

July 2007

Challenges and opportunities for the facilities management sector



British Institute of Facilities Management

BIFM[®]

Investors in FM Excellence

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BDO Stoy Hayward

Study overview

Methodology

BDO Stoy Hayward commissioned Datamonitor to conduct a detailed online survey with more than 1,500 members of the British Institute of Facilities Management (BIFM). The survey, which ran from February to the end of March, 2007, involved facilities management professionals employed in a range of organisations and sectors.

Demographic highlights

- 85 per cent identified themselves as either BIFM members or associates.
- 52 per cent worked in-house.
- The industrial mix of respondents was varied, with the largest number working in the following sectors: financial services, central and local government, manufacturing, professional services, media, entertainment and hospitality and retail, wholesale and distribution.
- The majority (57 per cent) came from organisations with 1,000 or more employees.
- In terms of annual turnover, a clear mix of organisations was represented.



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Partner statement

“...sustainability, business continuity planning and compliance with regulations emerge as big issues.”

Facilities management (FM) is a relatively young industry and one that is constantly evolving in order to meet the demands associated with new developments in the international and UK economies. In order to understand the principal challenges facing the sector now and in the future, BDO Stoy Hayward and the British Institute of Facilities Management (BIFM) commissioned Datamonitor to conduct primary research among facilities management professionals. This was the largest survey of its kind to date, with more than 1,500 people completing a detailed online questionnaire.

The results paint a fascinating portrait of trends in the profession. The future looks exciting with respondents expecting the scope of FM and budgets to increase. Perhaps unsurprisingly, sustainability, business continuity planning and compliance with regulations emerge as big issues.

Sustainability and environmental reporting is an evolving topic. Whilst some useful guidance is available, there is a need to ensure consistency and comparability in reporting. Over time, stakeholders will place greater emphasis on environmental reports and will demand assurances about their reliability. Both facilities managers and accountants have an important role to play in enhancing the quality of reporting.

The findings about business continuity planning do give cause for concern and suggest that a significant proportion of UK businesses may be under prepared. In spite of terrorist threats and recent disasters such as the explosion at Buncefield oil storage depot, many organisations may not have effective business continuity plans. This should be high on the boardroom agenda.

The survey clearly shows that compliance with regulations is becoming increasingly demanding for facilities managers. The well publicised Barrow Borough Council legionella case illustrates the risks of non-compliance. Many facilities managers may be thinking “there but for the grace of God go I!” The FM’s role is ever changing and encompassing more and more responsibility and with it, potentially liability! Proper training and risk management processes which are embedded in the organisation are the order of the day. Apart from the need for trained and skilled resource to help ensure compliance risks are managed, the findings also tell us that career development for facilities managers needs addressing if organisations want to retain talented staff.

This report aims to provide an insight into the main areas of concern among facilities management professionals and the trends they are anticipating. I hope that you find it informative. If you would like to discuss any of the issues identified from our research, it would be great to hear from you.



Iain Lowson
Partner, BDO Stoy Hayward

Conclusions

Overall the survey results show that facilities management departments play a crucial role within both the private and public sectors. Over the last few years, facilities management professionals have taken on more responsibilities. This upward trend is likely to continue in the future.

But, in order to fulfil their potential, facilities management departments will need to focus more on skills and career development. They will also need to meet the double challenge of managing compliance with regulations, and addressing increasingly complex relations with supply chain partners.

The top level findings from the survey are as follows.

Facilities management is a valued part of UK organisations

The survey indicated that facilities managers are perceived as influential within their organisations and their departments are allocated sizeable budgets which are likely to increase in future. However, it is unclear who represents facilities management at board level.

Environmental issues are playing a larger role in facilities management departments

With growing public concerns about global warming, facilities managers are dealing more and more with their organisation's response to environmental issues, in particular energy consumption and waste management. Lifecycle sustainability is also an important factor in purchasing decisions. But, interestingly, measuring the value of environmental projects was not considered to be a priority by respondents in the survey.

Business continuity is seen as a growing priority

It was unclear among respondents if security and business continuity budgets have increased over the last two years. Many organisations appear not to have full business continuity plans. The survey found that the facilities manager was generally included in any crisis management team.

Facilities management needs to concentrate on skills development

The range of entry level qualifications for new facilities managers is wide with Level 5 (BTEC Higher national Diploma) being the most common. However, many FM departments offer limited career development programmes. Better programmes would reduce attrition, thereby keeping recruitment and training costs down.

Compliance management – a real challenge for facilities management professionals

Respondents reported that complying with regulations was taking up an increasing amount of their working day. The budgets available for this work and the time spent by facilities managers varied across organisations.

Supply chain management is proving complex

Most respondents said they used a growing list of multiple supply chain partners and that their relationship with them was becoming increasingly complex. The bundling of FM services is increasing. The respondents indicated that, as a rule, provisions were in place to determine the overall effectiveness of supply chain partners. However, a strong minority (40 per cent) also indicated that such provisions were not in place. This indicates that perhaps the measurement of supply chain partner effectiveness has yet to be fully accepted.

Survey analysis

Facilities management – now and in the future

Generally facilities management takes up a sizeable portion of the budgets of many organisations and, over the next five years, facilities management professionals anticipate that their responsibilities will broaden. However, this is not likely to be supported by an equivalent budget increase. Facilities managers were also concerned about how their contribution was measured, and their status within their organisation.

Facilities management is a significant part of an organisation’s budget

It is clear that many organisations spend a significant amount on facilities management. Around half said their department controlled up to 20 per cent of the total annual spend. But what is more interesting is that 29 per cent of respondents didn’t know what proportion of their organisation’s budget was controlled by the facilities management department. This implies

that many facilities managers are unsure of their significance to the organisation as a whole. Greater communication between finance departments and FM’s may be required in some organisations.

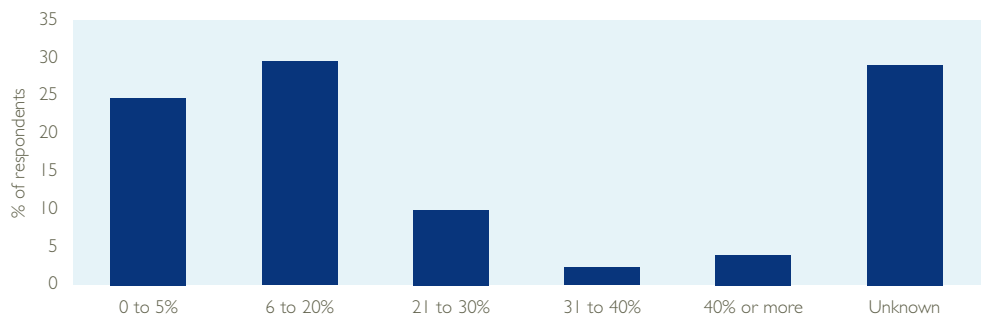
The scope of facilities management is expected to grow

The majority (65 per cent) of survey respondents predicted an increase in the scope of facilities management within their organisations over the next five years. This contrasts sharply with the 3 per cent who believed that a decline was more likely.

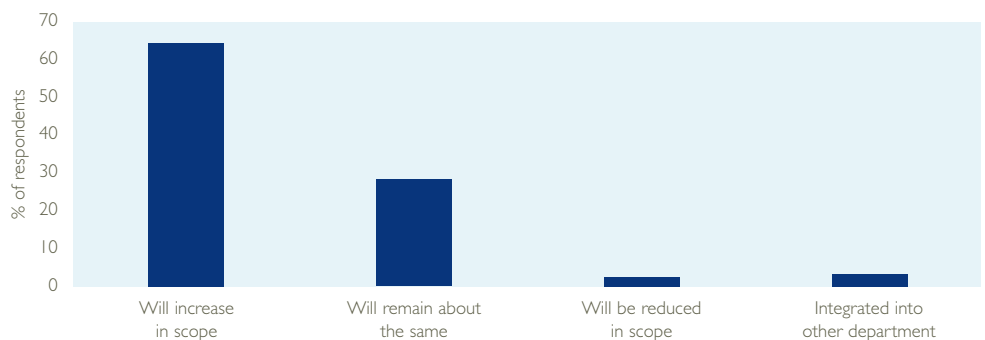
FM budgets seem set to increase

Just over half of respondents expected their budgets to rise moderately or significantly through the coming 12 months to support their increasing responsibilities. Conversely, only 21 per cent felt that there would be a decrease during this time, while 23 per cent expected budgets to remain static.

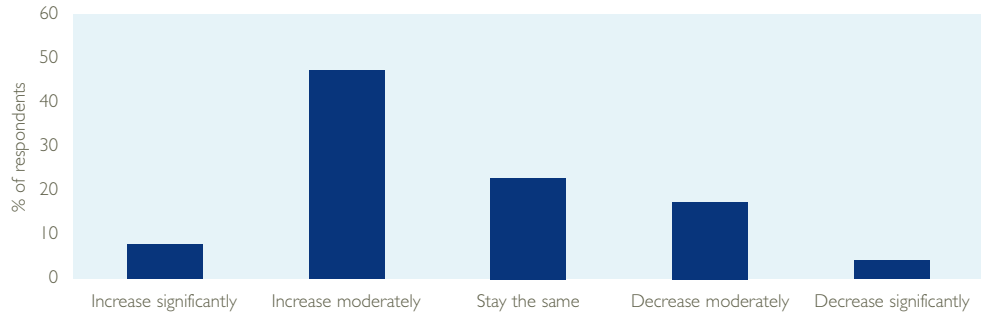
What percentage of your organisation’s annual spend does the facilities management department control? (Facilities managers only)



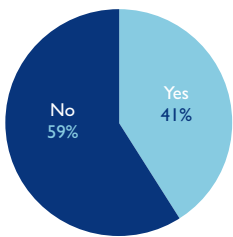
How do you see facilities management evolving within organisations over the next five years?



In general, how do you expect facilities management budgets to change over the coming 12 months?



In your experience, do organisations have formal programmes in place to measure the value they receive from facilities management services?



Split view on facilities management value measurement

59 per cent of respondents said their organisation had no formal programme for evaluating the contribution of facilities management. Cynics would say this is because many in-house facilities managers don't want metrics which would act as a stick to beat them with over their performance (fear factor). They perceive themselves as under funded and expected to over-deliver.

No clear picture of who represents facilities management interests at board level

Facilities managers generally fall within mid-to-senior level in the management hierarchy and less than 5 per cent are at board level. This could reflect the fact that facilities management is a relatively young profession and that its role and breadth of activity can vary significantly. Although there is no clear picture of how facilities management is represented in the board room it is assumed that FM is championed by a board member, for example the finance or operations director, as part of their remit.

Just over half of respondents expected their budgets to rise moderately or significantly through the coming 12 months to support their increasing responsibilities.

In your view, who represents facilities management interests at the board level within most organisations?



Managing environmental issues and sustainability

As a recent article in The Daily Telegraph put it:

“At six syllables, ‘sustainability’ is hardly the sexiest word on the planet, yet the term has come to be the year’s favourite business buzzword.”

Source: The Daily Telegraph 26 June 2007

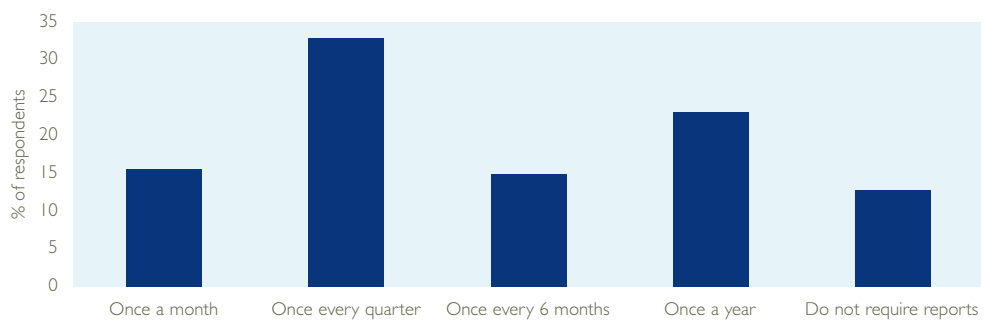
This was confirmed by facilities management professionals taking part in the survey. Over 65 per cent of respondents identified an increased focus on sustainable environments and processes as a key trend for the future. In addition, 69 per cent said that lifecycle sustainability was a required element of

the business case for the procurement of plant, equipment and property. Respondents also indicated that their departments now manage a wide range of environmental issues, with energy, waste, the workplace environment and hazardous materials at the top of the list.

Mixed views on environmental reporting

There was a near 50/50 split among respondents on whether organisations measure the cost and benefits of environmental projects. There were also mixed views on the frequency of environmental reporting.

Generally speaking, how often do you feel organisations require environmental reports from the facilities management department to be produced?



Survey respondents were split on whether or not budgets for business continuity and security had increased since the 7/7 London terrorist attacks in 2005.

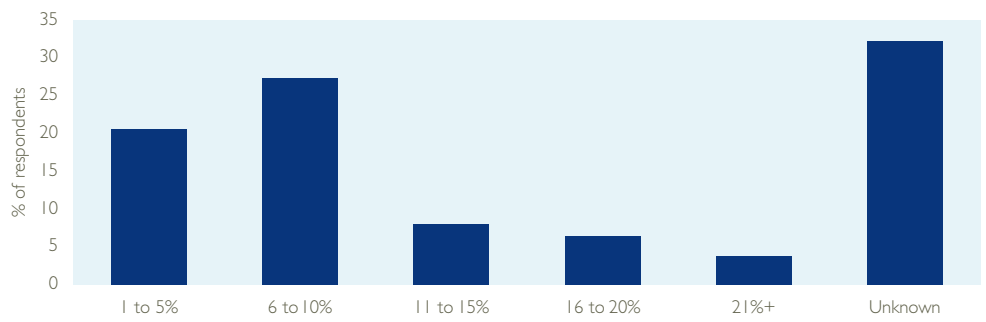
Business continuity and risk

Perhaps the most disturbing findings of the survey were that, over 50 per cent of facilities managers believe that 60 per cent of UK businesses do not have business continuity plans in place to deal with disaster recovery, indicating that in the event of fire, cyber-crime, natural disaster or a terrorist attack, many businesses may be under-prepared.

Split views on budget increases for security and risk

Survey respondents were split on whether or not budgets for business continuity and security had increased since the 7/7 London terrorist attacks in 2005. However, of those who did feel budget allocations were higher, approximately half felt that the increases had been limited to no more than 10 per cent.

By how much have organisations increased the budget allocation for security and business continuity on average?



Business continuity not pervasive among UK organisations

Facilities management professionals were also divided about the existence of business continuity plans within UK organisations. If businesses were well prepared, one would expect the distribution shown in the chart immediately below to be skewed to the right. The fact that it is, if anything, slightly skewed to the left is worrying.

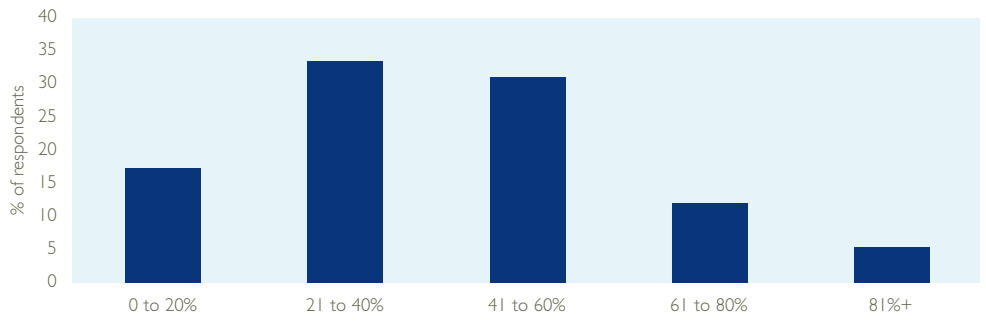
The survey showed that IT and buildings and infrastructure were the elements most frequently included in a plan, with human resources and supply management at the bottom of the list.

Business continuity plans need to go beyond just looking at IT. They need to be holistic, covering all key business activities with clear strategies for dealing with the entire 'portfolio' of extreme events.

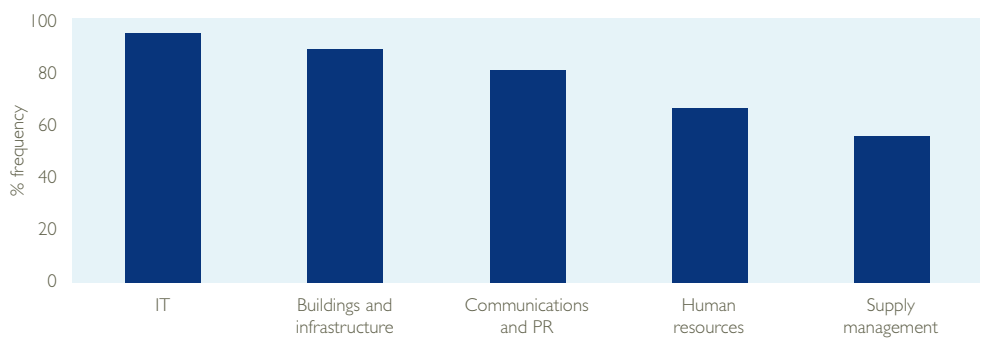
Standing crisis management teams

Half of survey respondents believed that UK organisations did not have standing teams for dealing with a crisis. However, among those who did, an overwhelming proportion (92 per cent) stated that facilities management representatives are included in these teams.

What proportion of organisations do you estimate have business continuity plans?



In general, what elements tend to be included in business continuity plans?



Skills development in facilities management departments

An overwhelming number of respondents pointed to a lack of career development programmes within their organisations. They felt that providing such opportunities would not only help to retain staff but also reduce recruitment and training costs.

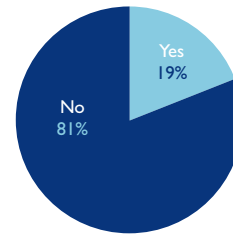
Few organisations invest in facilities management career development

A clear majority of respondents (81 per cent) stated that, in their view, UK organisations did not have career development programmes for facilities management employees. However, nearly as many (67 per cent) felt that implementing such programmes could help to reduce attrition among staff.

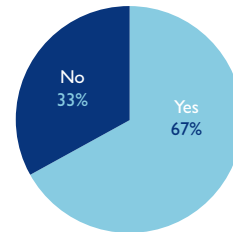
Minimum entry qualifications for new facilities management recruits vary

Facilities management departments appear to have differing qualification requirements for new recruits. A significant number indicated that the most widely accepted were Level 3 Certificate (Level 3 NVQ, A Levels), Level 4 Certificate (Certificates of higher education) and Level 5 (BTEC Higher National Diploma).

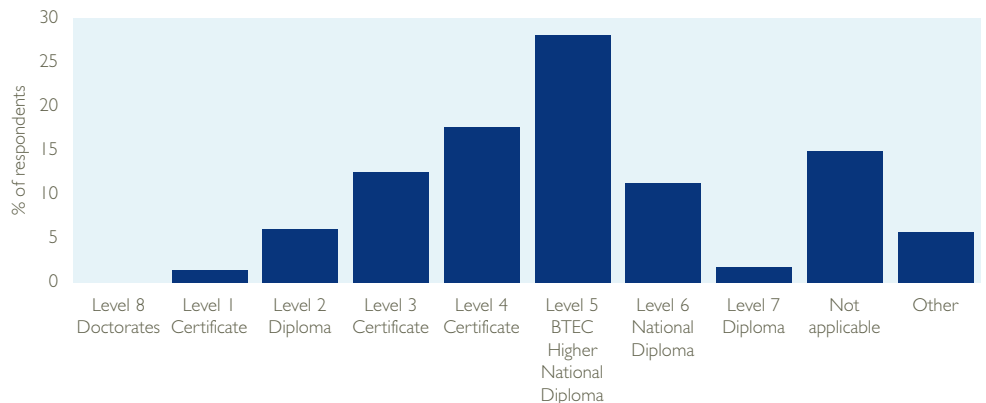
Do organisations tend to have formal career development programmes in place for facilities management?



In your opinion, do formal career advancement programmes in facilities management reduce employee attrition?



In general, what is the minimum entry level for new facilities managers?

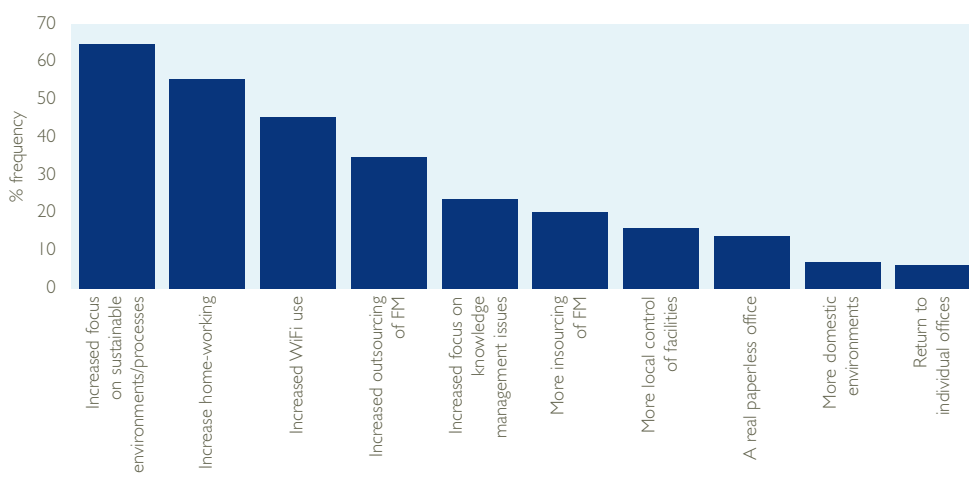


More than 70 per cent of facilities managers said that their employer offers flexible home working. A similar proportion of facilities managers indicated that working from home leads to increased job satisfaction and can help lower an organisation's overheads.

Work-at-home's benefits are recognised by FM professionals

	Yes	No	Unsure
Working from home can increase job satisfaction for the average employee	73%	21%	6%
Working from home can help reduce an organisation's facilities costs	73%	24%	3%
Facilities managers are at least partially responsible for flexible working arrangements	73%	21%	6%

What other key trends in the workplace do you expect to emerge in the future?



The evolving workplace

Employees are no longer confined to their offices. Many are now working from home and this trend is set to continue.

Home working schemes popular in UK organisations

More than 70 per cent of facilities managers said that their employer offers flexible home working. A similar proportion of facilities managers indicated that working from home leads to increased job satisfaction and can help lower an organisation's overheads. Respondents also agreed that facilities managers were at least partially responsible for flexible working arrangements.

Sustainability and home working will increase

Sustainability and working from home topped respondents' choices as the main trends in the workplace of the future for facilities managers. Nearly 50 per cent predicted that WiFi would be more widely used while around 40 per cent thought that there would be more outsourcing of facilities management. Fewer than 10 per cent believed that individual offices and offices reflecting domestic environments would be priorities. Open plan working is clearly here to stay!

93 per cent agreed that complying with regulations was becoming more demanding and 71 per cent were more concerned about the risk of non-compliance than they were a year ago.

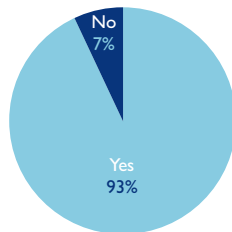
Compliance and regulation management

Managing compliance is a key role for facilities management professionals who are now spending up to 30 per cent of their day on dealing with regulations. Despite this, they did not anticipate an increase in their budget allocation and many were concerned about the risks of non-compliance.

Facilities management is a key player in dealing with compliance issues

Respondents indicated that facilities management departments play an extremely active role in the management of compliance and regulation management.

In your opinion, do FM departments actively manage compliance with facilities management-related regulations?



Compliance budgets are not expected to rise

Despite the considerable role that facilities management departments play in managing compliance issues, nearly 56 per cent of respondents indicated that funds for dealing with these issues were likely to stay flat, or even to decrease over the next 12–18 months.

40 per cent of respondents believed that 10 per cent or less of facilities management budgets were allocated to dealing with regulatory management.

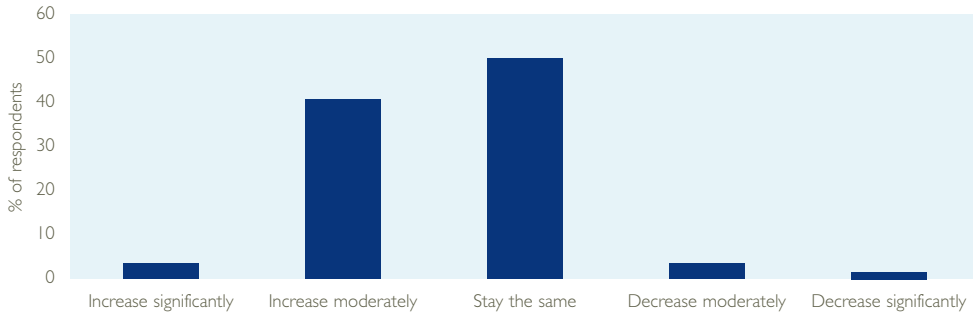
Compliance is an increasing concern for facilities managers

Dealing with compliance at work is clearly a growing concern for facilities management professionals. The survey indicates some worrying trends. Specifically, 93 per cent agreed that complying with regulations was becoming more demanding and 71 per cent were more concerned about the risk of non-compliance than they were a year ago.

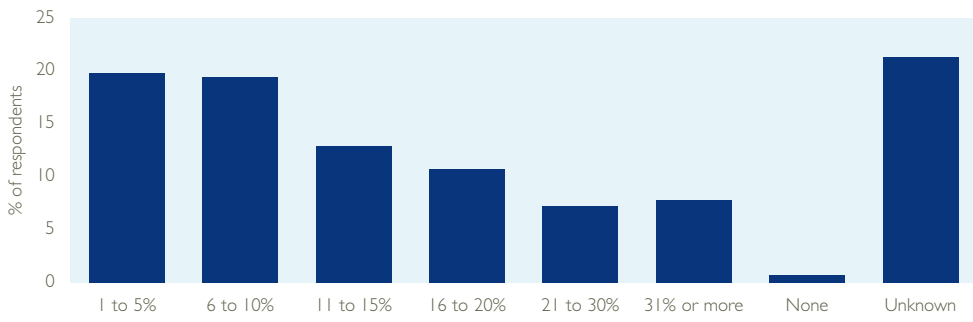
Facilities managers appear unsure of globalised services

Facilities management professionals appear at best unsure about the possibility of their services going global. When asked whether customers wanted more global facilities management services, only 44 per cent agreed. 33 per cent said they did not and 23 per cent were unsure. This was compounded by 61 per cent of respondents agreeing that delivering facilities management services globally was too complex for most suppliers.

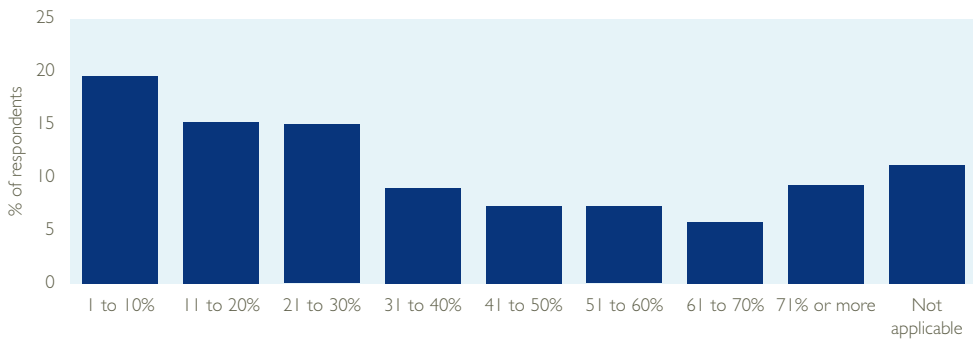
Do you expect your compliance budget allocation to increase or decrease over the coming 12–18 months? (Facilities managers only)



In your opinion, how much of facilities management budgets are allocated to compliance with regulations?



In your opinion, what proportion of supply chain contracts are renewed annually on average?



FM professionals comment on supply chain contract complexity and bundling

	Yes	No	Unsure
Bundling of facilities management services is increasing	83%	12%	5%
Contracts with supply chain partners are getting more complex	72%	19%	9%

Dealing with supply chain partners

There is no question that the supply chain is one of the most important elements of any business. But, surprisingly, the survey showed that measuring the effectiveness of supply chain partners was not uniform. At the same time, relationships with supply chain partners are becoming more complex.

Limited analysis of supply chain partner effectiveness

The lack of a comprehensive system for measuring supply chain partner effectiveness was underlined by 60 per cent of respondents who believed that FM departments generally do not have a measure for supply chain partner effectiveness.

The absence of measurement is further highlighted by the fact that 50 per cent of participants reported that only 30 per cent or less, of supply chain contracts are renewed annually. This relatively low rate of churn probably reflects the expense of re-bidding contracts as well as the difficulty of measuring contract performance.

Increasing complexity of supply chain partner relationships and service bundling

Facilities management professionals clearly consider that their relationships with supply chain partners were increasingly complex, a statement confirmed by over 70 per cent of respondents. Even more compelling was the statement that bundling of services is increasing, which clearly shows that there is a shift in how suppliers are doing business.

The way forward...



Now

FM now

- Scope of FM is broad with significant budgets.
- FMs are influential with different routes to the board.
- FMs responsible for a wide range of environmental and sustainability issues.
- Many businesses are still without comprehensive business continuity plans which are regularly tested.
- Differing entry level qualifications for FMs.
- Lack of career development programmes for FMs.
- Flexible home working arrangements are widespread.
- Significant compliance risk and cost.
- Limited global supply of FM.
- Limited analysis of supply chain effectiveness.
- Supply chains becoming more complex with greater bundling of services.

Enablers

Future

Enablers of change

- Demonstrate the value of FM:
 - identify the organisation's needs and propose solutions
 - better performance metrics
 - better communication (speak the language of the board).
- Better environmental reporting:
 - cost benefit analysis
 - common standards
 - consistency, comparability
 - audited information.
- Embedded risk management processes.
- Business continuity planning using best practice standards (eg BS 25999).
- Investment in skills training.
- Career development programmes.
- Investment in latest technologies which enhance workplace flexibility.
- Embedded compliance processes.
- Training in regulation and compliance.
- Building regional and global supplier networks.
- Common standards and methodologies.

FM in the future

- Increased scope and budgets.
- Greater influence and board representation.
- Stakeholders placing even greater emphasis on life cycle sustainability and environmental reporting.
- Substantially all businesses have quality business continuity plans covering all key activities.
- Staff with the right skills readily available.
- Higher retention of staff.
- FM fully responsive to new working arrangements as dictated by social and economic factors.
- Increased regulatory and compliance requirements.
- Global suppliers offering consistent levels of service.
- Greater supply chain complexity.

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BDO Stoy Hayward is the UK Member Firm of BDO International, the world's fifth largest accountancy network, with more than 600 offices in over 100 countries.

How we can help you

If you would like further information about this publication or our specialist knowledge of the facilities management sector, please contact Iain Lawson, Partner, on 020 7893 3623 or email iain.lowson@bdo.co.uk.

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