

THE IMPORTANCE OF END-TO-END FACILITIES MANAGEMENT

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Report Highlights

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While the most important attribute of a facilities management program is cost savings, there are additional factors that are causing a shift in focus.

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Enterprise performance and data often go hand-in-hand; Best-in-Class companies are 74% more likely than their peers to provide easy access to facilities data for their employees.

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Best-in-Class companies realize the impact that maintenance can have on facility performance and are focused on improving this functional group.

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Best-in-Class companies are turning to solutions like FALM to provide the visibility needed for end-to-end facilities management.

Based on the experiences of over 150 executives responsible for managing facilities, this report will explore how modern facilities management programs are evolving. Specifically, how successful companies leverage a balance of data visibility, automated processes, and a reliance on standardized best practices to drive down costs and improve performance.

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The long-term value of looking beyond facilities spending as sunk costs, or simply the cost of being in business, is measurable and pays dividends to those enterprises willing to believe that their competitive position can be affected by how they manage their locations.

"Real estate and facilities management is a critical business function to us. We have 200 locations in which our employees work; we need to control costs while supporting our business needs."

~ Director of Real Estate, Large Wholesale / Distribution Enterprise

The facilities management function has risen to the top of the operational hierarchy. Companies are beginning to shift away from the notion of facilities as merely a back-office set of day-to-day activities and looking at this function as one that can drive value to specific organizational areas. Within the scope of the greater organization, facilities management had once been an after-thought in terms of enterprise planning due to seemingly higher-value programs and financial efforts. However, successful companies are starting to see the inherent value in improving efficiencies and streamlining processes within the real estate and facilities functions to drive down operating costs, improve energy consumption, and support sustainability objectives.

Based on the experiences of over 150 executives responsible for managing facilities, this report will explore how modern facilities management programs are evolving. Specifically how successful companies leverage a balance of data visibility, automated processes, and a reliance on standardized best practices to drive down costs and improve performance.

Facilities Management an Integral part of a Business

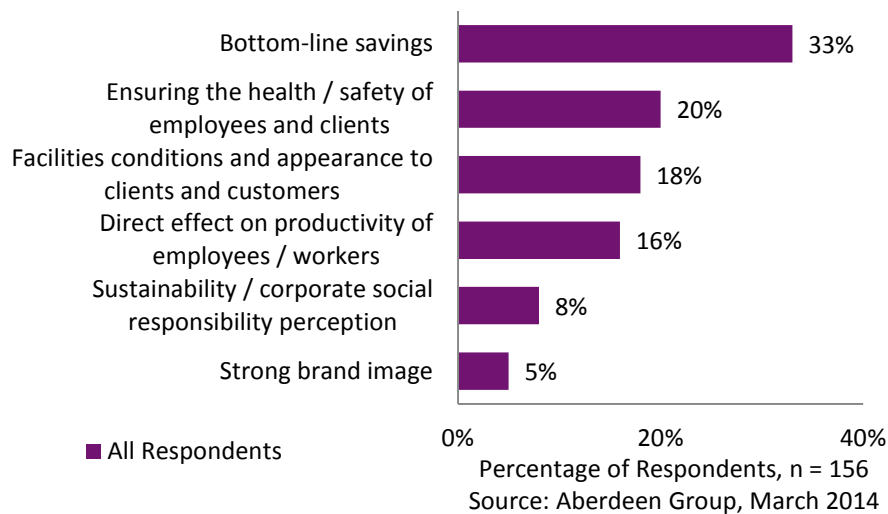
As companies operate in the post Great Recession economic environment, the goal of expanding the business is gaining steam. Yet, this expansion can, in turn, increase risk in the business. When growing the business, executives must always keep in mind the risk of expanding their portfolio of assets without a plan in place. Otherwise, these new investments can go from contributing assets to future sunk costs.

As Figure 1 shows, it still all comes down to cost savings. A positive impact on the bottom-line is the most significant attribute of an effective (and efficient) facilities management program. With the importance of these cost savings initiatives, it is critical for organizations to take advantage of streamlined processes across management of indirect spend categories (such as expenses, temporary labor, and, of course, facilities). By

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leveraging efficiencies throughout the range of facilities processes, companies can reduce the substantial costs associated with maintenance, work orders, energy consumption, and safety.

Figure 1: Most Important Attributes of Facilities Management



But the modern facilities management program has long been held back under the facade of cost control. The long-term value of looking beyond facilities spending as sunk costs, or simply the cost of being in business, is measurable and pays dividends to those enterprises willing to believe that their competitive position can be affected by how they manage their locations. Thus, it is with this in mind that we see a shift in the focus of facilities management. The rise of regulatory compliance and safety mandates, as well as the significance of a strong brand image, has also been impacting facilities managers. For example, the increasing adoption of Leadership in Energy & Environmental Design (LEED) standards among facilities across different industries is driving executives to focus on managing sustainability information such as energy savings, water efficiency, CO2 emissions reduction, and indoor environmental

Top Attributes by Region

The most important attribute for all respondents is to reduce costs of facilities management, but some differences appear when analyzing by geographical region (% compared to all other industries).

North America: 20% more likely to believe facilities conditions and appearance to clients and customers is the most important.

Europe: 2 times more likely to believe sustainability / corporate social responsibility perception as the most important attribute.

Asia-Pac: 50% more likely to feel the most important attribute is the impact on productivity of employees.

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Top Challenges for Facilities Management

Respondents were asked to select the top two challenges they feel when managing facilities:

Insufficient resources with necessary skills and experience

- **46% of respondents**

Complex and disparate data sets present a significant road block

- **37% of respondents**

Lack of communication among cross-functional departments

- **35% of respondents**

No corporate commitment or leadership to support program

- **26% of respondents**

quality. An end-to-end facilities management program factors in all of these aspects into one overall system.

Putting this program in place is easier said than done. There are many inherent challenges that every company must deal with during their journey for end-to-end facilities management (see sidebar). The many touch points involved in managing a facility (let alone a portfolio of facilities) can be a daunting task. The most pressing challenge is one that can also be the most impactful, a lack of necessary resources. This deficiency in resources is further compounded by not fostering a culture of cross-functional communication. Facility management involves multiple functional groups within an organization; a decision by one group could have an impact on another. Collaboration exposes these groups to challenges and techniques they may not be accustomed to.

Getting these groups to work together is no simple task; a large roadblock experience is the siloed approach most companies take (37% of respondents). Employees must have visibility into performance to drive improvements. As we will see, breaking down these siloes and managing facilities in a holistic manner is the recipe for success. To bring about change and improve facilities management, companies must start at the top and get executives involved. Even though over a quarter of respondents indicate that this involvement of leadership is a challenge, the issue must be addressed.

What is Best-in-Class?

To define Best-in-Class companies, Aberdeen used four metrics that measure an organization's ability to complete items on time, safely, while reducing overall costs to the business. Aberdeen categorized participants as Best-in-Class (top 20% of performers), Industry Average (mid 50%), or Laggard (bottom

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30%)... we also refer to a fourth category All Others (Industry Average and Laggards combined). Table 1 details Best-in-Class companies' superior performance in managing facilities across the scope of both cost and sustainability.

Table 1: Defining the Best-in-Class

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	91% of projects are delivered on-time or early \$4.18 to process a single work order 14.2% decrease in maintenance costs 10.2% decrease in energy consumption 0.18 recordable injury frequency rate
Industry Average: Middle 50% of aggregate performance scorers	73% of projects are delivered on-time or early \$11.00 to process a single work order 2% decrease in maintenance costs 5.2% decrease in energy consumption 1.01 recordable injury frequency rate
Laggard: Bottom 30% of aggregate performance scorers	38% of projects are delivered on-time or early \$33.92 to process a single work order 4.1% increase in maintenance costs 2.2% increase in energy consumption 2.21 recordable injury frequency rate

Source: Aberdeen Group, March 2014

Clearly, the Best-in-Class are doing something right – over 90% of their projects are on schedule or early, with minimal cost to process work orders. This performance extends into their maintenance and energy costs as well, as both have seen double digit decreases over the past twelve months. The Industry Average and Laggards cannot say the same about their performance, and what is alarming to see is the high amount of safety incidents that occur within their facilities. The question that begs to be asked, how can a company move towards Best-in-Class performance?

Top Attributes by Industry

Further differences appear when analyzing the top attributes by specific industries (% compared to all other industries).

Education: Over two times more likely to believe facilities conditions and appearance to clients and customers is the most important.

Finance: 45% more likely to feel a strong brand image is the most important attribute.

Healthcare: 3 times more likely to have sustainability / corporate social responsibility perception as the most important attribute.

Public Sector: Two times more likely to feel ensuring the health and safety of employees and clients as the most important attribute.

Manufacturing: 50% more likely to have reducing costs as the most important attribute.

Retail: 81% more likely to feel ensuring the health and safety of employees and clients as the most important attribute.

Travel / Transport: 2.5 times more likely to feel the most important attribute is the impact on productivity of employees.

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Managing your Properties

Standardized processes and policies for real estate planning:

- **Best-in-Class - 67%**
- **Industry Average - 48%**
- **Laggard -39%**

Centralized management of leases, mortgages, and agreements:

- **Best-in-Class - 65%**
- **Industry Average - 42%**
- **Laggard -25%**

Formal corporate real estate planning group established:

- **Best-in-Class - 60%**
- **Industry Average - 49%**
- **Laggard -36%**

"At our organization, there's been an increasing awareness of the benefits and operational efficiencies that can be achieved through the real estate and facilities functions."

~ Real Estate Director, Large Healthcare Organization

End-to-End Facilities Management

Enterprise success and growth can only be obtained through the management of the many complex processes within facilities management, such as planning, portfolio management, lease management and project management. For the Best-in-Class it starts with the effective management of their real estate / property portfolio (see sidebar).

Standardized processes within the realm of real estate planning allow program heads to utilize a specified set of rules and procedures that result in new properties. Site identification, selection and development are crucial steps in the real estate lifecycle, and standardized processes for planning of these key cogs (67% of the Best-in-Class) have propelled top-performing organizations to the head of the pack. Many key factors play into the successful real estate management model, including centralization of the processes included in effectively managing a variety of buildings, properties, and agreements. Best-in-Class enterprises are also 36% more likely than their peers to institute a formal corporate real estate planning group that is responsible for guiding processes, setting standards, and managing the real estate portfolio. All of these functions need to be performed with the utmost precision in order to derive value from the real estate function. This centralized planning group will contribute to a higher rate of space utilization due to their deep knowledge of existing properties and buildings.

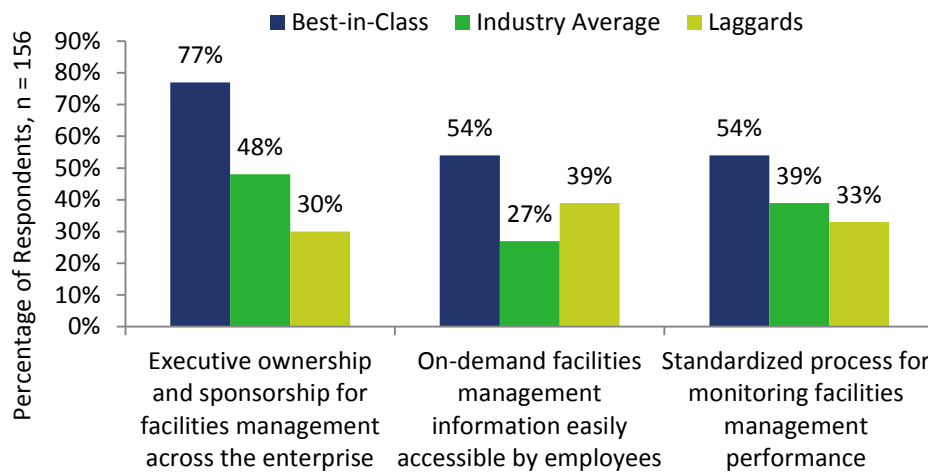
Once the real estate portfolio is planned and established, the management of the actual facility needs to be addressed. When it comes to the operation and optimization of facilities, there are specific capabilities that Best-in-Class companies focus on for success, the first of which is executive support (Figure 2).

Facilities management has historically not enjoyed a high level of organizational support and visibility (and it was identified as a

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top challenge). Facilities management must be thrust into a more strategic light in the eyes of other functional units; executive backing accomplishes this.

Figure 2: Capabilities for Best-in-Class Facilities Management



Source: Aberdeen Group, March 2014

Enterprise performance and data often go hand-in-hand; this is why Best-in-Class companies are more likely than their peers to provide easy access to facilities data for employees and have standardized processes in place for monitoring this facilities management. This allows Best-in-Class organizations to leverage a single set of guidelines and rules for monitoring the various data and performance aspects of facilities management, including time and cost to process work and maintenance orders, energy consumption and conditions of physical assets and business locations. This information is utilized to not only budget and forecast, but also to give the C-suite an accurate picture of the performance of all of the company's buildings and locations. Visibility into performance allows employees to make more effective decisions and improve performance.

"As a school district we use the attendance progressions and Facility Cost Index of each facility to render a comparative value of all facilities to determine which facilities should be demolished and rebuilt or renovated."

~ Director Operations, Education

Aberdeen also explored the specific areas that are tracked and managed through a formal facilities management system. Best-

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"Our current facility management system is used for controlling costs, optimizing use of space, and making payment. More integration is planned in the near future."

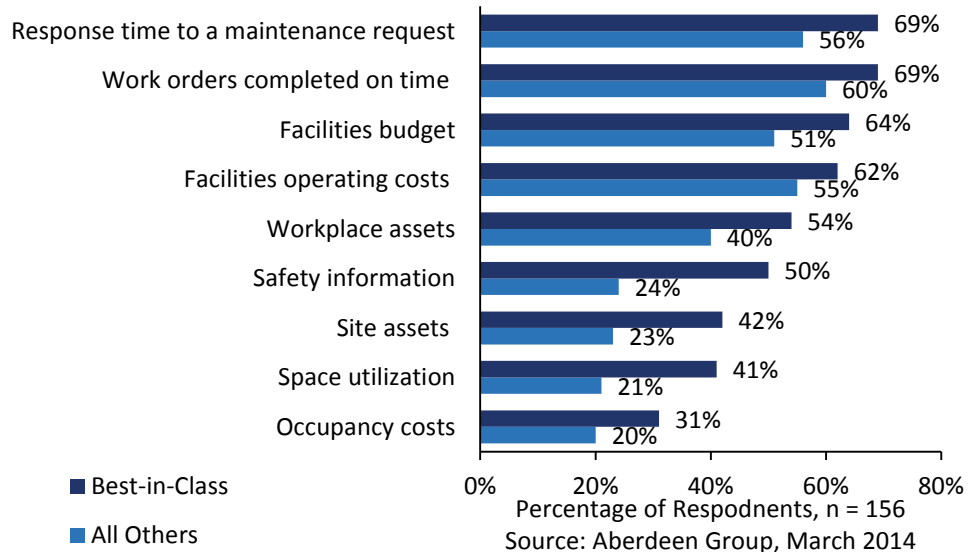
~ Director, Operations, Wholesale / Distribution

"We are currently implementing an FM system, where we are expecting to receive a complete platform of monitoring, and reporting, capability. Beyond this we are planning to implement a CAFM system for a full tracking of our asset and services portfolio."

~ Manager, Food & Beverage

in-Class companies are more likely to manage the areas that will help executives to better understand the impact of facilities management on corporate performance (Figure 3).

Figure 3: Track and Report through a Formal System



The Best-in-Class are more likely to provide visibility into four key aspects of facilities: time, costs, utilization, and safety. In addition to facilities operating costs and budget, Best-in-Class companies understand that occupancy costs (utilities, taxes, insurance, depreciation, etc.) are a great overall picture into the total costs for a facility. The Best-in-Class are 55% more likely to understand these costs and ensure that this holistic view on costs is controlled to reduce the overall cost to the business.

Space utilization is a metric that reflects an enterprise's employment of its corporate properties. With the ability to track and measure space utilization, Best-in-Class organizations can quickly calculate the need to add or deploy new project initiatives or solutions to improve allocation of space or the speed of reaction and fulfillment of maintenance requests. The Best-in-Class also extend this tracking of utilization into their

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asset base. Where the largest gap exists between the Best-in-Class and their peers is in regards to safety information. Safety is a critical component that is often not addressed until after an incident occurs. Successful companies realize this and stress the inclusion of safety into their facilities management program (see sidebar). [Aberdeen research has shown](#) that a proper safety management system plays an integral role in promoting operational excellence. Tracking this safety information allows the Best-in-Class to apply continuous improvement methodologies to the safety programs they have in place. This final step is shifting Best-in-Class companies towards “zero incidents” in their facilities.

Best-in-Class companies are also more likely than All Others to measure and track response time to maintenance requests and the number of work orders completed on time. In a university, hospital, apartment complex or a corporate building setting, it is important to understand the time when a maintenance work order is recorded in the service center to when it is responded to by the maintenance team. This will enable organizations to measure the responsiveness and effectiveness of the facilities management group team and improve customer service to their employees. The use of a formal system to track all of these areas allows the Best-in-Class to effectively manage their operations and optimize their performance.

Maintenance Management

A proper maintenance program is more than just tracking the mean time to repair (MTTR). It is an important metric to consider, but to take your maintenance efforts further you need to know how your facilities as a whole are performing. Maintenance is so crucial towards not only facility performance, but the overall performance of a company. It is alarming to see so many organizations take a reactive approach when it comes to the

Ensuring Health and Safety of Facilities

Risk-based approach that considers safety of employee, equipment, environment:

- **Best-in-Class - 70%**
- **Industry Average - 59%**
- **Laggard - 39%**

"We are looking to advance to a centralized system between IS, FM and HR for work orders and maintenance tracking."

~ Manager, Mid-Size Computer Equipment Company

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condition of their facilities (see sidebar). An ad-hoc or yearly approach is an ineffective way to approach maintenance. Continual monitoring of facilities is needed to identify areas of improvement. The Best-in-Class realize the impact that maintenance can have towards facility performance and focus on improving this group (Figure 4).

Conducting Facility Condition Assessments

Respondents were asked to identify how often they conduct assessments of their facilities

Ad-hoc: 25% of respondents

Yearly: 24% of respondents

Bi-monthly: 5% of respondents

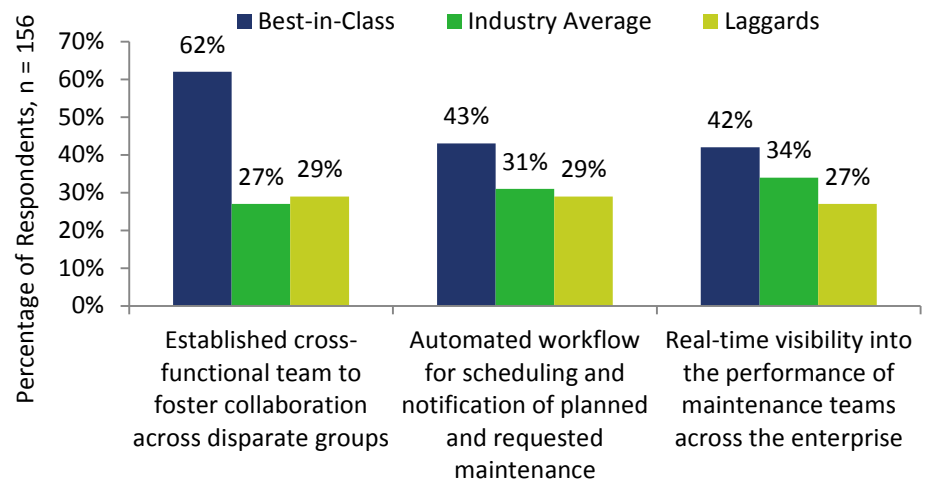
Monthly: 17% of respondents

Bi-weekly: 7% of respondents

Weekly: 9% of respondents

Daily: 10% of respondents

Figure 4: Improving Maintenance Management Teams



Source: Aberdeen Group, March 2014

Successful companies start by establishing cross-functional teams across functional groups. This breaks down knowledge silos and allows the viewpoints from multiple groups to be considered when it comes to maintenance. Further, the grouping of real-time visibility and automated alerts allows technicians to prioritize and address maintenance issues immediately, limiting asset downtime and reducing overall costs. Asset bases are aging and maintenance teams are being asked to do more with less; action must be taken immediately to address this area within a company. The combination of these capabilities allows Best-in-Class facilities to avoid costly unscheduled downtime while reducing maintenance costs by 14.2% over the past year.

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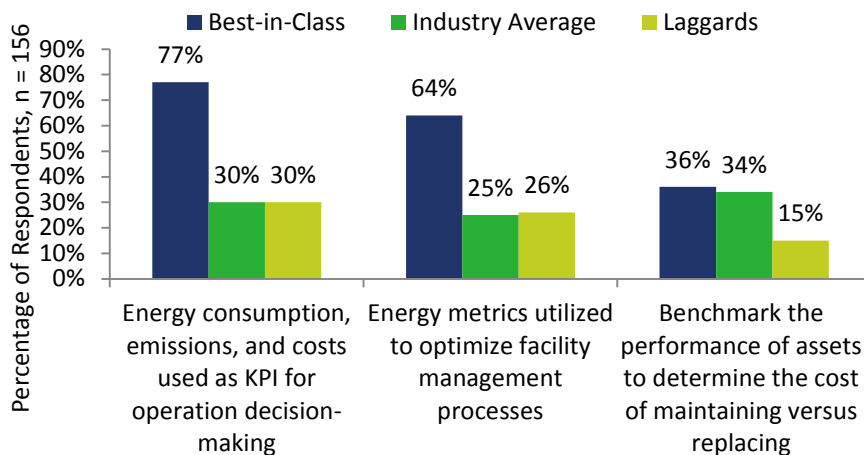
Don't Forget about Sustainability

Driving down operating costs has been one of the biggest forces behind a company's focus on facilities management. Energy costs are a large portion of the total operating costs for many organizations. Further, reducing energy utilization is an untapped resource in both [the quest for profits AND social responsibility](#). This realization has caused a shift in thinking for more progressive companies, the link between sustainability and effective facilities management can no longer be overlooked (Figure 5).

"On the topic of sustainability, the first step was to identify and implement cost savings programs which pay for themselves. All have been accomplished. Now we are applying a small percentage of reserve and capital funds to selectively perform sustainable projects with less economic benefit."

~ Corporate Management, Education

Figure 5: Tying in Sustainability Performance



Source: Aberdeen Group, March 2014

First, the Best-in-Class are over two times more likely than their peers to use energy consumption and energy costs as KPIs for decision making. Next, successful companies take their energy information and use it to optimize their processes to further reduce costs. These two actions make sure that energy consumption is factored into facilities management and helps integrate those energy reduction efforts with greater cost containment measures.

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The Role of Technology Going Forward

The use of technology to manage the many touch points of facilities management is evolving; companies are realizing the benefit these solutions can bring (All respondents).

FALM/IWMS:

Currently Implemented – 25%

Plan to Implement – 32%

Lease Administration:

Currently Implemented – 41%

Plan to Implement – 17%

Project Management:

Currently Implemented – 43%

Plan to Implement – 20%

Facilities Management:

Currently Implemented – 44%

Plan to Implement – 16%

Asset Management:

Currently Implemented – 29%

Plan to Implement – 26%

Energy Management:

Currently Implemented – 38%

Plan to Implement – 34%

Finally, access to all of this energy information has enabled the Best-in-Class to benchmark asset performance and determine the cost of maintaining versus replacing an asset for a newer, more energy efficient version. For example, if there is a compressor that uses more energy than expected, with the help of the available data, the plant manager can schedule maintenance to understand the spike in energy consumption and establish corrective action to optimize productivity and reduce energy utilization. Through the combination of these capabilities, the Best-in-Class see a decrease in total energy consumption of 10.2%, as compared to Laggards who experienced a 2.2% increase for the past twelve months.

Technology Provides Enterprise-Wide Visibility

All of the capabilities that the Best-in-Class are more likely to possess are critical to getting control over their facilities, but what enables these companies to have these capabilities? The answer reveals itself when examining the technology they adopt to break down silos and connect the enterprise.

While the overall adoption rate is low (25% of respondents, see sidebar), when we drill down further we see that Best-in-Class companies are 61% more likely than All Others to have implemented a Facility and Asset Lifecycle Management (FALM) or Integrated Workplace Management System (IWMS). These solutions aim to manage and optimize physical resources for a company's real estate portfolio, infrastructure, and facilities assets. FALM solutions often offer project and maintenance management capabilities to provide an end-to-end platform for both asset management and the optimization of physical spaces. In addition, FALM is a technology (along with Energy Management) where roughly one third of respondents are looking to increase investments. This illustrates the growing

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value that is being realized by automating their processes through these solutions.

Key Takeaways and Recommendations

To achieve end-to-end facilities management, it is absolutely critical for organizations to first have visibility into key aspects of facilities (real estate, facilities/space management, maintenance, and sustainability). Best-in-Class organizations have established executive sponsorship, stressed visibility into key facilities and energy data, and invested in the right technology to provide intelligence to their employees. Those looking to implement end-to-end facilities management should:

- **Stress executive support for facilities management across the enterprise.** The vision for effectively managing facilities starts at the top level. It is extremely difficult to implement changes without the buy-in and support of true budget and authority holders. Seventy-seven percent (77%) of the Best-in-Class have executive support and sponsorship for facilities management across the enterprise. This is where any company should start if this is not already in place.
- **Standardize processes and policies for real estate planning and establish formal groups to manage the portfolio.** Real estate management is not simply a matter of finding a location and using the space, but rather a lifecycle of progressive events designed to optimize both the investment in and utilization of real estate. The superior level of visibility that Best-in-Class enterprises possess enables them to actively measure key metrics across the entire portfolio and more effectively align their day-to-day goals with corporate performance.

Survey Demographics

Respondents were collected across a broad spectrum of industries and regions.

Region (% of Respondents):

North America – 53%
Europe – 25%
Asia-Pac – 22%

Industry (% of Respondents):

Education – 15%
Finance – 17%
Healthcare – 17%
Public Sector – 15%
Manufacturing – 16%
Retail – 13%
Travel / Transport – 13%

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- **Track and measure facilities management performance through a formal system and provide this information to decision makers.** Managing a facility is a complex task. A key to success is collaboratively working with different groups to manage critical data. Providing easy access to facility information, across the enterprise, allows employees to spend time on effectively managing facilities rather than wasting time looking for data from different systems and spreadsheets.
- **Improve responsiveness to maintenance work orders by providing real-time information to the facilities maintenance group.** In a big facility it can be difficult to respond to maintenance requests in a timely fashion if the information is not sent to the maintenance employees as soon as they are generated. This access to maintenance information also enables employees to prioritize work orders based on the severity of the requests. Best-in-Class companies are 35% more likely to possess this real-time visibility which correlates directly to their 14% decrease in maintenance costs for the past twelve months.
- **Leverage energy data to improve sustainability efforts and drive down energy consumption.** Energy costs are a big part of total operating cost. The ability to understand energy consumption patterns is critical in controlling these costs. Best-in-Class companies are more likely than their peers to analyze their energy data and determine areas for improvement. A reduction of even a small percentage in energy consumption can result in millions of dollars saved.

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For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[Driving Operational Insights through Enterprise Energy Intelligence](#); November 2014

[The Importance of Decommissioning in Asset Intensive Industries](#); October 2014

[Managing Safety to Promote Operational Excellence](#); September 2014

[Best-in-Class Product Compliance: Going Beyond the Four Walls](#); July 2014

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