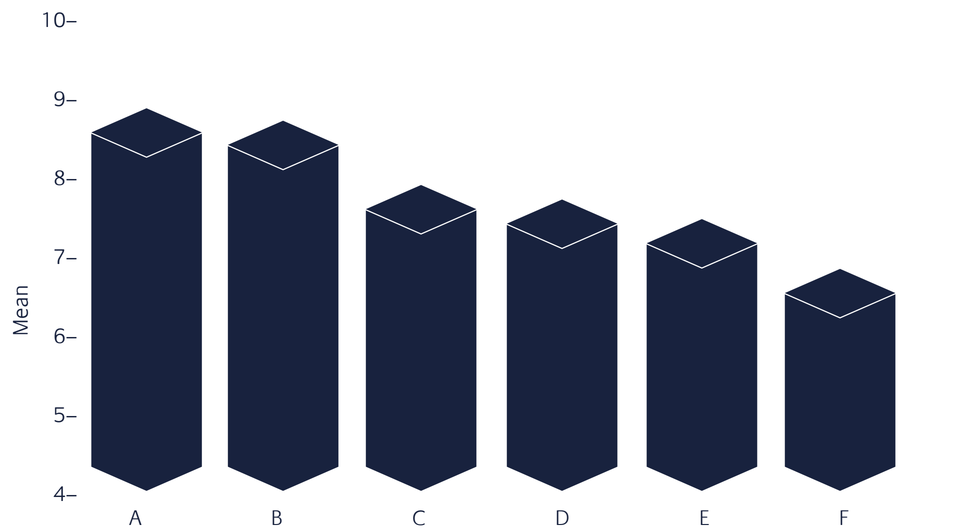
9. THE FUTURE

When so much is made of the need to suppress rising costs, and with FM a seemingly permanent fixture in the expenditure analysis spotlight, it is encouraging to record the positive outlook towards future FM expenditure priorities that this research uncovers.

When asked to rank the importance across the next three years of a range of FM service measures, cutting spend actually ranked lowest. Instead, most pressing was the need to ensure greater on-going availability of the estate and, crucially, an enhancing of the customer experience. Organisations are increasingly aware that the choices they make in supporting their FM departments have an impact on how their customers ultimately view them.

Yet operational transparency issues remaining a high priority – budget visibility and control and the accountability of FM spend are seen as crucial areas for improvement, especially amongst board level executives. >

Rate the following priorities in order of importance over the next 2-3 years.



Scale of 0-10, where 10 = business critical and 0 = not at all important

A = Increasing uptime of estate

B = Enhancing customer experience

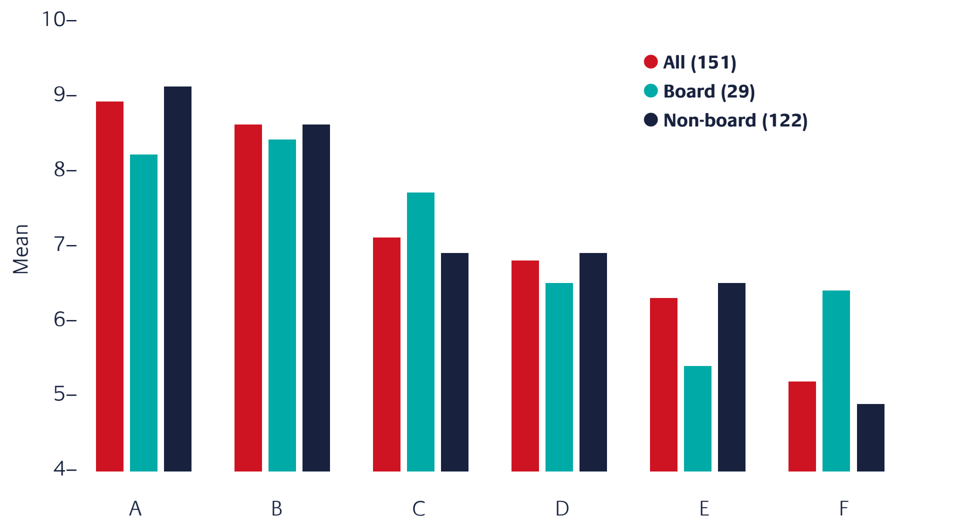
C = Increasing budget visibility and control

D = Increasing accountability

E = Compliance

F = Reducing spend

Rate the following priorities in order of importance over the next 2-3 years.



Mean score out of 10, split between board and non-board respondents.

A = Increasing uptime of estate

B = Enhancing customer experience

C = Increasing budget visibility and control

D = Increasing accountability

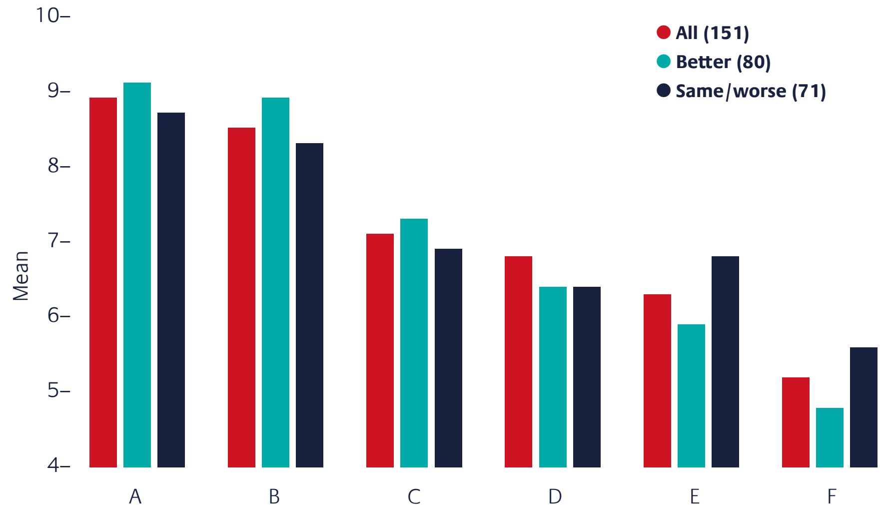
E = Compliance

F = Reducing spend

Encouragingly, cutting costs is a lower priority for those organisations with confidence in the abilities of their FM departments. Concerns over compliance are also lower for these respondents, a sign that having put work into developing a strong FM department they are now comfortable that FM can manage this duty effectively.

Looking further ahead, availability of real time data – and an ability to act upon it, both operationally and financially – was seen by 40 per cent of respondents as most likely to have the biggest impact on their organisation's ability to deliver their number one FM priorities. Also recognised was a desire for more robust and consistent process – something also addressed through an ability to respond to real time data.

Rate the following priorities in order of importance over the next 2-3 years.



(Mean score out of 10, split by Q3a, better/same/ worse than competitors)

A = Increasing uptime of estate

B = Enhancing customer experience

C = Increasing budget visibility and control

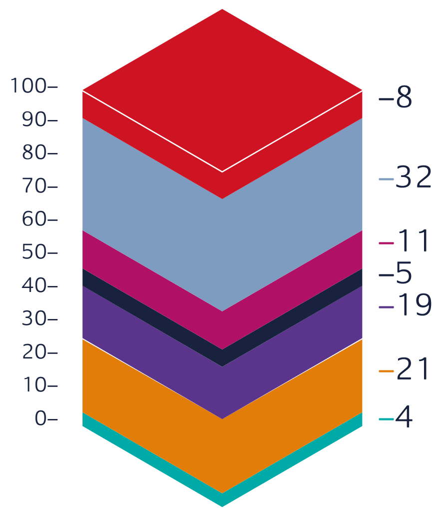
D = Increasing accountability

E = Compliance

F = Reducing spend

Responses split between those that rated their performance as better than average and those that felt they were the same or worse

Which one of the following items would have the biggest impact on your organisation's ability to deliver its top FM priority?



- **Increased supplier resource on account**
- **Reduce headcount/expenditure in FM department**
- **More robust and consistent process**
- **Benchmarking**
- **Real time financial data**
- **Real time deliverable data**
- **DK/NA**

10. CONCLUSIONS

Defining the value of facilities management is, in fact, in the gift of those organisations asking the question. Given the significant costs involved and the mission-critical risks that need to be managed, it is important that organisations work to ensure they have the data they need to make decisions about this critical business department.

Rather than ask others, organisations need to do this work for themselves. When they do so, the benefits are clear. This report concludes that when best practice in FM policy is maintained, the organisation doing so has more trust in its FM department and the decisions they make.

Organisations need to stop asking others for their opinion and do this critical work for themselves. Only then will they benefit from the 'trust dividend' that such mature FM relationships so clearly offer.

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ABOUT BIFM

The British Institute of Facilities Management (BIFM) is the professional body for facilities management (FM). Founded in 1993, we promote excellence in facilities management for the benefit of practitioners, the economy and society. Supporting and representing over 14,500 members around the world, both individual FM professionals and organisations, and thousands more through qualifications and training.

We promote and embed professional standards in facilities management. Committed to advancing the facilities management profession we provide a suite of membership, qualifications, training and networking services designed to support facilities management practitioners in performing to the best of their ability.

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CONTINUE THE DEBATE

The findings in this report are only the beginning of the conversation. Share your thoughts, experiences and questions on our LinkedIn discussion group. Search British Institute of Facilities Management in groups.