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# RICS Strategic Facilities Management

Case Studies

Authored by:



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Case Studies



# Report for Royal Institution of Chartered Surveyors

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# Foreword



Improving patient outcomes, determining the best mix of retail customers, increasing employee engagement or delivering transformational change would not historically have been the language associated with Facilities Management professionals, but the world is changing and the impact, influence and strategic importance of FM to organisations is beginning to resonate through to the very core of corporate leadership.

In this second edition of RICS case studies we review a diverse range of stories across both the public and private sector and from around the globe. The important message that permeates all of these case studies is that FM needs to have a place at the heart of an organisation and be fully embedded and absolutely focused on delivering the mission and vision for that business.

A more strategic approach, though, to Facilities Management is obviously not the only ingredient in delivering organisational excellence, and it is clear that listening to customers, staff or other users of the built environment and working collaboratively with the key support functions within an organisation, will lead to the delivery of truly sustainable success.

It is within that context that these case studies seek to highlight what excellence looks like in FM and through live examples help to bring the profession as a whole out from the background and very much into the foreground of decision-making and influence.

The most successful businesses no longer consider FM as a transactional activity and simply a cost centre that needs to be managed, and that the way in which we create, maintain and operate great places to live and work will have a fundamental impact on customer satisfaction, profitability, employee engagement or educational and health outcomes.

The world of Facilities Management is dynamic and the necessity to innovate, adapt and refresh how FM services are delivered is driven not only by the changing nature of the economic environment or organisational imperatives but also by the rapid progress in technology, social aspirations, the environment and the political landscape.

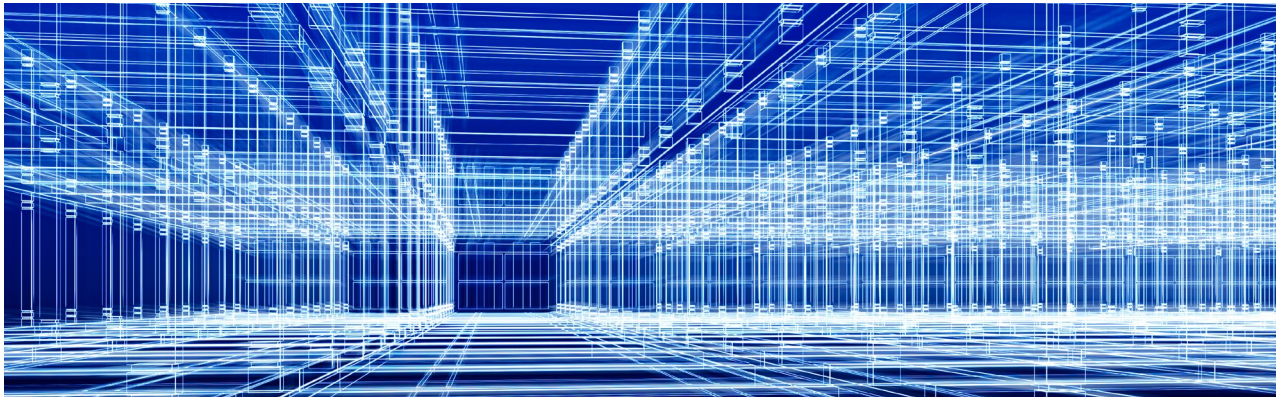
Whilst the conversation has undoubtedly begun to shift towards the 'value add' that FM can bring, these case studies also seek to demonstrate the technical expertise that distinguishes the profession. An expert understanding and appreciation of physical assets and the built environment, including their operation, underpins all of the strategic advice, starting in the best examples with BIM and a whole-life cost approach right through to how the workplace is serviced, maintained and utilised to maximise employee engagement and wellbeing.

Whether horse racing or healthcare, delivered in Hong Kong or St Helens, these case studies add depth and flavour to the strategic importance of FM. The organisations that have been showcased all demonstrate a clear understanding of their Mission and Vision and clearly articulate how FM has helped support their success. The challenge for all of us that work within FM is to ensure that across all organisations the strategic impact that FM can drive is understood and the significant contribution we can make in delivering sustained success is maintained.

## **Rory Murphy FRICS**

Commercial Director VINCI Facilities, Board member of RICS Professional Group for FM

# 1.0 Professionalising FM: Utilising BIM to innovate the management of facilities



## The issues

By utilising digital technologies to offer more efficient methods of designing, creating and maintaining the built environment, Building Information Modelling (BIM) is revolutionising the way buildings are designed, planned and managed<sup>1</sup>.

BIM works by embedding key product and asset data into a three-dimensional computer model that can be used for the effective management of information throughout a project's lifecycle – from earliest concept through to operation.<sup>2</sup> This information typically includes specifications on space and quantities, but may also include contract and maintenance data.

What this means for facilities managers is that key data for a building is embedded within multi-dimensional computer models that can be accessed easily to manage information effectively throughout the building's lifecycle, rather than relying on paper-based documents and systems that don't coordinate or integrate with one another.

However, despite its advantages, research suggests there has been some lack of understanding amongst FMs on BIM and how it could be used within the built environment. In a survey undertaken by the BIM4FM task group in 2013, 35% of the FM professionals who responded<sup>3</sup> reported they were not familiar with BIM or its uses and of those aware of BIM, 50.5% cited the initial investment and maintenance costs associated with implementing BIM as a main concern.

Commenting on the findings of the survey, RICS' Global Commercial Property Director, Johnny Dunford, stated *"By embracing BIM, FM professionals not only gain additional skills but can also become involved at the design stage as an educated consultant"*.

With this ethos in mind, and to help improve the built environment's understanding and knowledge of BIM, RICS has introduced the first BIM Manager Certification Standard, which demonstrates the skills and competence of construction professionals in using Building Information Modelling (BIM).<sup>4</sup>

## Strategic approach

BIM has certainly moved up the UK Government's agenda over the past three years, as notably demonstrated by a major objective known as Government Soft Landings (GSL) which aims to improve the operational performance of buildings beyond their completion; particularly in terms of their energy use.

1 [www.rics.org/uk/tag/bim](http://www.rics.org/uk/tag/bim)

2 [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/34710/12-1327-building-information-modelling.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34710/12-1327-building-information-modelling.pdf)

3 [www.bimtaskgroup.org/wp-content/uploads/2013/09/BIM4FM-Survey.pdf](http://www.bimtaskgroup.org/wp-content/uploads/2013/09/BIM4FM-Survey.pdf)

4 [www.rics.org/uk/join/member-accreditations-list/bim-manager-certification/#](http://www.rics.org/uk/join/member-accreditations-list/bim-manager-certification/#)



The objective will apply to all central government projects from 2016, and BIM has been identified as the tool to enable designers and developers and users of buildings to measure the operational lifecycle of their assets.

Deborah Rowland, Head of Property Asset Management at UK Ministry of Justice, who has been instrumental in leading the GSL agenda, explains:

*“Government Soft Landings could happen without BIM, but using Building Information Modelling makes the process so much more efficient.”*

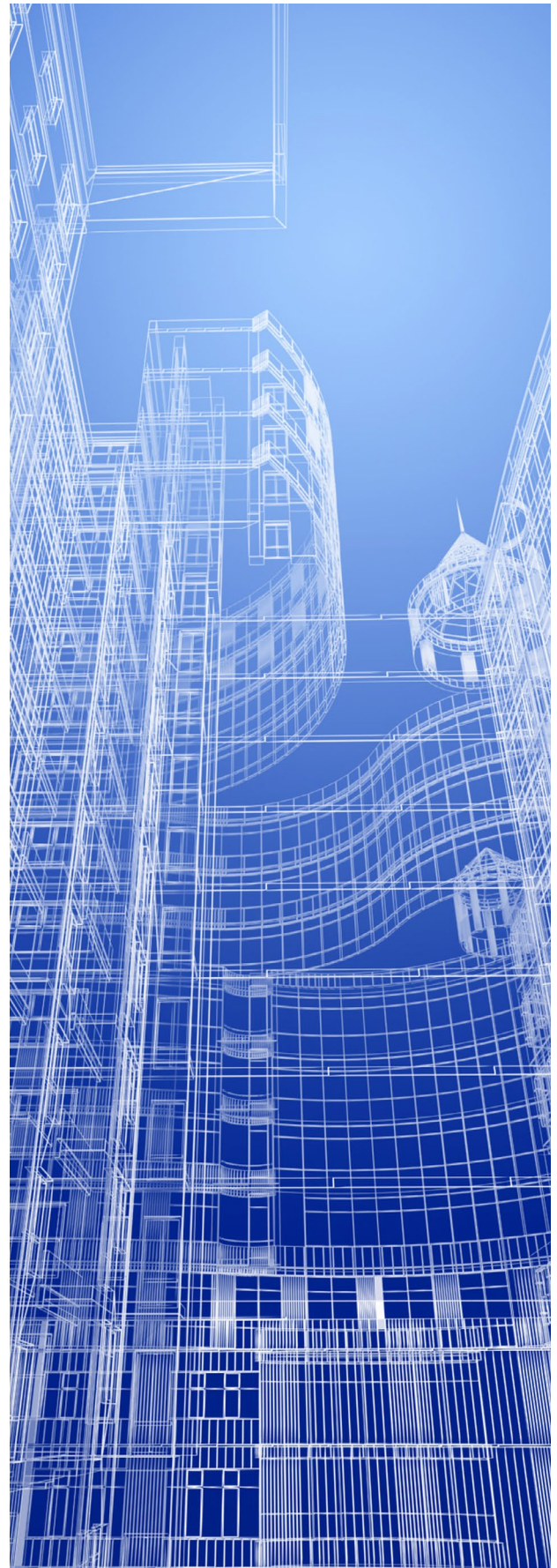
This is why BIM is being rolled out in tandem with GSL and a special BIM task group<sup>5</sup> was set up to usher in both GSL and the Government’s BIM strategy.

Seeing the great advantages BIM could have for facilities management, Rowland has spearheaded the formation of BIM4FM<sup>6</sup>, made up of leading institutes, trade associations and professional bodies representing the built environment. Working in collaboration, the group’s purpose is to champion facilities management’s involvement with Building Information Modelling projects.

All this activity has greatly accelerated the advancement of BIM within the built environment. According to the fourth annual NBS National BIM Survey, published in April 2014<sup>7</sup>, 70% of those using Building Information Modelling believe it has given them a competitive advantage and (at 95%) awareness of BIM has nearly trebled since 2013 and is now almost universal.

The survey revealed that more than half of respondents (54%) use it and 93% predict its adoption by 2016, the Government’s deadline for BIM use on publicly-funded projects. Improvements in productivity, increased efficiencies, better coordination of construction information and higher profitability are among the benefits cited by adopters of BIM, with a mere 4% wishing they hadn’t begun the journey. The construction industry feels more confident in its own knowledge of BIM (up from 35% in 2012 to 46% in 2013), but there is still skepticism regarding the wealth of information on the subject, with only 27% of respondents saying they ‘trusted what they hear about BIM’.

To help highlight its potential, this case study demonstrates the benefits of BIM for FM from a company that is using it in most of the construction projects it undertakes and has now applied it – from scratch – to a major TFM contract.



5 [www.bimtaskgroup.org/about/](http://www.bimtaskgroup.org/about/)

6 [www.bimtaskgroup.org/bim4fm-group/](http://www.bimtaskgroup.org/bim4fm-group/)

7 [www.thenbs.com/topics/BIM/articles/nbs-national-bim-report-2014.asp](http://www.thenbs.com/topics/BIM/articles/nbs-national-bim-report-2014.asp)

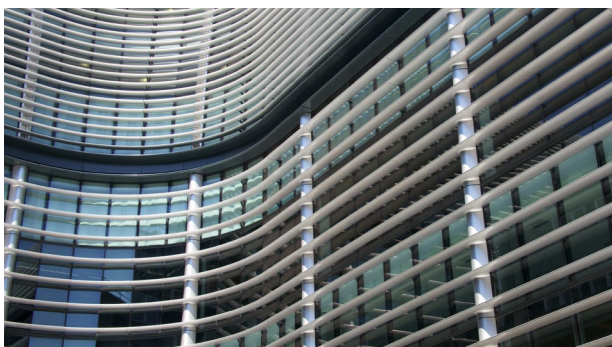
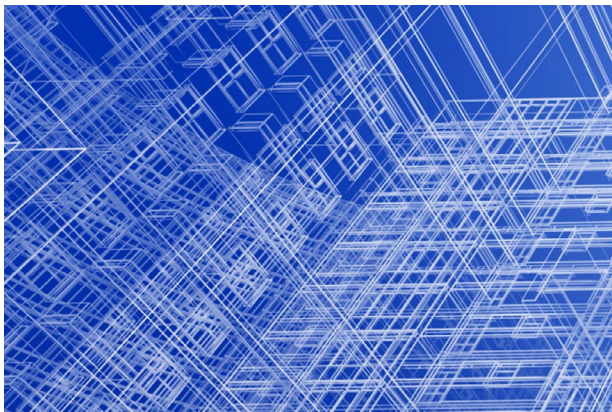


Image source: Malcolm Chapman / Shutterstock.com

## Case study

### The Royal BAM Group

The Royal BAM Group comprises 25 companies operating around the world within the built environment, with employees totalling 28,000. By 2020, BAM will be a '10+ business' – a company that achieves more than 10% Return on Capital Employed (ROCE), that operates in the European construction sector's Top 10, with a turnover of more than €10bn.

The '10+ status' corresponds to the BAM mission to 'create value for customers, shareholders, employees, and building partners by bringing together people, knowledge, and resources at every stage of the construction process in order to produce a sustainable built environment', and is BAM's response to the increasing demand for multidisciplinary work during the whole 'lifecycle' of building projects.

BAM Construct in the UK delivers a variety of services, from constructing new facilities through to running and managing buildings. This is achieved via its portfolio of companies:

- BAM Construction
- BAM Properties
- BAM Design
- BAM FM
- BAM Services Engineering
- BAM Plant

In addition to BAM Construct UK Ltd, there are two further companies operating in the UK – BAM Nuttall Ltd, which offers a full range of civil engineering activities, and BAM PPP Ltd, the investment arm of Royal BAM Group, which operates in the specialist field of Public Private Partnerships (PPP) to develop and deliver public sector projects that require private sector finance and investment.

BIM is already a standard element of BAM's design offering and is fast becoming an intrinsic part of its construction tender and project implementation processes, significantly streamlining the actual build.

One of the main drivers for this is to improve the sustainability rating of a building, which is heavily influenced by its design. BAM realised it had the opportunity to influence its clients in creating greener building solutions on Design and Build or PFI projects. Planning and visualising its projects virtually has helped BAM Construct create design alternatives, optimise solutions, undertake clash detection<sup>8</sup> and carry out 'what if' analyses, guiding it to a more cost effective way of constructing buildings.

<sup>8</sup> Process of identifying any conflicts in a building's design, e.g. a beam where plumbing needs to go, or a structural element which may interfere with future maintenance access.



BAM FM provides traditional FM services, including cleaning, catering, security and building maintenance, and some less traditional functions, such as fielding teams of leisure attendants and lifeguards. It also advises on facility-related legislative issues, evaluation and benchmarking.

## Challenges of BIM in FM

Because of the multidisciplinary nature of BAM Construct's business, which encompasses design, construction and property development, facilities management and facilities engineering, there is a great deal of synergy within the Group; and while the design and construction teams had already utilised BIM for some time, it became increasingly apparent that the FM teams needed to apply it across a building's lifecycle.

In fact there was a clear deadline for BIM to become integrated into BAM FM. The firm operates a number of public sector buildings within its PFI contract portfolio, and so with an eye on the 2016 GSL deadline [see box on page 13] that has been set for companies tendering for Government construction work, a key challenge for the FM team was to adopt level 2 BIM throughout all its lifecycle management projects.

Explains Kath Fontana, Managing Director of BAM FM:

*"Our design and construction teams had been using BIM for many, many, years, and over the last few years it's become much more possible – because of Cloud computing and the like – to use it across a building's lifecycle."*

*"So while we already had a strategic approach to BIM as a business, it became an obvious progression to develop it for facilities management."*

One major challenge is in integrating BIM with existing facilities management software packages – already used routinely in FM, such as Computer Aided Facilities Management (CAFM). In February 2013 BAM announced that it had completed the software and data systems to prove that BIM data could be automatically transferred into FM software (CAFM).

As Fontana explains:

*"We worked hard to develop Building Information Modelling for FM to push the boundaries of BIM innovation beyond the design and construction phases and into the operations stage, generating benefits across a building's lifecycle and meeting the requirements for Government Soft Landings (GSL) and PAS 1192-2:2013."*

*"So while there has been a push in terms of our business and our own strategy and how we're trying to develop our own business, there was also a pull from the client side and specifically Central Government in terms of what they're trying to achieve."*

*"So our reason for embracing BIM is down to a blend of the two drivers – which is in all likelihood the case for many working in FM."*

For building operators and end-users, BIM improves the performance of their assets over the long term, and gives certainty that buildings will perform as expected from day one. Allowing assets to be managed and maintained more efficiently and proactively has obvious advantages, not least providing accurate and timely information to engineers and maintenance staff 'in the field', on handheld electronic devices, reducing the need for paper and unwieldy, unconnected systems.

The benefits of BIM for the whole life of a building are two-fold – both from the perspective of the end-user and for facilities management.

For the end-user:

- **Sustainability** – buildings are fit for purpose from the outset as clients can see exactly how their buildings will perform at an operational level, leading to improved performance in areas such as energy, carbon, cost savings and user experience.
- **Proactive facilities management and maintenance** – FM staff have operations data at their fingertips on a handheld device, allowing staff to respond to incidents in a timely manner and undertake proactive maintenance to prevent issues in the future, saving time and money.
- **Improvements in the planning of changes and maintenance**, plus responses to reactive tasks, achieving a 'Faster First Fix' and improving building and service performance.

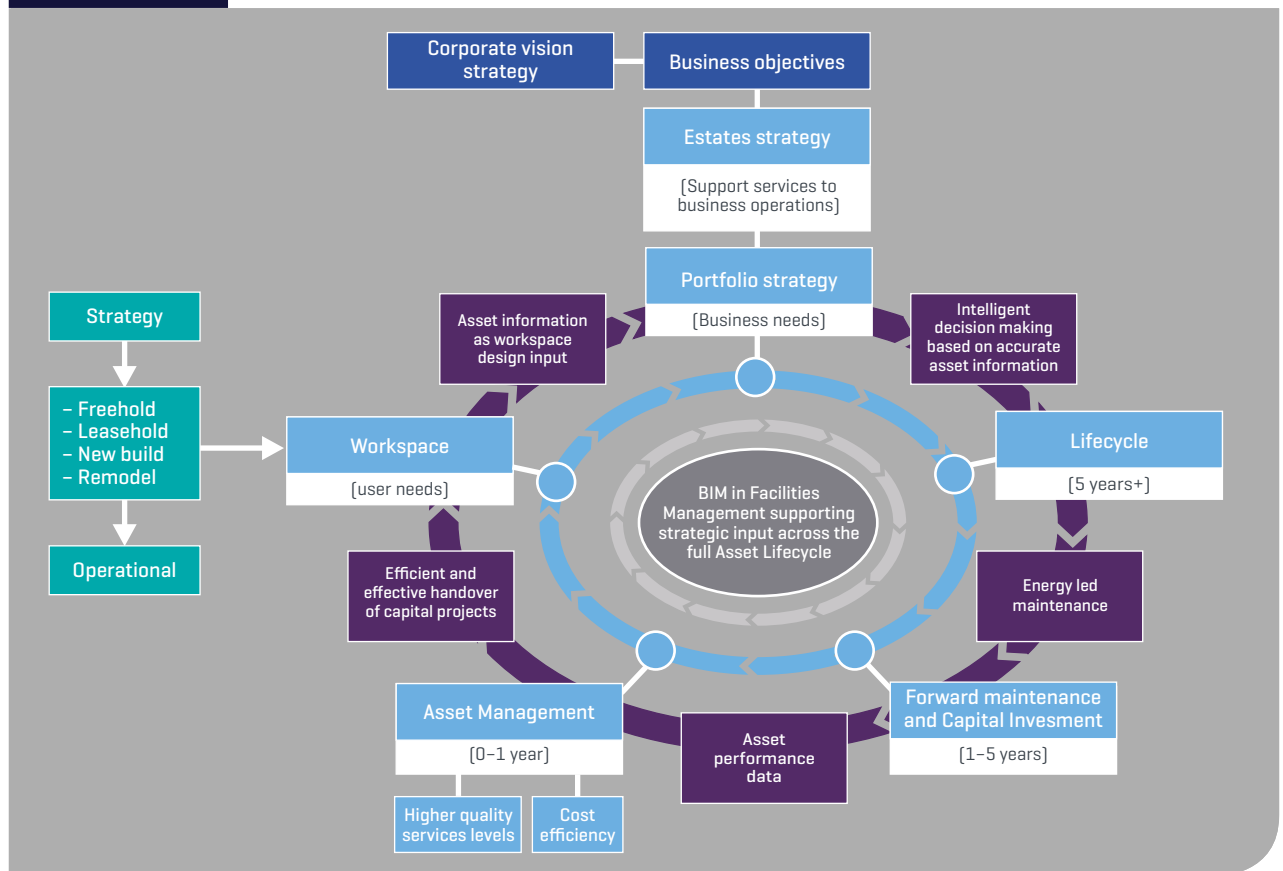
For Facilities Management:

- **Certainty** – BIM for FM provides a best practice approach that seamlessly links design, construction and FM data into the BIM model, ensuring that buildings perform as predicted during the operations phase.
- **Time saving and efficiencies** – BAM's trial at UCL Academy (see page 11) demonstrates that the first fix phase in FM operations can be much faster.
- **Easier handover** – gone are 2D drawings and paper O&M manuals which can be hard to locate and interpret; instead BIM for FM offers 3D walkthroughs and visuals that contain the relevant facilities data, making it easier for operations teams to understand their building and how it works.



**Figure 1.1**

**Benefits of BIM**



Source: BAM Construct UK Ltd

Says Fontana: *"I think I would probably compare using BIM instead of alternatives, such as 2D drawing or O&M manuals, as equivalent to making the transition from a typing pool to email. It's that kind of evolution."*

*"What BIM does is to give us an opportunity to take a more strategic approach to our buildings. This is because digital data is much easier to manipulate and use. On a day-to-day basis it makes operations more efficient, and at the strategic level it makes FM more effective."*

What this means in practice, as an example, is that BIM helps reduce an engineer's repeat visits to a building, meaning they should be able to know before they visit what type of plant it is, the equipment associated with that plant, the manufacturer's information, the part numbers, and where the equipment is located – all of which reduces the requirement to go and carry out an initial visit and survey before they need to begin the work.

This not only reduces the time it takes for FM to fulfil a job, but it also reduces the level of disruption for clients.

Says Fontana: *"In practical terms, it means you don't have to go to a room and take down all the ceiling tiles to find a connection, as you don't have to do any intrusive work unnecessarily. This means it should not only improve reactive and planned maintenance, but importantly, it should also – if you're using the model correctly – enable you to take a strategic approach to predict the performance of a building in the future."*

BAM is also discovering that having a BIM enabled building is beneficial when it comes to letting. This is because even before the building is finished, a client can see what it is going to look like, and how they could set up their offices.

Says Fontana: *"We're getting feedback that a building that has BIM is more valuable. This is very anecdotal, so you couldn't put a number on it yet, but there's a perception that it [could become] a valuable part of the asset transfer process."*

*"Another important point to understand is that by using a BIM process (PAS 1992-2), the information being exchanged should be verified before it is published. For FMs this means an end to the laborious and costly process of surveying, capturing and recording assets, and better still should remove the risk of wrongly pricing maintenance projects due to poor asset information."*



## BIM IN PRACTICE – UCL Academy London

The UCL Academy, Camden, is a new six-storey school building in central London, constructed under the Building Schools for the Future (BSF) programme. It takes pupils from 11-18 years old and facilities include state-of-the-art science laboratories, a science demonstration theatre for interactive lectures, experiments and talks by visiting academics, and an engineering science suite.

Because BAM FM has a 30-year maintenance contract under the scheme, providing total FM in the building, the company decided to launch an unprecedented live deployment project at the Academy, to help showcase the use of BIM at every stage of a building's lifecycle.

Wanting to take 'a more strategic approach from the outset', and understanding that the Academy was a complex building, Fontana explains: *"we sat down with our design team and said, 'this is the information we want. When you create the model and the object please attach X, Y and Z to it; this is the classification system we want you to use'."*

Using this approach, Fontana explains, meant that the back-end information which would previously have been compiled on a mix of electronic (for instance, excel spreadsheets) and paper-based documentation, was instead originated using BIM.

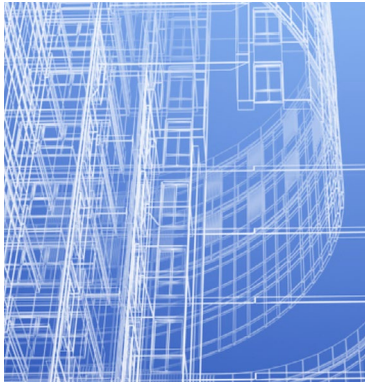
BAM then utilised a field-based application of BIM (360 Field) to which it attached a wealth of data, and as the project grew the engineers were able to continue to attach data to it (such as photographs as well as maintenance records) on a regular basis.

The main benefits for FM end users have been easy access to equipment data through the provision of navigational views and equipment lists, hidden objects<sup>9</sup> and separated models, which means for instance that an FM only needs to click on an object and they will be taken to the documentation detail. The engineers can plan preventive maintenance visits more easily by seeing a 3D image of the equipment they need to check, as well as having the ability to link that directly to a part number that may be required to fix the problem.

All this information is available to FM engineers via a handheld device such as an iPad, which as Fontana explains, means no specialist training has been required for any of the service staff or FMs involved in the project.

FM staff can use handheld devices that enable them to receive, access and update data in real time; and the devices include the BIM model containing the FM and operations data and electronic O&M manuals.

<sup>9</sup> E.g. the ability to hide a wall so you can see the pipework inside.



## Benefits at UCL

The system has been trialled at UCL since December 2013 and several benefits have already been identified:

- Caretakers are saving an average of ten minutes per task because they receive the job details directly on their device (this increases to 25 minutes per task for engineers).
- Caretakers have been able to address additional issues when carrying out a specific task because of the information they have on their device – this has been the case on 16% of jobs.
- Caretakers had no difficulty using the apps despite having no experience of using an iPad.
- Engineers are finding BIM 360 Field assists with 39% of tasks.
- The engineers had some experience of using Apple devices and found the ability to integrate assets within BIM 360 Field particularly useful.

Says Fontana:

*“On a day-to-day basis, all the technicians need to do is to be able to use an iPad. The system is incredibly intuitive once it’s on that iPad, so there have really not been any barriers there. In fact, they can navigate the model having used it three or four times, so it’s really simple to use.”*

The wider ongoing benefits for BAM FM have been in becoming more efficient in terms of creating asset data more efficiently, faster, and cheaper, and of creating better quality data. The maintenance technicians now have instant access to information, rather than having to go and find it.

According to Fontana, not only has there been an increase in productivity and efficiency, but on a deeper, more strategic level, it’s given the design and construction team a better understanding of the sort of information the FM requires; for instance ensuring the buildings boast a more efficient heating and ventilation system, to creating 3D views of the main building areas.

## Lessons learnt

The goal at BAM FM is always to find better ways of doing things; which is why, as Fontana explains, the firm developed Building Information Modelling for FM to push the boundaries of BIM innovation beyond the design and construction phases and into the operations phase.

But because the take-up of BIM is still rightly being described<sup>10</sup> as at an ‘immature’ stage in FM, partly because of the breadth of the sector, there were some challenges in being relatively early adopters of the technology. For example, reflecting the fact that BIM for FM is still in development, one of the major challenges of the UCL project was in understanding the asset data requirements in the first place.

According to Fontana, part of the process has been to take a step back and think, ‘Why do we want this information? How will we use it?’

She says:

*“It’s certainly been a learning point for us. In actual fact, the UCL model has probably got too much information in it. We kind of went a bit over the top.”*

However, she advises that once asset data requirements are understood, the system can be implemented reasonably easily, especially if the project is a new building or a refurbishment. Contractors and designers can be more easily briefed about requirements when asking what asset information is needed.

Because BAM has only been running the UCL project since November 2013 it has not yet been possible to extrapolate any official cost savings. This, says Fontana, is one of the big challenges for BIM – it’s still very early in the innovation cycle – but from an efficiency perspective, there have been clear benefits.

*“If we could, for example, reduce each engineer’s timing by 25 minutes per job, we could use the time saved to enable that person to do something more productive rather than be searching around for information – then there are clearly cost savings,”* maintains Fontana.

<sup>10</sup> [www.fm-world.co.uk/news/fm-industry-news/bim-academy-launches-fm-offer/](http://www.fm-world.co.uk/news/fm-industry-news/bim-academy-launches-fm-offer/)



Overall however, as this project demonstrates, BIM has given BAM FM an incredible advantage in terms of making sure that the buildings it is involved in operate better at the end of the design and construction process. And BIM is driving the collaboration process as well.

Says Fontana:

*"I think we're going to get to a place over time where all our buildings utilise digital asset data and that'll give FM much more ability to interrogate that data and have more intelligence about our buildings."*

*"Digital data is much easier to manipulate and use, so on a day-to-day basis it should make you more efficient and at the strategic level it should make you more effective."*

She added:

*"We are now replicating our successes at UCL across other projects. For example, we have a building up in Scotland called CONNECT110Ns which is a project that our own property people have developed, and we're using that as a BIM exemplar."*

*"We've taken the knowledge from UCL and we're now applying it to that building to make sure that we refine it and develop it, which has given us a head start in the strategic implementation of BIM in FM."*

## BIM Standards

**In May 2011, the UK Government published its construction strategy, aimed at reducing the cost of public sector assets by up to 20% by 2016. The strategy calls for 'a profound change in the relationship between public authorities and the construction industry to ensure the Government consistently gets a good deal and the country gets the social and economic infrastructure it needs for the long-term'<sup>11</sup>.**

To achieve this strategy, the Government has mandated that all companies tendering for government construction work should be working at level 2 BIM by 2016, and the first PAS in this series, PAS 1192-2:2013<sup>12</sup> was written to support early adopters of BIM with their procurement and construction processes.

PAS 1192-3<sup>13</sup> is a partner to PAS 1192-2. PAS 1192-3 focuses on the operational phase of assets, irrespective of whether these were commissioned through direct capital works, acquired through transfer of ownership, or already existed in an asset portfolio. However, like PAS 1192-2, PAS 1192-3 applies to both building and infrastructure assets.

PAS 1192-3 has been developed in recognition of the fact that the cost of operating and maintaining buildings and facilities can represent up to 85% of the whole-life cost, and savings can pay back any upfront premium in construction expenses in a few years.



<sup>11</sup> [www.gov.uk/government/publications/government-construction-strategy](http://www.gov.uk/government/publications/government-construction-strategy)

<sup>12</sup> <http://shop.bsigroup.com/Navigate-by/PAS/PAS-1192-22013/>

<sup>13</sup> <http://shop.bsigroup.com/forms/PASs/PAS-1192-3/>

## 2.0 Professionalising FM: Merging asset and facilities management to produce efficiency and flexibility in the NHS



### The issues

The National Health Service was created out of the ideal that good healthcare should be available to all, regardless of wealth. When it was launched by the then Minister of Health, Aneurin Bevan, on 5 July 1948, it was based on three core principles:

1. That it meets the needs of everyone.
2. That it be free at the point of delivery.
3. That it be based on clinical need, not ability to pay.

These three principles have guided the development of the NHS over more than 60 years and remain at its core.

Whilst remaining true to its principles, the current NHS is faced with an increasing set of modern demands, such as an ageing population, a rise in obesity and increasingly sophisticated and expensive medical innovations, all of which impact on costs. The Government has therefore conducted a series of reviews on how better to deliver the health service.

Of greatest influence were the recommendations of a 2008 report, 'High Quality Care for All' by Lord Darzi, which followed a year-long process involving more than 2,000 clinicians and 60,000 NHS staff, patients, stakeholders and members of the public<sup>1</sup>.

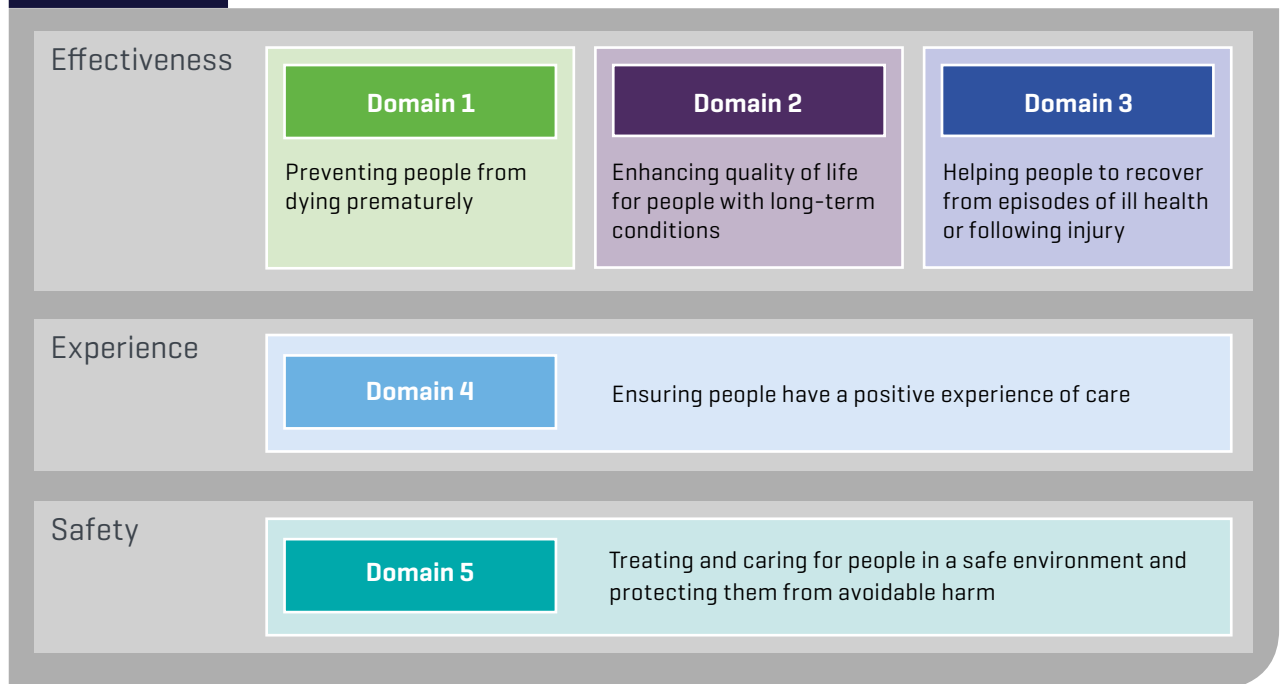
In March 2011, as recommended in the Darzi report, the Department of Health published the NHS Constitution<sup>2</sup>. It sets out the guiding principles of the NHS and a person's rights as an NHS patient. The seven key principles guide the NHS in all it does. They are underpinned by core NHS values which have been derived from extensive discussions with staff, patients and the public.

Following a series of public consultations on the new Constitution and the Darzi report, the Government decided that putting GPs in charge of the key decisions in the NHS would deliver a more responsive service to patients. One of the main tenets of this was to move health services into a community rather than a hospital setting.

<sup>1</sup> <http://webarchive.nationalarchives.gov.uk/+/www.dh.gov.uk/en/healthcare/highqualitycareforall/index.htm>

<sup>2</sup> [www.nhs.uk/choiceintheNHS/Rightsandpledges/NHSConstitution/Pages/Overview.aspx](http://www.nhs.uk/choiceintheNHS/Rightsandpledges/NHSConstitution/Pages/Overview.aspx)



**Figure 2.1****The five overarching domains that CCGs are tasked with improving**

Source: NHS England, 2014

As a result of these recommendations, NHS England underwent a major overhaul in April 2013, when Primary Care Trusts (PCTs) which controlled local spending on medical care – such as dentists, hospital treatments and medicines – were replaced by more than 200 GP-led organisations called Clinical Commissioning Groups (CCGs), which were tasked with improving five overarching ‘domains’, as highlighted in figure 2.1.

At the same time, NHS Property Services Ltd<sup>3</sup> was set up by the Department of Health to manage all the ex-Primary Care Trust estate not transferred to providers; working closely with its ‘sister’ company, Community Health Partnerships.

Since its inception in 2001, CHP had established 49 LIFT (Local Improvement Finance Trust) companies, which are locally based joint ventures, between public and private sectors – delivering more than 300 buildings, with over 800,000m<sup>2</sup> of space, throughout England.

From 1 April 2013, CHP took over responsibilities for the LIFT estate, following the abolition of Primary Care Trusts.

NHS Property Services Ltd and Community Health Partnerships Ltd now work closely together to deliver on the shared aim of positively contributing to health outcomes through the better use of NHS estate, properties and facilities.



<sup>3</sup> [www.property.nhs.uk/what-we-do](http://www.property.nhs.uk/what-we-do)

## Strategic approach

The NHS continues to face many new challenges. In his keynote speech at the NHS Confederation's annual conference and exhibition<sup>4</sup> in June 2014 the new NHS England Chief Executive, Simon Stevens, said the NHS has reached a defining moment, facing not only the most sustained budget crunch since the Second World War but the challenges of dealing with an ageing population, higher levels of chronic conditions such as obesity and dementia, and the development of more expansive and expensive treatments.

With these factors in mind, Stevens outlined the main approaches NHS England will be taking over the next five years:

1. Improving the sophistication of the NHS commissioning system, with a new focus on outcomes for patients and value for taxpayers.
2. Accelerating the redesign of care delivery, with far greater local flexibility to meet the health and social care needs of people.
3. Actively exploiting the fundamental transformations now occurring in modern western medicine – from biomedicine to telemedicine, which Stevens described as a “revolution in the role that patients and communities will play in their own health and care”.

*“Our vital interest – as patients and as staff – is in care and health, not bricks and mortar,” said Stevens. “We do need healing facilities and modern equipment, but the where, and the how, is bound to keep changing.”*

He added:

*“What I want to see is an NHS that is more flexible, more adaptable, where national and local thinking converges to create different clinically and financially sustainable paths for particular communities.”*

Stevens said that many CCGs were helping to drive change in their local health systems in a way that has not been achievable before now, and took as his example Liverpool CCG, which is working to reduce premature deaths in an area where mortality rates are amongst the highest in the country.<sup>5</sup>

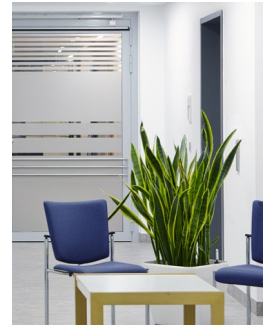
This case study focuses on the key strategic role played by a new property and facilities partnership, forged out of the removal of the PCTs, which is working closely with the CCGs to ensure the primary care health services of the Liverpool and wider Merseyside area improve the health outcomes of their patients.

It demonstrates how FM can help meet NHS England's vision of a pattern of healthcare provision that delivers first class facilities, offering integrated care, within easy reach of everyone.



<sup>4</sup> [www.england.nhs.uk/2014/06/04/simon-stevens-speech-confed/](http://www.england.nhs.uk/2014/06/04/simon-stevens-speech-confed/)

<sup>5</sup> [www.liverpoolccg.nhs.uk/Library/About\\_us/Publications/JSNA\\_2012\\_Final.pdf](http://www.liverpoolccg.nhs.uk/Library/About_us/Publications/JSNA_2012_Final.pdf)



## Case study

### Merseyside Property Partnership

Merseyside has a population of over 1.25 million, spanning five separate local authorities [Halton, Knowsley, Liverpool, Sefton and St Helens]. The health system, as a whole, has a population with high levels of deprivation and poor physical and mental health. The three major causes of ill health and death are cardiovascular disease, cancer and respiratory disease. The prevalence of these diseases is above both national and regional averages.<sup>6</sup>

NHS England [Merseyside] was officially launched on 1 April 2013 and incorporates six Clinical Commissioning Groups (CCGs) – Halton, Knowsley, Liverpool, South Sefton, Southport and Formby and St Helens.

NHS Property Services Ltd, Community Health Partnerships, Liverpool and Sefton Health Partnership and Renova Developments are working together in partnership to provide strategic estate and facilities services within the area covered by NHS Merseyside. This is called the Merseyside Property Partnership (MPP).

NHS Property Services<sup>7</sup> is wholly owned by the Secretary of State and was formed on 1 April 2013 to manage the estate that was previously held by Primary Care Trusts and Strategic Health Authorities. The company owns and manages the estate on behalf of NHS England and CCGs. This covers 4,000 properties, from GP surgeries and health centres to administrative buildings, with a total asset value of over £3bn. The portfolio covers some 11.5% of the total NHS estate.

NHS Property Services' role includes strategic estate management and facilities management. It acts both as landlord and provider of support services, such as cleaning and catering. It also buys new NHS facilities and disposes of those that commissioners declare surplus to NHS requirements.

Because it has grown over a long period of time through local procurement processes, the NHS Property Services estate is subject to huge variations nationally. Similarly, working practices, including FM arrangements and contract management, are subject to large differences nationally. This means that the initial aim of NHS Property Services has been to streamline and consolidate contracts and ways of working to produce one set methodology. This is designed to stop replication and, by taking advantage of the company's size and buying power, deliver some true savings to the NHS.

<sup>6</sup> [www.england.nhs.uk/north/wp-content/uploads/sites/5/2013/09/merseyside-plan.pdf](http://www.england.nhs.uk/north/wp-content/uploads/sites/5/2013/09/merseyside-plan.pdf)

<sup>7</sup> [www.property.nhs.uk/?wpdmact=process&did=NTA4LmhvdGxpbnms=](http://www.property.nhs.uk/?wpdmact=process&did=NTA4LmhvdGxpbnms=)



Dennis Markey, Chief Operating Officer at NHS Property Services, explained:

*“Previously, each PCT [Primary Care Trust] had their own way and their own belief in terms of how FM should be delivered. By the creation of NHS Property Services, we can define a standard way of doing things, from delivery of services to contract management, and this brings massive opportunities and estimated savings annually in excess of £100m.”*

Alongside this, he adds, and to ensure efficiencies continue to accrue, it is important that the estates function and commissioning functions are aligned in the medium term in order to improve utilisation and prioritise FM spend on parts of the estate with longevity, rather than take a ‘scatter gun’ approach to filling a building and investing in maintenance works.

He says:

*“By doing this, there will be no wastage of capital and redundant and surplus estate can be sold, generating further revenue savings.”*

NHS Property Services’ nationwide focus during the company’s first year has been stability and getting to grips with the huge variations across the estate it inherited. It is now moving into a more dynamic second year where the focus has evolved into streamlining the corporate structure and activities in order to determine a set way of working that limits replication and delivers true savings that enhance the NHS estate and its facilities for the benefit of patients, commissioners, tenants and staff.

Prior to the formation of MPP, Liverpool and Sefton Health Partnership and Renova Developments [see box on page 21] worked in partnership with the PCTs, contributing to the Strategic Service Delivery Plan for the area, which included the development of 31 new primary care and community health centres, which they managed and ran.

John Garrett, LAT Coordinator (Merseyside) and Senior Management Team, describes the benefits of providing a good quality estate to the local community.

*“In Liverpool, for example, we developed an ‘out of hospital’ strategy – so where, historically a range of services had been provided within an acute, i.e. hospital setting, it was decided that these could be moved into a primary care setting.”*

Taking the example of diabetes care; up until the last couple of years diabetes sufferers would have to undergo regular hospital appointments for check-ups relating to their condition. This was due to historical reasons, rather than any need for them to attend an acute care facility. It was decided it would make more strategic sense to move their care out into the community, and make the facilities more accessible to patients.

*“However,” explains Garrett, “the problem was that there wasn’t necessarily always the appropriate accommodation. There might be an old GP surgery that may have been in a converted house, or an old clinic that had been there for the last 30 years that was no longer fit for purpose.”*

*“So we developed a neighbourhood model, which for example in Liverpool meant delivering a key building in 18 neighbourhoods<sup>8</sup> that could deliver the core primary care services. Some of that was done quite easily by upgrading and converting existing buildings, but in a number of instances it required the provision of a new facility that had the flexibility to deliver a much wider range of services closer to home for that population.”*

## Formation of MPP

Merseyside Property Partnership is a collaboration between Liverpool and Sefton Health Partnerships and Renova Developments, and was formed to work with NHS Property Services and Community Health Partnerships. It offers estate management services in the Merseyside area by utilising the combined local team of Liverpool and Sefton Health Partnership, Renova Developments and NHS Property Services.

The basis of the arrangement is to work in partnership to manage and invest in the NHS estates staff, and increase the capacity of the existing arrangements to deliver efficiencies and savings for NHS Property Services.

MPP allows both Liverpool and Sefton Health Partnership and Renova Developments to work in partnership with the local CCGs to help facilitate the rationalisation of the current estate and invest in new estate within a shorter timescale.

The arrangement also supports the corporate mission that Merseyside Property Partnership maintains a position as partner of choice for the NHS in matters relating to the estate in Merseyside.

The joint venture approach has three objectives:

1. To provide a very high level of service to all tenants on a day-to-day basis.
2. To reduce the cost of the estate to the local health economy while increasing the average quality of the premises from which services are delivered (Quality and Productivity).
3. To provide insights and ideas that could form the basis of a new way of working to be rolled out throughout England (Quality, Innovation and Productivity).

<sup>8</sup> Neighbourhood represents between 18,000 and 25,000 people

## Challenges for MPP

As outlined above, the FM function nationally was disparate and ad hoc. Some of the challenges this presented within the Merseyside area included:

- A large number of non-standardised hard and soft FM contracts; historically these were procured by the PCTs but were no longer in line with the geographical boundaries of the new NHS Property Services local areas and regions.
- The FM strategy and function was not uniform; whilst many areas had opted to outsource the service, there were still a large number of in-house staff performing the function.
- Where contracts have been outsourced, there were many contracts with the same providers up and down the country with an enormous variation in price and service specs.
- There was evidence that no real thought and regard had been given to the appropriateness of service specs; for example, under-utilised buildings with unused areas were being cleaned twice a day.
- Rates and utilities were not harmonised into the relevant areas and regions.

Alongside this was the recognition that sustained and radical action was required to close the gap between the poor health and high mortality rates that characterise Merseyside, one of England's most deprived areas.

The LIFT companies, Liverpool and Sefton Health Partnership, and Renova Developments, became the tool for the development of these plans and drove their delivery.

According to Becky Caffrey, General Manager at Renova, one of the key benefits of the Merseyside Property Partnerships is the way the joined-up approach can benefit patients. She explains that where previously PCTs worked on their own, with each community operating their own services, under the new partnership they *“were able to take a strategic look across the whole area of six CCGs, and found that Liverpool was the most advanced in ensuring that patients have only a 15 minute walk to be able to get to a GP.”*

*“So we applied this matrix across the other districts of Merseyside, meaning that now, all patients, regardless of where they live, have the same kind of access within 15 minutes of their GP.”*

It was also recognised that surplus capacity existed across the estate – with many services continuing to be provided from poor quality premises that no longer provided a sustainable contribution.

As a result, a database has been created of all the available estate within Merseyside; what it does now and where services are currently located. This includes data on what condition the building is in and how many patients are seen

on average. From this data, MPP has produced a strategy that recommends the longer term clinical commissioning and estates plans for each CCG.

Explains Caffrey:

*“Opportunities might include where it’s possible to rationalise some estates because there are just a few sessions going on, or it’s an old building but there is a LIFT building up the road that isn’t fully utilised, so we find inside opportunities like that.”*

This pooling of data is resulting in better management of the estate with improved utilisation and contract management; driving real value that contributes to wider savings while aligning to clinical commissioning plans.

The review of property requirements has released some £2m in capital receipts and £250,000 of recurrent expenditure by unblocking the disposals process of currently vacant and surplus estate.

The rationalisation and increased utilisation of the remaining NHS Property Services estate is the next focus, and a proposal has been submitted to NHS Property Services by Merseyside Property Partnership to commence the service across all of their estates.

Another important area of review for Merseyside Property Partnership was to coordinate and lead the re-procurement of services, including:

- **hard FM services;**
- **soft FM services;**
- **energy;**
- **rent** – by giving notice when able and renegotiating terms; and
- **insurance** – (recognising that some assets are ‘self-insured’).

Priority has been given to the procurement of hard and soft FM services. As NHS MPP is now the largest NHS landlord in the Merseyside area it has the buying power to achieve a more competitively priced service.

Explains Dennis Markey:

*“[The partnership] means in practice that rather than having individual FM contracts for each individual building or selection of buildings in a series of relatively small geographic areas, we can integrate both the soft services and the hard services.”*

In practice this means that operating across the six different PCTs, instead of each one having different suppliers and SLAs, services are rationalised and brought into one contract for the whole of Merseyside – which can result in greater efficiency and cost savings.

The re-procurement projects are now being implemented in a phased process to reduce annual recurrent expenditure in these areas from £15m to £12m, equivalent to 20% savings.





## Future plans

A decision was taken by the Board to embark on a strategic estate planning exercise in order to better understand commissioning intentions and the existing estate of the whole health system. The Strategic Estates Plans were developed for each of the six CCGs on Merseyside, along with a framework to assess requirements for GP and primary care premises across the area. The Strategic Estates Plans are now moving into implementation phase.

This will enable the team to design estates solutions that respond to these requirements; the utilisation of core buildings will be improved (reducing void costs) and sites and buildings can be disposed of (providing capital receipts and delivering reduced running costs).

For example, in Widnes the commissioners (CCG) identified the need for more diagnostic facilities in the community to reduce the number of people attending A&E unnecessarily.

One of the existing LIFT buildings, Widnes Health Care Resource Centre, in the town centre has been fitted with x-ray and ultrasound equipment and an urgent care centre created on the ground floor. Where previously the top floor contained expensive and under-utilised office space, it is now being renovated into clinical accommodation.

Says Caffrey:

*“Once it’s fully utilised we will be able to get rid of three buildings in the locality that aren’t in great condition and move all the services into the best condition building, the LIFT building. That’s a big project that has come out of this strategic work.”*

A programme to expand the Centre Management services across the estate is also under consideration. This will also support the implementation of strategic estates plans for NHS England and each CCG by improving utilisation and estates capacity with more conveniently located and higher quality cost efficient estate. A further £3-4m of savings are targeted to be achieved over the next three years in this area.

To help meet this target the MPP is working with the CCGs to formulate a locality plan. Taking the St Helens area as an example, data will be compiled on the demographics of the area, the patients who use the facilities, and what services are available to them. With this data, explains Garrett, the MPP can develop a locality plan that helps it draw up a strategy for the St Helens health care economy.

Taking this long-term strategic approach will also help improve the level of health care services in the future. Caffrey explains the data can chart population increase or population growth, which enables the MPP to check current capacity and the impact population growth could have on future health services.

*“We did some modelling around how many times people go to the GP for example,” says Caffrey, “and how many patients one GP could see in a typical surgery session. That helps us determine whether there are enough GP rooms to be able to accommodate all of the patients who need to see the GP. Then we include some data on the number of over 65s, as we must assume demand would be higher for services for patients over 65.”*

In line with Simon Stevens’ belief that the NHS must respond to the pace of digital and medical advancements, the partnership is also investing in new technologies. For example, in a walk-in centre that offers x-ray facilities, a digital image can be linked back to an acute centre (i.e. a hospital) where a consultant or senior medic can confirm a diagnosis. This means that treatment for a broken bone could commence immediately, without the patient having to attend a busy A&E.

Says Caffrey:

*“The buildings that we supply are being future proofed in terms of technology, and we are trying to encourage that through the design of the buildings which are increasingly accommodating improved digital and IT systems.”*

## Lessons learnt

Estates and FM have always been rather neglected as they're often viewed as 'Cinderella services' peripheral to the delivery of clinical services. What the work that MPP has done has shown the commissioners of clinical services that service redesign, aimed at improving health outcomes, the patient experience and reducing costs, is completely dependent on the infrastructure through which these services are delivered and how they are managed, both strategically and on a daily basis. FM and asset management are also extremely interlinked.

The leaders of the CCGs now understand this simple fact and are pleased to have a trusted partner that can take care of infrastructure issues, leaving them to concentrate on clinical issues. This is a massive and very important turnaround in attitude towards the estates and facilities function.

In addition to this, an undoubted benefit of the MPP has been in the pooling of its expertise and resources between the four organisations; representing the public sector, private sector, and in the case of the LIFT companies, a combined public/private organisation.

Says Garrett:

*"We've got a range of staff who are working for the private sector, others who are working for the LIFT company, and those who are working for NHS Property Services, so they are public sector staff; and I would challenge you to tell me who works for who. We work together and we work in partnership."*

To enhance that partnership working, MPP is undergoing organisational development and culture change under the banner of 'Improving Organisational Effectiveness'. This is fostering integrated working across the four organisations, in particular allowing NHS Property Services staff to develop and introduce a commercial and financially sustainable insight and more customer focused drive to everyday working and decision-making processes.

Says Markey:

*"If we get this right we are providing FM services from neither the public sector nor the private sector. We're providing a third way; which is a commercialised vehicle that isn't seeking to make a profit for shareholders and directors but savings that feed directly to the NHS. And that transposes into more money for the health service."*

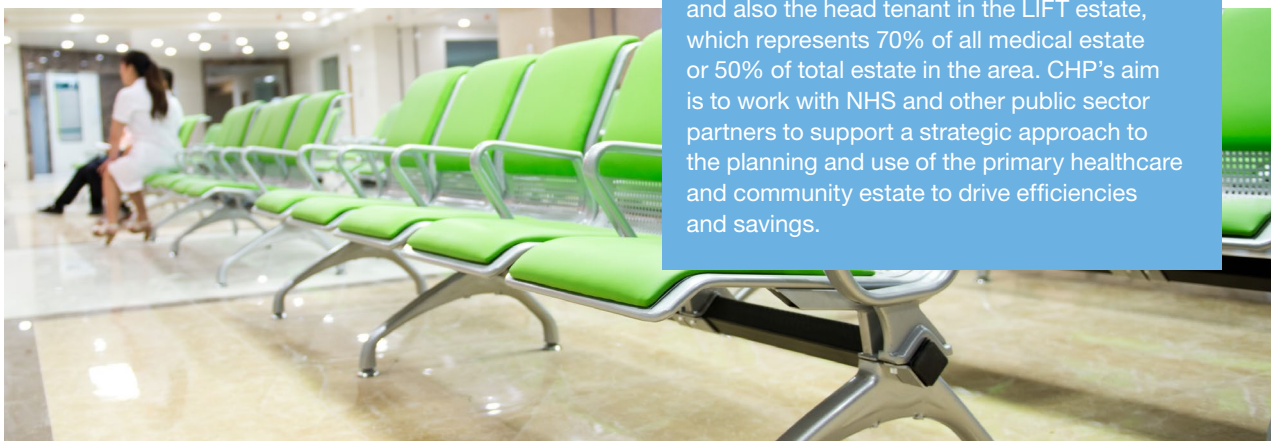
The coming together of the Mersey Property Partnership demonstrates the contribution a strategic facilities management programme can make to an area.

As a result of the partnership, patients living in highly deprived communities across Merseyside – which is characterised by low income, high unemployment and long term illnesses<sup>9</sup> – now have access to first class facilities offering high quality, integrated health and social care services within a 15 minute journey from their homes – delivered through a combination of new buildings, the refurbishment of existing facilities, and a focus on the delivery of consolidated and efficient services. Working in partnership, the different functions complement and assist one another, working towards a shared goal – a better patient experience.

**Liverpool and Sefton Health Partnership and Renova Developments are two neighbouring LIFT companies covering the NHS Merseyside area. These companies were procured over ten years ago to act as the strategic estates partners to the then PCTs in the area.**

The public private partnership is 60% owned by the private sector (GB Consortium at LSHP and Fulcrum Group at Renova Developments) and 40% by Community Health Partnership, the sister company of NHS Property Services.

Community Health Partnerships is the 40% shareholder in Liverpool and Sefton Health Partnership and Renova Developments and also the head tenant in the LIFT estate, which represents 70% of all medical estate or 50% of total estate in the area. CHP's aim is to work with NHS and other public sector partners to support a strategic approach to the planning and use of the primary healthcare and community estate to drive efficiencies and savings.



<sup>9</sup> [http://www.liverpoolccg.nhs.uk/Library/About\\_us/Publications/JSNA\\_2012\\_Final.pdf](http://www.liverpoolccg.nhs.uk/Library/About_us/Publications/JSNA_2012_Final.pdf)

## 3.0 Professionalising FM: How an innovative partnership approach can benefit employee wellbeing



### The issues

One in five employees across the UK regularly works unpaid overtime<sup>1</sup>, while over half of those working at managerial level admit<sup>2</sup> to working (often remotely) during their annual leave. The introduction of mobile data devices has meant the line between work and leisure time has become blurred, making it all the more difficult for many people to achieve a healthy work-life balance.

There is an increasing awareness that employees can be encouraged to opt for healthier ways of eating and taking more exercise during the working day. There are also undoubted business benefits to employers who take a proactive approach to improving their employees' health and wellbeing.

The most obvious benefit is in helping to reduce workplace absence. According to the UK's leading business group, the CBI, the direct costs of employee absence to the UK economy are estimated at over £14bn per year – and its

latest absence survey, *Getting Better: Workplace health as a business issue*<sup>3</sup> found that the average total cost to business for each absent employee is £975 per year.

One of the potent messages of the CBI survey is that employers need to move away from taking a reactive approach to health and wellbeing (i.e. supporting ill or absent staff) to a more proactive one that actively addresses their employees' level of fitness and health before any problems emerge.

However, reducing sickness absence isn't the only reason why employers should be encouraged to address health and fitness within their organisation. Another powerful reason is the positive impact a workplace wellbeing programme can have on staff retention and engagement.

According to research<sup>4</sup> carried out by ICM and commissioned by financial protection specialist, UNUM, on the impact of workplace wellbeing on staff loyalty, employees who feel cared for are 27% more likely to stay with their current employer for over five years compared to employees who feel only adequately or poorly looked after.

Most significantly for employers, given the fact that – according to the CIPD – job vacancies look set to rise<sup>5</sup>, almost a third (30%) of employees said they would consider leaving their job if they didn't feel cared for by their employer. A further 26% of workers said poor workplace wellbeing would make them less likely to stay with an employer long-term and 21% said this would make them feel less motivated and productive.

1 [www.tuc.org.uk/workplace-issues/work-life-balance/work-your-proper-hours-day-2014](http://www.tuc.org.uk/workplace-issues/work-life-balance/work-your-proper-hours-day-2014)

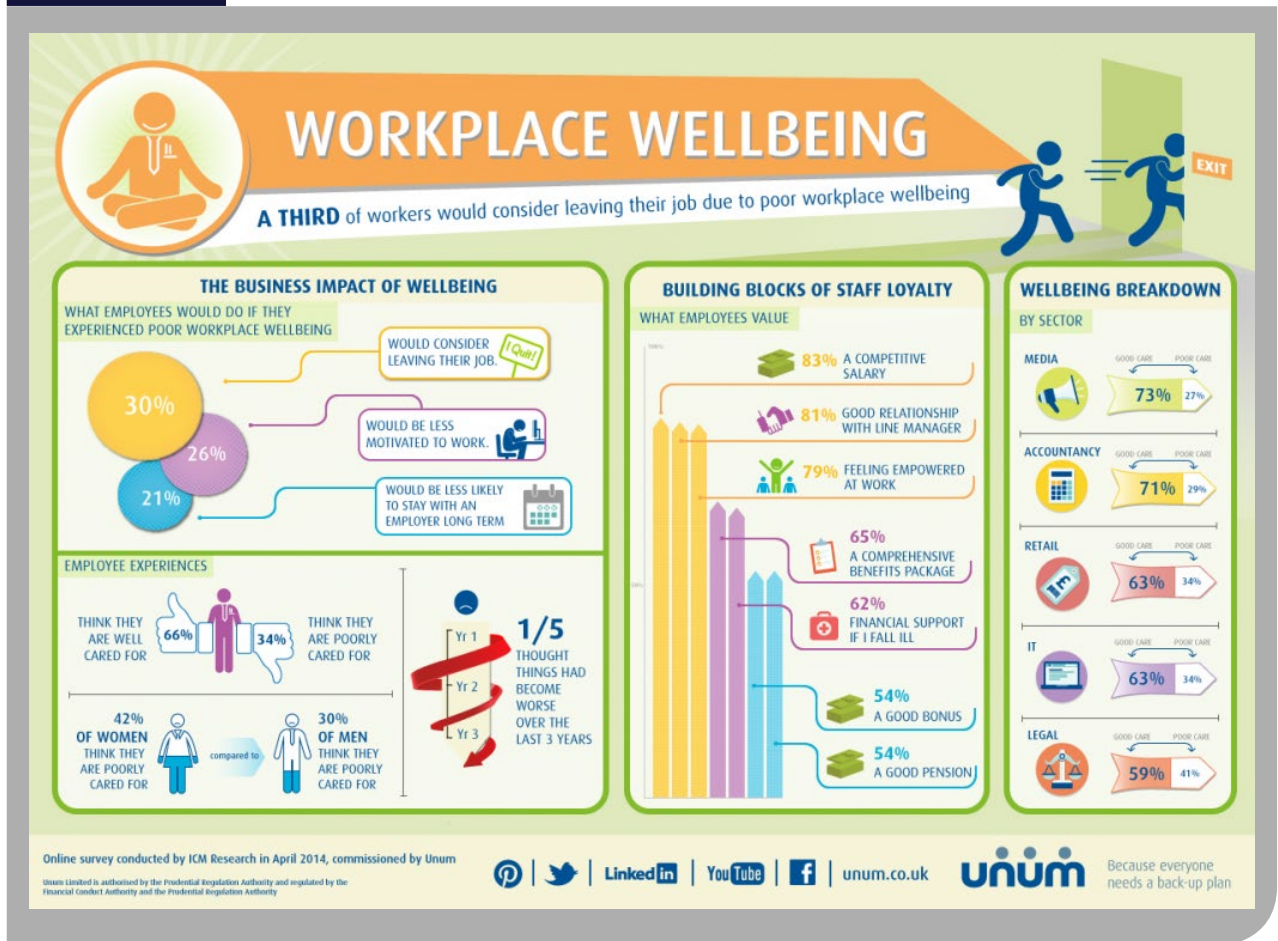
2 [www.i-l-m.com/~media/ILM%20Website/Documents/Information%20for%20media/13.%20Summer%20Holiday%20press%20release\\_2013%20FINAL%20pdf.ashx](http://www.i-l-m.com/~media/ILM%20Website/Documents/Information%20for%20media/13.%20Summer%20Holiday%20press%20release_2013%20FINAL%20pdf.ashx)

3 *Getting Better: Workplace health as a business issue*: [www.cbi.org.uk/media/2724238/getting-better.pdf](http://www.cbi.org.uk/media/2724238/getting-better.pdf)

4 <http://blog.unum.co.uk/news-and-views/workplace-wellbeing-what-is-the-business-impact/>

5 [www.cipd.co.uk/hr-resources/survey-reports/labour-market-outlook-spring-2014.aspx](http://www.cipd.co.uk/hr-resources/survey-reports/labour-market-outlook-spring-2014.aspx)



**Figure 3.1** Workplace Wellbeing

Source: UNUM

## Strategic approach

Despite the growing body of evidence, wellbeing programmes in the workplace are too often viewed as a 'nice to have' or an extra benefit. Yet if seen as a strategic imperative, yielding employee and business benefits, they can result in a happier and more motivated workforce.

The WorkSpace Futures Global Research team<sup>6</sup> at Steelcase undertook a literature review of the existing wellbeing research, surveys, indicators and theories and came up with some insights on the reasons why organisations from the boardroom down should support the adoption of a health and wellbeing strategy.

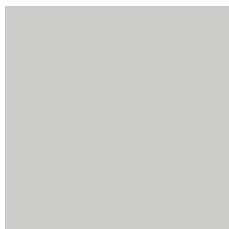
Psychologist Beatriz Arantes, who led the research, explained that by studying the vast body of work available, her team of experts, which included a psychologist, a designer and an ergonomist, found that the key to physical and mental wellbeing is the emotional experience.

Their second major revelation was that wellbeing was not just a benefit for the individual: it is completely within the interest of organisations, given the fact that often the work that is demanded of people today (creative and collaborative) is only possible when employees are in a positive state of mind.

The report concluded that it is within the best interest of organisations to support the wellbeing of workers, and the way to do so is to create positive emotional experiences at work.

Facilities management can take a pivotal role in driving a wellness programme within an organisation; one that goes way beyond taking a tactical approach by, for example, appointing a caterer that supplies healthy meal options. This case study looks at a client that engaged its FM provider to help it improve the image and importance of employee wellbeing within the company, partnering towards a shared goal.

6 Steelcase WorkSpace Futures global research team <http://360.steelcase.com/issues/wellbeing-a-bottom-line-issue/>



## Case study

### BASF and Sodexo

BASF, one of the world's leading chemical companies, employs nearly 2,000 people in the UK and Ireland. Its building at Cheadle in Cheshire, not far from Manchester Airport, is the headquarters of BASF Business Centre Europe North which covers all the Scandinavian countries, all the Baltic states and UK and Ireland, and is the sales centre for BASF plc, a subsidiary of BASF SE, which markets a wide range of BASF products in the UK.

The Cheadle site also provides a service platform for other BASF Group companies operating in the UK. Also based on site is BASF IT Services, which is among the leading IT service providers for the process industry in Europe.

BASF sees its employees as fundamental to achieving the goals of its 'We create chemistry' strategy. This means attracting talented people, retaining them in the company, and supporting them in their development. To do so, it cultivates a working environment that inspires

and connects people; one that is founded on inclusive leadership based on mutual trust, respect and a dedication to deliver top performance.

Facilities Manager, Chris Lundie, who joined the organisation from a catering background in 1986, has worked hard to ensure that the facilities management strategy adheres to those values every step of the way.

Brought to the Cheadle site in 1990 after BASF was given the go-ahead to build a new head office on an old Fine Fare warehouse site, Lundie's main role was to start looking at outsourcing the facilities from a primarily in-house facilities team, with the remit to outsource all the maintenance and soft services, aside from catering which was already outsourced.

The Cheadle Hulme HQ covers approximately 7,000ft<sup>2</sup> of office space, and houses around 250 permanent staff and about 150 sales reps using a hot desk system.

Says Lundie:

*"When it comes to health and safety, BASF is always a front runner; whether in training, or providing advice and support. The organisation is very keen to help and [the Board] never falls short when it comes to giving you the right resources and the right finances to do anything that will enhance health, safety and wellbeing."*



*“For example, at the moment we’re looking at ways of reducing the risks of slips and trips because they are the most predominant reportable accidents.”*

Workplace services provider Sodexo has provided food services to BASF at its UK Head Office near Manchester for over 15 years. BASF’s catering agreement with Sodexo meant that staff already had access to healthy and nutritious food, and BASF also ensured they were entitled to subsidised membership of a couple of off-site gym facilities.

However, admits Lundie, the location of the Cheadle Hulme site on a very busy road meant there was little opportunity for staff to incorporate exercise into their workday routines, without having to drive off site.

*“As a result, the off-site gym membership was very limited,”* he explains. *“Say you’ve got an hour for your lunch, you’d have 10 minutes to get there, get changed, 20 minutes in the gym, shower, get changed and back to work again, so you’d be hard-pushed to get a 20 minute workout.”*

Steve Hatton, BASF HR and Legal Director, and a senior site director, approached Lundie and asked him to start looking for a convenient location for an on-site exercise facility. Demand by staff was growing but there was limited space at the existing premises to devote to a dedicated gym. However, there was an unused room, which had previously been used as a library which, with the development of digital data, had effectively become redundant.

It was proposed that this library/learning area, previously known as the BASF Technology Centre, which comprised a covered walkover bridge joined to the main building, would be more than suitable for conversion into an onsite gym, maintaining better use of the facilities and meeting a genuine staff need.

Lundie was aware that Sodexo also had the ability to operate gyms through its health and fitness offer, Healthworks, which combines the provider’s food services with a gym and fitness regime.

The four pillars that underpin the value proposition of Healthworks are:

- 1. Care of its members:** Comprehensive induction and tailored programmes by fully qualified staff.
- 2. Customer expectations:** Meeting expectations in a supportive and motivational way, through excellent service standards.
- 3. Innovation:** Offering innovative solutions to help motivate and achieve goals.
- 4. Wellbeing:** Offering a fully supported total package which incorporates nutritional guidance, cholesterol testing and therapy services.

With this in mind, Sodexo and BASF met to identify how they could meet employee demand, and create a facility that would be of benefit to all.

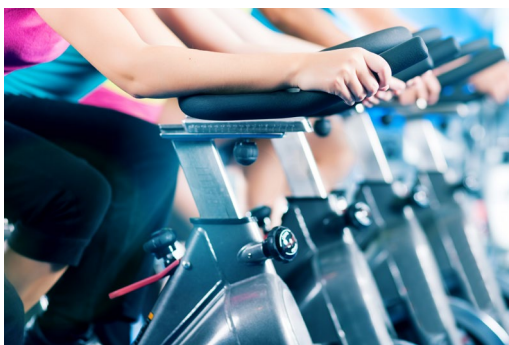
## Healthwise

So what kind of wellbeing programme is most effective? Again, research has shown that for best results, employers should address both the staff diet – in providing healthy and nutritious food choices – as well as exercise, for instance encouraging employees to take part in physical activity.

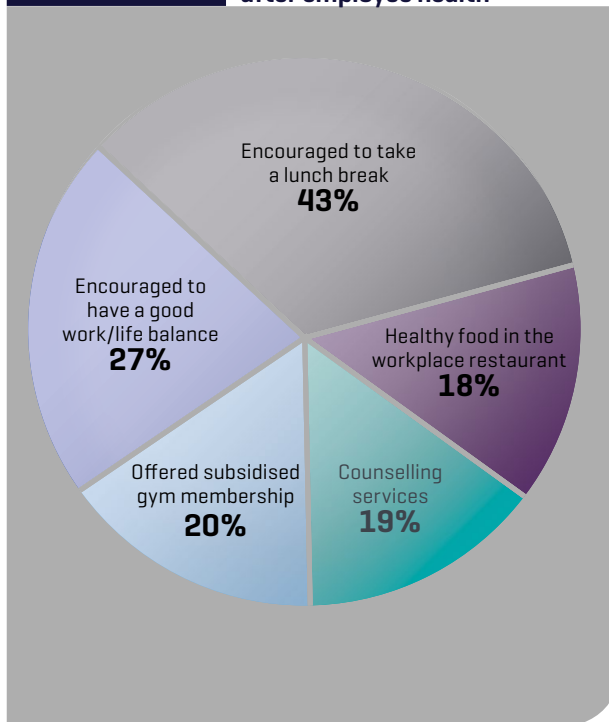
One of the three priorities of Sodexo’s sustainability strategy to 2020, known as the Better Tomorrow Plan, is to ‘create and promote health and wellbeing solutions for our clients, customers and employees’ through its Healthwise healthy eating programme.<sup>7</sup>

According to Claire Morris, Marketing Director at Sodexo, the Healthwise programme has been part of the Sodexo business offering for over 25 years, and is a nutrition, wellbeing and lifestyle philosophy that is used as a vehicle to communicate all the available information on healthy eating and healthy lifestyle choices. The key fundamental is that it is targeted not only at Sodexo’s own clients and consumers but also at its own employees.

The main driver of the programme is in helping clients understand the impact that diet and exercise has on the productivity and engagement of employees, with Sodexo research revealing a clear correlation between health, diet and fitness.



<sup>7</sup> [www.sodexo-healthwise.co.uk/ukhw/default.asp](http://www.sodexo-healthwise.co.uk/ukhw/default.asp)

**Figure 3.2****Top five ways employers look after employee health**

Source: Sodexo

In 2012, as a leading provider of workplace food services, Sodexo carried out some research into lunchtime eating habits<sup>8</sup>, which showed that out of the top five ways employees said their employer looked after their health, 43% encouraged them to take a lunch break, 27% promoted a good work-life balance, and 20% provided some kind of gym membership.

However, as BASF's experiences proved, providing an external gym facility doesn't necessarily ensure that staff will be able or willing to use it, especially if it proves too difficult and time consuming to access on a regular basis.

Explains Lundie:

*"I first spoke to Sodexo and then went back to the Board with a full plan for an almost fully equipped gym. It wasn't just a matter of saying it would be nice to have a gym. I did the homework and got all the stats to help my argument and then presented my findings to the management team.*

*"When I put my costs together, which came to £30k for everything including all the equipment, décor and architectural fees, it wasn't as astronomical as they might have imagined, and they were all 100% behind me, which importantly included the proposal being championed by Steve Hatton, the HR and Site Director.*

**Figure 3.3****BASF's on-site gym, which used to be a library**

8 The Sodexo Lunch at Work Report 2012. Produced by Allegra Strategies.

*“The big challenge was going to be to get the budget approved, but I explained what we were getting for our money, and that I had already got the 60m<sup>2</sup> room free, so it was wasted anyway. I explained how much that was costing the company per square metre, so we might as well utilise it.”*

Industry opinion<sup>9</sup> regarding the size of an in-house gym is as follows:

- 1-800 staff = 90 square metres
- 800-1,500 staff = 150 square metres
- 1,500–3,000 staff = 220 square metres

The key aim was to maximise the space in the limited area to ensure the best possible customer experience in terms of ambiance, environment and equipment, all of which would provide users with a feeling of wellbeing.

However, simply furnishing a gym facility isn't enough. The greatest challenge is in running it in a safe and healthy manner.

Lundie explains:

*“Health and safety, which includes vetting every member of staff who wants to use the equipment and then guarding against anyone sustaining an injury through using the equipment incorrectly was a number one priority for everyone.*

*“Once you've covered your health and safety element, you're probably 60% of the way there.”*

For that reason it was clear that having Sodexo run the gym would take the burden of management and maintenance away from BASF. The onsite gym offer includes:

- health screening;
- goal setting;
- fitness inductions;
- exercise programme;
- member challenges;
- promotions; and
- classes e.g. yoga, spinning, pilates.

All of the above meet statutory requirements through the application of ISO 9001.

Sodexo's onsite team of experts would take care of safety and health aspects, and its trained staff could arrange aerobics classes, and run clubs and other fitness schemes to complement the gym facilities.

*“I got everything together as a package and put that to the Board,” says Lundie, “but what I think was probably the thing that helped more than anything was the fact that we were covering all the health and safety issues by bringing in a professional trainer.”*

While BASF went ahead and invested in some equipment, Sodexo's recommendation that the gym only opened during core hours and a part-time gym instructor employed provided BASF with both the peace of mind that health and safety management was covered, as well as providing a cost effective service delivery.

Having completed the conversion of the training room and implemented the Healthworks branding and service offer principles, the gym at BASF officially opened in February 2011.

Before anyone is allowed access to the equipment they are required to fill in a physical activity readiness questionnaire, which questions all staff as to their medical history, physical state, or any current conditions that might make using a gym inadvisable, adding the proviso that they should seek the advice of their GP if unsure of the risks.

Lundie also had the legal department at BASF draw up a list of written rules in the gym. This outlines who can use the gym and when, including the correct use of equipment, employer liability and what to do in the event of an accident.

*“When we first started the gym facility there was quite a mad rush, so we had the trainer on site for a full week,” says Lundie. “We were doing all these tests and actually identified three members of staff who had problems with their blood pressure which they didn't know about.*

*“They were then referred back to our Occupational Health practitioner who referred them to their own doctors. One of them is now a fully-fledged member of the gym and uses it every morning; it's completely turned his life around.*

*“All new members of staff can have access to our fitness training, which is all booked in via our gym membership booking system.”*

When the Healthworks gym was launched at BASF, the initial target was to get some 50 employees signed up and exercising.

Thanks to the quality of the offer, an amazing 150 employees signed up in the first few weeks – Sodexo had tripled expectations in the early induction phase.

<sup>9</sup> [www.corporatewellbeing.co.uk/Docs/GYM%20REPORT%202005.pdf](http://www.corporatewellbeing.co.uk/Docs/GYM%20REPORT%202005.pdf)





The employee response was extremely positive, so positive in fact that the service offer has grown and BASF now sees the facility as a real asset in boosting employee engagement.

On behalf of HR Director, Steve Hatton, Lundie says:

*“Steve is a keen gym user himself and would quite openly admit what a great success it has been. As a benefit to staff and a morale booster it’s a roaring success. Employees were very excited about the new gym when it first opened, and that interest and excitement has been maintained. It’s certainly helped retention rates go up.”*

He adds:

*“The Healthworks gym has had a really positive effect on work-life balance and staff motivation, as well as supporting the company’s commitment to health and wellbeing. We knew this addition would be a success but never expected the impact it has had on our employees.”*

In fact, it’s been so successful that BASF has asked Sodexo to purchase more equipment, including cardiovascular equipment, free weights and resistance machines to further meet employees’ expectations.

In addition, the Healthworks gym now hosts circuit training classes and even a running club in the grounds of BASF’s site at Cheadle Hulme.

### Lessons learnt

So what advice would BASF and Sodexo give to any facilities manager contemplating setting up an in-house fitness facility?

Chris Lundie advises getting all your information together before approaching the Board and ensuring you’ve got buy-in from other key stakeholders, including Occupational Health, Estates and HR.

Claire Morris agrees with this advice.

*“What we’re finding at Sodexo is that more and more facilities managers are leading the way in introducing an integrated services model. This encompasses not only facilities but also HR, occupational health and the senior level teams in those organisations – all of which appreciate the strategic role that FM plays in their organisations.”*

The BASF scheme also demonstrates how taking a strategic approach to wellbeing and health within an organisation requires commitment from a multidisciplinary team, which in this case was led by the facilities management department.



Says Lundie:

*“Kathryn Begg, who is our Occupational Nurse, will, more often than not, come and talk to me about what we can do with the gym trainer and how best to integrate them with the food in the restaurant, the training, and the health and exercise. This works very well, with all of us working together for the same end; to keep everybody’s health up.”*

The success of the gym has also seen BASF become more confident in investing further in the offer, to better support the company’s global health and wellbeing plan, and the business is now looking to expand the gym service to other BASF sites.

*“We’re now looking to extend the scheme to some of the other sites that I manage,” says Lundie. “Whenever we have visitors from within our own company, people within the organisation will say, ‘Aren’t you lucky, you’ve got a gym’; it is a big talking point. In fact, it’s a big talking point anyway, whether you work for BASF or you don’t!”*

He adds:

*“I love to show it off and so do a lot of our people. It’s certainly on the tour when we do an induction as well, often being the first place people like to take somebody.”*

**In its 2013 Workplace Trends Report<sup>10</sup>, Sodexo provided evidence that facilities management can play a strategic, not tactical, role in promoting workplace health and wellbeing.**

It cites the results of a survey of almost 400 professionals taken across six continents which was conducted in order to review the current state of the practice of FM. The research focused specifically on how FM is organised, governed, and measured, as well as on how FM professionals interact with their peers in other infrastructure disciplines.

The discussions were enriched by direct conversations with a selection of senior FM and corporate real estate (CRE) executives, as well as with thought leaders from academia and international professional associations.

It concluded that, to be effective, FM leaders must change their behaviours, and indeed their very identity.

The report states:

*‘FM is not about managing facilities per se; rather, it is about enabling the workforce to be productive and engaged, and to produce value for the organisation. In our view, and in the view of leading FM executives, the workplace is nothing more (or less) than a tool for supporting work, for shaping the experiences of the workforce, and for producing competitive advantage.’*

Establishing a workplace wellbeing strategy also relies heavily on facilities management working in collaboration with other disciplines, including Human Resources, corporate real estate, finance and occupational health and safety.

As stated in the RICS report *Raising the Bar II*<sup>11</sup>:

*‘All agreed that Heads of FM should be playing a stronger coordinating role across Corporate Real Estate – Space (maximise space); Finance – budget approval, cost allocation; and HR – staff retention (creating environment for staff to work in).’*

<sup>10</sup> Sodexo 2013 Workplace Trends Report <http://viewer.zmags.com/publication/f045b66f#/f045b66f/1>

<sup>11</sup> RICS Raising the Bar II: City Roundtables Report: [www.rics.org/uk/knowledge/research/research-reports/raising-the-bar-enhancing-the-strategic-role-of-facilities-management/](http://www.rics.org/uk/knowledge/research/research-reports/raising-the-bar-enhancing-the-strategic-role-of-facilities-management/)



## 4.0 Professionalising FM: The importance of understanding your customer in facilities management



Image source: nui7711 / Shutterstock.com

### The issues

Since Britain handed Hong Kong back to mainland China in 1997, the People's Republic of China (PRC) has governed the region under a principle of 'one country, two systems'. This framework allows Hong Kong to maintain an independent judiciary and press, and it remains an open economy and international financial centre that acts as a conduit into and out of China for both goods and capital<sup>1</sup>.

Approximately 54 million people visit Hong Kong annually<sup>2</sup>, over 70% of who are from mainland China. In fact, mainland Chinese visitors accounted for an estimated \$10.2bn<sup>3</sup> worth of purchases of luxury goods in domestic and foreign outlets in 2013, highlighting a trend towards the development of huge shopping malls in Hong Kong<sup>4</sup> that cater primarily for the tourist market.

Hong Kong property developers have identified mainland Chinese visitors as a source of growth in their shopping malls, and have carried out in-depth research to help understand their needs to help ensure they offer customers the right mix of retailers.

Using the research data, property developers can operate a bespoke service, with optimal opening hours, staff and signage provided in appropriate languages, convenient payment methods, culturally-sensitive choices of food and beverages, efficient transportation and product deliveries introduced to create a familiar and friendly shopping experience for mainland visitors.

Buildings in Hong Kong are regulated by Building Management Ordinance (BMO) and Deed of Mutual Covenant (DMC). They are mostly multi-unit or multi-storey, so to avoid any disputes clear guidelines are needed for those who own and run them, from owners and managers to users of the building. This means it is vitally important for developers and operators to understand the principles of real estate management.

But running a mall also requires a professional skillset, encompassing project management, construction, valuation of assets, managing and development of retail talent, contract and lease management, marketing, research and customer service and delivery.

This means shopping mall managers not only need to understand property management but have retail knowledge, marketing skills, as well as an understanding of physical asset management, facilities management and contract management. It is this recognition and understanding of the different skillsets required that has made such a difference in terms of commercial success to the outputs of SHK Properties, and its suite of shopping malls in Hong Kong and mainland China.

1 [www.gov.uk/government/publications/exporting-to-hong-kong/exporting-to-hong-kong#overview](http://www.gov.uk/government/publications/exporting-to-hong-kong/exporting-to-hong-kong#overview)

2 [www.tourism.gov.hk/english/statistics/statistics\\_perform.html](http://www.tourism.gov.hk/english/statistics/statistics_perform.html)

3 [www.chinadailyasia.com/business/2014-02/19/content\\_15119218.html](http://www.chinadailyasia.com/business/2014-02/19/content_15119218.html)

4 [www.euromonitor.com/retailing-in-hong-kong-china/report](http://www.euromonitor.com/retailing-in-hong-kong-china/report)



## Strategic approach

According to Maureen Fung, FRICS – Leasing, Sun Hung Kai Properties, and Chairman of The Institute of Shopping Centre Management in the region, to succeed in this competitive market requires effective strategic FM, ensuring high levels of customer satisfaction to create a profitable business.

This case study focuses on the challenges SHK Properties has overcome in opening and running one of the largest shopping centre networks in Hong Kong, its successful move into mainland China, and the strategic role FM plays in its success.

## Case study

### Sun Hung Kai Properties [SHKP]

Sun Hung Kai Properties [SHKP] is one of the largest property developers in Hong Kong<sup>5</sup>. Its core business is the development of properties for sale and investment and it has complementary operations in property-related fields including hotels, property management, construction, insurance and mortgage services, as well as investments in telecommunications, information technology, infrastructure and other businesses.

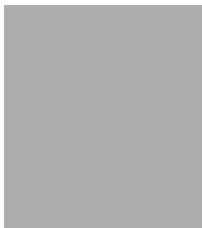
The Group specialises in the development of properties for sale and investment, including residential estates, offices and shopping centres.

In June 2014 it was voted Asia's Best Real Estate Company for the tenth time in the 2014 Asia's Best Companies Poll, conducted by *FinanceAsia*<sup>6</sup>. SHKP racked up a total of seven awards in the 2014 poll, which underlines the high esteem investors and analysts have for SHKP's approach to property management in the region.

The Group is committed to maintaining high standards of corporate governance, producing the best quality property developments, and fulfilling its corporate social responsibility objectives by giving back to the community.

When it was established in 1996, the SHKP Club was the first property club in Hong Kong, and now has over 330,000 members. The Club is a bridge for two-way communication between SHKP and the community, collecting feedback from members through different channels, to help understand customer needs and steer enhancements to SHKP's products and services.

In the retail sector SHKP has a portfolio of over ten million square feet of shopping centre and retail shops, representing one of the largest shopping centre networks in Hong Kong. Most of the malls are in prime areas and provide diverse shops for consumers. The Group enhances the competitiveness of its shopping centres by organising promotional campaigns and refining the tenant mixes regularly. It also provides customer care ambassadors in its malls to enhance its levels of service, in addition to undertaking regular renovation to keep the properties fresh.



<sup>5</sup> [www.shkp.com/en-US/](http://www.shkp.com/en-US/)

<sup>6</sup> [www.financeasia.com](http://www.financeasia.com)



This is where strategic FM planning comes into play. Maureen Fung explains:

*“Facilities management plays a strategic-tactical role to determine the best retail tenant mix by studying the strategic location and vicinity, the development’s potentials or limitations, the consumers’ needs and by comparing the strength and weaknesses of potential tenants.”*

Running a shopping mall is no different from running a business, she adds, as facilities managers must ensure a safe and comfortable environment that complies with corporate and statutory regulations and provides an ongoing high level of customer service.

According to Roy Ying, Head of Communications at RICS Asia, with over 100 shopping malls and ten million feet of retail space under SHKP’s portfolio, chain retailers are generally very interested in SHKP’s ability to reach out to every corner of Hong Kong. These types of retailers are also the ones who are willing to pay a premium for space, as they are generally backed by private equity funding, publicly listed companies or multi-national conglomerates.

But as Ying points out, if taking the traditional rental income maximisation approach, it would be easy to run into the danger of creating a number of identical shopping malls with the same portfolio of retailers.

SHKP avoids this scenario by ensuring it aligns its own interests with that of the tenants in charging its rents based on the sales turnover of each of its retail shops. It is therefore in the best interest of SHKP to help its tenants generate the maximum level of retail receipts.

In addition, SHKP ensures that it decentralises the marketing, promotion, customer service and leasing functions down to the individual mall level. This delegation of power enables each outlet to develop its own tenancy mix, which can better meet the demands of its community and visitors.

Says Ying:

*“Because of the way their rental income is levied, SHKP has access to a vast database of retail activities in each of its malls, with hundreds of thousands of transactions captured on a daily basis.*

*“Leasing approval is not only based on the basic rental income or brand prestige from potential new tenants, but also whether the products would have a good chance of being welcomed by shoppers, based on the consumer behavioural data collected from in-house sales data.”*



Image source: Courtesy of Sun Hung Kai Properties Limited



Image source: Courtesy of Sun Hung Kai Properties Limited

## Challenges

Building or revamping a shopping mall is a major capital expenditure, and may take months or even years to plan. To meet this challenge, SHKP pays great attention to the changes in population demographics in the districts where it already has a presence, or where it plans to develop.

Getting the location right is one of the vital determinations and preconditions to the success of a mall, and for SHKP, converting a 'weakness', for instance the inferior location of a mall, to an accessible site that attracts consumers, is one of its greatest challenges.

Filling these huge buildings with the right tenants is another major challenge, as getting the wrong mix of retailers could spell disaster.

According to Fung, another major task is in ensuring that good communications are maintained. Converting or building a mall, filling it with the right tenants and managing the whole edifice requires a great deal of stakeholder involvement, both internally and externally; including inter-departments, tenants, customers, contractors and government bodies.

She says:

*"The challenge for us is to win out amongst the fierce competitive shopping mall property sector, as in this market only the winner takes all!"*

All these challenges came into play with the 600,000 sq ft APM shopping mall, which has been converted from an ageing building in the old industrial district of Kwun Tong, situated in the dilapidated urban area of Kowloon, a peninsula to the north of Hong Kong Island.

The decision in 2003 to open the mall in that area was considered bold, says Fung, especially as the region had recently suffered from the SARS epidemic, but once an in-depth study and market research into the site and vicinity were carried out on the mall's position and tenant mix set, SHKP was confident it was the right move.

Says Fung:

*"Large numbers of teenagers had been spotted in the area, which indicated it had great potential as a young and trendy shopping mall."*

Further market researches and industry trends indicated that sales receipts for consumer electronics, sporting goods and fast food operators were performing quite well in the region.

Following a further study into the retail landscape in other countries, the concept of a late-night shopping experience catering for the young generation was suggested, an idea that SHKP's Board quickly bought into, as it was well supported by the market data.

SHKP also took an innovative approach to assembling its tenant mix. Instead of making sales pitches to chain retailers, it built a multi-million dollar exhibition site, inviting targeted retailers that carry young and trendy products to visit. Instead of looking to maximise rental income, the objective was to create a trade mix that would appeal to the young generation, and the young at heart.

And instead of the leasing department picking and choosing tenants, members of the SHKP Club and the residents of Kwun Tong were consulted. This resulted, says Fung, in a heady mix of red-hot local fashion designers, trendy sports brands and popular fast food operators.



APM<sup>7</sup> remains a landmark of Kwun Tong – attracting young shoppers from all over Hong Kong. Breaking the geographic boundary has also helped to regenerate the area, attracting major corporations to relocate their back offices to its Millennium City office towers.

To cater for the fast changing preference of its younger customers since the mall opened, SHKP has continued to launch attractive and cutting edge promotion activities to ensure high shopper traffic.

### Mainland Chinese customers

Since the introduction of the individual visit scheme by the PRC government in 2003<sup>8</sup>, which has facilitated visits to Hong Kong by millions of mainland Chinese, attracting mainland Chinese visitors to its shopping malls has been an important part of SHKP's strategy.

However, as Ying explains, there were a lot of questions SHKP needed to answer, including:

- Where would the shoppers come from?
- How to get them across the border?
- What products would be welcomed by these visitors?
- What services would they need?
- How to create a PRC friendly shopping experience?
- How should the tenants be prepared?
- What kind of food and beverages would appeal to them?
- What would be the main reason for coming across the border?

Perhaps these kinds of questions are not typically asked of a facilities manager, but in order to find the right mix of products, outlets and experiences to make the malls a success, given the partnership approach SHKP formed with its tenants, they were extremely important. To find the answers, extensive market research was conducted across the border, not only via exit surveys in major retail outlets like Shenzhen, but also in high-end residential estates located within reasonable proximity to the Hong Kong border.

An existing mall at Tai Po in the new territories<sup>9</sup> was an obvious choice to attract consumers from the PRC as it was positioned close to the border with plenty of parking spaces for passenger coaches.

In addition, an analysis of Government Census Department data showed that the local Tai Po population was ageing, which indicated that the spending power of the community might be in decline. These findings were brought together by SHKP, and a new strategy in repositioning the Tai Po mall<sup>10</sup> into the first PRC shopper-friendly property was developed to bring in a new source of shoppers and a host of commercial activities to the community.

Customer insights were collected, analysed and translated and, through the market research, it was clear that the organisation of shopping tours would be welcomed by respondents. Other services such as the promotion of Unionpay<sup>11</sup> systems to its tenants, the addition of money exchange facilities, earlier opening hours to cater for early group arrival, hiring Putonghua (standard Chinese) speaking service ambassadors, and the production of marketing collateral targeted to mainland visitors were all introduced.

This has resulted in the conversion of a traditional neighbourhood shopping centre to a major regional shopping destination; the Tai Po Mega Mall.

### Mainland China

But along with adopting the right mix of strategies in attracting mainland visitors, SHKP has gone a stage further to capture the full benefit of the booming Mainland economy by developing its shopping malls in major cities in China. Shanghai IFC is its flagship project.

Explains Maureen Fung:

*"We began the process by carrying out some macro research, both qualitative and quantitative, on the area and also the predicted footfall."*

From this information it was strategically decided to plan a shopping centre complex in the newly developed financial hub of Pudong in Shanghai, rather than the traditional shopping district in Puxi, to take full advantage of the excellent transport links in the area and the fact that it is an acknowledged finance and trade zone in PRC.

The next challenge was to find the right (and best) kind of tenants for the shopping mall as retail chain planning would help identify the market position of the mall and the type of customer it would attract.

Says Fung:

*"China is a tenant's market, with malls over-supplied in every city, so to ensure a mall will survive and perform well for the long term it is important for us to assess [the retailer's] planned strategy."*

Around 15% of the international tenants in Shanghai IFC Mall had no previous experience in operating retail shops in China and 40% of the Hong Kong tenants had never opened shops in Pudong before. However, they agreed to take the risk to expand into Mainland China because of the confidence they had in SHKP's track record. The level of service SHKP offered was also another reason that tenants, including luxury brands such as Hermes, Louis Vuitton and Chanel, were willing to pay a premium.

7 [www.apm-millenniumcity.com](http://www.apm-millenniumcity.com)

8 [www.tourism.gov.hk/english/visitors/visitors\\_ind.html](http://www.tourism.gov.hk/english/visitors/visitors_ind.html)

9 [www.frommers.com/destinations/hong-kong/701533#sthash.FAQ61zAE.dpbs](http://www.frommers.com/destinations/hong-kong/701533#sthash.FAQ61zAE.dpbs)

10 [www.taipomegamall.shkp.com.hk/](http://www.taipomegamall.shkp.com.hk/)

11 <http://en.unionpay.com/>



Image source: Courtesy of Sun Hung Kai Properties Limited.



A dedicated team of staff was at the tenants' disposal, assisting them to apply for the various licensing requirements, recruiting employees, shipping and logistics of products, renovation and the decoration of their retail outlets.

### Getting the right skillset

One of the biggest headaches in getting the Shanghai mall off the ground was in finding qualified local staff with international exposure who could keep pace with the Hong Kong team.

Explains Roy Ying:

*"Malls have to be developed from scratch; the project team not only have to deal with the customer service and the marketing of the property, but also the physical asset management, valuation of properties, facilities management, contract and leasing management as well as talent development."*

These were the core competency skill sets Maureen Fung looked for when she hired senior executives for Shanghai IFC Mall, in addition to their track record in marketing and promotions.

Fung herself holds a marketing degree, but since working for SHKP, it became apparent that she was working in the real estate industry, and needed to gain a solid understanding of property development, transaction, management, facilities and valuation.

She says:

*"That's why I took time to earn my Masters Degree in real estate management and then subsequently my Chartered Surveyor qualification with RICS. The CEO I appointed for Shanghai IFC is also a surveyor."*

Shanghai IFC Mall has been a resounding success, winning a 2010 MIPI Asia 'Best Shopping Mall Award', 'Participants Choice Award', and 2012 VIVA Best-of-the-Best Award Honoree for design and development by

the International Council of Shopping Centres (ICSC)<sup>12</sup>. It covers over 1.1 million square feet with more than 180 premium retailers, including Louis Vuitton's largest single-level store in the world and the first Apple global flagship store in Shanghai.

### Lessons learnt

SHKP has broken new ground in recent years by not only catering to a new type of customer from Mainland China but in opening up award-winning shopping malls within the PRC.

According to Fung, managing a portfolio of shopping malls is no different from managing a group of companies. Mall managers need to be able to meet the needs of their clients and customers, balancing what they do as marketers with the physical constraints of a property.

Explains Fung:

*"To deliver this kind of service requires our facilities managers to encompass multiple disciplines to ensure the landlord's promises are delivered to the tenants."*

*"Our FMs act as on-site coordinators and action takers, so if an incident occurs they can spot the problem and react to it immediately. But they're also taking a core strategic role, as they're able to receive first-hand market and business information from shoppers or store operators and feed this back to the leasing and marketing team for trade-mix or tenant-mix planning and improvement."*

In short, they need strategic FM knowledge in order to make the buildings work, and sustain growth, because without a genuine insight into the needs of their customer, and how the building can fulfil those needs, the partnership cannot work. Only by understanding a complicated mix of asset, facility and people management, as well as the principles of marketing and design, can the modern-day shopping mall manager in China truly deliver a world-class leisure and business operation that delivers on its promises.

## 5.0 Professionalising FM: Transforming the delivery of facilities services



### The issues

One of the greatest challenges for facilities management is being seen as more than a commodity<sup>1</sup> or cost-centre, and being recognised as playing an integral part in the overall performance of an organisation. This problem goes right to the top. A survey by International Workplace (then Workplace Law) in 2013<sup>2</sup> revealed that a third of client boards still do not understand the contribution good FM can make to the success of their organisation.

However, a lack of recognition of the strategic role of FM is not just down to the Board.

In the RICS report, *Raising the Bar: Enhancing the Strategic Role of Facilities Management*<sup>3</sup>, it was argued that, in many organisations, the facilities management leadership itself does not give enough thought to considering the organisation's business strategy and how it translates into tangible targets and actions for FM.

### Strategic approach

As *Raising the Bar* advised, for FM to truly be effective and serve an organisation's real estate and business needs, FM leaders must work on a number of multi-disciplinary relationships within their organisation, and they must focus on gaining the buy-in needed to provide coordinated workforce support from all the infrastructure functions.

But there are a number of barriers to success, which, as outlined in the follow up report, *Raising the Bar II: City Roundtables Report*<sup>4</sup>, are common experiences for FMs in many regions. In China and Hong Kong, FMs report a lack of definition concerning what FM actually does, or is. In these regions the FM industry often experiences high staff turnover, a situation related to lower perceived value and lack of structure, which in turn leads to lower job satisfaction.

In Hong Kong, FM is perceived to be closely tied to property management, which as quoted in the RTBII report, is seen as 'a cost, rather than a value-added resource'.

Participants also reported an over-orientation towards operational and process issues at the expense of strategic activities, and a failure to communicate effectively with senior executive colleagues.

One of the principal reasons behind this, the discussions revealed, was because Heads of FM were often too busy managing the operational day-to-day issues to think about strategy.

However, changes can be made, as a major transformation of the facilities and property management at the Hong Kong Jockey Club demonstrates.

1 <http://occupiersjournal.com/blog/>

2 [www.internationalworkplace.com/ThinkFM-research-programme](http://www.internationalworkplace.com/ThinkFM-research-programme)

3 [www.joinricsineurope.eu/uploads/files/17503RICSRaisingtheBarReport1\\_1.pdf](http://www.joinricsineurope.eu/uploads/files/17503RICSRaisingtheBarReport1_1.pdf)

4 [www.rics.org/uk/knowledge/research/research-reports/raising-the-bar-enhancing-the-strategic-role-of-facilities-management/](http://www.rics.org/uk/knowledge/research/research-reports/raising-the-bar-enhancing-the-strategic-role-of-facilities-management/)



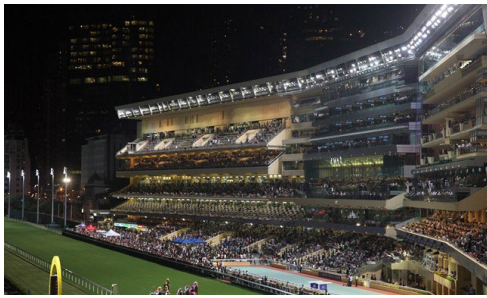


Image source: zhu difeng / Shutterstock.com



## Case study

### Hong Kong Jockey Club

The Hong Kong Jockey Club<sup>5</sup> is one of the largest racing organisations in the world. It has 22,000 private members and also operates the Hong Kong Mark Six lottery<sup>6</sup>, and under Government authority offers betting on football matches held outside Hong Kong.

With revenue generated from racing, the Mark Six and football, this not-for-profit organisation has an annual turnover exceeding HK\$150bn and is the biggest single taxpayer in Hong Kong. The Club has 5,700 full-time and 18,000 part-time employees and owns over 9 million ft<sup>2</sup> of property with an asset value of over HK\$30bn, making it one of the city's largest property owners.

The Club's property portfolio consists of six categories, encompassing two racecourses (Happy Valley and Sha Tin), corporate buildings, residential properties, club houses, retail branches, telebet centres, and recreational riding schools.

The Club has been expanding in mainland China, and in March 2010 the Board appointed a director to oversee the property portfolio. With the new leadership on board, a strategic review of facilities management operations was carried out to determine the current state of FM operations and the future plan. The review took eight months to complete and covered all areas of operations.

Graham Tier, Head of Property Facilities Management, said:

*"With such a large and diverse portfolio, ranging from five star clubhouses to racecourses used by tens of thousands of race fans every week, the FM strategic review was hugely important. We wanted to improve collaboration across the FM team and also with our internal clients and partners. We also wanted to bring all of our management techniques and tools up to the latest standard."*

The main issue for FM at the Club was that it was viewed as a service provider, with the budget split between numerous divisional and departmental budget holders. This meant that all expenditure was controlled by a division and not an asset group, which made it impossible to get an accurate idea of costs. It soon became clear that in order to improve the quality of service and to better control costs, clearer structures, roles and responsibilities were needed.

The project was structured into four areas. The first and most important was project governance, and how it could be established internally to ensure buy-in. The second challenge was to determine the strategy required. The third was how the design of the organisation could be changed in order to cope with the transformation. Finally, there was the question of how such changes were going to be implemented on a large scale, amongst an FM team that comprised 300 permanent in-house staff, and around 4,000 contracted workers.

Says Tier:

*"Before any work could begin it was important to set up the right governance. If you don't get the governance right, the programme is not going to be successful."*

<sup>5</sup> [www.hkjc.com/home/english/](http://www.hkjc.com/home/english/)

<sup>6</sup> [www.thelotter.com/lottery-results/hong-kong-mark-six/](http://www.thelotter.com/lottery-results/hong-kong-mark-six/)

This covered three areas:

1. An executive steering committee which included the key stakeholders at Board level.
2. A project management team.
3. A working team, which delivered and implemented the changes.

With the governance in place, work could then begin on determining the FM vision and goals.

Explains Tier:

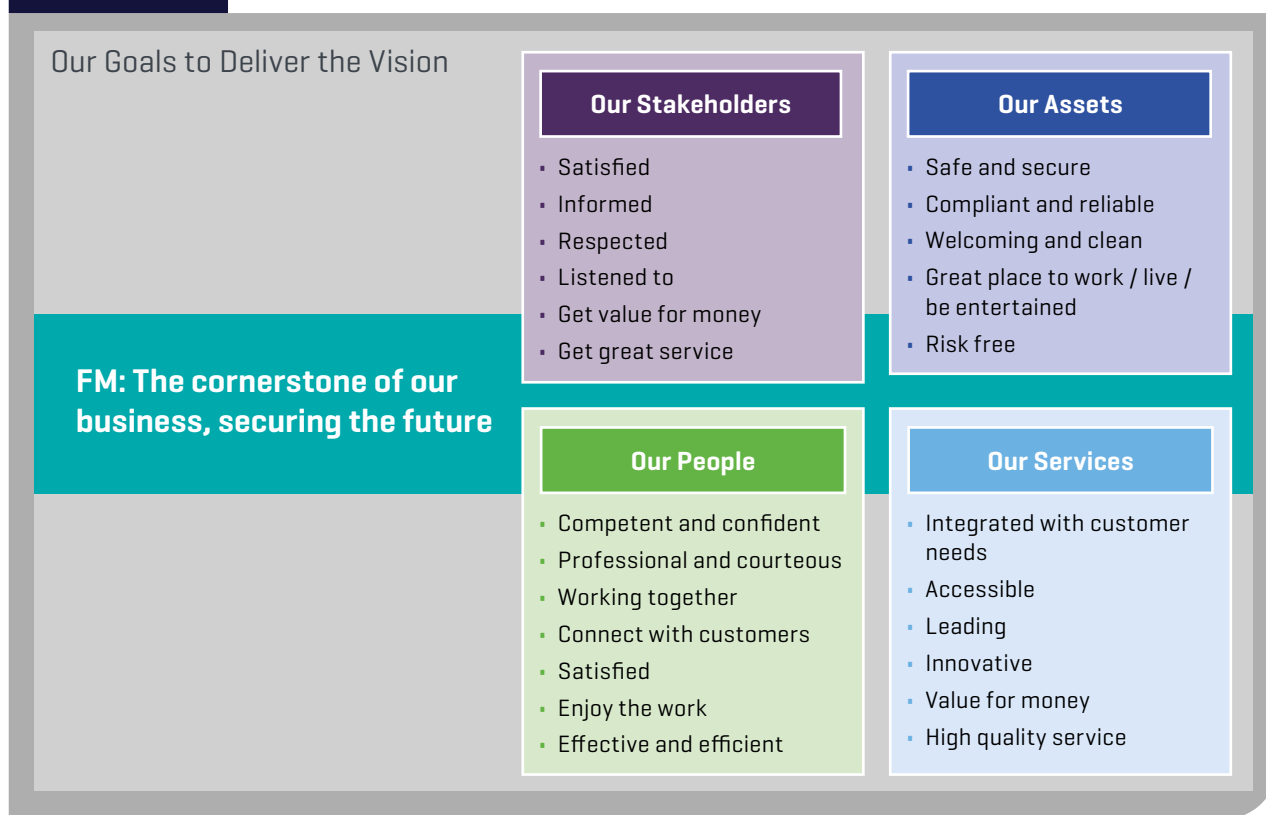
*"We came up with the vision of 'Facilities Management, the cornerstone of our business, securing the future.' And to meet that goal I drew up a strategic plan which took almost 12 months to develop, but gave me the road map for the implementation of effective facilities management."*

Tier identified four areas that would contribute to that vision – stakeholders, services, assets and people.

Alongside that vision, a set of FM service delivery principles were drawn up:

- FM is accountable and responsible for the operations and maintenance of all property assets.
- FM will operate and maintain the property assets in a safe and suitable manner to meet our stakeholders' needs.
- FM will work with their customers to develop and agree the annual budget that they will be accountable and responsible to deliver.
- Having fully consulted with their customers, FM will plan all maintenance and ensure it is delivered safely and cost effectively.
- FM will be able to demonstrate cost effectiveness of operations and maintenance and will seek to continuously drive value.
- FM will work with their stakeholders to agree SLAs (Service Level Agreements) and then report on these on a monthly basis.
- In procuring or carrying out work, sustainability will be taken into account.

**Figure 5.1** Goals to deliver the future



Source: HKJC





The next step was to look at the way in which the facilities would be delivered. These could range from self-delivery to total outsourced services, so it was important to look at the advantages and disadvantages of these approaches, and what sort of risks each approach entailed.

### Target operating models

Four target operating models were identified: self-delivery, total facilities management (TFM), and the hybrid solutions of managing agent or prime contractor.

There were of course pros and cons with each approach. For instance, with self-delivery, the financial risk is quite high, because facilities services are being delivered in-house. However, advantages include closeness to the customer and tighter control over delivery.

On the other side of the scale is TFM. *“You have less financial risk, because normally it’s a lump sum,”* says Tier. *“But there is less control over delivery, so it is very dependent on how well you scope the services. It also reduces closeness to the customer, because you’re relying on a third party vendor to deliver the services.”*

Between these two approaches were the hybrids – multiple managing agents, who would report back to the organisation, or a single prime contractor, managed by HKJC FM.

Taking into account the widely diverse range of properties at HKJC it was decided that all four target operating models would be applied across the organisation, depending on requirements.

In order to establish a framework that ensured the delivery model was fit for purpose and business-focused, in-depth analysis was carried out on the HKJC’s organisational structure. This exercise resulted in the identification of six main ‘clusters’ in the HKJC property portfolio: racecourses, corporate buildings, residential buildings, club houses, retail branches, telebet centres and recreational riding schools.

Says Tier:

*“This clarity only came about as a result of the strategic review of FM. Previously it didn’t exist. Now if you talk to anyone at the Jockey Club, and they say, ‘I’m part of corporate’, you know where they belong. And if they say, ‘I’m part of the racecourse team, I’m in retail, I’m in residential’, they know where they sit.”*

This structure helped form the basis for all future cost allocations and management support structures. It also helped better measure the health of the property assets.

This meant that across the portfolio there was a single point of ownership to drive targeted operational savings, a better use of the supply chain to drive value, consolidated spend on procurement, improved standardisation of services, and no ‘rogue spending’.





Image source: e X p o s e / Shutterstock.com

Once the asset portfolio was identified, an FM strategic review could go ahead to determine the best mode of service. The parameters included the geography of each building, the asset type (e.g. racecourse, residential), the service line (e.g. was it customer facing or not), and where there was any crossover. The next task was to determine the FM services required for each of those assets. For instance, should FM services include vendor management, mail room services, car parks or valet services?

Says Tier:

*“This is what we call ‘defining the functions of FM’. My experience is that it varies from portfolio to portfolio and from company to company. So in order to get the right facilities management strategy, you need to look at the benefits case behind each of these services.”*

## Scope of services

To help define the scope of services required, a survey was carried out to determine which department and individuals would be responsible for their delivery.

This survey went into a level of detail such as: *‘If a person comes into a building as a new resident, who is going to check them in? Who is responsible for ensuring that resident gets a unit allocated? Does the person who checks them in process their payments?’*

The survey revealed there was some confusion on roles and responsibilities. In practice, this meant that if there was a complaint regarding services, it was nearly impossible to hold one person, or team, accountable because there was such little clarity in who was ultimately responsible.

*“For example,” says Tier, “a visitor might arrive at one of the corporate offices and wait 15 minutes to get into the building. If a complaint is made and the organisation looks into why this had happened, a number of responses might ensue.*

*“Security might say: ‘I didn’t know the visitor was already registered as this is performed by another team.’ Reception might respond: ‘We only ring to find out if the person the visitor wishes to see is available. Then security does the check-in.’ This communication gap exists when there is no single point of responsibility for the service.”*

In order to establish who is accountable and responsible, each of the portfolios underwent an independent audit, the results of which were then presented to the Board. This went on to inform the key changes that were identified.

It was recommended that each of the ‘clusters’ (i.e. corporate, retail, etc.) would benefit from a single point of ownership, with one manager in charge of a team that could be held accountable and responsible. This would make it easier to target savings, because there would be greater clarity on who was going to deliver the various functions and features, and at what cost. It could also be driven through the supply chain, because there was greater clarity on the overall spend. Efficiencies would be greatly improved as well because it would end any confusion over who was responsible for the delivery of services.

Explains Tier:

*“As an example, when I first joined the Jockey Club several years ago, if you were to go into one of our residential buildings, it would be managed by six jockey club departments.*

*"HR would be checking the staff while security would be doing the reception. A third team would be landscaping in charge of the grounds. Then there would be administration services doing the cleaning, and property would be covering the maintenance."*

*"The communication was not coordinated, so one day a guy might turn up to wash the windows without notice, and the next day another team would trim the lawn requiring the windows to be cleaned again. And security wouldn't know about it, and the person would get held up in performing their duties."*

Instead, by taking a consolidated approach to FM, multiple layers of management were removed and decision-making consolidated into a single point of responsibility.

This, however, required a lot of planning to align the structures and the scope of services. For instance, while mail might be required in corporate, it wouldn't be needed in residential. And where a service was required, it was necessary to determine who was responsible for its delivery. Tier therefore developed a transformation map, to chart the process of the changes.

## Board approval

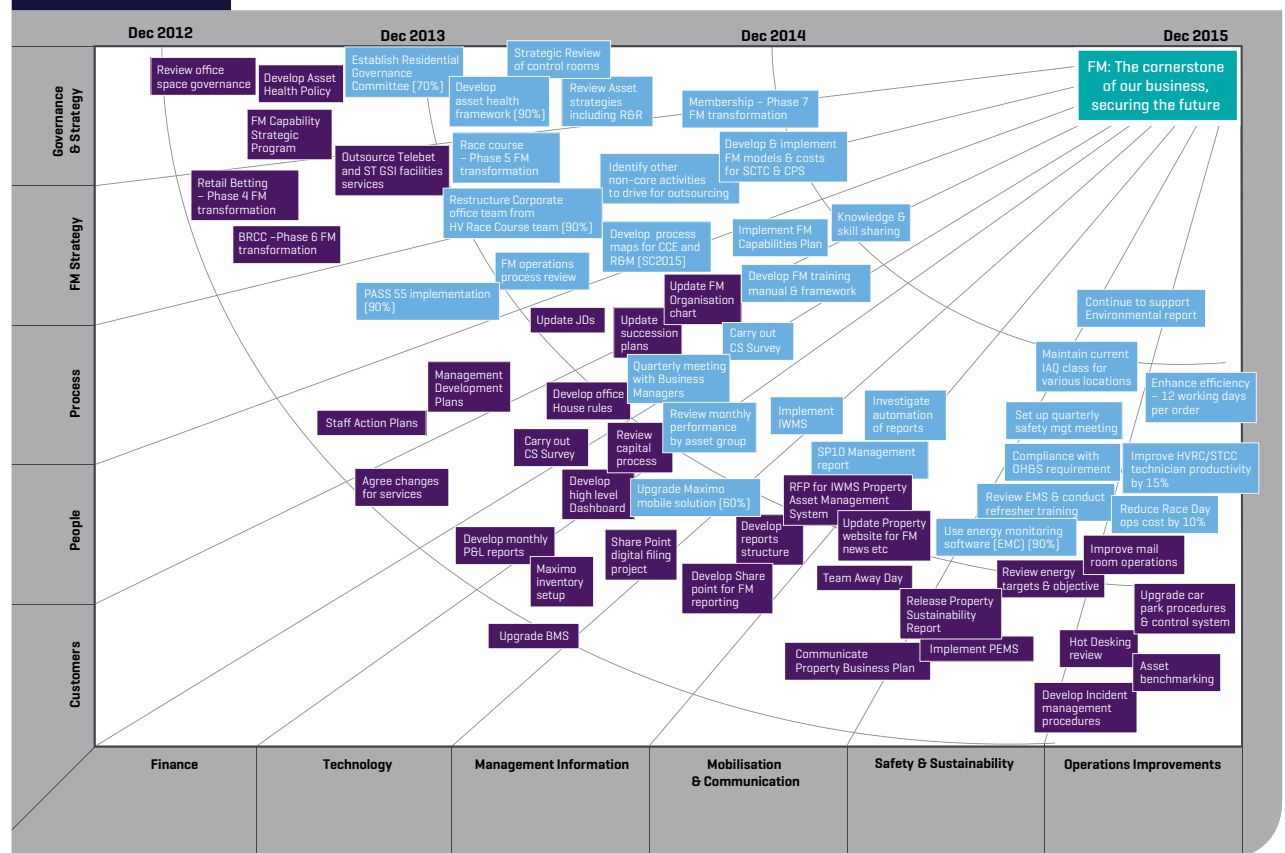
It was proposed that the control of services should be removed from individual departments and consolidated under a merged FM department, which would assume responsibility for property, technical services and administration. The next major challenge, therefore, was to sell these fundamental organisational changes to the Board.

To make it more palatable to the Board, Tier broke the process down into seven phases, beginning with Corporate.

*"I gave a detailed presentation on Corporate, including the findings of an independent audit, which explained what the gaps were, what the benefits case was, what the structure should be and the key changes this would require."*

This included the appointment of an FM to manage corporate offices and the moving of administration, along with property and transport, under FM. Service level agreements were also developed, based on measured performance. Finally, the whole portfolio would be governed by a 'corporate office governance group' made up of five directors.

**Figure 5.2** FM Strategic Transformation Map



Source: HKJC





The formation of this latter group has proved a massive aid to efficiency, as the team is able to make rapid decisions.

Says Tier:

*"We talk about space, we talk about space challenges, we talk about how we govern that space and any changes within the space. In fact, the corporate group has proved so successful that we are going to apply the same governance process to the residential cluster covering approximately four million square feet."*

## Asset management

Prior to the strategic programme to transform the delivery of facilities within the organisation, Tier also reviewed the club's asset management systems.

A comprehensive benchmark study across major property developers in Hong Kong revealed there was a need for the Club to improve its asset management. It showed that while the team was very prompt in responding to reactive maintenance requirements and basic operations, there was no systematic approach to maintenance or a system in place to keep track of all costs and details of work relating to the operation and maintenance activities.

Apart from the annual overall spending in operations and maintenance, there was a lack of information on the details of equipment repair records, or other Key Performance Indicator (KPI) cost data for various assets.

The Club was using multiple independent stand-alone systems to keep track of maintenance works, as well as their related financial data. These systems, many of which had been developed in-house over many years without any improvement, contained information that was not linked with the Club's financial system, Oracle.

Due to the poor systems in place, all the planned preventive maintenance works were conducted using paper without proper records. There were no employee productivity measures and no electronic maintenance records of the major assets.

It was recommended to the Board of Management that a full operations review take place. Maximo was also introduced in 2006 – an integrated computerised asset management system – to replace the outdated systems. Since its introduction, all routine and maintenance costs have been captured. The system is linked with various functions of the FM team, while maintenance and contractor information are shared with other departments. Today the Club is one of the biggest users of Maximo in the region.

The Club is also interested in building technology. Over 140,000 building points are now being monitored and controlled through its network, from where it can control all of its energy, from air conditioning to lighting. All of this is part of the overall energy targeting and maintenance management system.

With all this data in place, managers are able to review their spending within each portfolio as well as measure both team and individual staff productivity. This helps the team improve its overall efficiency and effectiveness in performing maintenance works, as well as to plan and supply materials for works, which has led to a cost reduction in contractor overheads.



## Lessons learnt

As Jim Ware, one of the co-authors of *Raising the Bar: City Roundtables* points out<sup>7</sup>, in most organisations around the world, the basic role of facilities management is understood differently in different industries and at different levels.

This of course presents one of the biggest challenges for the Facilities Management profession; recognising that these differences exist and working within their individual organisations to build the profile of 'strategic facilities management' amongst their peers and other management professionals.

This is the challenge that Hong Kong Jockey Club has met, and the changes wrought there represent the largest FM transformation in the region, which is still underway.

Key to the success of the project has been its incremental process and the implementation of massive structure changes in stages, which – critically – have gained approval from the Board at each stage.

Tier advises that for facilities managers to really make a strategic impact they need visibility and buy-in at Board level. And for FMs, that visibility is through the fact that FM directly impacts on the sustainability of their organisation.

Says Tier:

*"I'd say a good way to get attention at Board level is through environmental and sustainability initiatives; showing that your initiatives will have significant environmental and cost-benefit impacts. Certainly this has been our experience."*

He concludes:

*"I call the journey I took the Club through 'the ride of your life' as it was about transforming the Jockey Club and the way FM delivered services to all our properties."*



Image source: Jess Yu / Shutterstock.com

<sup>7</sup> [www.rics.org/uk/knowledge/research/research-reports/raising-the-bar-enhancing-the-strategic-role-of-facilities-management/](http://www.rics.org/uk/knowledge/research/research-reports/raising-the-bar-enhancing-the-strategic-role-of-facilities-management/)

## 6.0 Professionalising FM: How the Living Wage can improve the image of FM



### The issues

Britain's National Minimum Wage (NMW)<sup>1</sup> is the statutory minimum salary per hour that most workers are entitled to, a legal floor enforced by HM Revenue and Customs (HMRC).

Set by the Chancellor each year on the advice of the Independent Low Pay Commission, the first NMW rate was set in April 1999 at £3.20 per hour for adults over the age of 21. Since then it has risen each year to reach £6.31 per hour for adults, with the next rise scheduled for 1 October 2014, when it will rise to £6.50 per hour<sup>2</sup>.

The mandate given to the Low Pay Commission specifies that NMW rates reflect 'what the market will bear with no adverse effect on employment'.<sup>3</sup> In contrast, the Living Wage is an hourly wage rate that is set independently and is based on the basic cost of living in London and the rest of the UK.

Following research commissioned by the public service trade union, UNISON, a group of parents called London Citizens<sup>4</sup> first calculated a 'Living Wage rate' in the early 2000s. Their calculations showed that in order for a family of two parents and two children to have a modest living standard, independent of benefits, both parents would have

to earn £6.30 an hour, rather than the minimum wage rate. They launched a campaign to demand employers pay this more sustainable living wage.

In May 2011, the campaign had developed sufficiently to launch a national Living Wage Foundation (LWF). The LWF aims to promote the Living Wage, affirm Living Wage Employers, and support the integration of the Living Wage into organisational structures in the long term with the use of a Living Wage Employer accreditation system and the Living Wage Employer mark<sup>5</sup>.

Nearly 850 organisations are now accredited Living Wage employers. With an average increase of 40 organisations per month, 14 accredited employers are in the FTSE 100. In these organisations the Living Wage is being paid to all directly employed workers and paid to all eligible third party on-site contractors or, for the latter, where an agreed implementation plan has been approved by the Living Wage Foundation. In addition to the accreditation system, the LWF provides assistance and intelligence for employers to implement the Living Wage, promotes the Living Wage through different mediums, and organises a series of events during Living Wage Week (the first week of November every year).

There is also a Living Wage supplier recognition scheme, which acknowledges suppliers who actively encourage their clients to pay Living Wage. This is particularly attractive to smaller organisations offering a quality product and looking to differentiate themselves in the market.

The Greater London Authority (GLA) sets the Living Wage rate in London, where the current rate is £8.80 per hour<sup>6</sup>.

1 [www.gov.uk/national-minimum-wage](http://www.gov.uk/national-minimum-wage)

2 [www.gov.uk/government/publications/national-minimum-wage-response-to-low-pay-commission-2014-report](http://www.gov.uk/government/publications/national-minimum-wage-response-to-low-pay-commission-2014-report)

3 Wills, J. with Kakpo, N. and Begum, R. (2009) The Business Case for the Living Wage: the story of the cleaning service at Queen Mary

4 [www.citizensuk.org/campaigns/livingwage](http://www.citizensuk.org/campaigns/livingwage)

5 [www.livingwage.org.uk/history](http://www.livingwage.org.uk/history)

The Living Wage rate for outside London is calculated by the Centre for Research in Social Policy at Loughborough University, based on its research into the Minimum Income Standard for the United Kingdom. The current rate is £7.65 per hour<sup>7</sup>.

Paying the Living Wage is voluntary and a recognised sign of good practice in employment.

## Strategic approach

The Living Wage presents both a major opportunity and a challenge to facilities management suppliers and clients. This is because according to research<sup>8</sup> (see Figure 6.1) low-skilled service sector jobs predominate in terms of having the greatest proportion of people earning below the Living Wage – which includes staff who typically provide FM services such as cleaning, catering and other service activities.

Despite an increasing body of evidence<sup>9</sup> suggesting that firms that pay their staff the Living Wage increase their productivity and service quality, there are concerns about how a facilities management budget could support a Living Wage programme.

Richard Sykes, Chief Executive Officer for leading services supplier, ISS, a recognised Living Wage supplier (one of over 20), says there is a challenge for FM in increasing the level of awareness of the benefits in paying a Living Wage and in pushing procurement departments to meet targeted savings to keep within budget.

But he believes it also presents something of an opportunity:

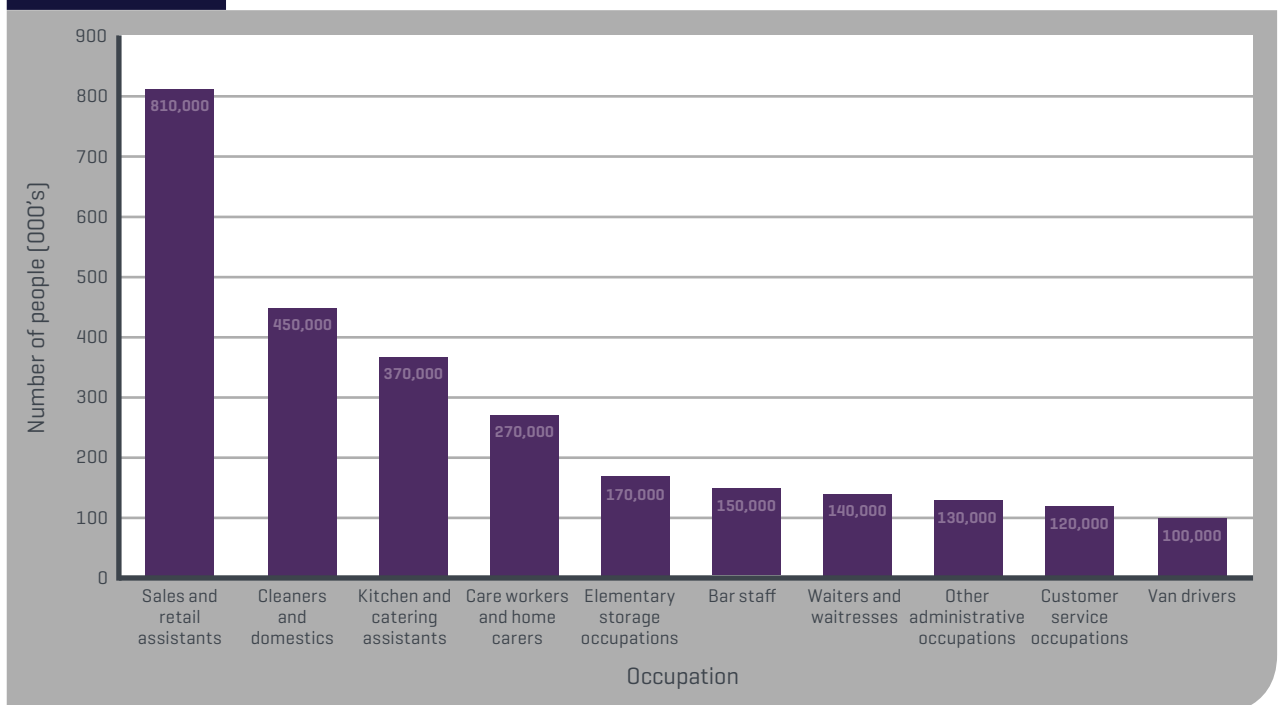
*“Facilities management is becoming a bit of a trailblazer in adopting the Living Wage and it’s highlighting the good ethical companies that we do have in our sector. So I think in this way FM is helping to make an impact across UK Plc.”*

On the client side, KPMG is one of the founding partners of the LWF, where Guy Stallard, Head of Facilities, is also a business representative on the Living Wage Commission.

He believes that offering a Living Wage benefits those who receive a more sustainable standard of living; that employers benefit from enhancing their CSR reputation; and that in taking a strategic approach to offering the Living Wage, facilities management can play a key strategic role in helping to reduce costs to the whole business, improve competitiveness, market position and profitability.

**Figure 6.1**

**Occupations with greatest number of people below Living Wage (all UK)**



Source: KPMG

6 [www.london.gov.uk/priorities/business-economy/publications/gla-economics/a-fairer-london-the-2013-living-wage-in-london](http://www.london.gov.uk/priorities/business-economy/publications/gla-economics/a-fairer-london-the-2013-living-wage-in-london)

7 [www.lboro.ac.uk/research/crsp/mis/thelivingwage](http://www.lboro.ac.uk/research/crsp/mis/thelivingwage)

8 Living Wage Research for KPMG: Structural Analysis of Hourly Wages and Current Trends in Household Finances. 2013 Report

9 [www.livingwage.org.uk/what-are-benefits](http://www.livingwage.org.uk/what-are-benefits)





## Case study

### KPMG

KPMG in the UK is part of KPMG Europe LLP – the largest integrated accounting firm in Europe, and a leading provider of professional services. KPMG in the UK has over 11,000 partners and staff working in 23 offices and is part of a strong global network of member firms. Its vision is to turn knowledge into value for the benefit of its clients, people and capital markets.

Obviously, services such as cleaning, catering, reception and security are not in the company's core capabilities as a professional services firm, so it uses FM experts in each of these areas to carry out these services. The firm has over 700 outsourced on-site supplier staff, many of whom are directly serving KPMG clients.

One of KPMG's core values is that everyone who works for KPMG is paid fairly. As part of this, the firm has paid the Living Wage to outsourced staff since 2006, a measure that forms one of the core pillars of the organisation's Sustainable Procurement Programme – carbon, supplier diversity, and the Living Wage.

KPMG is a principal partner of the Living Wage Foundation and was one of the first organisations to become an Accredited Living Wage Employer; pushing the strategic facilities management message into the heart of its own organisation and the wider business community.

### Challenges

In 2006, when Deputy Director of Finance at KPMG, Guy Stallard, took over as Head of Facilities, staff turnover amongst the services staff was high. Those in low paid jobs such as cleaning and catering were unmotivated and not loyal to the company – they'd go elsewhere for a slight increase in pay.

KPMG made the decision to carry out extensive research into the London Citizens First campaign, and in particular the benefits (or otherwise) of paying its core service staff the Living Wage. Stallard then went to the CFO and the Chief Operating Officer of the company with the proposal that KPMG start to pay its services staff the Living Wage.

This was agreed, but recalls Stallard, with a caveat – the company did not want to increase its costs. He was requested 'as an accountant and Head of Facilities', to 'go away and work out how you can change the nature of how we deliver our services'.

It was not, says Stallard, feasible to expect the contractor to take a financial hit, so in terms of their margins they were protected. Because the contract would operate for the same cost, it was KPMG as the client that needed to change the parameters on how they wanted that contract to be structured.

There were a number of challenges to meet so KPMG – with the buy-in and support of its key suppliers – set out to:

- re-evaluate the service provided and the models used for delivery;
- identify opportunities for service refinement;
- motivate staff by developing skills and increasing responsibility in line with increased salaries; and
- gain commitment from contractors, KPMG's FM department and senior board members.

The process began with a re-evaluation of cleaning services. In March 2006, it was decided to pay the cleaners in the London offices the Living Wage. By October 2006 this was extended to all KPMG's cleaning staff across the country.

During that six-month period, KPMG, along with its then cleaning contractor, ISS, looked closely at the costs of running the cleaning services, to ensure wages could rise without impacting the services budget. It soon became apparent that one effective cost saving exercise would be to reduce the amount of night-time cleaning and bring in cleaners who worked during the day.

This also, explains Stallard, gave the cleaning staff a 'double win', as it meant that instead of having to work short shifts at unsocial times they actually had a more regular day job. The challenge, however, was in convincing staff and clients that this approach could work, as the assumption was that cleaning had to be carried out at night because no one would be happy to have it done in the day.

Says Stallard:

*"When I started the conversation around daytime cleaning the first response from people was, 'How can I have a Hoover going under my desk when I'm in the office?'"*

*"We assured them that vacuuming only accounts for a minor amount of cleaning time. We ensured that the stuff that shouldn't be done in the day (such as vacuuming) was carried out after 6pm, and with regards to the client areas, we actually found they were much happier seeing the toilets being cleaned regularly, throughout the day."*

Along with changing the hours during which the offices were cleaned, the FM team took a strategic look at exactly where the cleaners' time was being taken up. One of the most time-consuming activities, it emerged, was emptying the staff's individual desk side bins.

It was also one of the cleaners' least favoured jobs, involving food waste that would often spill on to the floor. Individual bins were also bad for the environment because they involved a lot of mixed waste.

It was decided to switch to a central recycling process, with desk side bins removed, and staff told to use appropriate bins for particular types of waste. This also had the knock-on effect of being better for staff health as they had to walk away from their desks to deposit waste.

The change was also better for security because, despite confidential waste being designated for confidential waste bins, people had occasionally been tempted to drop these documents into their desk side bin. One of the major financial benefits was then selling the recycled paper, of which KPMG then produced more than 10,000 tonnes per year.

Although in the early years, KPMG was, in the words of Stallard, 'very much on its own' in offering a Living Wage, the initiative was extended later in 2006 to cover other low paid service staff, such as catering and mailroom workers. A small number of other proactive organisations contacted KPMG to ask what they had done and what the benefits were of adopting the scheme.

Again, in order to help keep the costs down, other working methods were explored, such as offering catering staff more flexible hours and engaging them to take on additional responsibilities such as serving drinks and snacks to presentation rooms. Some innovative solutions were found for the mailroom staff. Says Stallard:

*"By paying our mailroom staff more we were able to increase their responsibilities. So, where previously the mailroom staff might only have sorted and delivered the mail before 9am, lunchtime and at the end of the day – which was neither an enjoyable job nor a sensible use of labour – instead we got them to take on a wider role."*

*"This meant that in the middle of the day they could start doing other things like filling up stationery cupboards and setting up materials for conference rooms – so they got a more varied job and were paid better."*

When KPMG consolidated its five London buildings into two in 2010<sup>10</sup> the fact that the firm had 'the right people with the right attitude' meant it could rely on the flexibility of its outsourced staff to continue to deliver a seamless service.

<sup>10</sup> [www.kpmg.com/uk/en/about/mapofofficesandlinks/london/pages/default.aspx](http://www.kpmg.com/uk/en/about/mapofofficesandlinks/london/pages/default.aspx)



## Contractors

*“Many of our contractors thought we were mad,”* jokes Stallard, looking back to around 2006, but they were reassured by KPMG’s plans to cover the additional salary costs by carrying out a strategic analysis of their services delivery.

The process also led the firm to look more closely at the output specs for its services procurement process. For example, instead of asking a contractor to provide 1,000 hours of cleaning overnight, they would be asked to provide a clean space to an agreed standard. And if KPMG as the client asked the contractor to pay staff a Living Wage the contractor would help them find innovative ways to deliver this in a ‘cost neutral’ way.

Aside from the Corporate Social Responsibility (CSR) benefits of paying the Living Wage, contractors have found that Living Wage accounts are in fact, easier to run, with better retention rates, happier clients and more motivated staff, which all goes to help boost the bottom line because staff turnover is much lower.

Richard Sykes, Chief Executive Officer for leading services supplier ISS, agrees with this analysis. ISS figures show that contracts that include a Living Wage have a staff churn rate that is a third (36.9%) lower than comparable contracts not paying the Living Wage.

According to Sykes, 83% of ISS’ contracts on the Living Wage have a (on average 8%) higher level of employee engagement than comparable contracts not paying the Living Wage.

He adds:

*“Whilst pay itself is not directly a driver of engagement, a bi-product of the Living Wage is reduced staff churn, creating a more stable team, more time to invest in that team, and a greater sense of wellbeing.”*

About half of the ISS customer base now pays a Living Wage, which according to Sykes is *“quite a push from where we were even a year ago when it only accounted for around 10% of customers.”*

He explains:

*“We were the first services company to join the Living Wage supplier recognition scheme, and it’s been a case of then going slowly round our customers, describing the benefits of the programme to them and to us, and seeing if we can slowly move them on to paying the Living Wage in time.”*

Aside from the realisation that there are practical benefits to providing a Living Wage, its increasing support has also been due to the work of the Living Wage campaign, of which KPMG has been a principal partner, and has propelled strategic facilities management into the spotlight.





## Benefits of the Living Wage

Although, as Stallard points out, KPMG believes that paying the Living Wage is the right thing to do, it is not just a moral matter but a very sensible business move.

The main benefits to the firm have been:

- **Better performance and motivation.** KPMG's own experience and other studies<sup>11</sup> have shown that employees in receipt of the LW feel more valued, no longer feel 'invisible' and demonstrate higher motivation and perform better.
- **Reduced turnover and absenteeism.** Staff receiving the LW are more motivated to come to work and keep their jobs. At KPMG, turnover of contract staff has roughly halved since it began paying the LW.
- **Leading to cost neutrality.** The savings made through lower recruitment churn, reduced absenteeism and better performance mean that the Living Wage can be cost-neutral or even lead to savings.
- **Responsible business.** If business is to restore trust, then it needs to look after the welfare of its staff. The minimum wage simply does not pay enough for families, in particular, to live on.
- **Unlocking potential.** KPMG's relationships with schools, colleges, charity partners and the KPMG Foundation have shown that the issues that prevent individuals from reaching their potential inter-lock. In-work poverty is one such issue. Enabling people to earn a little more can help them in their struggle to improve their standard of living, to meet their potential and develop a future.
- **Professionalise Facilities Management.** Paying anything less than Living Wage in FM, currently the fastest growing industry, is unrealistic if the brightest and most engaged employees are to be retained.
- **Improvement in the quality of service.** As illustrated by the KPMG facilities help desk reporting far fewer complaints.
- **Increase in positive feedback from clients.** Clients notice the difference in the quality of customer service they receive when they come to the head office at 15 Canada Square. In the client areas of this and other KPMG buildings, the outsourced staff deal confidently directly with clients as they are enthusiastic about projecting the best image of KPMG.

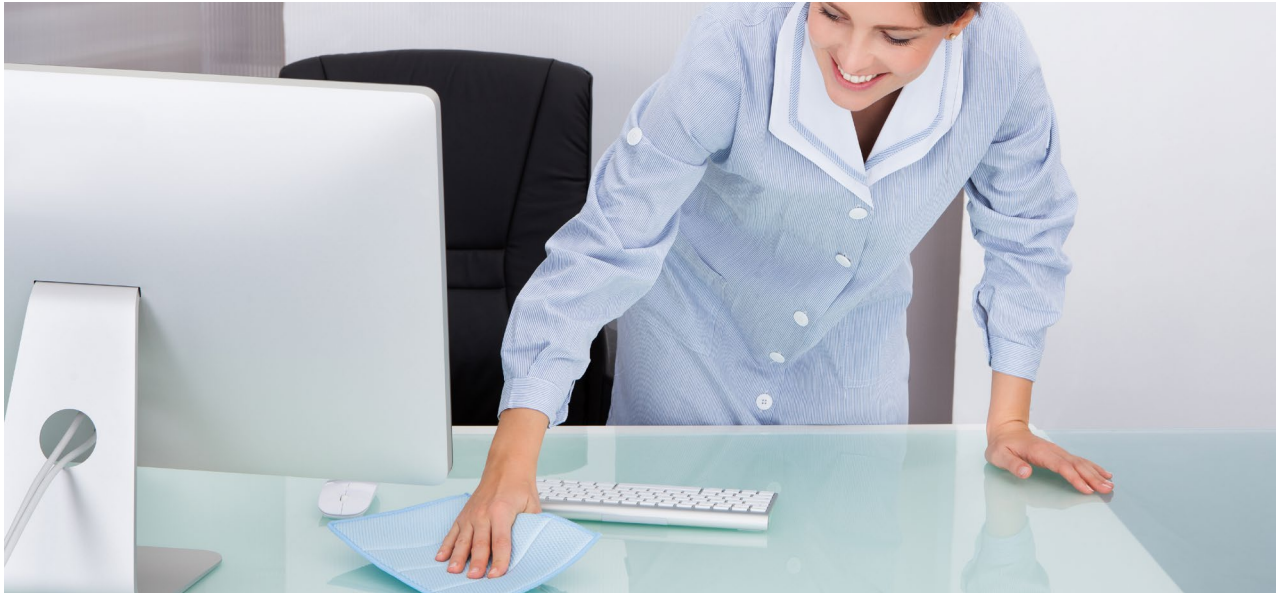
As a result of these benefits, Stallard reports:

*"My in-house Facilities team spends less time worrying about micro-management of service issues and instead concentrates on areas such as service enhancement and strategic planning."*

He explains that this enhanced level of service is exemplified in the firm's catering operations, where it now has an improved menu offer and flexible, committed staff, which benefits all parties.



<sup>11</sup> *The prevalence and impact of the Living Wage in the UK: A survey of organisations accredited by the Living Wage Foundation.* Nele Jensen and Jane Wills. Queen Mary, University of London



The firm's in-house coffee bars now run at a profit, meaning that the FM team has been able to remove a material subsidy from the catering contract.

The benefits to the wider FM sector are also considerable, because in short, the Living Wage is helping the FM sector become more sustainable.

It is Stallard's belief that FM cannot be a sustainable sector if half of its people are working 80 hour weeks to earn enough to live on.

He says:

*"The big challenge for the facilities management sector is actually around professionalisation. Are we just trying to say that we can outsource stuff and save you money? Because that is a no win gain for all of the FM providers because they'll just drive each other's margins lower and lower and no one will benefit."*

*"What they need to do now is to say, 'We're proud of being outsourcers, we provide you a quality offering that you cannot get by doing it yourself in-house', and a part of that is actually having sustainable salaries for the people who deliver these services."*

### **Lessons learnt**

Aside from the initial challenge of getting his own team to believe in the feasibility of adopting a Living Wage, Stallard says it was important to re-evaluate the FM service delivery models to help finance the increased salaries.

The successful implementation of the Living Wage has been achieved because he has been able to partner with *"forward-thinking FM contractors who are positive about paying the Living Wage and who readily identified structural and service opportunities to make operating changes to finance the salary effect of the Living Wage"*.

He adds that working with suppliers and contractor staff to develop their skills and responsibilities should form a key aspect of Living Wage preparations for all organisations.

Stallard warns that, without these considerations, it is likely that contract costs may initially rise during the move to a Living Wage, but argues that when changes are put into action, these costs can be mitigated in the medium- and long-term.

The KPMG Board tasked the FM team to keep the effect of implementing the Living Wage at worst cost-neutral, and, says Stallard, *"thankfully I have succeeded and now actually have FM costs which are lower than in 2006"*.

He says:

*"I re-emphasise the support and expertise of my suppliers was an important part of our success in making the Living Wage a cost-effective change, whilst simultaneously providing a greater quality of service delivery."*

Government support has also played a significant role in raising awareness of the Living Wage and we may eventually find that politicians will show a strong preference for only working with Living Wage suppliers. Measures must be taken to rectify the fact that the majority of those living in poverty in the UK are actually in employment.







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