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Raising the Bar: From Operational Excellence to Strategic Impact in FM

Executive Summary



In collaboration with:



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**Raising the Bar: From Operational
Excellence to Strategic Impact in FM**
Executive Summary

Report for Royal Institution of Chartered Surveyors

This report has been published in collaboration with IFMA.

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Executive Summary

Facilities Management (FM) is facing a definitive moment in its history.

On the one hand, as its name implies, it is focused on designing, building, and maintaining the physical environment and providing a wide variety of support services (landscaping, food service, fleet management, sometimes travel, and so on) – i.e., it manages facilities.

Yet there is a vocal and growing segment of the profession that is intensely focused on the *impact* that those facilities have on work and the workforce – those who define their roles around the workplace and its relationship with the business.

This report presents a comprehensive look at the current state of facilities management; we believe the profession faces an exciting opportunity to broaden its remit, upgrade its status, and play a significant role in contributing to organizational effectiveness and business success.

Indeed, we believe that the evolution of FM is at a ‘tipping point’ that, if realized, will ‘raise the bar’ for the profession, leading to a much more widespread understanding of just how strategic the built environment can be.

Overview

This is the third report in the “*Raising the Bar*” research programme; it is the result of over five years of collaboration between Occupiers Journal and RICS, supported by over 2,500 insightful Facilities Management professionals around the world.

In 2016, IFMA joined RICS as collaborator in the current study.¹ We have revisited the first (2012) study, conducting a virtually identical survey that provides us with an opportunity to begin to track trends and changes in a time-series.

Over two-dozen new executive interviews have been conducted, and this time we also prepared several in-depth case studies depicting successful Facilities Management leaders wrestling with difficult business challenges. Moreover, with IFMA’s active assistance our survey sample has grown to over 1750 Facilities Management professionals, with responses coming from all economic regions of the world.

¹ The global survey at the heart of the current study was conducted in the fall of 2016; the analysis and preparation of the report took place in early 2017. For simplicity, we are describing the entire current project as a ‘2017 study’.



Strategic Differentiation

In this report we discuss **two roles of Facilities Management** – the *'facilities professionals'* who make the buildings work, and the *'workplace professionals'* who focus more directly on ensuring that those facilities serve the needs of the business and the workforce.

Both roles are core to FM, and their successful execution requires both operational excellence and strategic impact – that is, the alignment of facilities with business strategy. High-quality, cost-effective facilities and related support services are an essential foundation for any business; but a workplace that has a demonstrable impact on measures of organizational effectiveness like workforce attraction and retention and business productivity is also vital in communicating the value of FM in the corporate world.

If Facilities Management is to realize its full potential, we need excellence in both the management of the facilities themselves and in the alignment of those facilities with business strategy.

Delivering a high-quality physical environment in a cost-effective manner is increasingly being supplied by outsourced service providers. The 'supply side' of the FM industry sector has grown rapidly over the past five years, and is increasingly dominated by large, global providers, who are equipped to use their deep appreciation and understanding of the built environment, including design, construction and emerging technologies, to deliver services that enable FM to offer integrated strategic life cycle solutions.

In parallel, the emerging workplace management profession is typically led by senior professionals who often remain within ever-smaller in-house teams. Yet there is also a growing service provider sector in this area as well – architects, interior designers, workplace strategists, and collaborative technology specialists.

The in-house workplace specialists generally engage in corporate strategic planning, relationship management, designing and supporting the workplace experience, developing strategic impact metrics, and overseeing the outsourced delivery of the physical environment.

Realistically, however, these two aspects of Facilities Management, on their own, speak different languages, and they require significantly different skills. Each is necessary but not sufficient for a complete delivery of facilities services that have a positive strategic impact on the business.

We believe that distinguishing, **differentiating**, and elevating the two roles, with effective alignment, accountability, and communication processes, is a more effective approach than expecting the same people to fill both roles.

We have been highlighting for many years the need for these two aspects of FM to work in harmony.

A Complicated Label

The focus on operational efficiency within FM continues to dominate management perceptions of FM's role and often fails to identify its strategic potential to affect business outcomes.

The term "Facilities Management" continues to be a complicated label. Its perceived focus on the physical environment itself detracts from its impact on the most important organisational resource: the people who use the workplace to produce value for the business.

Redefining the boundaries between in-house activities and outsourced activities and encouraging greater innovation will reduce the unhelpful and inefficient silos that we still see throughout the industry.

The delivery of Facilities Management services is critical

In producing high-quality Facilities Management services for occupier organisations, the service-chain provisioning of the physical environment (doing things right) and the strategic alignment of those facilities with business priorities (doing the right things) are equally important – and **both are strategic**. They are different activities that require different but complementary skillsets, and they are both necessary for ultimate success.

Let there be no doubt: we consider the delivery of a consistent, high-quality, cost-effective built environment and associated services as 'table stakes' in today's economy. Whether facilities are managed in-house or by a contracted service provider, they **are** a strategic business resource, and must be managed as such.

Both FM operations and FM workplace resources are critical to business success; the challenge facing the FM function is to **build that recognition and understanding within the C-suite**, among other business leaders, and with related infrastructure groups.

Drive for Recognition

The challenges facing Facilities Management in 2017 are not just limited to cost-reduction. Despite growing recognition that workplace management is becoming both more complex and more central to business strategy, Facilities Management is still not widely recognised as a strategic resource area in the same way as some other corporate functions.

Heads of Facilities Management rarely get a seat at the strategy table. But many have developed an understanding of how Facilities Management could operate as a strategic resource, having an impact on critical dimensions of business performance like talent attraction and retention, employee engagement, workforce productivity, and even overall organisational effectiveness.

Six Strategic ‘Super Challenges’ Facing FM

Perhaps the most important question in the global survey was this open-ended question:

What do you consider the top issues/challenges facing senior facilities executives in 2016?

We received 1013 completed responses to this question, producing 4458 discrete ‘comments’. Those 4458 discrete comments gave rise to six ‘Super Challenges’, representing just 58% of the results, which ranked as follows:

- Budgeting and Cost Management (16%)
- Organisational Factors (12%)
- HR & Talent Management (11%)
- Workplace and Space Management (9%)
- Asset Management / Aging Assets (8%)
- Technology (4%)

Note that these challenges were identified by FM practitioners who responded to the survey; they do not at all reflect our own views of what is most important (for example, Technology is already disrupting FM in dramatic ways and deserves far more attention). We discuss these Super Challenges and our recommendations in significant detail in the body of the full report.

Delivering Experience – and Impact

As we have noted, a growing segment of FM is focused intensely on the *impact* that facilities have on work and the workforce – those who define their roles around the **workplace** and its relationship with the occupier organization. Unless someone takes on the strategic challenge of championing workplace effectiveness, workforce productivity and wellbeing, FM as it is seen today risks being marginalised as a tactical after-thought within the C-suite.

And, in common with other corporate and consumer activities, Facilities Management must deliver an *experience*, not just a process. Workplace Management (WM), as we define it herein, opens up a path to supporting these goals.

Need for Cross-Functional Team-Working

In-house, WM continues to be less than adequately aligned with its peer infrastructure groups like IT and HR. An increasing number of WM leaders recognize the power of personal relationships and interpersonal communication in achieving understanding of the WM/FM roles within the wider business.

Yet there is nowhere near enough attention paid to these skills in the industry’s career development programmes, largely because most training and development is in the ‘operational’ FM area. The career trajectory of the in-house WM professional is consequently less well-developed.

A Cost Centre Mind-Set

The profession is still stuck in a cost-centre model that prevents business leaders from seeing facilities as more than a ‘necessary evil’. Facilities Management performance metrics still focus largely on resource efficiency and cost control measures, and most Facilities Management organisations report through to the Finance function.

This problematic focus on costs detracts from the business value and ROI that excellent, well-supported and well-developed Facilities Management can bring to an organisation—impacts like workplace effectiveness, workforce wellbeing and engagement, environmental sustainability and resource utilisation.

The War for Talent

A shortage of skilled Facilities Management talent is the most significant challenge identified by both the survey respondents and the executives who were interviewed directly. Facilities Management is not attracting enough new talent to replace its retiring professionals.

Remarkably, more of RICS’ Facilities Management professional members are over 70 than under 30, and less than 15% of them are under 40 years of age. IFMA faces a similar challenge; based on a 30% sample of its 24,000-plus members, the average IFMA member is 50.9 years old.

This profession desperately needs an influx of new talent. Both RICS and IFMA are acutely aware of this challenge and are proactively applying resources to strengthen the ‘brand’, widen the breadth of the FM profession, and attract new, diverse talent.

The talent shortage is even more severe when we look at the skills and experiences needed to deliver strategic Facilities Management – with broader skills needed to engage with functional peers and senior executives in conversations about business strategies and how the physical environment can impact those strategies. We first identified this looming talent shortage in the 2012 report; it remains an ongoing issue in 2017.

Relationship Building and Soft Skills

As services are increasingly bundled and outsourced, one of the most important challenges for the FM profession is to recognise that its role includes relationship management and business strategy in addition to service delivery. Broader business skills, and ‘soft’ skills in communication and collaboration, then become critical.

Technology is Crucial

FM must also adopt technology more quickly and far more deeply. It must move beyond using technology to monitor space utilisation and energy consumption, to a focus on using technology, data, and analytics to underpin and enhance the workplace experience.

We believe that mastering the ‘digital age’ means applying new forms of technology both to enhance the management of facilities and to create new kinds of work experiences. This may be the single most important challenge facing FM professionals in 2017.

Redefining the Mission of Facilities Management

Thus, we are proposing that the FM industry defines explicit strategies, organizational structure options, and skills requirements that, together, will enable the profession to ‘raise the bar’ and take on a new, much more influential role in designing and managing not just the physical workplace, but work itself.

The broad imperatives of the 2012 *Raising the Bar* report remain valid and equally important in 2017. However, our experience over the past five years suggests that both the Facilities Management profession and the larger Facilities Management industry sector must become even more proactive than we envisioned in 2012.

The corporate management discipline of workplace management and the growing facilities services industry both deserve the recognition that will surely come from the continued hard work of the many great professionals who have taken part in our research.

If WM and FM leaders in all organisations collaborate to develop and promote the concept of a holistic ‘workplace’ – a mixture of physical spaces and service experiences – those environments and experiences in combination will enhance the lived experience of work for millions of people, as well as the business value of workforce effort in that workplace environment.



Image source: 1 Yupgi – Shutterstock.com

Recommendations for Action



Review of the 2012 “Raising the Bar” Recommendations

The 2012 report concluded with five broad recommendations for action. These recommendations were directed at industry leaders as well as individual Facilities Management executives.

In summary, our 2012 recommendations for action addressed what we saw as both imperatives for, and precursors to, enhancing the strategic impact of Facilities Management:

- 1. Think strategically.** That means spending significant time building a deep understanding of the business, its customers, its products and markets, how it makes money, and the talents it needs in the workforce. It means understanding the organisation’s industry, its core technologies, and its place in the economy. Finally, thinking strategically means engaging regularly in conversations about the future of the business with peers in other functional areas like HR, IT, Finance, Real Estate, Marketing, Operations, and Public Relations.
- 2. Act strategically.** Thinking strategically is critical, but it isn’t enough. Facilities Management leaders who act strategically spend more time on the future than on the present. They insist on performance metrics that highlight the impact of Facilities Management on the business, on the triple bottom line (people, planet, profit – in that order), and on even broader outcomes like brand recognition, market share, and community engagement.
- 3. Rebuild the Facilities Management organisation and its role in the business.** A strategic Facilities Management leader develops a strong functional organisation that includes staff who are equally trained in Facilities Management and in business management.

The organisation must balance operational excellence with future-oriented and planning capabilities; Facilities Management directors and managers should spend at least 50% of their time in conversations with non-Facilities Management peers and end-users. Build an organisation that is outwardly- and service-focused, one that measures its success by its contribution to the business, not by internally-oriented or cost-focused achievements.

- 4. Outsource operational activities.** As we have noted several times, turning over basic operations to a service provider frees the Facilities Management leadership team up to spend more time on long-term planning and strategic challenges. Outsourcing to a reputable and capable service provider also makes it much easier to define accountabilities and impose financial incentives for meeting performance goals.
- 5. Teach the business how to ask for Facilities Management support.** Facilities Management is most successful when it is engaged in ongoing, two-way conversations with business executives about the linkages between Facilities Management and the business. That is, Facilities Management listens to and understands the business’s needs, and the business listens to, and understands how Facilities Management can contribute to meeting those needs. Yet most business leaders have had very little exposure to Facilities Management as a discipline or a practice area. Thus, it is incumbent on Facilities Management professionals to guide the conversations about how facilities can support the business.

These broad imperatives remain valid and equally important in 2017. However, our experience over the past five years suggests that the industry must become even more proactive than we envisioned in 2012.



2017 Recommendations

We begin with a few broad, general recommendations that address the need for a new, more strategic view of the workplace, although our more tangible and tactical recommendations are addressed to two specific groups:

1. **Facilities Management leaders in occupier organisations; and**
2. **Senior executives in service provider firms.**

General Recommendations

1. Enhance the career opportunities of Facilities Management professionals. Continue to move FM Operations to the outsourcing supply chain that is being built effectively by service providers. Promote the service provider sector as a professional career opportunity, while building a new 'WM' capability in-house. As we suggest below, this newly emerging profession needs new terminology to differentiate itself from FM operations.

2. Enhance and evolve the definition of workplace. Define the purpose and role of the workplace as the engagement and effectiveness of people at work. At its most generic level, 'workplace' is the physical, social, and technical environment in which work takes place. It is wherever and whenever anyone spends time and effort to produce 'work', however that activity is defined.

Given that definition, workplaces are as varied as corporate offices, home offices, and 'third places' like coffee shops, airport lounges, and hotel lobbies. And retail stores, museums, factories, airplanes, trains, and even outdoor parks and zoos are also workplaces.

3. Lead FM professionals in driving adoption and understanding of a new definition of a workplace.

We want to see Facilities Management leaders in all organisations collaborate to develop and promote the concept of a holistic 'workplace' that is a mixture of physical spaces and related services – those environments and processes that in combination enhance the lived experience of work as well as the business value of work activity. Note that this redefinition of workplace cannot be achieved unilaterally by the Facilities Management profession; it also requires collaborating long term with Business Schools and other infrastructure professional groups like HR, IT, Finance, and Procurement (most effectively, we believe, through

their respective industry associations). In this way, the concept of a holistic workplace will gradually work its way into the minds of C-suite executives, becoming the dominant way of thinking about work and managing the context in which work takes place in order to enhance its effectiveness.

4. Make significant investments in technology to understand and leverage its impact on the built environment and the workforce. Like many other functional areas, FM is undergoing significant disruption by the latest generation of information and communication technologies. It is not just about sensors and the Internet of Things; it is also about how autonomous vehicles will transform the design of corporate offices and urban neighbourhoods, how new forms of social media, artificial intelligence, and virtual reality will impact work itself and thus workplace design – and how all these technologies will affect workforce productivity, innovation, and employment relationships.

Recommendations for in-house Facilities Management Leaders

We believe the Facilities Management 'silo' is in grave danger of shrinking and being made a tactical sideshow (from the C-suite's perspective). But workplace productivity and wellbeing are and will continue to be dominant themes over the next decade. It is here that the streamlined, in-house WM group should be focusing its strategic direction.

'Workplace management' and 'work enablement' should be the visible parts of the Facilities Management iceberg, with all the building infrastructure management hidden and operating effectively beneath the waterline. In-house Facilities Management professionals are living in uncertain but fast moving times and their absolute priority is to retain flexibility (to control their response times) and employee output (to determine their bottom line).

Specifically, we recommend that in-house Heads of Facilities Management take the following actions:

- **Continue to move operational activities to contracted service providers** to free up senior Facilities Management in-house staff to focus on WM business strategy and strategic impact.
- **Build a workplace/workplace strategy capability.** Capture 'workplace' as the source of strategic impact (wellbeing, attraction/retention, productivity, workforce flexibility). Workplace is becoming the identity of



Facilities Management activities that link the built environment to the workforce, to organizational productivity, and to business results.

- **Re-brand this in-house function as ‘Workplace Management’** and demonstrate the impact of workplace on staff effectiveness and wellbeing. Consider developing WM into an integrated ‘Resource Management’ function that brings together relevant expertise from HR, Workplace Design, IT, Procurement, and Change Management. This role might best be named the ‘Director of Work’ or perhaps even ‘Director of Performance’.^{2 3}
- **Demonstrate how the ever-present focus on cost reduction should be balanced with a value focus.** For example, a cheaper cleaning contract can certainly reduce costs, but it might also contribute to increased staff output that can improve organisational profitability.
- **Insist that Facilities Management performance metrics focus on outcomes** and always identify the impact of Facilities Management on the business, including on workforce productivity, employee engagement and satisfaction, and levels of support for collaboration, innovation, and business growth.
- **Develop FM Operations contracts with service providers that have clear and explicit performance guarantees aligned with strategic imperatives,** along with financial incentives for cost control, environmental quality, and other relevant operational performance goals.
- **Engage with senior business leaders to build explicit linkages between business strategy and workplace strategy/design.** Develop a Facilities Management mind-set and practices that integrate Facilities Management into the business as a catalyst for performance improvement.
- **Concentrate the professional development of in-house staff on the ‘soft’ skills** (team leadership, interpersonal communication, staff development and coaching) that are so critical to effective relationship management, customer service delivery, and strategic leadership.

Recommendations for Service Providers

Operational excellence is necessary but not sufficient. FM must also evolve with the changing corporate landscape and be seen to be performing a role that enhances the bottom line. In this way, it will be embraced by the business as a strategic management function.

- **Support RICS and IFMA initiatives designed to brand Facilities Management as a ‘career of choice’** not only at the university level but in secondary and trade schools as well. Use those initiatives to develop career development programmes within companies.
- **Support research programmes designed to enrich Facilities Management performance metrics** and create Facilities Management ‘dashboards’ that enhance client understanding of Facilities Management economics, building ‘health’ and portfolio management.
- **Explore newly emerging technologies** with potential to transform the way the built environment is understood, operated, and even designed. Facilities Management must adopt technology more quickly and far more deeply than current practice. Facilities Management must move beyond using technology to monitor space utilisation and energy consumption and instead focus on using technology, data, and analytics to underpin and improve the workplace experience.
- **Support the development of data and metrics to measure performance and outcomes,** with metrics that focus on outcomes and identify the impact of Facilities Management on the business (workforce productivity, revenue per square meter, employee satisfaction). As a discipline FM Operations has the potential (in terms of skills, complexity, and importance) to transform real estate management by delivering data-driven, ‘evidence-based’ Facilities Management decision-making at strategic, tactical, and operational levels.
- **Focus on client relationship skills and practices for senior Facilities Management professionals.** Design performance-oriented contracts that define clear accountabilities for the supply chain and link service provider performance to clients’ business success.

² See the Occupiers Journal blog, at <http://occupiersjournal.com/category/director-of-work/>, for a series of posts focused on the ‘Director of Work’ concept.

³ See Shaw, D, et al, [2016]. *The Workplace Advantage: Why the office environment is key to productivity*. Stoddart Review for BIFM [online]. London: Raconteur Publishing, p. 26. Available at: <http://stoddartreview.com/download/> [Accessed 7/02/2017]. This report also called for a ‘Director of Workplace Operations’ as an aggregate of HR, IT, and FM functional capabilities.



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