



WILSON



FM and Surveying: Diversify or Die?

Dave Wilson examines the value of a strategic approach to FM and the threats and opportunities this emerging management discipline poses for chartered surveyors. This article is based on the text of a speech originally given to the Royal Institute of Chartered Surveyors in March 2001

Throughout the time that I have worked as a facilities management professional, I have continually encountered an anomaly that I believe to be enormously detrimental to our industry. It is the artificial distinction made between the discipline of facilities management and the property industry. Ironically, this distinction is most often made by property professionals, people such as chartered surveyors who, potentially, have the most to benefit from realising the synergies that each discipline can bring to the other.

In this article, I intend to explore the reasons behind this unnecessary divisiveness and offer a perspective on facilities management that underlines its strategic importance in managing any commercial property portfolio. I will explore the threats and opportunities that a rapidly maturing facilities management profession represents for chartered surveyors. Finally, I will offer some practical advice for surveyors looking to provide facilities management services as an integral part of the value they provide their clients.

Defining facilities management

Let's begin, though, with some basic issues - because my definition of what constitutes facilities management might be a little different to yours. Indeed, one of the problems with facilities management is that there are as many definitions as there are businesses in the market, and people outside FM often fail to grasp its real scope. It is actually easier to define what facilities management is not. It is not the direct provision of facilities services – cleaning, maintenance, security and so on.

Those service providers are without doubt in the facilities business, but they do not offer management: and management is crucial. To see why this is the case, just consider any commercial property. As an asset it has a value, which lies in part in the land and in part in the building on the land. Without a building on it, the maximum value of the land is latent. So, although the land obviously has a realisable value, it requires the addition of the right type and size of building to enable the *highest* value to be realised.

I would suggest that it is the effectiveness of the building in delivering particular functionality that defines this highest value. The better the building is, in a combination of functionality and flexibility, the more value it will have for an occupying business. This is key to my view of the role of facilities management: **the function defines the value in use**. A badly built and poorly situated factory obviously has a lower value than one that is flexible, effective and well located. The net production costs of the former will be higher than the



latter, it will be less able to adapt to a change of production and the conversion will be more costly.

The role of facilities management is therefore to enhance the value of the property asset by maximising its functionality and productivity to the benefit of the occupying organisation. For clarity, by productivity I mean the outputs created in any given premises – these can be goods, services, money, or any other definable output or combination of outputs.

So, in my opinion, facilities management is the introduction of strategic direction and tactical innovation to maximise a workplace's potential productivity. It is not the organisation of production or systems of working per se – that has to be a core and unique function of the organisation occupying the property. However, facilities management clearly impinges directly on that production and those systems.

This is actually what makes facilities management so fascinating. It is a tremendously wide-ranging discipline. To do it well you need a combination of abilities that are not that common. These include a strong commercial sense and strategic perspective, the ability to adapt to different corporate cultures, and excellent communication skills. In addition, facilities managers need to be effective delegators, have an eye for detail and a focus on achieving results for the client.

Facilities management and surveyors

The key to successful facilities management is creating a holistic solution from a variety of disparate parts, of which property is always one. From that perspective, surveyors are as well placed as anyone to embrace the concept of facilities management.

And the potential for FM as a discipline is considerable. You may already have heard talk of “town centre FM”, or know that FM type companies are starting to look at the economic infrastructure – roads and rail – as well as the more routine commercial and building oriented facilities provision. Again, an understanding of the property issues and an ability to analyse and evaluate complex financial modelling, may well be an area where surveyors have a particular strength.

It seems obvious to me, therefore, that if you are in the property business you must also be in facilities management. Whether you advise landlords or occupiers, value enhancement is your objective. But the surveying profession, from my perspective, has no history of actively enhancing value nor of considering the value added through the effective application of facilities management techniques to property.

I would like to illustrate why this is a threat to the profession and how surveyors might address the issues and take advantage of the opportunities offered by embracing facilities management as a discipline.



A good starting point is to consider some common misconceptions about facilities management. There are a large number of suppliers of facilities services in the market and a lot of them describe themselves as *facilities managers*. Often they are not providing management at all, but simply services like cleaning, security and so on. The offerings of these service providers frequently overlap with the management companies, particularly for “front of house” services like reception and switchboard.

Many FM companies have been unable to resist the cash flow benefits, margins and profit opportunities offered by service delivery. To complicate matters further, a number of building and maintenance companies have bought FM businesses as a means of enhancing their stock values.

Added to this is the growth of multi-functional management businesses whose services include quantity surveying, corporate real estate, project management and facilities management – with perhaps IT thrown in for good measure. Also, the larger consulting practices are trying to enter the market. For customers this is all very confusing.

The strategic role of facilities management

Despite confusion over the scope and ownership of the facilities management function, the fact is it occupies a privileged position in organisations. Figure 1 below illustrates the functions that all organisations undertake to at least some degree. It shows the process of production from inbound logistics through to sales and after-sales service. It also illustrates the four support activities that apply across the value chain: procurement, technology, HR, and facilities/infrastructure. What is notable is that the first three of these support activities are often specific to each vertical activity: but infrastructure sits across the whole of the organisation’s activities from start to finish. In other words, facilities or infrastructure management is the only function that applies in every stage of the organisation’s activity.

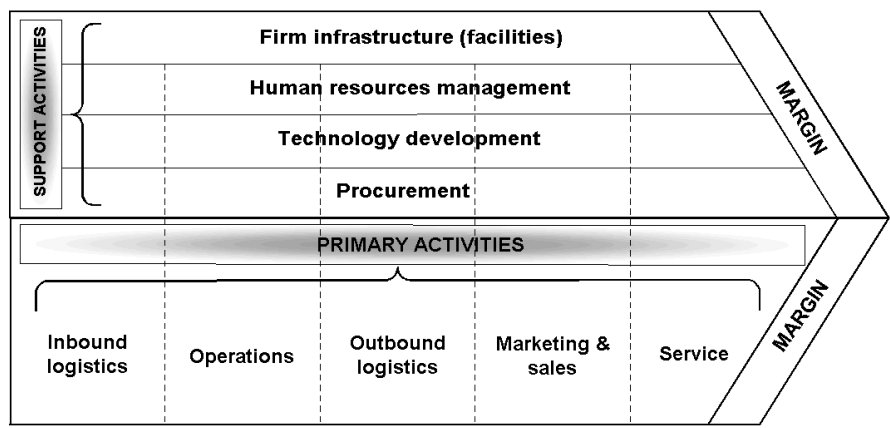


Fig. 1 - Adapted from Michael Porter: Competitive Advantage 1988



Facilities



Now, I have always believed this to be an opportunity both for facilities professionals and for any organisation that recognises it. Most businesses still don't. It is sometimes the case that there will be a board level director of property but never one for facilities. Now that may be because property is tangible, has big numbers attached and involves big decisions. It isn't about tedious things like toilets and mail and electricity. But, as I said at the outset, the buildings themselves represent no more than a notional asset value. The activities within the buildings are what add real value, and they only function effectively when the building functions effectively. Facilities are therefore the key to competitive advantage in operations for any organisation. I suggest to you that property isn't key in most cases other than where location is an absolute differentiator.

Let's think about property not from a surveying point of view, but draw some parallels from another respected and highly trained profession – architecture. Like surveyors, architects are formed into a Royal Institute and undergo rigorous training and continuing development. They see themselves, I suggest, as frequently more innovative than their clients, better able to see options for solutions and as pushing forward building=design in the UK. But few of them appear to consider the “design in use” implications of their building, beyond the immediately obvious functions required. Yet the knock on cost implications and operational deficiencies resulting from this ‘near-sightedness’ are massive. Architects do not consider themselves as involved in facilities management. Yet the fact remains that building design can have more impact on the ability of a business to secure or maintain competitive advantage than its location. This is especially the case where that design supports effective use - and in particular flexibility of use – of the property.

To look at this from a process viewpoint, there are three key elements to providing effective use of property: acquisition, design, and operation, and these are currently divided between surveyors, architects and facilities managers. This obviously detracts from the effectiveness of each and the benefits delivered to the occupier. So my view is that each of these elements ought to be encompassed under one umbrella. I prefer to call this umbrella facilities management but its name is less important than agreement on the principle.

I want to be clear that I am not arguing this to enhance the importance of the existing facilities management industry - which I think has significant shortcomings - but to promote the benefits of a holistic approach for our clients. Consider, for a moment, a comparison with a traditionally customer-focused industry. My background is the hospitality industry – hotels, bars and restaurants. I am used to customers having a choice whether to come back or not and used to the concept that they need to be encouraged to do so. Both these concepts tend to be alien to people working in FM and, I suspect, in property too.

Any industry where decisions are infrequent but involve large value transaction tends to neglect the requirement for on-going customer satisfaction. Clients entering long-term contracts or conducting the relationship with the supplier at a high level are inclined to give less weight to the niceties of “on the ground” service delivery. Add to this a supply market



for FM dominated by staff with a background in engineering and construction, and I suggest you have created a world in which the quality and consistency of service is seen as something of an irrelevance.

The FM industry is overflowing with organisations and managers who think that creating process for service functions is enough. I don't believe it is. What will distinguish the successful facilities companies of tomorrow is the marriage of process with dedication to service flexibility and responsiveness. I suggest that the industry which is most like this at the moment is the hospitality industry, where excellence is not universal but is pursued and often achieved. With respect, and bearing in mind I've already criticised the FM industry, I don't think surveying is like that at the moment, steeped as it is in traditional products and methodology.

Market opportunities and threats

So, there are now two strands of thinking which we need to put together to form a solution which stands out for our clients: a holistic approach to building operations from acquisition through to design and operation; and a commitment to achieving quality of service. Nobody does this right now. So there's an opportunity for surveyors and a threat, because there are already people in other property-related professions who are thinking about and working towards creating just such a solution.

Let's think about the threat first of all. There are already organisations – Trillium and Mapeley for example – which have devised cross-functional service offerings for specific target markets – in their case, large scale PFI's. We know that there are nascent consortia for smaller scale works that could bloom into joint venture businesses – for example, the joint venture between Cyril Leonard (chartered surveyors) and Interserve FM announced this month. These directly threaten the property acquisition and management role of the surveying practices, by assimilating those functions within a single dedicated service offering. They provide valuation and disposal of property within a remit for the management of large-scale real estate portfolios. This model can work, slightly amended, for any portfolio, whether private or public sector. It therefore threatens the margins of surveying practices and creates an alternative market for property solutions that, alone, those practices cannot meet.

It may also develop over time into a threat to surveyors' professional status and credibility, because such organisations will start to look at de-skilling these functions as a means of driving down cost. Such de-skilling will start to lead to a disintegration of the surveying profession, as the various specialist roles become even more pigeon-holed than is currently the case.

This may sound drastic but I believe it to be possible. However, there is at least one alternative possibility. Over the past 18 months I have spoken with people in several of the



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key property businesses – in JLL, Chesterton, Healy & Baker, and CB Hiller Parker among others. Each of those either has or is looking at creating a facilities management offering as an adjunct to the core surveying activity.

Leaving aside for a moment whether that is an adequate response, they have clearly recognised that adding value for building occupiers is critical. I suggest that this does not just apply to large-scale corporate occupiers who are typically sole tenants. It could also add value to landlords and developers by enhancing the value of services provided as part of the building lease offer. In an ever more competitive rental market, this aspect of services, offered as part of a traditional landlord/tenant relationship, could become a key differentiator in property portfolio decision-making.

So that brings us to some crucial questions:

- Can surveying practices develop facilities management as part of their offer?
- Should they and, if so, under what circumstances?
- How could surveyors develop facilities management?

Can surveying practices develop facilities management offerings?

The first barrier to the development of facilities management in surveying practices is the lack of an objectively developed FM professionalism. Although there are a number of established FM and FM-related graduate courses, it is typically a “second career” and so less receptive to an academic approach.

At the same time, the vocational qualifications that exist in the UK - like the BIFM qualification - are perceived to be at a basic level. Developments abroad suggest that this not need be the case – for example IFMA’s Certified Facilities Manager (CFM) qualification is widely recognised in the US, Canada, and Japan and has just been launched in Europe with exams in Germany and Holland.

However, even this level of qualification may not be perceived by surveyors to be an attractive option for career development. By attractive, I assume that such a career option must offer personal kudos, growth, and concomitant remuneration.

Of course, training isn’t everything. There is a view in some quarters that the traditional organisational model for surveying – partnership practices – reduces the ability to develop innovative service offerings. This is undoubtedly true to some extent, but we should not forget that other partnership vehicles (like the accountancy and cost management firms – PwC and EC Harris for example) have proven very capable of building new service lines and reacting very quickly to market developments.



So here the barrier may be the will to develop rather than the ability. That brings us onto the thorny question of attitude. Is it possible that surveyors – particularly, perhaps, the older generation - look down their noses at the largely qualification free and evidently messy world of FM? After all, there is no obvious reason why one would abandon the security of a clearly delineated, chartered profession in order to get involved in managing cleaning contracts!

Such a view ignores the threat, referred to previously, of non-partnership businesses recruiting surveyors to carry out specific tasks as part of the FM service offer. This raises the possibility of surveyors as a group becoming the servants rather than the masters of FM.

Should surveying practices develop FM?

I would argue emphatically that surveying practices should develop facilities management services. The supply market will force this development, the buyer market needs it as part of a basket of available solutions and the extra revenue is there to be won. It may not suit everyone and it may not be a lead part of every surveying practice, but it seems inevitable in any forward thinking GP practice. At the same time, while it may seem unnecessary in building surveying or QS practices, the FM world is increasingly encroaching on the territory – particularly through the project management route - and surveyors should at least develop a view about how to deal with or work with FM.

How can surveyors develop FM?

Critical here will be finding the right model for each situation. As a management consultant, I am not going to provide you with a glib “one size fits all” solution to this. However, we can look at some possible models and think about the things that might influence your choice. There are three options:

1. FM as an internal element of the service

The main drawback of FM as an internal element of the service is the irresolvable debate about the pros and cons of continuing segmentation between disciplines. Some practices might continue to provide all services through functional units, simply adding FM as a discipline; other might prefer to organise by market sector or client, providing FM within a dedicated service team.

Where a practice is already functionally divided, it would be hard to see how else to provide FM, but of course simply establishing the capability will not necessarily persuade even others within the business that it is a key element of future growth. And, as I pointed out earlier, if people don't understand the benefits of FM or how it contributes in a holistic way, this is going to be, at best, a process of learning how to deliver the service and benefits to clients.



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The other organisational tactic is to include FM as one of a number of service offerings in a client oriented structure. This works well where clients are actively looking for an FM solution but makes the selling of FM to new clients more difficult. Logically in this structure you can only sell FM as part of the whole package rather than as a stand-alone service.

Choosing between these two options will largely be dictated by the existing structure, by the state of client relationships and client knowledge or demand for FM, and by the internal organisational culture.

2. Partnerships and alliances

A slightly less risky option is to form an alliance with an FM provider, where they supply the FM knowledge and systems into your business. This offers lower margin, since you have to buy in the service, but mitigates costly investment in skills and resources. It can also provide an “instant” solution. Key constraints will be trust between the businesses, geographical reach and issues around branding and the sharing of intellectual capital. Although both sides have much to gain, there has to be a significant bond of trust before such partnerships can grow.

3. Special purpose vehicles

The final option, in my view, is a more formal special purpose vehicle (SPV) - a shared equity partnership between surveying practices and FM companies. This might be client or project specific (as with PFI vehicles) or limited to a particular geographical region. It certainly offers lower risk, shared returns and a better structure. One would expect over time that any SPV would develop a market niche and systems of its own and deliver capital value growth as well as revenue. However, it requires partners of relatively equal size to work well, and many organisations in both the FM and surveying arena may feel that such an SPV has little extra to offer.

Lessons and opportunities

Whichever solution is adopted, there are some lessons to be learnt from market experience to date across the sector.

- 1) FM is never provided adequately where it is not part of a genuine commitment to growth
- 2) FM fails when it is under-resourced
- 3) FM needs to be customer focused - businesses that are functionally structured rather than client driven, typically do less well
- 4) FM has to have top level and across the board commitment: it is a new offer, requiring new skills and like any business it needs time to establish itself
- 5) Because FM is about long-term revenue rather than short term profit, it needs nurturing

That said, surveying practices have, at the moment, highly valuable and as yet unexploited advantages:



- Some larger practices already have global reach
- They already have corporate customers who understand facilities management
- Other practices have considerable knowledge of and contacts within national customer structures
- All surveyors have the reputation for professionalism and quality which customers are seeking from their facilities management provider

Right now is, therefore, the time for surveyors to move into FM. They must understand the pitfalls, know why they are doing so and understand the internal change management issues that will follow from it. Nonetheless, there is a window of opportunity, which will not remain open forever. For those who want to add FM to their services, I hope this article has helped sketch a route map for doing so.

About Edifice

Edifice is an independent consultancy providing objective, intelligent advice on the management of facilities and property in support of core business objectives. Working closely with its clients it provides solutions that are flexible, sustainable and – most important – appropriate to business needs. Blue chip clients include Cable & Wireless, Microsoft, WPP Group, United Business Media, O2, Iron Mountain, and Sainsbury's.

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