



“This is the second year Interserve has worked with Sheffield Hallam University to understand the changing influences in facilities management. We are pleased that i-FM has now joined us in this endeavour to create a real-time, accurate view of the market.

Themes covered include the role of innovation, customer service and sustainability in the market, along with the benefits of each outsourcing model and how the shape of facilities management will change in the future.

There is also a clear expectation that facilities provision should now be delivering much more than cost savings alone; meaning that our industry must ensure it continues to adapt by providing a service that adds value to the client’s brand, business performance and reputation.

This report highlights some interesting and thought-provoking insights into our industry, which I hope you find of interest.”

Bruce Melizan | Executive Director at Interserve

What's happening in facilities management?

Interserve commissioned the following report on the current and future practices, issues and expectations of the facilities management industry in 2012. 585 individuals within the industry responded to this research undertaken by the Centre of Facilities Management Development at Sheffield Hallam University and partnered by i-FM. The research found:

- Services are currently procured via a variety of models: in-house (27 per cent), single services (22 per cent), integrated facilities management (14 per cent), bundled services (12 per cent), total facilities management (6 per cent) and total facilities management and property services (4 per cent).
- The most frequent objectives for outsourcing are: financial savings, service level improvements and better technical expertise. All objectives cited have been delivered in over 70 per cent of cases, apart from 'innovation' - which has only been achieved in 56 per cent of cases.
- Respondents believe the core benefits of each model to be:
 - In-house: flexibility of in service delivery and service quality
 - Single services: service quality and access to technical expertise
 - Bundled services: reducing costs
 - Integrated facilities management: value for money
 - Total facilities management: value for money and cost reduction
 - Total facilities management and property services: value for money, reducing costs and improved management information.
- The main challenges organisations face when outsourcing are: finding a suitable supplier, clear contractual documentation, along with Union and TUPE issues.
- The four themes identified for improving client / contractor relationships are: communication, transparency, relationships and honesty.
- Game-changers in the facilities management industry over the next five years indicate that the world-wide economy will have a major influence on the market, with cost reduction remaining the key driver whilst there is a trend towards larger, leaner organisations.
- The market is still undecided around the importance of sustainability in current decision making, but there is a belief it will grow in importance in the next five years.

Background

66 per cent of respondents were from the private sector and 33 per cent from the public, not for profit or third sector.

Over 50 per cent of respondents work in London or the South of England, and 10 per cent outside of the UK.

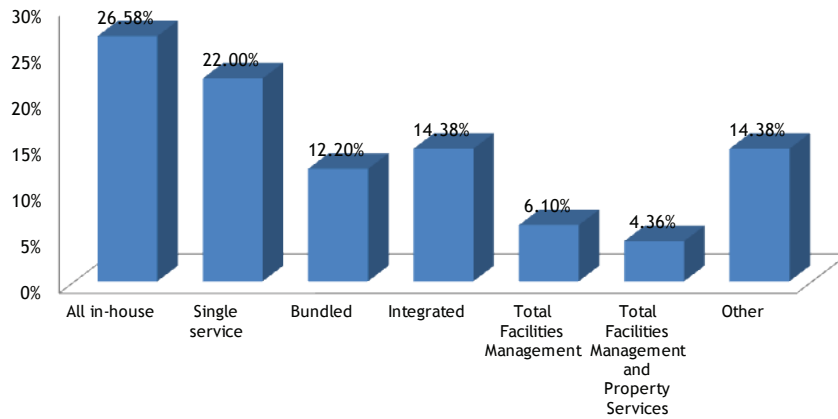
Organisational size was split fairly between those with budgets of less than £550k, those between £500k and £3m, those between £3m and £25m, and those with over £25m.

Over 50 per cent of organisations provide a proportion of facilities management services in house.

35 per cent of organisations outsource their facilities on three year contracts, whilst 26 per cent don't have a standard length contract.

Current facilities procurement.

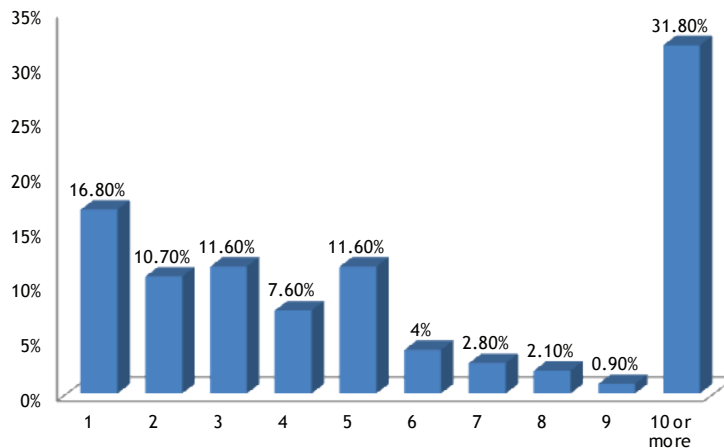
Q. How are your facilities services currently delivered?



Although 58 per cent of services are outsourced, in-house service delivery is the preferred stand-alone model.

Over a quarter of respondents (26.58 per cent) provide all their facilities management services in-house. Nearly another quarter (22 per cent) use individual suppliers who provide one service each. Just over another quarter (26.58 per cent) use either bundled services, where two or three services are provided by a single supplier, or an integrated approach where a number of services are delivered under a single management lead. The final quarter of respondents use a total facilities management solution whereby the main provider self delivers services.

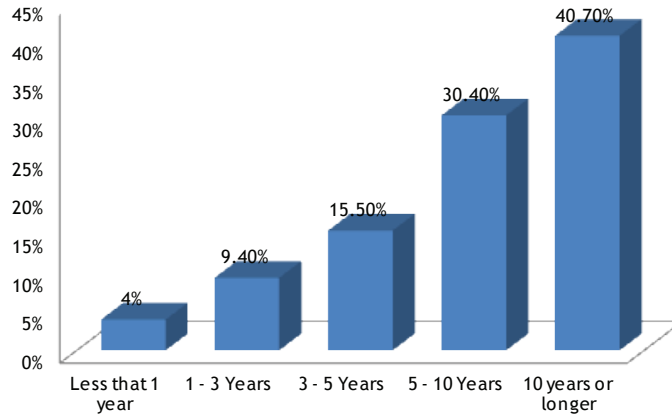
Q. How many suppliers are your facility services currently outsourced to?



58 per cent of organisations outsource to less than 10 suppliers.

Over half (58 per cent) contract with less than five organisations, with only 10 per cent outsourcing to between six and nine suppliers, but 32 per cent contract with over 10 suppliers. This pattern of outsourcing either to a small number of organisations or to a large number remains consistent regardless of the model of outsourcing.

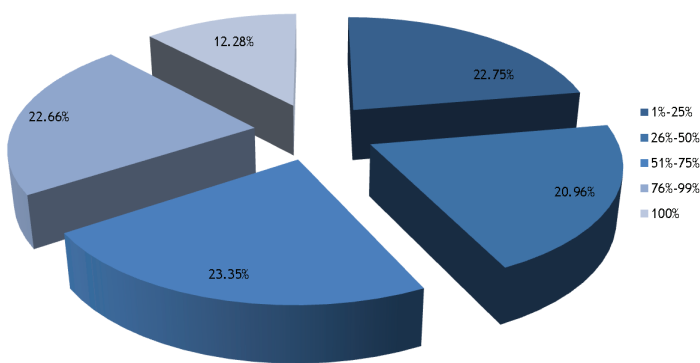
Q. How long has your organisation been outsourcing its facilities services?



40 per cent of respondents have been outsourcing for ten years or more.

85 per cent of organisations are experienced in dealing with contractors and have been outsourcing their services for more than three years. 41 per cent have been outsourcing for over 10 years and a further 30 per cent for between five and 10 years. Only four per cent of respondents have been outsourcing for less than one year and 25 per cent for between one and five years.

Q. How much of your facilities services do you outsource?

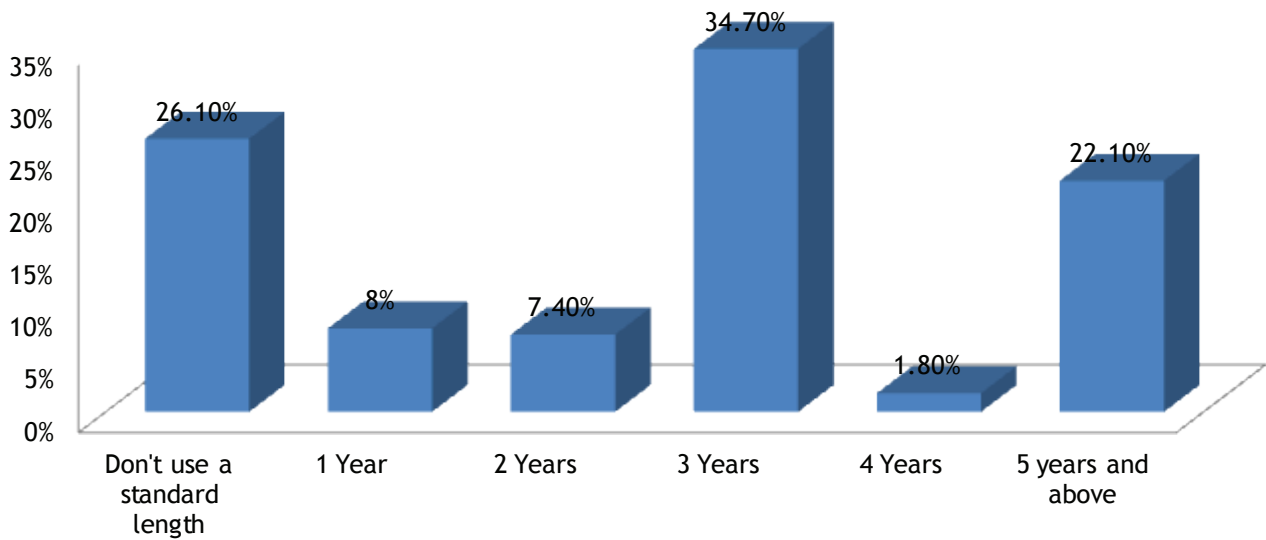


22 per cent more of organisations are now outsourcing over 76 per cent of their facilities services.

The results of this survey show a different distribution of outsourced services to the findings of Interserve’s ‘Changing the Shape of Facilities Management Survey’ 2011. In 2011 there were 5 per cent more organisations outsourcing between 1 per cent and 25 per cent of their facilities services; there were 17 per cent more outsourcing 26 per cent - 50 per cent of their services. Although the percentages are the same in both surveys for those outsourcing between 51 per cent - 75 per cent. This year there are 22 per cent more organisations outsourcing over 76 per cent of their services.

“Our total facilities management model allows us to concentrate on our core business, controls cost and delivers value for money.”

Q. How long do you outsource your facilities contracts for?



People are procuring either three (26 per cent), five (22 per cent) or non-standard length contracts (26 per cent).

The main reasons cited for not using standard length contracts are; the type and level of service required, the supplier’s preference in service lengths, and a reliance on there being flexibility in delivery.

Respondents were given a list of criteria concerning different contract lengths and asked to indicate whether they considered these an advantage or disadvantage of long or short term contracts, or if they considered them not to be influenced by the contract length.

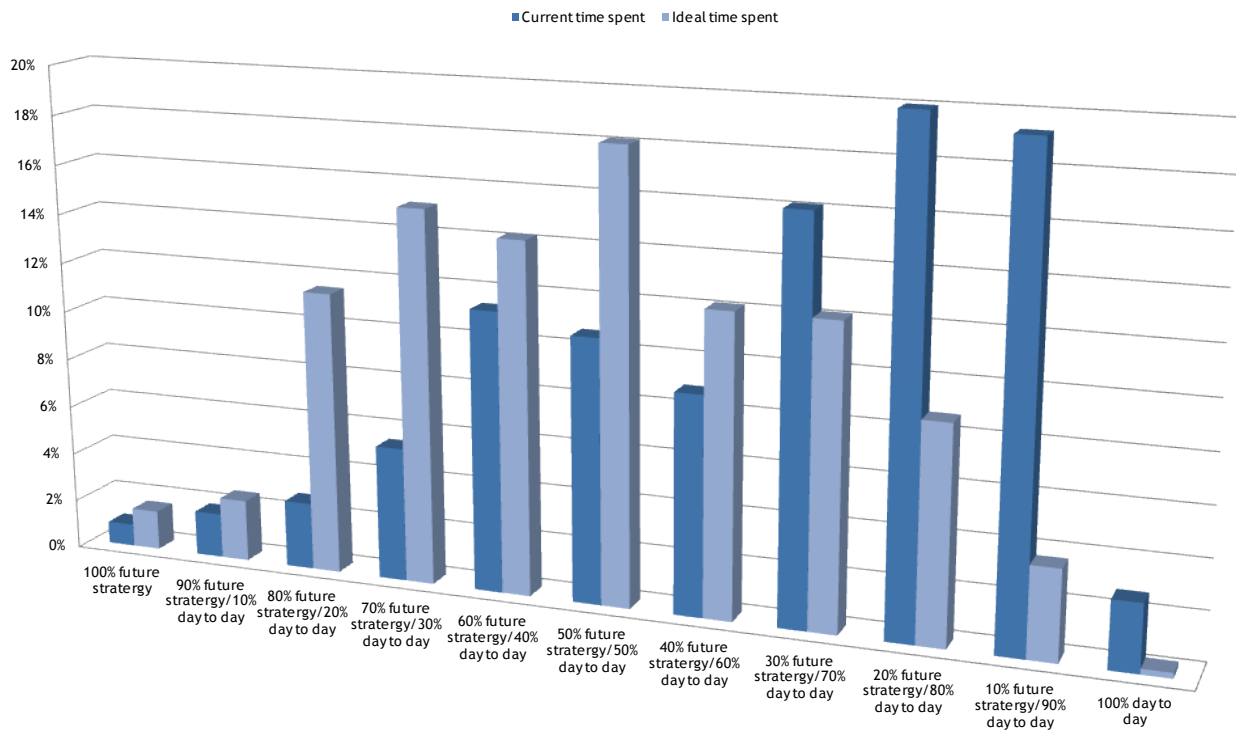
Advantages of long term contracts:

- Building relationships
- Commitment to strategic goals
- Cost of procurement
- Efficiency savings
- Flexibility in service delivery
- Innovation in service delivery
- Partnership approach
- Quality of service delivery
- Stability and reliability

In contrast, the only advantage of a short term contract is the ability to exit. The only area the contract length is perceived to have no impact is on flexibility in procurement of services.

“We will choose our contract length dependent on what investment our suppliers will commit to against a length of term.”

Q. Compare how much time you spend on day-to-day activities versus strategic with your ideal balance?



45 per cent of individuals would like to spend more than 60 per cent of their time on strategic issues, compared to only 22 per cent currently doing so.

The survey asked two related questions on how respondents balance their time between future strategy and day-to-day / reactive activities and how they would like to balance their time between the two ends of the continuum.

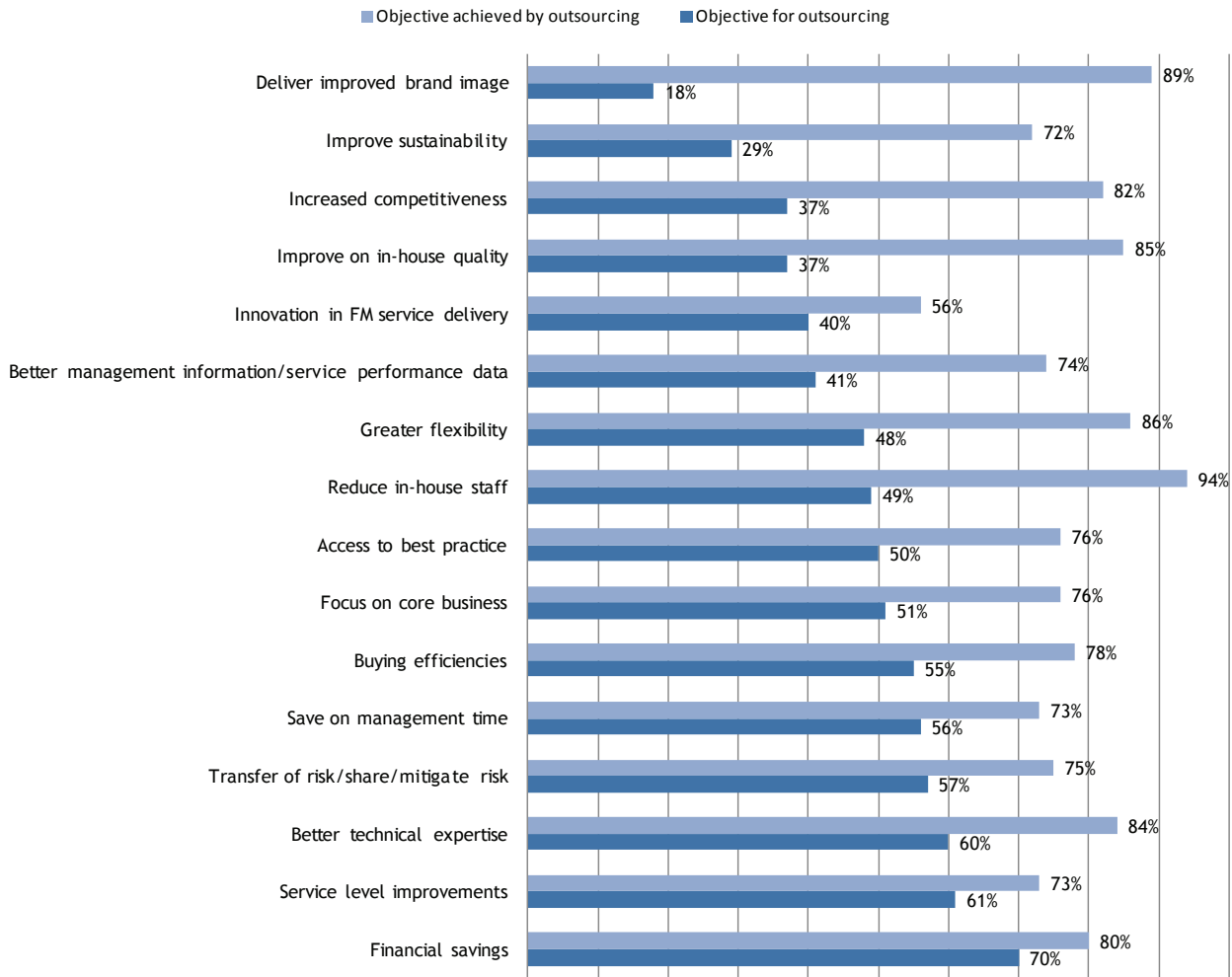
The results show that very few respondents believe they spend 100 per cent of their time on day-to-day reactive activities or on future strategy. 67 per cent say they spend more than 60 per cent of their time on day-to-day reactive activities and only 22 per cent say they spend more than 60 per cent of their time working on future strategy.

Respondents would like to balance their time between working on future strategy and day-to-day reactive activities. 45 per cent would like to spend more than 60 per cent of their time on future strategy work and only 37 per cent would like to spend more than 60 per cent of their time working on day to day reactive activities.

This indicates a desire to spend more time focusing on strategic activities.

Objectives for outsourcing.

Q. What are your objectives for outsourcing and do you consider these to have been achieved?

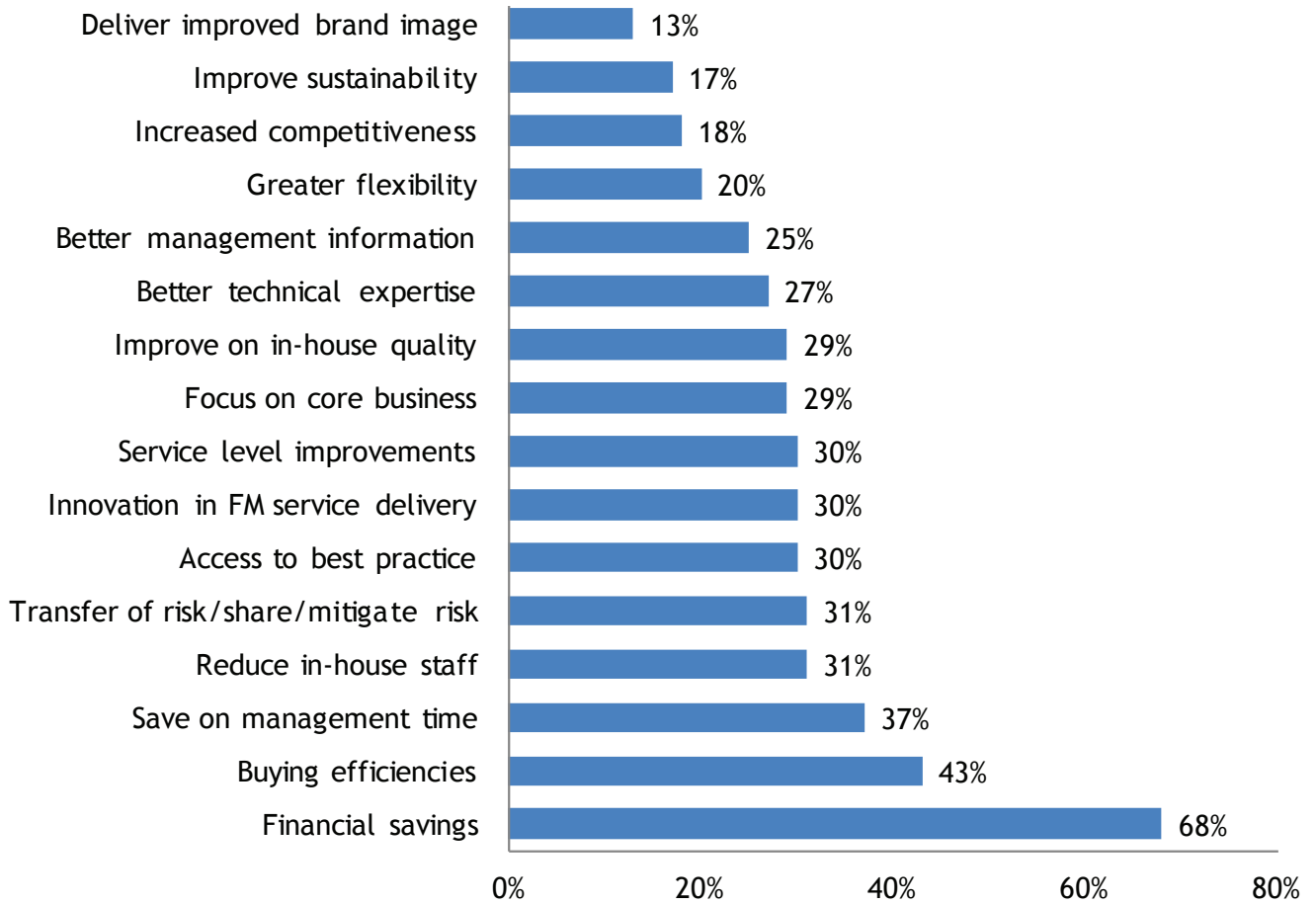


Organisations have achieved their objectives by over 70 per cent in all but one case - innovation.

Most of the objectives for outsourcing did have high levels of achievement, (70 per cent or higher). The exception is ‘innovation in facilities management service delivery’ which was only achieved in 56 per cent of cases. Seven objectives were achieved in over 80 per cent of organisations that sought these factors as an objective. These were: reduce in-house staff (94 per cent), deliver improved brand image (89 per cent), greater flexibility (86 per cent), improve on in-house quality (85 per cent), better technical expertise (84 per cent), increased competitiveness (82 per cent), and financial savings (80 per cent).

Interestingly brand image is only considered important by 18 per cent of respondents, but was being delivered in 89 per cent of instances.

Q. If you do not currently outsource, what would your objectives for outsourcing be?

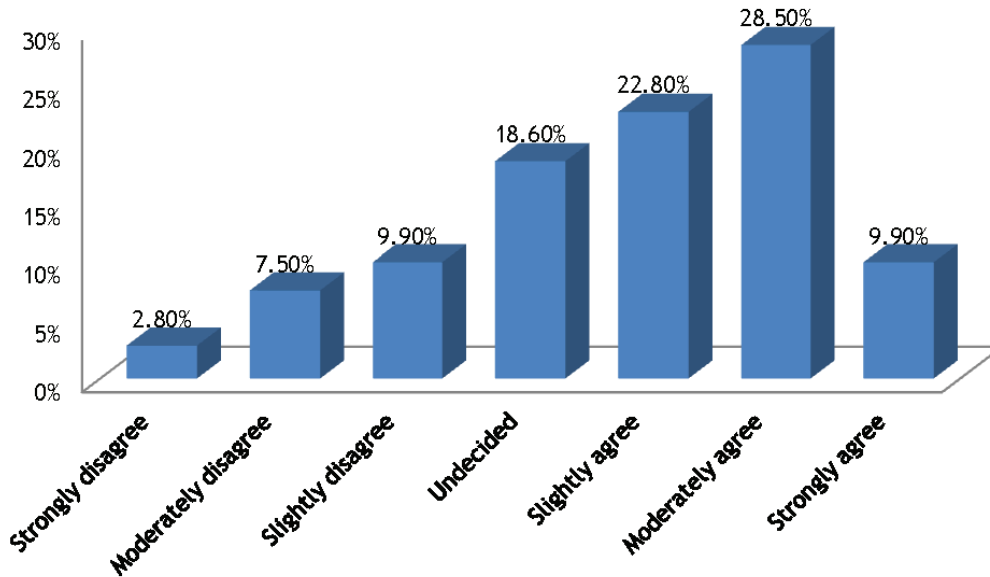


32 per cent of respondents do not see financial savings as a benefit to outsourcing.

121 people responded to this question, identifying cost as the predominant issue (68 per cent). Other issues such as buying efficiencies (43 per cent), savings on management time (37 per cent), reduction of in-house staff (31 per cent) and transfer of risk (31 per cent) were identified as objectives if an organisation was to consider outsourcing. These responses show a significant focus on cost and efficiency over and above issues such as service level improvement and technical expertise, which those who currently outsource not only set as an objective but also realise a significant benefit from.

Adding value in facilities management.

Q. Do you believe that the industry is delivering innovation in facilities service delivery?



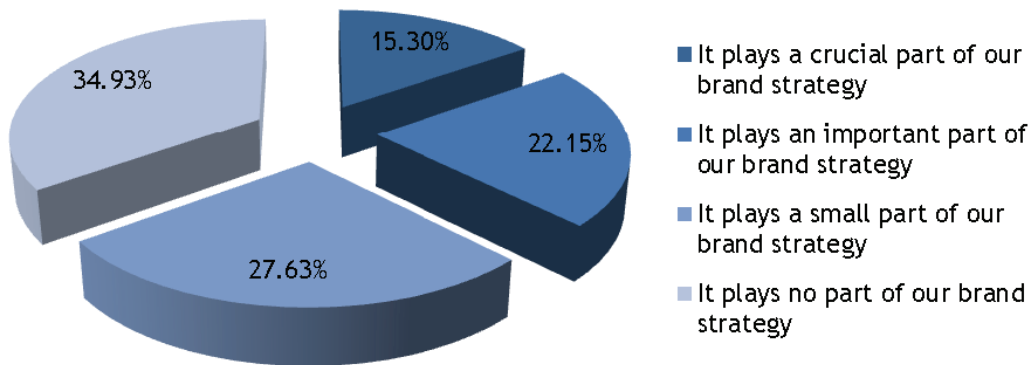
60 per cent of respondents agree that innovation is being delivered in the facilities management industry.

Compared to the previous question that identified only 56 per cent of respondents achieving their objective of outsourcing, over 60 per cent of respondents here agree that the industry is delivering innovation.

Further to the above findings, respondents were asked to explain further the reasons for these barriers. Of the 296 responses, the reasons given were; cost / financial / budgetary reasons (102 responses), resistance to change (52 responses), board level support (27 responses), weaknesses in the facilities profession (20 responses), and no investment in innovation (18 responses).

“ True innovation often requires a financial input from the client. Most clients are cutting back on investment and research and development, which causes difficulties in delivering cost effective and innovative solutions. ”

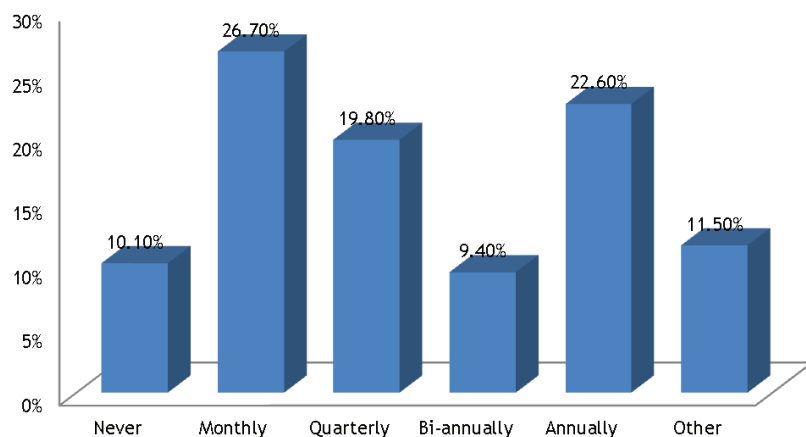
Q. To what extent is the organisation’s brand strategy considered in facilities management procurement?



35 per cent of respondents think that facilities management has no role to play in a company’s brand strategy.

These findings indicate that facilities management is generally not considered important in terms of an organisation’s brand strategy. 35 per cent of respondents considered facilities management to play no part in their organisations brand strategy and a further 28 per cent that it plays only a small part. Only 15 per cent believe it plays a crucial part and 22 per cent that it plays an important part in their organisations brand strategy.

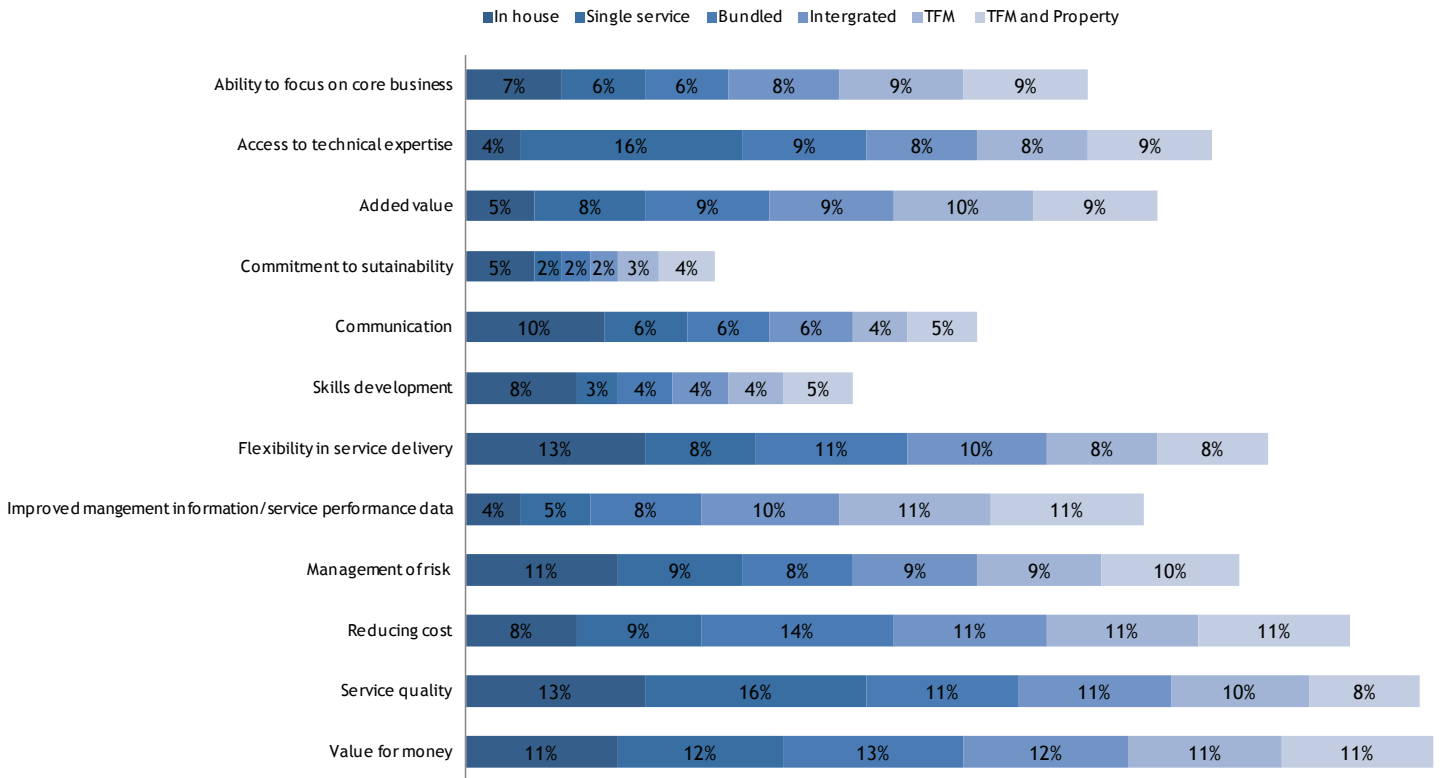
Q. How frequently do you measure end-user satisfaction of your facilities management services?



10 per cent of organisations never measure customer satisfaction.

Monthly is the most common period of customer satisfaction measurement but this only accounts for just over a quarter of respondents (27 per cent). 23 per cent measure user satisfaction annually and 20 per cent quarterly. 9 per cent measure bi-annually and 10 per cent never measure it. This indicates that there is no single time period which seems to be used universally.

Analysing performance.



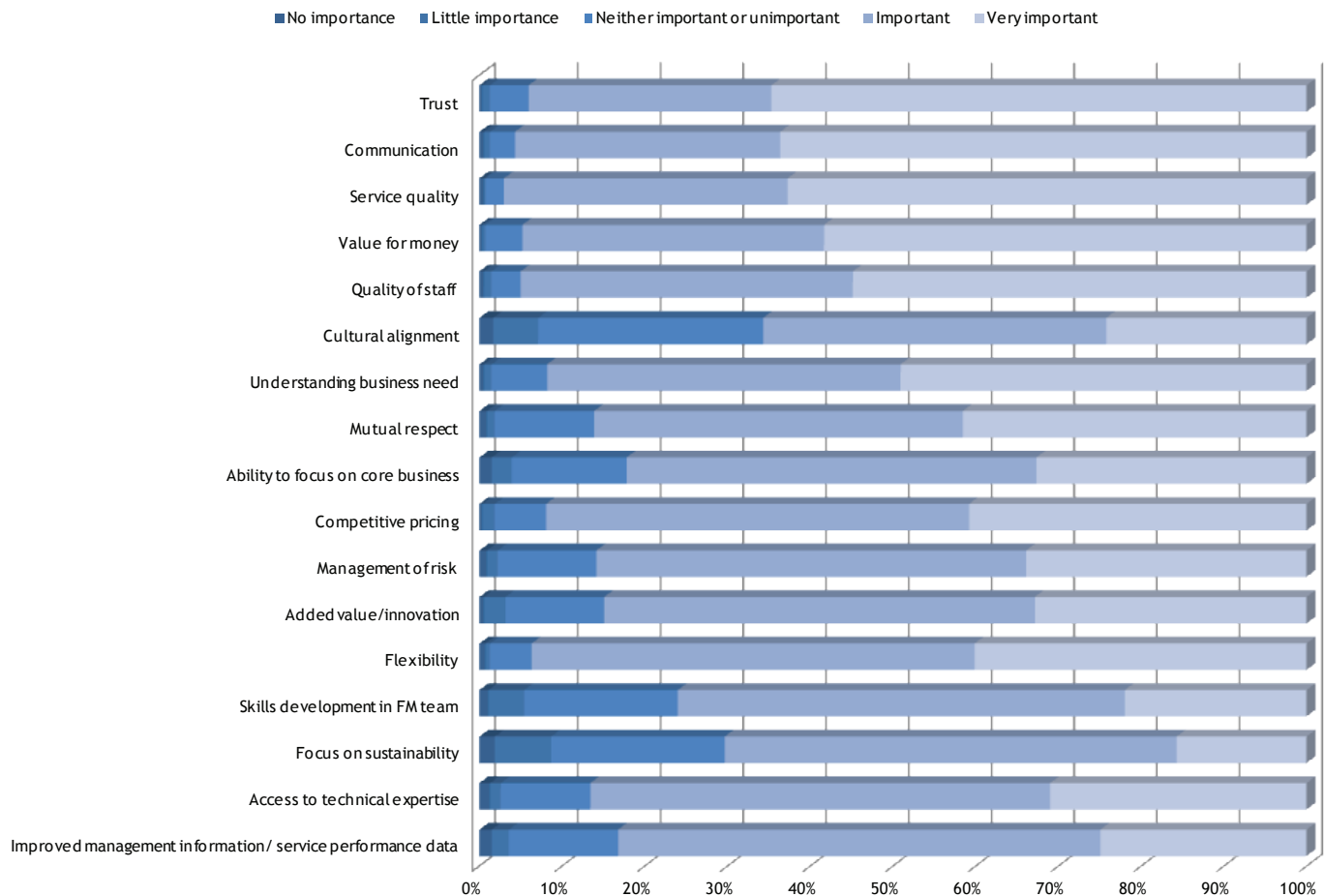
Sustainability is not perceived to be delivered successfully by any outsourced service model.

Service quality, value for money, and reducing costs are perceived as being better delivered by all procurement models than others; in particular commitment to sustainability, skills development and communication. When looking at each of the model’s strengths and weaknesses, the research identified the top four deliverables for each model as:

In-house	Single service	Bundled services
Flexibility in service delivery (13%)	Service quality (16%)	Reducing cost (14%)
Service quality (13%)	Access to technical expertise (16%)	Value for money (13%)
Value for money (11%)	Value for money (12%)	Service quality (11%)
Management of risk (11%)	Management of risk (9%)	Flexibility in service delivery (11%)
	Reducing cost (9%)	

Integrated facilities management	Total facilities management	Total facilities management and property services
Value for money (12%)	Value for money (11%)	Value for money (11%)
Service quality (11%)	Reducing cost (11%)	Reducing cost (11%)
Reducing costs (11%)	Service quality (10%)	Improved management information/service performance data (11%)
Improved management information/service performance data (10%)	Improved management information/service performance data (11%)	Added value (9%)
Flexibility in service delivery (10%)	Added value (10%)	Access to technical expertise (9%)
		Ability to focus on core business (9%)

Q. How do the following factors rate in terms of their importance in a client / provider relationship?



Trust, communication and service quality are perceived important by 60 per cent of respondents.

The factors that received the highest percentage of responses for being very important are trust (65 per cent), communication (64 per cent), service quality (63 per cent), value for money (58 per cent), quality of staff (55 per cent) and understanding of the client’s business (49 per cent). In 2011 Interserve’s research also found that communication, service quality and value for money also all had the highest response rates.

The top ten things buyers should do to improve contractual relationships:

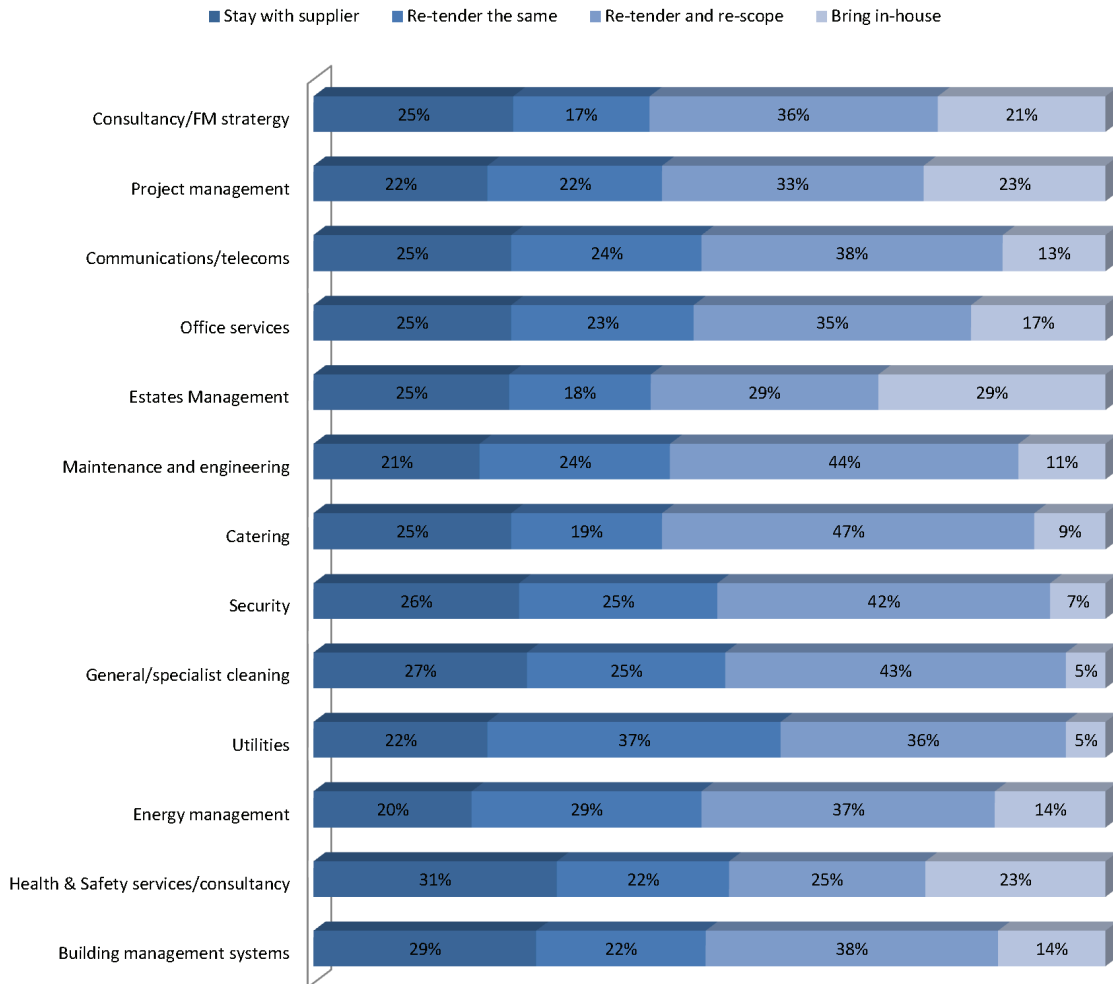
- Communication
- Clarity of expectations
- More open and transparent
- Look beyond cost
- Better relationships / partnerships
- Provide contractors with the right information
- Be more business orientated
- Honesty
- Trust
- Collaboration

The top ten things suppliers should do to improve contractual relationships:

- Communication
- Honesty
- Delivery
- More open and transparent
- Understand customer needs
- Better relationships / partnerships
- Understand client’s business
- Be flexible
- Don’t over promise
- Make suggestions and recommendations

The future of facilities management.

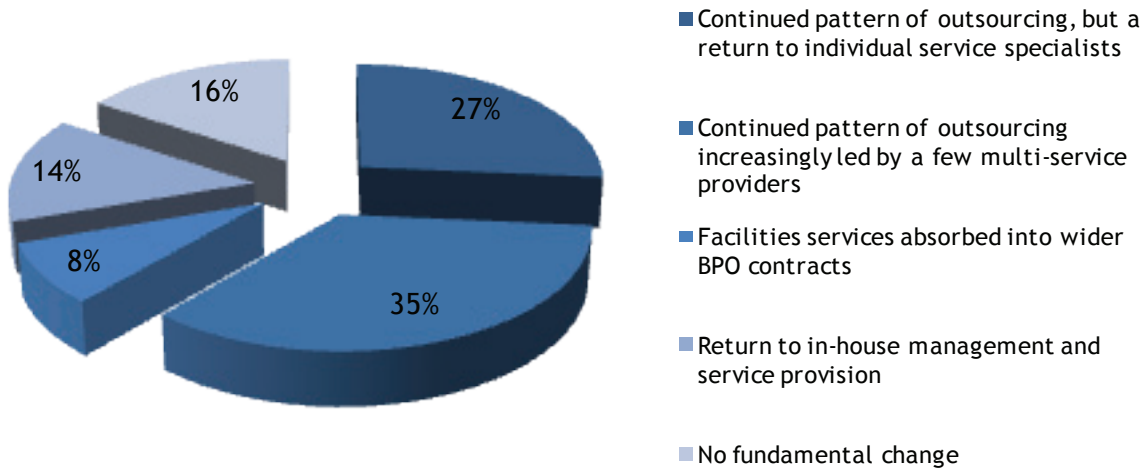
Q. Going forward, what are your plans for delivering the following service lines?



Only 25 per cent of respondents believe any individual service will stay with the current supplier.

Facilities management service delivery methods are not likely to stay the same. Only around 25 per cent of respondents believe any individual service will stay with the current supplier. On the main, service contracts will be re-tendered and re-scoped but many (around 25 per cent) will be re-tendered on the same basis. Some services may be brought back in-house. Although this option had the lowest percentage of responses, it appears to relate to certain types of services involved in consultancy and management activities, that may be considered better-suited to an in-house function.

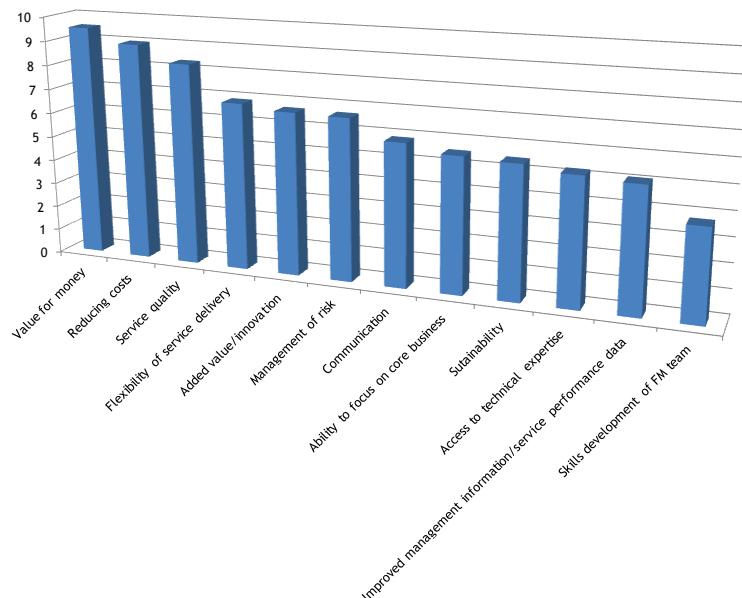
Q. How do you think the facilities management market will be fundamentally different in five years?



35 per cent, the majority, think outsourcing will see larger deals supported by a few multi-service providers.

A continued pattern of outsourcing was by far the largest response to this question although 35 per cent thought it would be led increasingly by a few multi-service providers, whilst 26 per cent anticipate a return to outsourcing to individual service specialists. The next largest response group believed there would be no fundamental change (16 per cent), with 14 per cent believing there will be a return to in-house management and service provision and just 8 per cent believing facilities services will be absorbed into wider Business Process Outsourcing contracts.

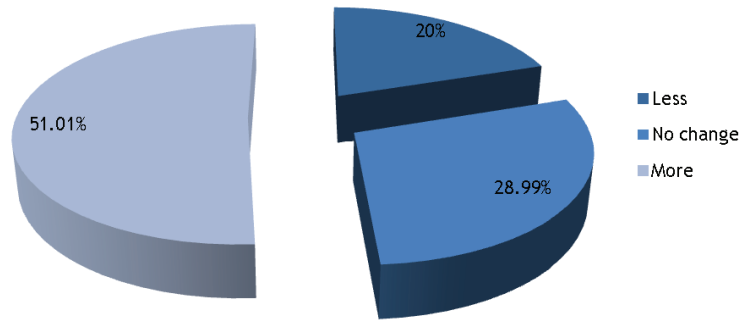
Respondents were asked to rank the importance of factors in outsourcing facilities services in five years' time. Although when asked to qualify how the market would adapt over the five years, the majority of respondents believed sustainability would be the biggest 'game changer'.



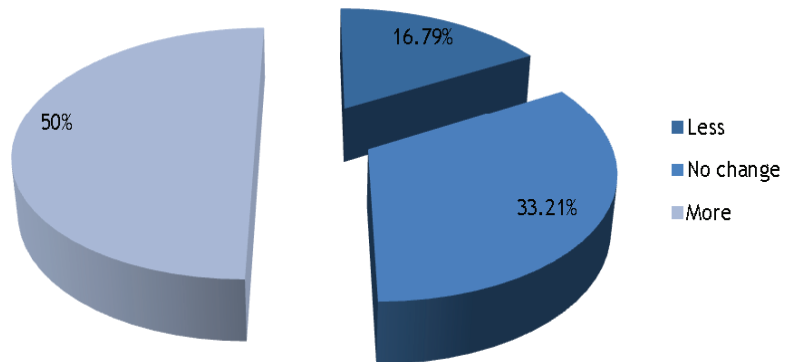
Over the next five years.

Q. How do you perceive the facilities market to change in the next five years?

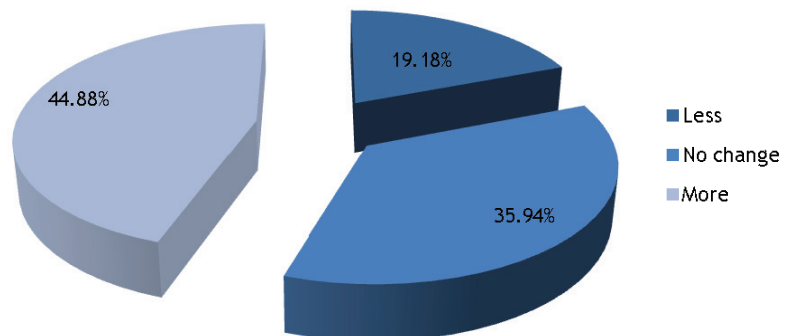
51 per cent of respondents see there being more total facilities management deals.



50 per cent of respondents believe there will be more European facilities management deals.



45 per cent believe there will be more global outsourcing deals.



About Interserve

Every organisation needs a facilities management partner that has the expertise to enhance its business performance and brand. A partner that can focus relentlessly on service, cost and efficiency.

No matter how demanding the environment or complex the requirement, Interserve is an expert in delivering resilient and compliant facilities management. We work with the full range of commercial businesses and public sector clients to develop bespoke facilities management and sustainable support services solutions that maximise planned spending to deliver best value and drive real service improvements.

Interserve's people operate across the UK, Europe and the Middle East, making the company a real force in corporate real estate partnership.

As a business we aim to embrace and complement our customers' operations and reputations through the application of our own experience and understanding. We share our customers' goals, mitigate their risk and put their business needs at the heart of everything we do.

If you want to find out more about how Interserve can support you or about the findings of this research please contact us on: 020 7902 2000 or at info.support@interserve.com

www.interserve.com/support

Sheffield Hallam University

Interserve specifically partnered with the Centre for Facilities Management Development (CFMD) at Sheffield Hallam University to undertake this research. Sheffield Hallam University is an academic centre of excellence that applies the latest thinking to develop facilities management knowledge, people and practice.

www.shu.ac.uk/cfmd

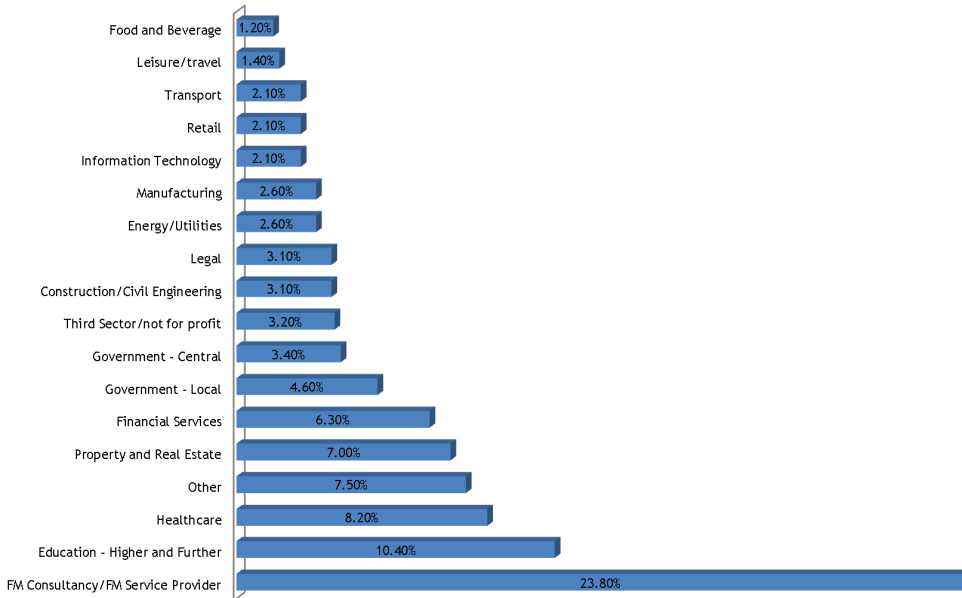


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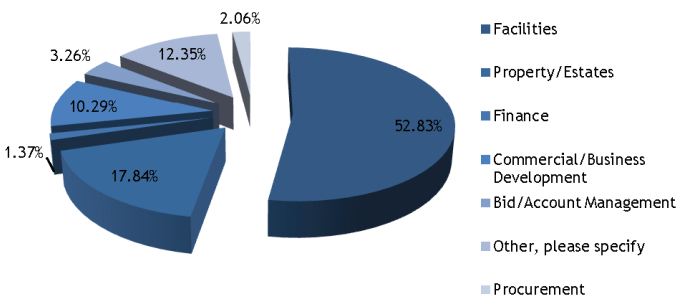
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Background data.

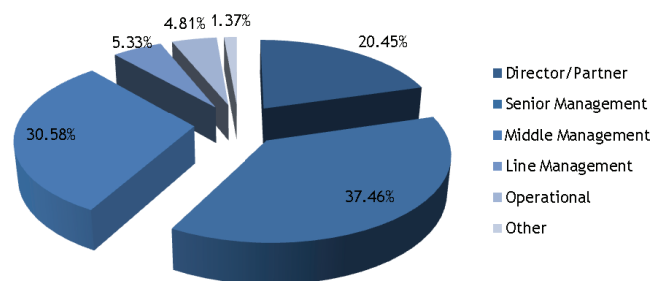
Respondent by organisational type:



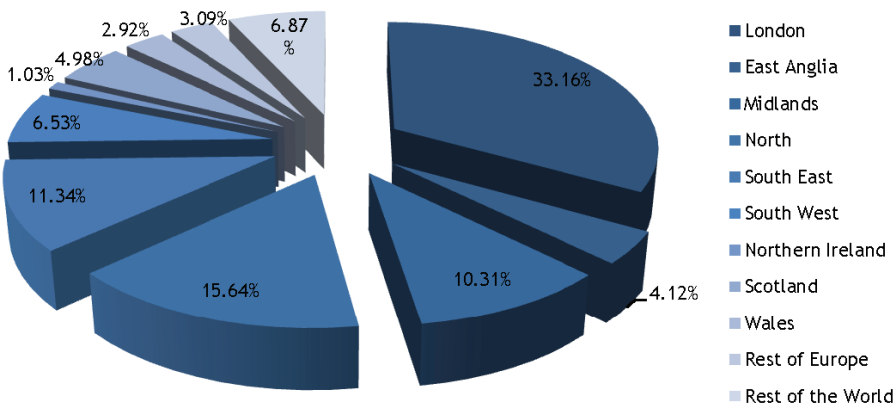
Respondent by area of responsibility:



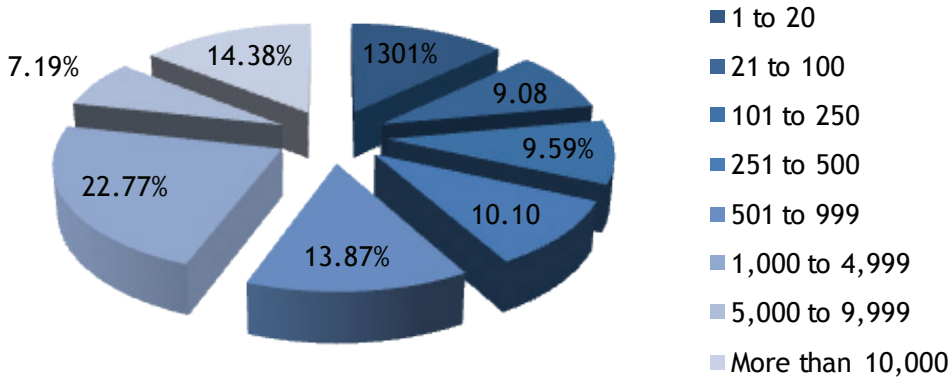
Respondent by role:



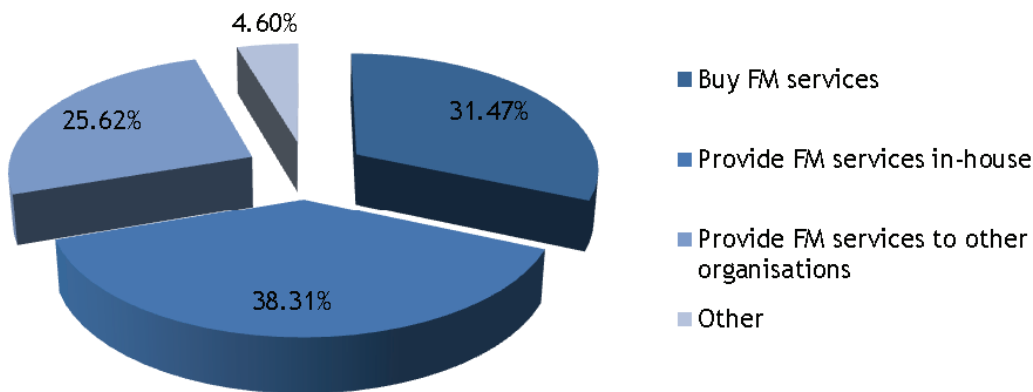
Respondent by location:



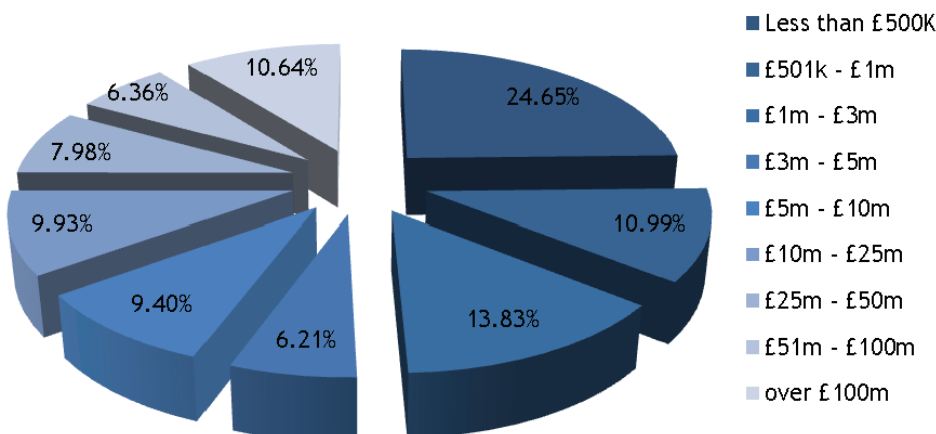
Respondent by organisational size, by employee figures:



Respondent by organisational facilities management role:



Respondent by facilities budget:



“Costs will be driven down when contracts are renegotiated. Preferred supplier lists will be ever more important.”



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