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How Can Facilities Management Add Value To Organisations As Well As To Society?

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Abstract

The purpose of this paper is to present lessons learnt from a 3 year collaborative research project on the added value of Facilities Management (FM) involving institutions in five European countries. The starting point was the so-called FM Value Map developed earlier by the leader of the research group. The project applied three basic theoretical perspectives: FM, Corporate Real Estate Management (CREM) and Business to Business (B2B) marketing and started with a major literature review on added value based on each of these perspectives. The collaboration included a series of workshops and preparation of research papers covering theoretical, methodological and empirical aspects. The results were published as an anthology in May 2012. The three basic perspectives of FM, CREM and B2B marketing provide both overlapping and complementary focus areas in relation to adding value. Four conceptual models are presented and compared. They include parameters and strategies for how FM can add value with many similarities and a trend towards convergence. Stakeholder relationships and relationship management are seen as crucial in adding value, which for instance is expressed in the concepts FM Value Network and Value Adding Management. Besides adding value for the core business of organisations it is becoming increasingly important for FM to add value for society, for instance in terms of sustainability and corporate social responsibility. The advancement in knowledge and understanding presented in the paper offers a new state of the art, which can give inspiration and guidance for cutting edge FM organisations and professionals as well as for advanced teaching and future research.

Keywords: Facilities Management, Corporate Real Estate Management, B2B Marketing, Added Value, State of the Art.

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1. Introduction

This paper is based on the work of a EuroFM research group on “The Added Value of FM” established in 2009. The group included researchers from Denmark, Finland, Switzerland, The Netherlands and the UK. The background for the collaborative research is that the perception and application of Facilities Management (FM) during the last few decades have seen a gradual shift from a focus on cost reduction towards managing of facilities as a strategic resource to add value to the organisation and its stakeholders and to contribute to its overall performance. The main results of the work so far are presented in the anthology “The Added Value of Facilities Management – Concepts, Findings and Perspectives” (Jensen et al., 2012), which was launched during the European Facility Management Conference (EFMC) in Copenhagen, May 2012.

The book shows why and how this shift occurred and how the supply of facilities and services can or should be aligned to the different interests and needs of various stakeholders. It connects concepts, theoretical frameworks, research data and measurement tools from different countries and different disciplines, including Facilities Management (FM), Corporate Real Estate Management (CREM), and Business to Business Marketing (B2B Marketing). The empirical studies explored different sectors such as offices, higher education, industry and health care. This paper presents some of the main results of this collaborative research with a focus on how FM can add value to organisations as well as society. The three basic theoretical perspectives of FM, CREM and B2B marketing will be outlined and four models of how FM and real estate can add value will be presented and compared. Furthermore, some important lessons learnt and new insights concerning relationship management and sustainability are presented.

2. The Three Basic Theoretical Perspectives

It was clear from the outset, that the researchers in the group had different academic and theoretical backgrounds. Even though they all did research in relation to FM, some of the researchers were more engaged in the related field of CREM. There were also differences with some researchers from architectural and engineering backgrounds and others from B2B marketing and similar marketing related backgrounds. These different backgrounds were seen as fruitful in providing different types of insights into frameworks and challenges in reaching common understanding of the benefits and shortcoming of the different theoretical frameworks.

2.1 Facilities Management (FM)

The activities that today are regarded as part of FM have existed in organizations for a long time before the term FM was used and the profession of FM was established starting in the 1980’s. The development of FM as a new management discipline in many countries during the 1980’s and 1990’s has very much been driven by an aim to control and reduce cost by new ways of organizing and managing a number of disparate activities, which formerly had been without much management attention. With the introduction of centralisation, internal markets, benchmarking, outsourcing, Service Level Agreements (SLAs) and Key Performance Indicators (KPIs), a new management regime has been introduced and in many cases resulting in tremendous cost savings. Around the change of the millennium the role of FM has changed in many corporations. Controlling cost is no longer sufficient. In periods of expansion and with strong demand for new generations of a limited number of highly skilled professionals from the creative class, it is for many companies more important to attract and retain employees. Providing attractive workplaces with excellent services has become increasingly important as a primary requirement for FM. This forces FM to focus on how facilities can be managed to add value to the core business. The same applies to the changes in society towards an experience economy. The financial crisis which started in 2008 may, for a period, change the focus back towards cost reduction, but the underlying change to knowledge and experience economy has not changed. The new focus on sustainability and corporate social responsibility are other trends that, drives FM towards a focus on added value.

One of the first manifestations of the new focus on added value in FM was the establishment of a NordicFM work group in 2006 to ‘Highlight the added values for the core business provided by Facilities Management’. The members were mostly practitioners. The only researcher participating in meetings in the work group was Per Anker Jensen, Technical University Denmark, who alongside participating in the NordicFM work group was leading a research project at the Technical University of Denmark on FM Best Practice in the Nordic Countries. The project included 36 case studies. One of the general conclusions was that there had been a change in FM from mainly focusing on cost reductions towards a higher degree of focus on adding value. By analysing 21 cases from the first phase of the research project he developed the so-called FM Value Map, which was partly inspired by strategic mapping from the Balanced Scorecard (BSC) methodology (Kaplan and Norton, 2000). The FM Value Map was published together with the 36 cases in books in English and Danish (Jensen et al., 2008) and as a research paper in the scientific journal Facilities (Jensen, 2010).

2.2 Corporate Real Estate Management (CREM)

During the last few decades there has been a shift going on from perceiving real estate as a necessary burden, toward a rising awareness of the possible contributions of real estate to corporate performance. Contrary to the transaction-oriented focus of real estate management from an investors’ point of view, aiming to get the best possible return on investment in the short and long run, CREM focuses on alignment of real estate to corporate needs and objectives, incorporating the needs and wishes of shareholders and different stakeholders at strategic, tactical and operational levels. While real estate resources and capabilities were initially controlled and managed by the individual corporations, activities and responsibilities are nowadays delegated more and more unto professional parties outside the corporation. In the field of public real estate, i.e. real estate owned or rented by ministries, municipalities and other governmental agencies, a shift is going on from decentralised real estate management with a focus on facilitating primary processes towards integration of FM and CREM in centralised shared services.

As a consequence of this changing context and the changing scope of corporate and public real estate, real estate managers working in or for public or private companies are in urgent need for clear conceptual frameworks, data and tools for “evidence based” decision making on linking real estate decisions to corporate strategy and adding value by real estate. Nourse and Roulac (1993) were the pioneers who started to investigate how alternative real estate strategies can contribute to business objectives. They found that too often the dominant emphasis is on the financial goal of cost minimization. In order to effectively support a range of corporate objectives, multiple rather than single real estate strategies are required. They linked eight types of real estate strategies to a number of possible aims of a firm. This research has been followed up by Anna-Liisa Lindholm (Lindholm et al., 2006), who developed a model based on strategic mapping from Balanced Scorecard (BSC) methodology (Kaplan and Norton, 2000) to show how real estate strategies can lead to profitability growth and/or revenue growth and thereby maximize the wealth of shareholders. Jackie de Vries investigated the impact of real estate interventions on organisational performance through a survey among Institutes of Higher Professional Education in the Netherlands (De Vries et al., 2008). The empirical study was based on a theoretical model that takes its starting point in the thinking of Joroff et al. (1993), that real estate is the fifth resource after human resources, technology, information and capital. A recent dissertation by Alexandra den Heijer on *Managing the University Campus* (Den Heijer, 2011) further explored how policymakers and real estate managers incorporate ways to add value to the core business in campus management and how they balance the needs of different stakeholders such as the daily users, controllers and society.

2.3 Business to Business Marketing (B2B Marketing)

Marketing - in the sense of development of new products or pricing decisions - has been playing a role in market transactions for several centuries already. The early phase of marketing’s development was characterized by the idea of selling products. In the 1950s and 1960s, the so-called marketing-mix was defined (McCarthy, 1964), which integrated the existing concept of marketing as advertising and sales into a broader system of classifying marketing activities. In recent years the discipline has witnessed a shift to issues addressing marketing implementation, which called for a more multi-disciplinary viewpoint combining marketing with other business disciplines such as organizational behaviour, psychology or finance (Workman et al., 1998). A new approach addressed the question of to what extend a company should be managed as a market-oriented organization (Jaworski and Kohli, 1993). Parallel to the emphasis on market-oriented management, customer relationships increasingly gained more importance and attention from both marketing practice and theory (Homburg et al., 2009). The basis of this perspective is the awareness that the establishment and sustainability of profitable long-term customer relationships pose a central challenge to business in general and marketing in particular. The concept of relationship marketing implies that the individual transaction with customers is replaced by a focus on long-term business relationships (Berry, 1983; Grönroos, 1990).

In the 1980s a string of research evolved around the difference between marketing of goods and services (Parasuraman et al., 1985). Basically, service marketing was established as a research and management discipline, because services needed different marketing approaches than physical goods. Services are mostly intangible and the customer takes part in the delivery process (Zeithaml et al., 2006). Because of this the customer and his/her perception of the service process plays an even more significant role than in evaluating physical goods. Based on the original idea of the value chain (Porter, 1998), the Service Value Chain structures value creating processes of service firms (Bruhn and Georgi, 2006). In addition, the concept of the Service Profit Chain (Heskett et al., 1994) by Harvard Business School structures the impacts of service provider's activities on the customer's perceptions and behaviours. At the same time it shows how customer value is created. Services marketing activities are evaluated by the customer and will lead to certain customer's behaviours, e.g. loyalty and repurchasing. This positive behaviour will ultimately lead to increased firm value. It can be stated that the Service Value Chain encompasses value activities by organizations; the Service Profit Chain encompasses the value effects of these activities (Bruhn and Georgi, 2006).

2.4 Comparison of the three perspectives

The difference in scope between FM and CREM is that CREM has its focus on real estate as physical and economical assets utilized by an organization, while FM has a wider service focus including demands related to space and infrastructure as well as people and organization (CEN, 2006). As professions, FM and CREM can be overlapping with different traditions in different countries and organizations. The difference in scope between FM and CREM on one side and B2B marketing on the other as professions is that FM and CREM are related to organizations' use of built facilities and the input side of business processes, while B2B marketing can concern the sale of any product or service and is related to the output side of business processes. B2B marketing as a discipline is mostly based on social science with research and teaching at business schools, while FM and CREM have a more multi-disciplinary character with a knowledge base from social science, architecture and engineering. FM and CREM are strongly related to the resource based view in strategic management thinking. Marketing in general has a longer tradition as a profession than FM and CREM.

Table 1 presents a comparison of the different aspects included in the scope of the three basic disciplines. FM and CREM both have a strong focus on the physical assets of an organisation in terms of facilities, real estate, property and buildings. FM has a much stronger focus on services and service management than CREM, whereas B2B marketing also can have a strong focus on services, particular when applied to the FM domain. B2B marketing naturally has a strong focus on marketing, which is not the case for FM and CREM. Relationships are also very much in focus for B2B marketing, but that is increasingly the case for both FM and CREM too, particularly in terms of stakeholder relationships and management and regarding partnerships between providers and customer organisations. Economy is important for all perspectives, but with major differences in focus. FM has a strong focus on operational cost and CREM has a strong focus on investments and life cycle costs, while price and income generation is the main economical focus of B2B marketing.

Table 1: Comparison of the three basic perspectives

Aspect / Perspective	Physical assets	Services	Marketing	Stakeholders	Economy
FM	X	XX		X	X
CREM	XX	X	X	X	X
B2B marketing		X	XX	X	X

3. Four Conceptual Models

When the collaborative research started there were three main conceptual models of mapping added value – The FM Value Map by Per Anker Jensen and two models from CREM by Anna-Liisa Lindholm (now Sarasoja) and Jackie de Vries. The model of Jackie de Vries is shown in Figure 1. The FM Value Map is shown in the generic version in Figure 2. An updated version of the model by Anna-Liisa Sarasoja is shown in Figure 3. It includes “Supporting environmental sustainability” as an additional real estate strategy and also shows possible Green FM influences for the other real estate strategies. Alexandra den Heijer developed a fourth model shown in Figure 4 as part of her PhD-study at Delft University of Technology (Den Heijer, 2011). It is partly based on the model by Jackie de Vries, but it rephrased and added new values and as such is seen as a new model.

A comparison of the added value parameters in the four conceptual models is shown in Table 2 structured according to the four headings: People, Process, Economy and Surroundings. The parameters related to People are quite similar in model A and D. All models include (employee) satisfaction. Model B defines “Culture” as including “Image”, which are separated as different parameters in model A and D. Model C only includes “Increase employee satisfaction” under People, but this model as the only model includes “Promote marketing and sale” under Economy, which can be seen as an economical expression of “Image”, similar to brand. All four models include at least three parameters for Process with many overlaps; the differences can partly be seen as different degrees of sub-dividing. In relation to Economy, model B (the FM Value Map) only includes the parameter “Cost”, while the three other more CREM based models include parameters for “Value of real estate”, “Value of assets” or “Possibility to finance”. The parameter “Controlling risk” in model D is defined as related to financial goals, but it is also strongly related to the Process parameter “Reliability” in model B. In model A “Risk control” is included as well, partly related to reducing financial risks, but also to improving health and safety. Model B was the first model to include parameters related to Surroundings, including the “Environmental” parameter, but the other more recent CREM based models C and D also include a parameter for “Environmental sustainability”.

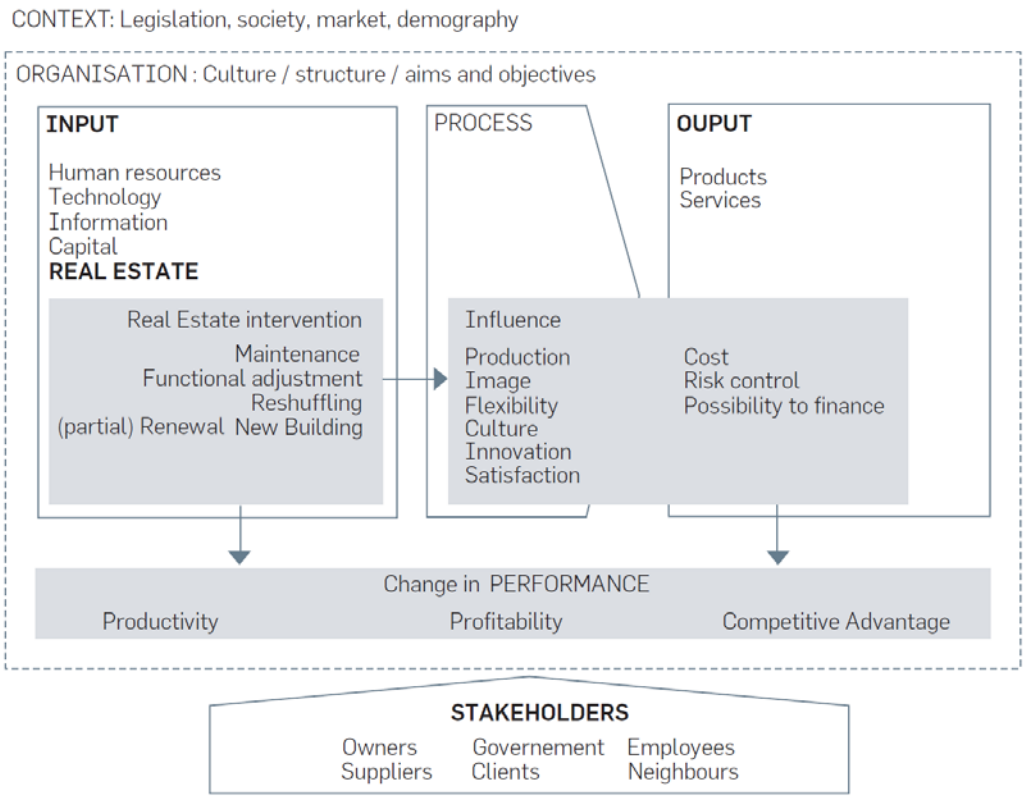

Figure 1: Model 1 by Jackie de Vries (De Vries et al., 2008)

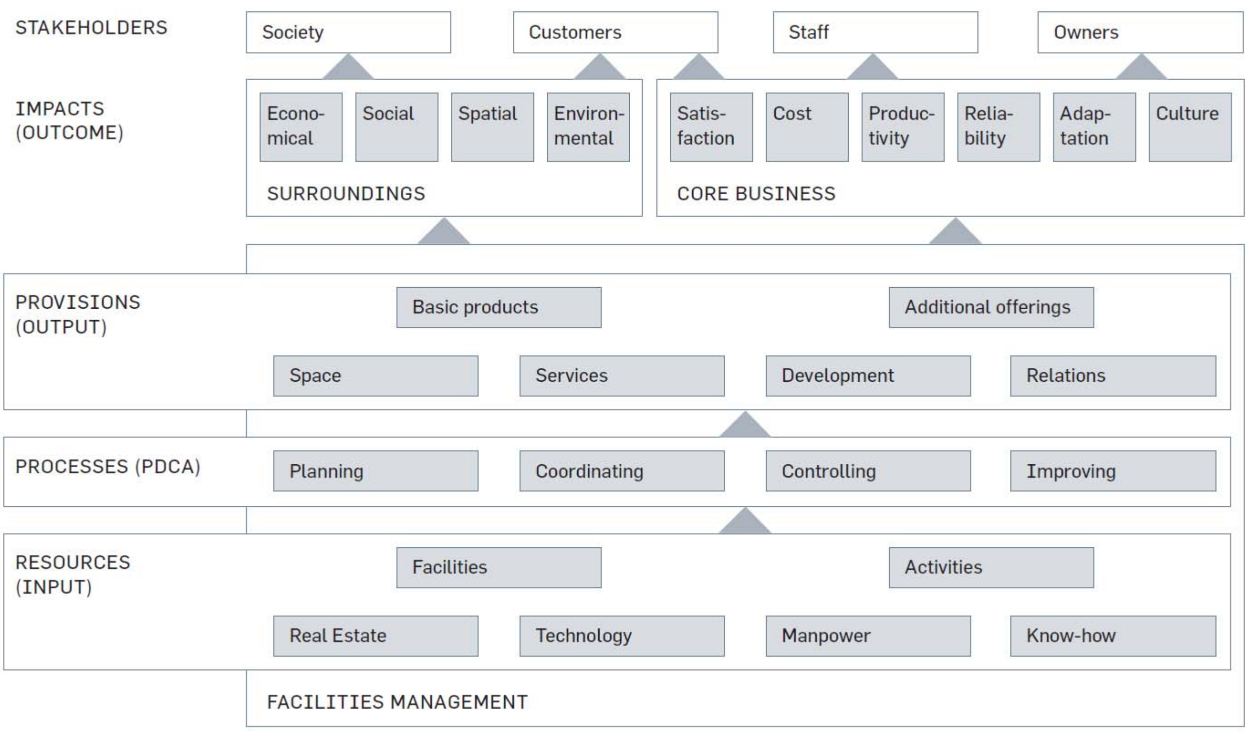

Figure 2: Model 2 by Per Anker Jensen (Jensen et al., 2008)

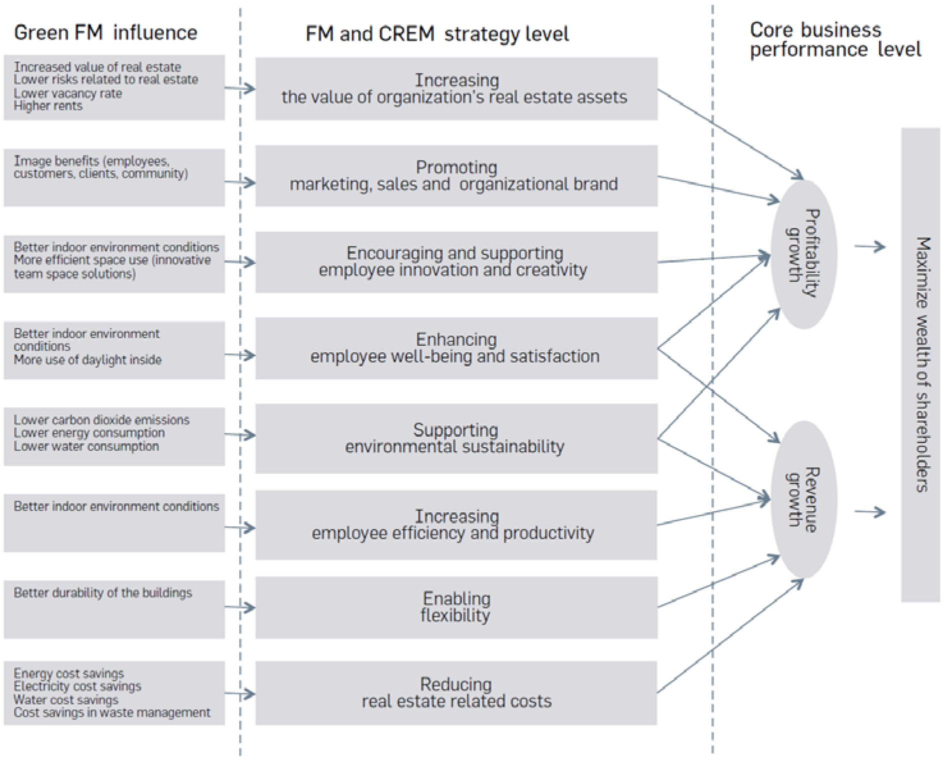

Figure 3: Model 3 by Anna-Liisa Sarasoja (Jensen et al., 2012)

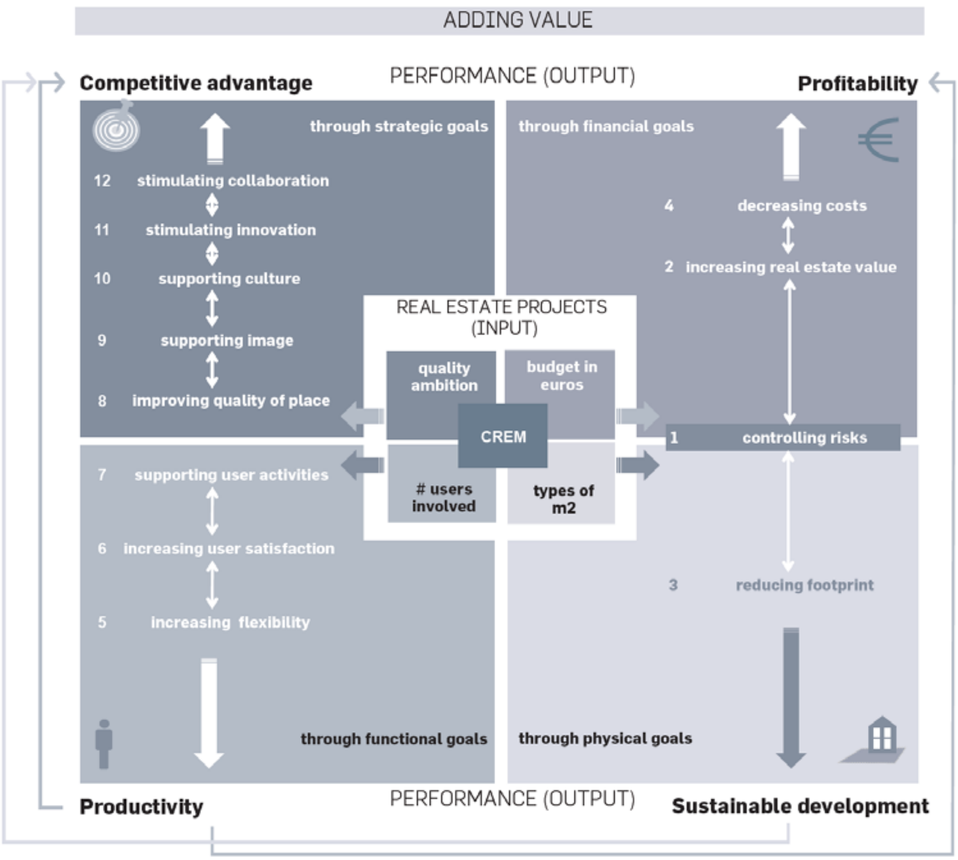

Figure 4: Model 4 by Alexandra den Heijer (Den Heijer, 2011)

Table 2: Comparison of added value parameters in the four models

	A. **Jackie de Vries**	**B.** **Per Anker Jensen**	**C.** **Anna-Liisa Sarasoja**	**D.** **Alexandra den Heijer**
Core business				
People	Image Culture Satisfaction	Satisfaction Culture	Increase employee satisfaction	Increasing user satisfaction Supporting image Supporting culture
Process	Production Flexibility Innovation	Productivity Reliability Adaptability	Increase innovation Increase productivity Increase flexibility	Increasing flexibility Supporting user activities Improving quality of place Stimulating innovation Stimulating collaboration
Economy	Cost Possibility to finance Risk control	Cost	Increase value of assets Promote marketing and sale Reduce cost	Controlling risk Increasing real estate value Decreasing cost
Surroundings		Economical Social Spatial Environmental	Supporting environmental sustainability	Reducing the footprint

The structure of the FM Value Map (B) differs basically from the three CREM based models (A, C, D) by including a clear separation between FM and core business and inclusion of FM processes. The distinction between FM as a support function to a core business is a fundamental part of much theory on FM – although not undisputed. The CREM based models A and D also include a process view with input and output. However, the process in question is obviously the core business process with no distinction of a separate CREM process. Model C does not include a process view but focuses on different real estate strategies and their impact on revenue growth and productivity. Model C is also different by a focus on maximizing shareholder value, while the two other CREM based models include multiple stakeholders like the FM Value Map. The distinction in the structure of the FM Value Map and the CREM based models can be related to the basic theoretical understanding in FM and CREM. CREM is a resource based management discipline and connects building science with business administration and business economics, while FM is a service and process oriented discipline.

4. Lessons Learnt and New Insights

Several chapters in the book discuss relationship management and the subjective nature of value, making clear that added value of FM cannot be created without cooperation and by understanding the different value perspectives. Coenen et al. (2012a) presents FM as a “Value Network” and propose to consider FM as a network of relationships, which create perceived value amongst key stakeholders i.e. clients, customers and end users. Furthermore, they claim that perceived value can only exist and be produced within this specific network of relationships. They extend the idea of the FM Value Map by taking up a demand-driven, co-creating, and subjective perspective of value and differentiating between various dimensions or perceived value in FM. Coenen et al. (2012b) goes a step further to find a way to capture relationship value in FM. Various value dimensions and relevant drivers of FM relationship value are described and analysed, including trust, reliability and adaptability. The key learning point is that the success of a collaborative relationship leads to the success of value delivering to the stakeholders. Jensen and Katchamart (2012) present the concept of “Value Adding Management”, which focuses on the relationships between FM and the core business at strategic, tactical and operational levels and argues that the relationships with the stakeholders should be managed differently at each level. At the strategic level FM should have a business orientation, where considerations for the whole corporation are in focus. This calls for joint decision making involving all main stakeholders at management level, which can take the form of a coalition. At the tactical level FM should have a customer orientation, where the specific needs of each business unit are in focus. This calls for a bilateral negotiation and decision making. At the operational level FM should have a service orientation, where the individual users’ needs are in focus and the services are either provided based on price per order or based on a service charge.

Just like everywhere else, sustainability is discussed more and more - also in connection to FM. It is already a widely known fact that at present, buildings contribute as much as one third of total global greenhouse gas emissions and that the building sector has the most potential for delivering significant and cost-effective green house gas emission reductions in western economies (UNEP, 2009). However, less recognized is that over 80% of greenhouse gas emissions take place during the operational phase of buildings (Junilla et al., 2006) and is (or should be) under the control of FM. Sarasoja and Aaltonen (2012) studied environmental sustainability from the occupier organisation perspective and identified in a case study the ways to create added value through greener FM processes. This case study shows that improving the environmental performance of facilities and services does not only decrease the energy consumption and greenhouse gas emissions, but also contributes to the organisation in other ways. Greener FM services have a potential to affect employee wellbeing and productivity, improve image of the occupier organisation, and last but not least decrease costs at the same time. These kinds of studies are good examples also on the strategic nature of FM and how FM had a potential to contribute at the strategic level to the client organisation. With proven and commercially available technologies, the energy consumption in both new and existing buildings can be cut by an estimated 30 to 80% with potential net profit during the building life-span. Consequently, it is not overstating to say that FM has a potential to influence the world more than ever before.

5. Conclusion

The comparison of the three basic perspectives of FM, CREM and B2B marketing show that they provide both overlapping and complementary focus areas. FM and CREM has a strong focus on the physical assets. FM and B2B marketing both have a strong focus on services, which is not so much a focus area in CREM. All three perspectives share a focus on stakeholders and relationship management. Comparisons of the added value parameters of four conceptual models from FM and CREM show many similarities and a trend towards convergence. It is particularly noticeable that the recent models from CREM like the FM

Value Map include "Environmental sustainability" as a parameter. However, the basic structures of the models are different, which can be related to CREM being transaction and project oriented, while FM is more service and process oriented.

One of the important lessons learnt is that relationship management is an essential aspect of FM and a careful management of stakeholders and relations is a prerequisite for FM to add value. The different conceptual models are important tools to analyse and demonstrate how FM and real estate can add value, but there is a need to further develop management concepts, which can guide facilities managers to develop strategies and relationships that enhances the implementation of value adding activities. The concept of FM Value Network and Value Adding Management are attempts to develop such concept. Another lesson learnt is that sustainability is a crucial aspect of FM in relation to adding value to both organisation and society and is particular attractive as it can at the same time increase staff satisfaction and corporate image and result in cost savings, particularly in relation to reduction in energy consumption. But the wider aspects of sustainability in relation to social aspects needs to be developed much further and Corporate Social Responsibility is another area, which is expected to be essential for FM to create value in the future.

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