

Sustainability Survey 2018

Summary Report



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Executive summary

The Institute’s sustainability survey is one of the UK’s most important evaluations of sustainability and workplace trends. Now in its 12th year, the survey’s unprecedented longevity in the business world adds further value, extra weight and authority to its annual findings.

The 2018 survey highlights the re-defining of the sustainability agenda, which as well as comprising environmental concerns also embraces economic and social improvement measures, increasing the use of social value terminology and wellbeing.

At the heart of this new agenda - which was detected in chrysalis-like form last year - are companies that believe in genuine social values as well as operating in more sustainable ways. An IWFM Social Value Leaders Forum earlier this year also confirmed the strength of this trend.

This year’s survey reflects the rising awareness amongst the general public of sustainability issues. Programmes like the BBC’s Blue Planet, highlighted the plight of ocean pollution caused by the widespread and irresponsible use of plastics, have captured the public imagination and are impacting on corporate life at many levels.

Businesses are continuing to respond to these pressures too. As well as reducing energy use and wasting less materials, offices are changing to enhance their internal environments (lighting, temperatures, air quality), promoting health and wellbeing and embracing more agile ways of working with the aim of becoming more productive as well as sustainable places to work.

Increasingly, though, businesses want to be able to measure and place a financial value on the effect these changes are having as this will help to demonstrate they are delivering much more than what is sometimes perceived as “just a commoditised service”. Especially in the area of social value, there is a demand for this monetisation because procurement activities need to recognise the benefit of social value beyond the bought ‘core services’.

One observer in the IWFM Workshop convened to discuss this year’s survey noted that a number of developer/construction companies “make bold statements of millions of pounds worth of social value that they’re creating.”

However, it should be noted that industry discussion around the subject of this broadening sustainability agenda, and social value in particular, is being hampered by the lack of consistent definitions for the two terms. They are often being used interchangeably, which can create confusion and cloud debate. This pressing issue is currently being addressed by an IWFM working party.

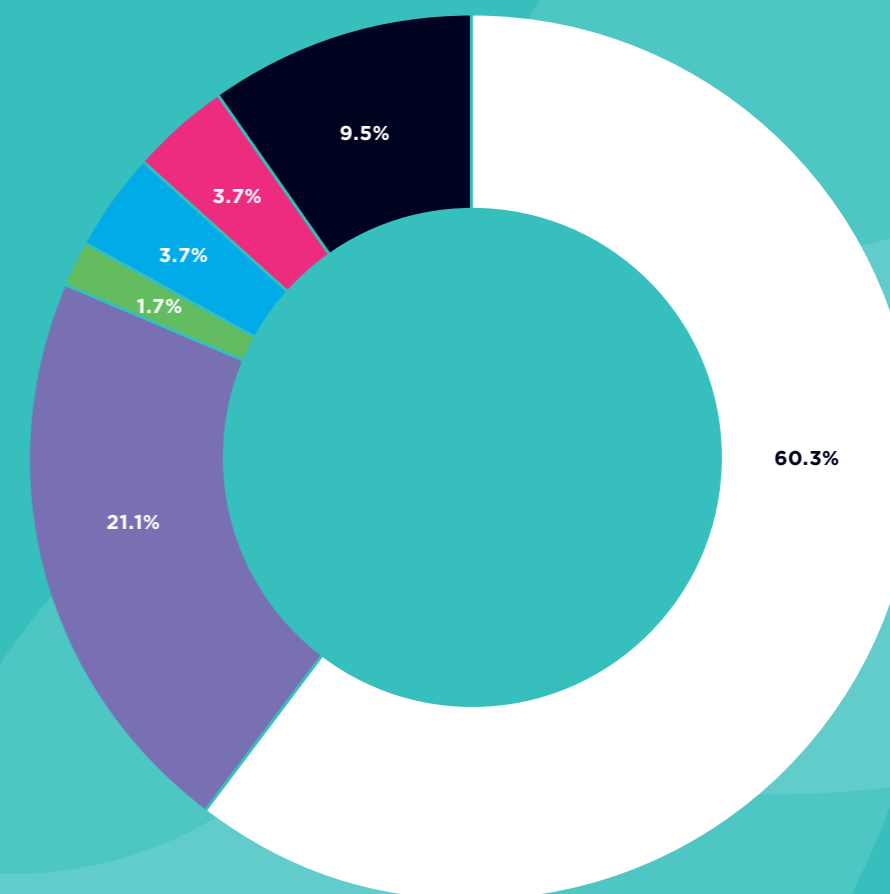
The survey’s demographics

This year’s survey had 242 respondents. Four in ten are at managing director and senior management level, the people who hold the most authority to promote the sustainability agenda.

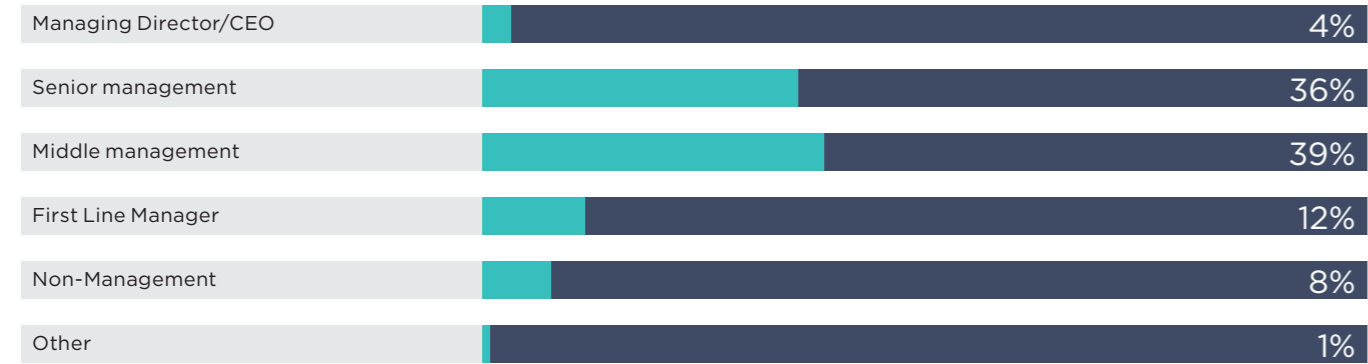
The overall number of respondents is down on last year. Today’s extremely tough business climate, increased time pressures, uncertainty and a changing sustainability agenda may have contributed to fewer FMs responding.

Please describe your organisation?

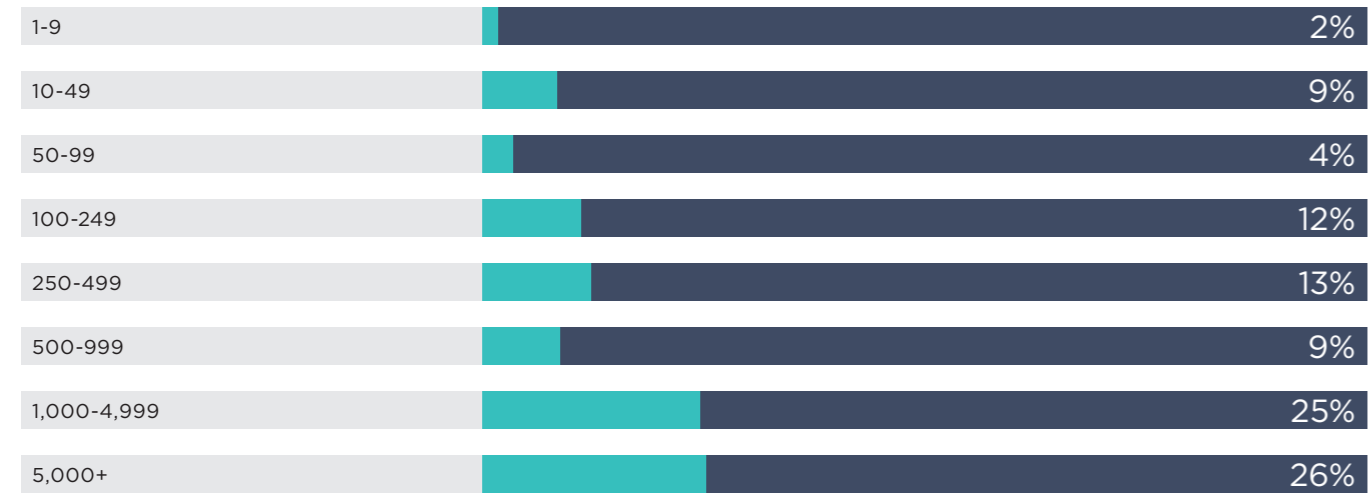
- End-user (e.g. In-House Facilities Management department)
- Facilities management company (e.g. outsourced providers of full FM services to client organisations)
- FM product supplier (e.g. provide relevant products to FM departments)
- FM service provider (e.g. outsourced providers of single FM services to client organisation)
- Consultants
- Other



What level are you within your organisation?



How many people in total are employed by your organisation?



Key findings

The importance of sustainability to facilities management organisations continues to be very high: **31%** of respondents said it was extremely important; **35%** said it was very important; and **23%** said it was important. In total, **89%** rated sustainability as, at least, important, and only **11%** as not or not very important.

To further underline sustainability's importance to facilities management organisations, 71% said that governance support of sustainability in procurement activities is viewed as either extremely important (13%), very important (27%) or important (31%).

In the past year, 20% of FMs have noted a considerable increase in the number of tenders with sustainability criteria; 42% say there's been some increase; and 38% say there's been no change.

Environmental considerations dominate the sustainability criteria on tender forms, with 48% of respondents reporting this is the most frequent criteria. Just over one quarter (26%) say tenders embrace equally a range of sustainability aspects with none

given precedence. These aspects are: local economic considerations (16%); social value (8%); and 'others', which includes a mixture of sustainability, diversity and pay equality and environmental and economic (2%).

Although sustainability's importance continues to be very high, the issues over organisational engagement seen in previous surveys returned. This was particularly notable in the view of middle management and staff. The survey shows a shift at these levels from viewing sustainability as "very important" to "important". Last year, 69% of middle management said sustainability was very important; this year 61% did. Similarly, 75% of first line managers and staff saw sustainability as very important last year; this year the figure was 56%.

Level of sustainability importance by organisation level

		% Very or greater	% Important	% Not very or less
2015	Executive Management	81%	15%	5%
	Middle Management	61%	30%	9%
	FLM and Staff	63%	29%	8%
2016	Executive Management	70%	22%	7%
	Middle Management	62%	27%	12%
	FLM and Staff	66%	26%	8%
2017	Executive Management	74%	20%	6%
	Middle Management	69%	18%	13%
	FLM and Staff	75%	15%	11%
2018	Executive Management	75%	17%	8%
	Middle Management	61%	29%	11%
	FLM and Staff	56%	27%	17%

In contrast, at the very top of facilities management organisations, there is a 1% rise in the number of senior executives who see sustainability as "very important" (from 74% to 75%).

How to explain staff and middle management's, on the face of it, lessening appreciation of sustainability during a time when their chief executives' commitment has strengthened, is not straightforward. Explanations for this include:

- Middle management are in the front line of dealing with clients and feel the pressure to deliver traditional facilities management services as efficiently and cost-effectively as possible, rather than introduce "nice to have" sustainability innovations

- Middle management are having to interpret and deliver what can be different agendas from above and below (senior management placing greater emphasis on the customer and staff viewing cost and compliance as the main drivers)

- Many aspects of environmental sustainability are now viewed by middle management and staff as mainstream – a natural part of their activity. Having achieved this much, the need to strive for further sustainability measures seems less urgent

In your opinion, how significant are the following influences in driving the implementation of sustainable practices in your organisation?

2013 2014 2015 2016 2017 2018

	2013	2014	2015	2016	2017	2018
Legislation	79%	74%	95%	92%	88%	93%
Corporate Image	71%	72%	90%	86%	86%	88%
Organisation ethos	59%	65%	86%	81%	81%	80%
Leadership	56%	68%				77%
Lifecycle	38%	47%	74%	73%	76%	75%
Management of material risk						60%
Technological developments						59%
Innovation						57%
Pressure from clients	30%	38%				55%
Pressure from employees	18%	24%	36%	38%	41%	53%
New Market Opportunities						53%
Social Pressure						49%
Pressure from shareholders	24%	35%	38%	41%	55%	44%

(Please note, not all options were available to respondents in previous years surveys)

- The changing drivers of sustainability - more towards people (health and wellbeing), pay and conditions (living wage, equality and diversity), social (local community, charity) and social value issues - is seeing other departments such as HR and finance having greater involvement

Equally, it could reflect a realisation by senior management that they will have to find a new gear if sustainability's momentum is to continue. The more straightforward, easily achievable sustainability initiatives (the "low hanging fruit") have now been carried out. To create an even more sustainable agenda will require new investment - and poses the question of who will pay for that investment, and whether a way can be found to spread these costs over a longer period of time than a typical three to five-year facilities management contract allows.

These changes, are causing confusion in business in general and facilities management in particular. The multiple sustainable benefits (environmental, social and economic) facilities management operations can have on an organisation need to be clarified and re-emphasised.



Social value

Given the rise in social value's profile in the 2016 and 2017 sustainability reports' findings, this year's survey looked to further explore the theme by asking, "Is social value a priority for your organisation and how is this impacting on how you deliver facilities management services?"

In assessing the latest results, the lack of industry-agreed definitions for social value presents challenges.

The results appear to indicate that although social value is understood to be an important part of facilities management delivery, there is much uncertainty as to what it actually comprises.

To help overcome this uncertainty, there was a clear appetite amongst survey respondents for more procurement guidance on how social value can be managed contractually, as well as for case studies and training.

This industry uncertainty over the meaning of social value in service delivery and procurement terms extends to the concept of sustainability itself.

It is clear that the wide range of terms to describe social value, can and do mean different things to different people, and what is seen at one stage as sustainable can change as the "goalposts shift".

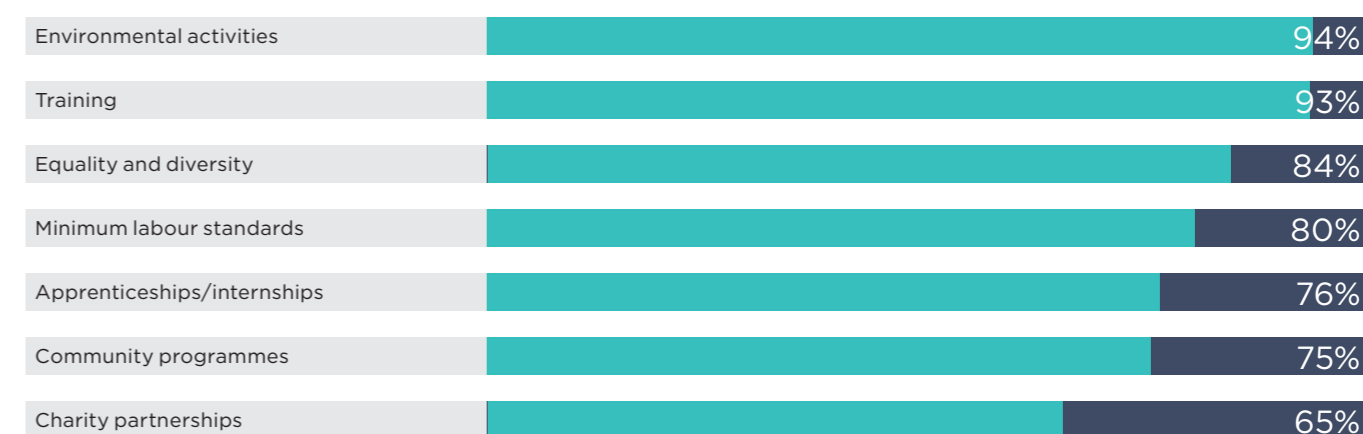
Comparison can be made with carbon/greenhouse gas measurements a decade ago when industries were unclear over agreed metrics or benchmarks. This, in turn, resulted in different organisations applying different criteria and adopting what became numerous differing ways of measuring the same thing. The result was that the method that told the "best story" became the preferred measure. This did little to promote consistency or develop industry-wide thinking around the subject.

In the face of this guidance vacuum, it appears that facilities management teams are creating their own metrics. However, this is once more producing a "pick and mix" type approach to the subject which can be very misleading as to how much social value is actually being delivered.

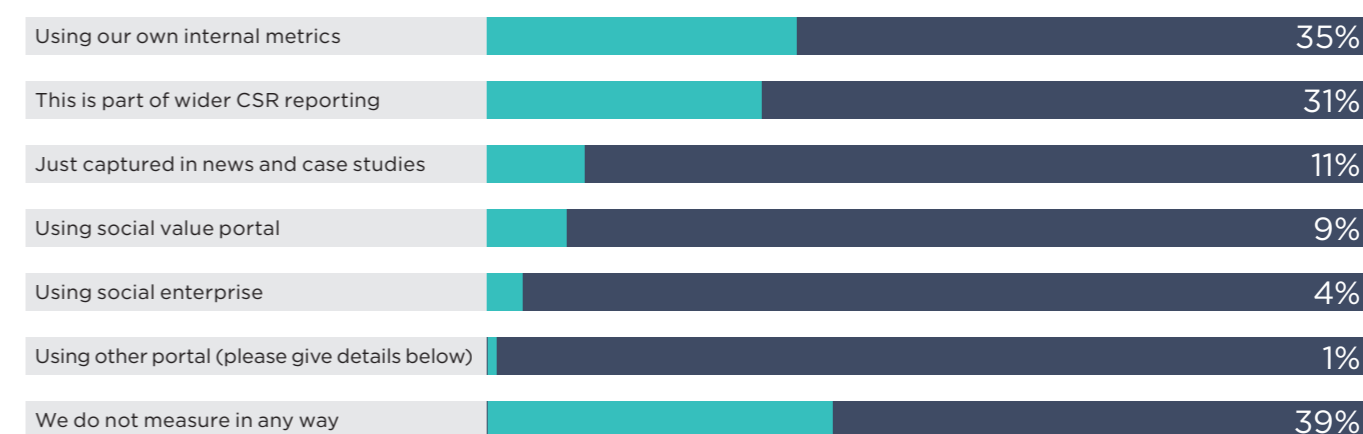
There is a clear opportunity to provide more industry-wide guidance and move towards industry definitions on social value. To this end, the IWFM is partnering with the National Social Value Taskforce and the Social Value Portal to create minimum reporting standards for social value in facilities management. These reporting standards will, as with the Social Value Act, pay particular attention to meeting local needs when creating a social value impact.

When asked what activities they consider most important in delivering social value as part of facilities management delivery, 94% of firms said environmental activities; 93% said training and 84% said equality and diversity.

What activities do firms consider most important in delivering social value as part of facilities management delivery?



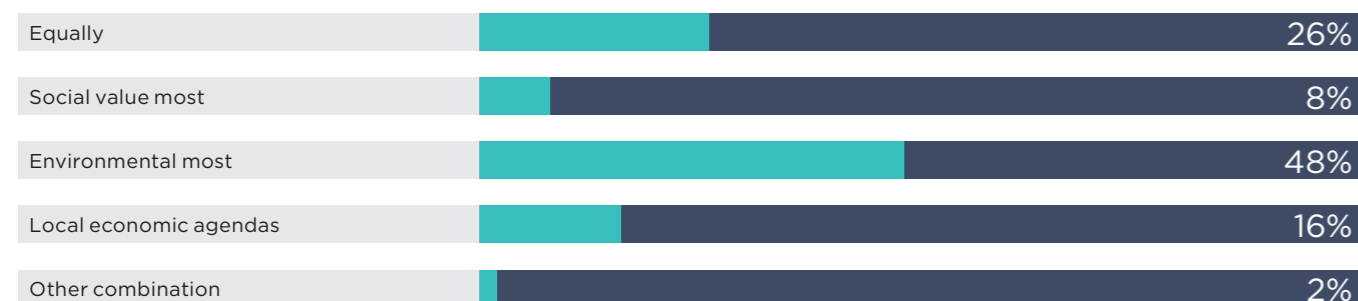
If you currently measure social value in any way how do you measure/capture the information?



Procurement and sustainability

Procurement criteria are a good indicator of how far sustainability is embedded in the facilities management sector. In this year's survey, **48%** of respondents say the most frequent sustainability criterion stated in tenders is environmental considerations.

To what extent do you feel tenders reflect different aspects of sustainability (ie. social value, environmental and local economic agendas)?

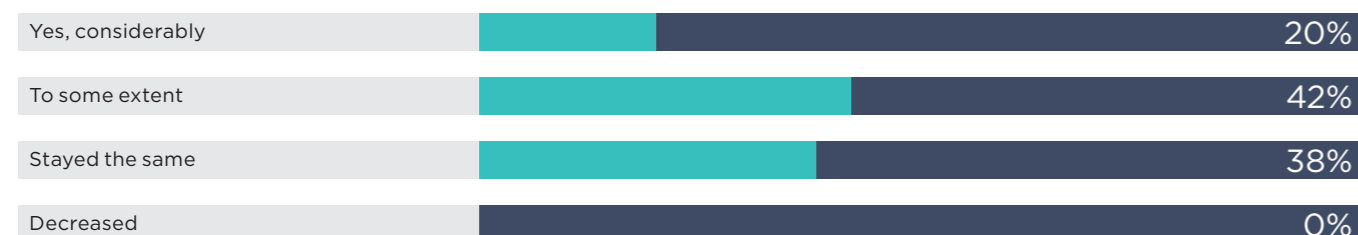


Nearly two-thirds (63%) believe social value activities should focus on local needs as well as the facilities management services provided (as such, reinforcing the aims and requirements of the Social Value Act 2012 to deliver local need).

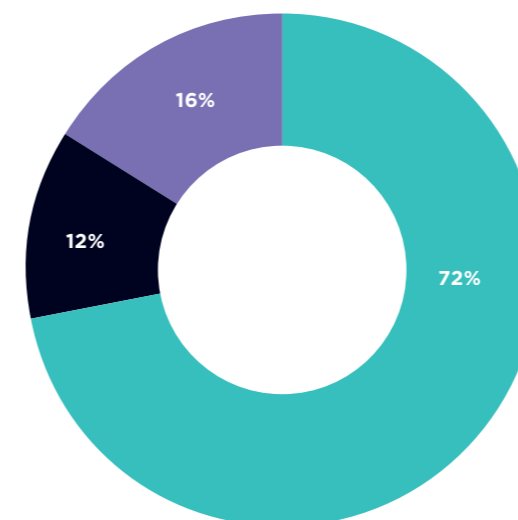
The concept of social value is to meet local need - how do you think social value should best be addressed in facilities management delivery contracts/commitments?

62% of respondents say the volume of tenders including sustainability has increased over the last 12 months.

Has the volume of tenders including sustainability criteria increased over the last 12 months of your organisation?



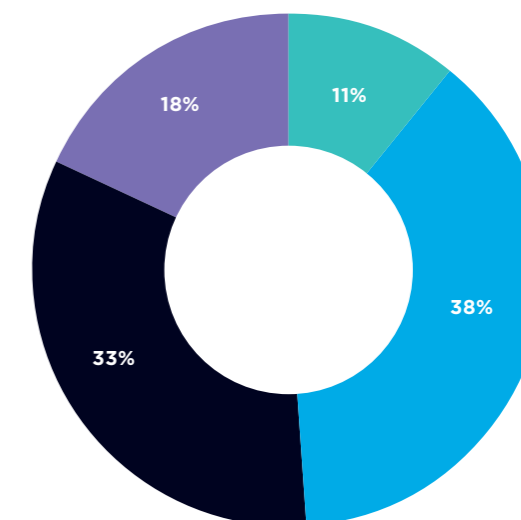
Asked whether cost is a perceived barrier to sustainable procurement and limits the weighting applied in evaluation criteria, 72% said yes, 12% said no and 16% were unsure.



Do you feel that cost is a perceived barrier to sustainable procurement and limits the weighting in evaluating criteria?

- Yes
- No
- Unsure

When respondents were asked whether the sustainability agenda has influenced whether a service is sourced in-house or externally, 11% said very much so and 38% said to some extent. One third (33%) said it had not, and 18% were unsure.



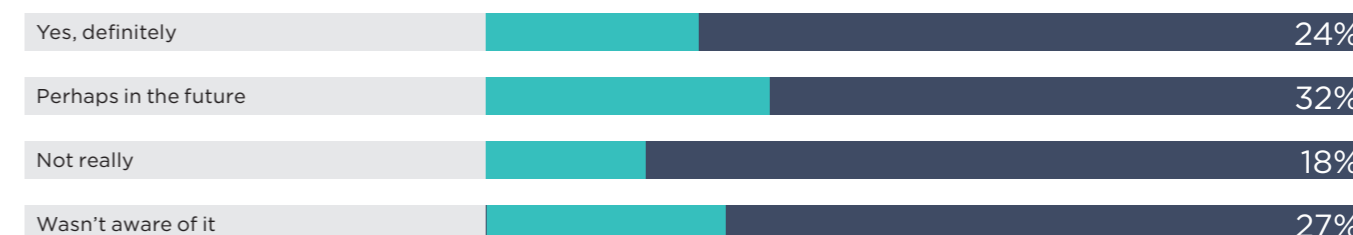
Has the sustainability agenda influenced to some extent whether a service is sourced in house or externally?

- Very much so
- To some extent
- It had not
- Were unsure

The new ISO standard for sustainable procurement (ISO 20400:2017) is attracting interest among FMs. Just under one quarter (24%) say it is on their agenda to progress and nearly one third (32%) say they may look at it in the future.

IWFM will support members with pragmatic advice for facilities management specific sustainable procurement. The guidance, which will be delivered in 2019, will look at the different stages of procurement and set out how companies can incorporate a more sustainable approach which will increase facilities managements sustainable impact.

Is the new ISO standard for sustainable procurement on your agenda to progress?

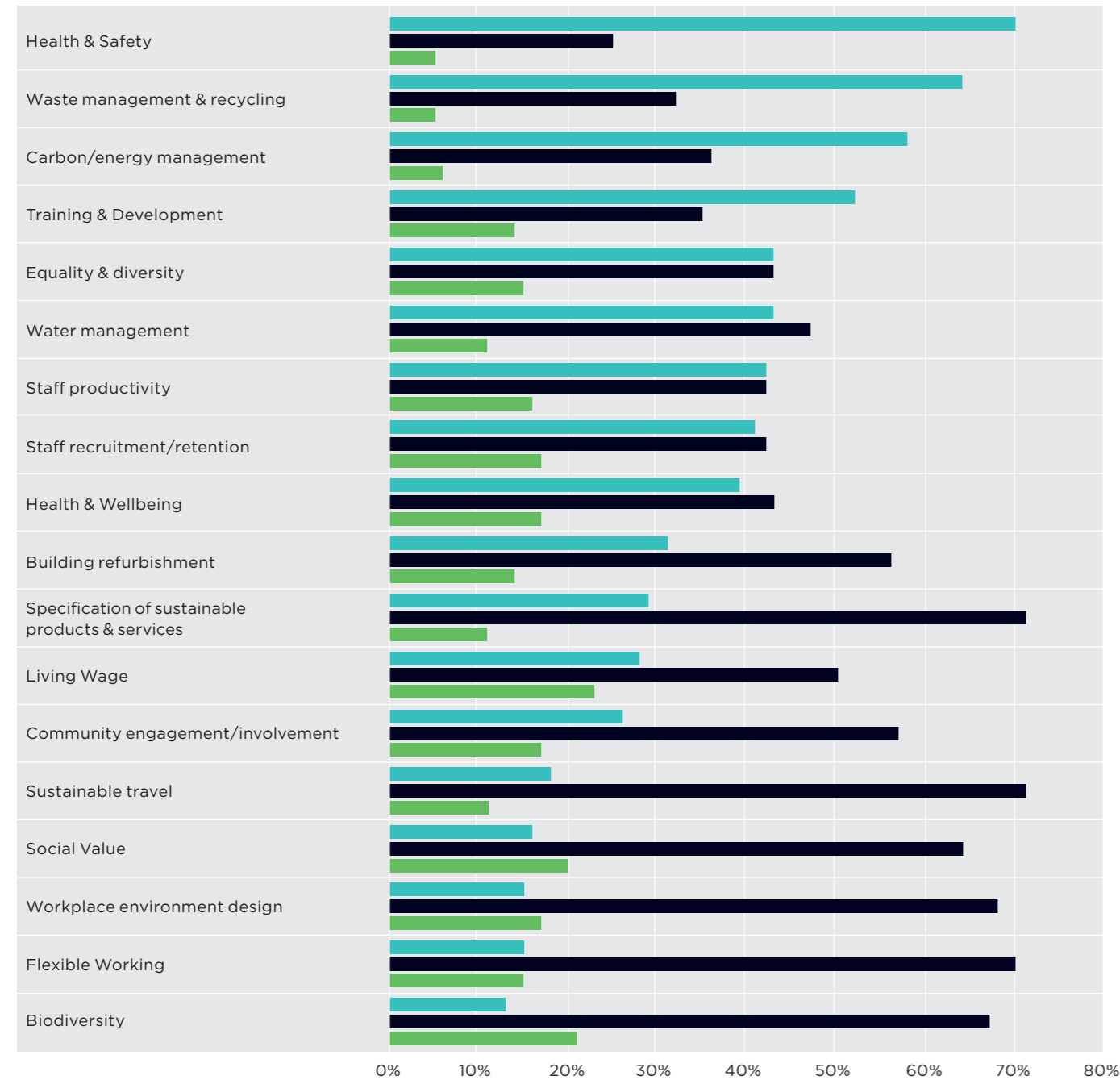


Sustainability targets

In terms of wider sustainability targets and KPIs on which firms are measured the traditional areas of health and safety, waste, carbon/energy and training and development continue to prevail for over **50%** of respondents.

Does your organisation set a target/KPI which you are measured on?

Yes No Don't Know



For newer aspects of sustainability, the picture is much less consistent. Whereas diversity and equality, staff recruitment/retention and health and wellbeing are being set as targets and measured with KPIs at around 40% of responders' organisations, there's less interest in some of the other more recent sustainability issues. For example, social value targets were set by only 16% of firms; the living wage featured at 28%; community engagement/involvement was mentioned by 26%; and flexible working by 15%. Workshop attendees felt that this was due to a reflection of a) the infancy of these metrics and the current lack of understanding, b) that they are being measured elsewhere, so are less visible to the FM, or c) the low level of importance the organisation is placing on them.

When it comes to how organisations measure whatever social value they create, the majority of facilities management firms (39%) do not measure it at all (see graph on page 11). Only just over one third (35%) have their own internal metrics for measuring social value - which perhaps again reflects the parallels with the early days of carbon and energy reporting.

The conclusion must again be that if the sector wants to demonstrate to clients what it can do to assist their broad sustainability credentials, it needs to clearly define what they actually mean and produce a range of standard measurement metrics.

To this end, IWFM is currently partnering the Social Value Portal to provide minimum reporting standards that will provide a useful starting point or complement any businesses' ongoing work in this area.



Future challenges

The next 12-18 months will be a challenging period for British business as it navigates its way through a very uncertain political and economic landscape. This poses further challenges and opportunities for the facilities management sector as it seeks to develop and promote innovative sustainability agendas.

The IWFM Social Value Forum held in May this year stressed that although social value is a goal for many FMs tendering for new contracts, ultimately they are still being judged on their price. As one attendee remarked then: "In a lot of the contracts that we go for at the moment, price is a really big driver. While it's very easy to talk about how organisations really value the contribution to society and the environment, quite often when it gets into the detail of those conversations, price is a big influence. Perhaps that's one of the contributory factors why social value hasn't happened as quickly in facilities management as it might have."

It therefore becomes all the more important for facilities management to be able to demonstrate it is adding social value.

One Workshop member suggested that a client and/or consumer survey could help identify and establish the general demand for sustainability initiatives, whatever they may be. The results could then help more inform facilities management delivery and the aspects they need to promote to their clients.

However, for sustainability's momentum to be sustained, let alone increased, new longer-term thinking is required.

As this year's survey shows, despite a further developing sustainability agenda, the facilities management mind set of cost and compliance – ie, keeping the assets running, doing the statutory maintenance – is still the dominant method of working. Sustainability initiatives are hard to promote when so many clients have default contractual requirements and KPIs that inhibit FMs from offering more innovative solutions.

To help embed sustainability more deeply across the facilities management sector, the business case for doing more must be clearly explained to clients and embraced by the industry. It may already be

the case that with a widening sustainability agenda other departments (HR, Finance) are becoming more interested in the sustainability agenda.

New contractual arrangements that acknowledge the importance of lifecycle considerations would also help. As it is, traditional fixed term (three or five-year) facilities management contracts do not allow suitable time for payback on the slightly higher but still ripe fruit for picking (energy, infrastructure, technology) and are therefore stifling innovation and recognition.

The issue was identified and debated at the IWFM Sustainability Group Workshop in September this year, and as well as "hard service" innovation it can affect some of the newer aspects too. Commented a Workshop delegate: "One of FMs biggest challenges is squaring short-term contracts with delivering long-term sustainable value. A facilities management company will typically be contracted for three years but any social value programmes they create during their tenure may take five to 25 years to achieve fruition. How can the original facilities management provider be held accountable / receive credit for that?"

An answer could be found by clients decoupling the investment from the contract. This would help the sector build the economic case for sustainable investment in the built environment. It could be facilitated where third-party financing of sustainability initiatives was introduced, and also where deeper, longer term partnerships are developed with landlords and tenants.

Third party funding for energy efficiency and renewables are now common place in the industry. These are independent to 3-5 year facilities management contracts and longer pay backs are accepted in return for shared and longer term financial benefits.

Economically innovative solutions such as this approach could unlock a range of sustainability benefits for clients.

There is also a major opportunity for the facilities management sector to play an influential role in the new generation of healthy buildings that clients are starting to demand. By having input into these buildings' design and ongoing operation, facilities management firms can help create a built environment that delivers real value in terms of productivity, health and wellbeing.

The importance of finding new approaches to sustainability is underlined by the latest report from the United Nations Intergovernmental Panel on Climate Change, which highlights once again the need for businesses to take urgent action to combat rising global temperatures. The challenge is for the facilities management sector to take the lead in combining this environmental challenge with the growing social and longer term economic agendas. If through providing clear definitions and measurements, initiatives are then delivered illustrating how these challenges can be met to the benefit of the organisation, it will also ultimately benefit Society, the Planet and the industry too.

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