Facilities Management

Strategies to Reduce Operating Costs

October 2010

Mehul Shah and Christopher Dwyer
Executive Summary

The facilities management function has begun its strategic rise to the top of the operational hierarchy. Companies are beginning to shift away from the notion of facilities as merely a back-office set of day-to-day activities and looking at this indirect spend category as one that can drive value to specific organizational areas. Aberdeen Group surveyed 105 executives responsible for managing facilities and discovered that the modern facilities management program, while focused on reducing operational costs, must leverage a balance of data and performance management, automated processes and a reliance on standardized best practices to drive down costs and improve sustainability efforts.

Best-in-Class Performance

Aberdeen used the following three performance metrics to determine Best-in-Class performance with top performers achieving the following results:

- $4 cost to process a single work / maintenance order
- 14% reduction in maintenance costs over the last 12 months
- 10% reduction in energy consumption over the last 12 months

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics:

- Best-in-Class companies are nearly 2 times as likely as Laggards to link their facilities metrics to financial metrics
- Best-in-Class companies are more than 2 times as likely as Laggards to use energy consumption and costs for decision making
- Best-in-Class companies are 82% more likely than Laggards to accurately forecast, track and report on facilities budgeting

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Integrate facilities systems with other internal solutions
- Leverage energy management solutions to reduce energy consumption and support sustainability objectives
- Standardize processes for measuring facilities management performance
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Chapter One:
Benchmarking the Best-in-Class

Within the scope of the greater organization, facilities management had once been an after-thought in terms of enterprise planning due to seemingly higher-value programs and financial efforts. However, 2010 has seen a shift in perception for the facilities management category, as companies begin to see the inherent value in improving efficiencies and streamlining processes within the facilities function to drive down operating costs, improve energy consumption, support sustainability objectives, and improve the quality of physical business unit locations.

Business Context

In good times, a focus on cost containment is prudent; in more difficult times, it becomes a necessity. The long-term value of looking beyond facilities spending as sunk costs, or simply the cost of being in business, is measurable and pays dividends to those enterprises willing to believe that their competitive position can be affected by how they manage their locations. Thus, it is with this in mind that we see a sharp shift in the perception of facilities management. Figure 1 dictates the true perception of corporate facilities management.

Figure 1: The Perception of Facilities Management

![Perception of Facilities Management Chart]

The December 2009 report on Real Estate and Facilities Management found that 65% of organizations viewed these two distinct functions as a more strategic set of processes than in years past. The theme continues in 2010 and moving into a new decade, 43% of organizations see facilities management as a mid-level strategic function that can drive value to specific company areas and departments while 22% of the total responding organization view facilities management as a strategic function. This mode of
thinking proves that there is a greater value to proper facilities management, such as lower operating costs for maintenance, work order management, energy consumption and building safety management. In fact, as Figure 2 details, bottom-line savings (33%) is the most significant attribute for effective (and efficient) facilities management.

**Figure 2: Most Important Attributes in Effective Facilities Management**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom-line savings</td>
<td>33%</td>
</tr>
<tr>
<td>Health / safety of employees and clients due to facilities conditions</td>
<td>20%</td>
</tr>
<tr>
<td>Facilities conditions and appearance to clients and customers</td>
<td>18%</td>
</tr>
<tr>
<td>Direct effect on productivity of employees / workers</td>
<td>16%</td>
</tr>
<tr>
<td>Sustainability / corporate social responsibility perception</td>
<td>8%</td>
</tr>
<tr>
<td>Strong brand image</td>
<td>5%</td>
</tr>
</tbody>
</table>

With the world mired in an economic rebound period, it is critical for organizations to take advantage of streamlined processes across management of indirect spend categories (such as expenses, temporary labor, and, of course, facilities). By leveraging efficiencies throughout the range of facilities processes, companies can reduce costs associated with maintenance, work orders, energy consumption and safety.

**Market Pressures: Cost, Cost, Cost**

Within the greater scope of facilities management comes a wide variety of risks and pressures, such as health and safety risks, maintenance / work order mismanagement (and delay of building repairs and improvements), and, the top market pressure, as highlighted in Figure 3 - the need to drive down operating costs. The modern facilities management program has been hindered under the guise of cost control. The difference between the top pressure and the other pressures highlighted in this figure show the laser focus facilities managers have on cutting out costs.
The need to delay significant capital expenditures on upgrading the facilities, due to the economic recession, has driven facilities managers to get maximum value out of their existing assets. Finally the pressure of regulatory compliance as well as the uncertainty around the change in compliance laws in the future has also been driving facilities managers. For example the increasing importance of Leadership in Energy & Environmental Design (LEED) standards among facilities across different industries is driving executives to focus on managing information such as energy savings, water efficiency, CO2 emissions reduction, and indoor environmental quality. Effectively managing this information will not only enable companies to address the compliance pressure but will directly impact costs by an improved ability to reduce energy consumption.

The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations. These metrics are geared towards understanding how successful companies have been in addressing the top pressure: driving down operating costs. They are:

- **Cost of a work order** – measured as expenditure for completing a maintenance request or repair / work order
- **Maintenance costs** – measured as the year over year reduction in total maintenance costs
- **Energy costs** – measured as the year over year reduction in total energy costs

Modern facilities management has become a cost-oriented set of processes. Aberdeen’s Maturity Framework digs deeper into the category to reflect the true dynamic nature of facilities. Table 1 details Best-in-Class companies’
performance in managing facilities across the scope of both cost and sustainability.

Table 1: Top Performers Earn Best-in-Class Status

<table>
<thead>
<tr>
<th>Definition of Maturity Class</th>
<th>Mean Class Performance</th>
</tr>
</thead>
</table>
| **Best-in-Class:** Top 20% of aggregate performance scorers | ▪ $4.18 to process a single work order  
▪ 14.2% decrease in maintenance costs over the last twelve months  
▪ 10.2% decrease in energy consumption over the last twelve months |
| **Industry Average:** Middle 50% of aggregate performance scorers | ▪ $11.00 to process a single work order  
▪ 2% decrease in maintenance costs over the last twelve months  
▪ 5.2% decrease in energy consumption over the last twelve months |
| **Laggard:** Bottom 30% of aggregate performance scorers | ▪ $33.92 to process a single work order  
▪ 4.1% increase in maintenance costs over the last twelve months  
▪ 2.2% increase in energy consumption over the last twelve months |

Source: Aberdeen Group, October 2010

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

~ Corporate Management, Education

The Best-in-Class PACE Model

Effective facilities management requires a specific set of strategic actions, core internal capabilities, and utilization of key technology enablers and solutions to alleviate and solve the key pressures associated with this category of corporate spend, as detailed in the Best-in-Class PACE Framework (Table 2).

Table 2: The Best-in-Class PACE Framework

<table>
<thead>
<tr>
<th>Pressures</th>
<th>Actions</th>
<th>Capabilities</th>
<th>Enablers</th>
</tr>
</thead>
</table>
| ▪ Need to drive down operating costs | ▪ Improve visibility into key facilities management metrics  
▪ Establish enterprise-wide capital planning process for facilities functions | ▪ Standardized policies and processes for facilities management  
▪ Energy metrics utilized to optimize facility management processes  
▪ Established formal corporate facilities management group  
▪ Cross-functional teams foster collaboration across disparate functional groups  
▪ Ability to forecast, track and report on facilities budgeting  
▪ Ability to measure time-to-fulfill maintenance requests | ▪ Enterprise Asset Management / Work Order Management  
▪ Building Management  
▪ Document Management  
▪ Energy Management  
▪ Automated workflow for scheduling and notification of planned and requested maintenance  
▪ Budget forecasting and scenario analysis for facilities capital investments  
▪ Integration with financial systems  
▪ Electronic generation of purchase requests and purchase orders  
▪ Online tracking of project scheduling and milestone completion (capital and non-capital projects) |

Source: Aberdeen Group, October 2010
Best-in-Class Strategies: Data and Performance Management

While we see differentiated Best-in-Class performance (detailed in the Maturity Framework in Table 1), we do not see the same level of differentiation in terms of strategies. Figure 4 highlights the premiere strategies leveraged by these organizations to both improve and enhance their facilities management programs. But defining strategy alone is not sufficient to achieve stellar performance.

Figure 4: Best-in-Class Facilities Management Strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Best-in-Class</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitor and track key performance metrics associated with facilities</td>
<td>79%</td>
<td>72%</td>
</tr>
<tr>
<td>Improve visibility into key facilities management metrics</td>
<td>36%</td>
<td>34%</td>
</tr>
<tr>
<td>Initiate or increase collaboration between departmental stakeholders</td>
<td>29%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Facilities management often touches a variety of groups within the greater organization, from finance to operations to procurement to internal customer service. Enabling visibility into many aspects of facilities management, including costs, work orders, budgets and actual spending, can become muddled and hazy, resulting in a failure to accurately manage both facilities-specific data and spend data to forecast, budget, and most importantly, manage costs.

The top two strategies work hand in hand. Best-in-Class companies are enabling visibility into key metrics and also ensuring that these metrics are monitored and tracked at a regular frequency to understand facilities performance.

Best-in-Class organizations (79%) are actively monitoring and tracking key performance metrics within the facilities spectrum, from costs (work orders, maintenance, security, safety, etc.) and energy. Top-performing companies (36%) are also taking the initiative to improve their visibility into this realm of data as a means of enhancing their facilities operations and supporting their greater cost containment efforts. Effective management of (and visibility into) these metrics will allow an enterprise to accurately gauge space allocation / utilization, facilities plans against corporate budgets and objectives, and performance of both new and existing facilities.

Another strategy that is critical is enabling collaboration across different groups. Effective facilities management requires the maintenance, planning,
finance and customer service groups to work together to ensure that information is shared seamlessly to improve responsiveness.

**Metrics**

Aberdeen Group looked into specific metrics that Best-in-Class companies are more likely to measure to benchmark the performance of their facilities management programs.

**Figure 5: Best-in-Class Facilities Management Metrics**

The Best-in-Class are more likely to provide visibility into three key aspects of facilities: time, costs and safety. Best-in-Class companies are more likely to measure the metrics that will help executives to better understand the impact of facilities management on corporate metrics. In addition to facilities operating costs and budget, Best-in-Class companies understand that energy consumption is a big part of the total operating costs for a facility. The Best-in-Class are measuring energy consumption and ensuring that those costs are controlled to reduce the overall operating costs.

Best-in-Class companies are also more likely than all others (the Industry Average and Laggards combined) to measure response time to maintenance requests and the number of work orders completed on time. In a university, hospital, apartment complex or a corporate building setting, it is important to measure the time when the maintenance work order is recorded in the service center to when it is responded to by the maintenance team. This will enable organizations to measure the responsiveness and effectiveness of the facilities management group team and improve customer service to their employees.
Aberdeen Group found that the top goals (Figure 6) of the facilities management group aligns very much with the key metrics being measured (Figure 5).

Figure 6: Improving Costs, Utilization and Responsiveness

- Reducing facilities operating costs: 62%
- Reducing energy consumption / costs: 62%
- Improving the utilization of existing space: 51%
- Reducing occupancy costs: 35%
- Improving response time to maintenance requests: 20%

Source: Aberdeen Group, October 2010

The top goal of facilities managers is related to costs; reducing total operating costs is selected by 62% of overall respondents. Facilities managers are looking to cut in two major areas of the overall facilities operating costs; energy and occupancy costs. The majority of companies (62%) realize the opportunity of saving costs through effectively managing energy consumption across their facilities. Companies have started to understand that there is low hanging fruit that can be realized in a short period of time if proper strategies and processes are established to enable visibility and manage energy in their facilities. In addition to costs, improving space utilization and responsiveness to maintenance request are secondary goals of facilities management groups.

Chapter Two will highlight how Best-in-Class companies are executing the strategies discussed in this chapter to achieve these goals.
Chapter Two: Benchmarking Requirements for Success

Direction of business facilities requires an efficient set of processes and capabilities that must support greater corporate goals and objectives. In an age when cost and sustainability are on the minds of those responsible for managing facilities, the average organization must look to both internal and external sources to balance the continual flow of work orders, maintenance requests, budgetary concerns and procurement of facilities services, all in an effort to reduce operating costs and energy consumption.

<table>
<thead>
<tr>
<th>Case Study — Bentley University</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bentley University is a business school located in Waltham MA. The university is stretched across 163 acres and has 49 buildings with 1.7 million sq ft. The university has over 5,000 students comprised of both undergraduates and graduates.</td>
</tr>
<tr>
<td>Bentley started its facilities management journey seven years ago when the decision was made to change their existing facilities management system. The older system was not upgraded for a long time and was underutilized. The asset structure established in the system was inadequate and it did not help the employees to make effective decisions. The older system was used as a repository of work orders and did not provide any predictive intelligence to the users.</td>
</tr>
<tr>
<td>Bentley went through a thorough RPF process for a software platform to manage the 1.7 million square ft of their property. One of the key issues for Bentley was the integration of the new system with the existing software systems available on the campus. The idea was to create a platform for employees to improve visibility into each and every aspect of facilities management.</td>
</tr>
<tr>
<td>With the older system, it was not possible for senior management to understand how the facilities management operational and capital budget was spent and the impact on the overall effectiveness of the facilities. The new facilities management system made it easier for the facilities management group to collect information and present it to the board in a timely and effective fashion. The new system enabled employees to better understand the maintenance spend and the areas where it is possible to cut cost out of the operations.</td>
</tr>
<tr>
<td>Bentley also established a call center where their customers, the professors, students, administrative staff etc., can call to report any issues with the facilities.</td>
</tr>
</tbody>
</table>

continued
Case Study — Bentley University

Once the work order is recorded by the call center it is transferred directly to the distributed control system and is assigned to appropriate employees. Establishing this process increased responsiveness to a work order and helped to improve customer satisfaction.

Another area of focus for Bentley University was sustainability with a specific focus around energy management. They established the role of a dedicated energy engineer who held responsibility for managing energy across the facilities. Bentley also invested in an energy management system (a part of the facilities management system) to improve visibility into energy consumption. The second step was to sub meter not only every building but key pieces of equipment such as chillers. They also invested in an alert management system to provide them real-time visibility into the condition of their equipment. The overall goal was to drive every piece of equipment from a single technology platform.

Commenting about their facilities management strategy, Tom Kane, Director of Facilities Management said, “Over the years we have seen a reduction in our direct labor force and overtime costs, we increased preventive maintenance work orders and decreased emergency call ins. We started with a reactive environment where we had no priorities and no technology supporting our actions and were able to change it to a predictive culture. We have also been able to increase the productivity of our staff by 25% due to quick access to relevant information and reduce overall costs, specifically related to energy.”

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) process (the approaches they take to execute daily facilities-specific operations); (2) organization (corporate focus and collaboration among stakeholders); (3) knowledge management (contextualizing facilities spend and location condition data and exposing it to key stakeholders); (4) technology (the selection of the appropriate facilities management tools and the effective deployment of those tools); and (5) performance management (the ability of the organization to measure its facilities management results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.
## Table 3: The Competitive Framework

<table>
<thead>
<tr>
<th>Process</th>
<th>Best-in-Class</th>
<th>Average</th>
<th>Laggards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardized process for monitoring facilities management data and performance</td>
<td>54%</td>
<td>39%</td>
<td>33%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organization</th>
<th>Best-in-Class</th>
<th>Average</th>
<th>Laggards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive ownership and sponsorship for facilities management across the enterprise</td>
<td>77%</td>
<td>48%</td>
<td>30%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Knowledge</th>
<th>Best-in-Class</th>
<th>Average</th>
<th>Laggards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities team can accurately forecast, track and report on facilities budgeting</td>
<td>86%</td>
<td>50%</td>
<td>47%</td>
</tr>
<tr>
<td>Facilities management metrics are linked to financial metrics</td>
<td>77%</td>
<td>36%</td>
<td>26%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Technology</th>
<th>Best-in-Class</th>
<th>Average</th>
<th>Laggards</th>
</tr>
</thead>
<tbody>
<tr>
<td>57% Facilities Management Solution</td>
<td>42% Facilities Management Solution</td>
<td>35% Facilities Management Solution</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance</th>
<th>Best-in-Class</th>
<th>Average</th>
<th>Laggards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities team is able to measure time-to-fulfill maintenance requests</td>
<td>77%</td>
<td>45%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, October 2010

### Capabilities and Enablers

Effective facilities management performance requires a delicate balance of process, organizational, knowledge management and technology capabilities that must be robustly utilized to achieve efficiencies within facilities management programs and drive desirable performance across both cost and sustainability efforts.

### Process: Standardized Monitoring

Enterprise performance and data often go hand-in-hand; Best-in-Class companies are nearly 40% more likely than their peers to have standardized processes in place for monitoring facilities management data and performance. This core capability has allowed Best-in-Class organizations to leverage a single set of guidelines and rules for monitoring the various data and performance aspects of facilities management, including time and cost to process work and maintenance orders, energy consumption and conditions of physical assets and business locations. This information is utilized to not only budget and forecast, but also to give the C-level suite an accurate picture of the performance of all of the company's buildings and locations. Establishing standardized process for monitoring facilities management data and performance enables companies to establish best practices based on the experience of different facilities and share those practices across the enterprise.
Organization: Executive Support

For enterprise functions like strategic sourcing, finance and business development, a needed push into the organizational limelight is often unnecessary; these groups already have a strong corporate tie to business performance. Facilities management has historically not enjoyed the same level of organizational support and visibility. Best-in-Class companies are 61% more likely than all others to have executive support and sponsorship for facilities management across the enterprise. This factor can help spur performance and strategic importance via funding for technology solutions and additional headcount to boost expertise. It also thrusts facilities management into a more strategic light in the eyes of other functional units.

Knowledge Management: Forecasting and Budgeting / Linking to Finance

Contextualizing key facilities management data and providing managers with this critical information plays a significant role in the Best-in-Class plan for success. These organizations are 45% more likely than all other companies to accurately forecast, track and report on facilities budgeting, a capability that has crucial cost containment effects when executed properly. Unmonitored transaction and service costs can wreak havoc on a company’s facilities budget, and proper tracking and reporting within this realm can ensure that all facilities operations are performed to or under budget.

Best-in-Class organizations are also 66% more likely to link facilities management-specific metrics with those within the financial realm; this aspect is an essential component to pushing facilities management into a more strategic position and tying performance within this arena to that of finance…which is often the top-most wrung on the scale of corporate performance.

Technology Utilization in Best-in-Class Organizations

Although the core process, organizational and knowledge management capabilities discussed above are critical cogs in the Best-in-Class machine, it is through the utilization of key technology solutions, programs and enablers that these top-performing companies are not only pushing facilities management into the strategic realm, but also driving superior performance within cost and energy key performance metrics. Figure 7 details the use of technology in Best-in-Class organizations.

“We have environment policies and measurement covering site waste as well as Supply Chain initiatives involving environment controls such as RoHS. Also, energy saving is a key strategy.”

~ Manager, Procurement, Aerospace & Defense

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

~ Manager, Food & Beverage
Best-in-Class companies have readily leveraged external technology solutions to enhance their facilities management programs.

- Facilities / maintenance management solutions, utilized in nearly 20% more Best-in-Class organizations than all others, assist in streamlining the operational and day-to-day processes around the facilities category, such as work order-processing, monitoring and management, administrative tasks, payment / settlement / and billing, and in most solutions, data reporting / analysis. These systems are also provided as work order management / Enterprise Asset Management (EAM) systems, providing the ability to automate the knowledge and performance management capabilities mentioned before. Modern day facilities management systems provide capabilities such as alerts and alarm management and mobility to notify maintenance employees in real-time about any requests or adverse event. This can greatly help to improve responsiveness to maintenance requests, one of the goals highlighted in Chapter One.

- Energy management solutions and programs, leveraged in 20% more Best-in-Class companies than all other enterprises, is a key enabler in the management of energy consumption and sustainability efforts. These solutions interact with existing facilities management solutions to enable visibility into energy data and optimize energy usage throughout all business units and locations, and help integrate those efforts with greater cost containment measures.

- Integrated Workplace Management Systems (iWMS) are considered end-to-end solutions for management of enterprise locations. iWMS solutions can efficiently manage and optimize physical resources for ideal space utilization and allocation. iWMS solutions often offer project and maintenance management capabilities to provide an end-to-end platform for both asset management and the optimization of physical spaces.
Aberdeen Insights — Energy Management

Driving down operating costs has been one of the biggest forces behind a company’s focus on facilities management. Energy costs are a big percentage of the total operating costs for many organizations. The results of this research revealed interesting differences in the adoption of energy management business processes and technology among Best-in-Class companies. First, Best-in-Class companies are more likely to provide visibility into energy consumption for effectively managing facilities. Second, the Best-in-Class are also found to be two times as likely as Industry Average and Laggard organizations to use energy consumption and energy costs as KPIs for decision making. Finally as shown in Figure 7, Best-in-Class companies are also more likely to invest in an energy management solution to automate the collection, monitoring and management of energy data. All these capabilities have enabled Best-in-Class companies to reduce energy consumption by 10.2% over the last year.

Performance Management: The Time Factor

Within the realm of facilities management, time often translates to a variety of effects: dollars, productivity, safety, consistency, etc. Although facilities management has trended into strategic territory, there is still an inherent “support” factor that plays into this category: business units, departments and stakeholders rely on the performance of their facilities systems to perform their jobs.

Best-in-Class companies are nearly 50% more likely than all others to have their facilities team measure the time to fill maintenance and work order requests. This performance management capability enables visibility into how quickly repairs and other requests are completed, allowing executives to pinpoint lagging areas and address them to avoid adverse events, loss of productivity, and most importantly, inflated costs for services.

Aberdeen Insights — Technology

Reliance on technology solutions and enablers is a core aspect of the modern Best-in-Class facilities management program. Figure 8 details the automation of key facilities management processes.

Automation within indirect category spend management often revolves around the notion of repeatable and consistent processes; aspects such as automated communication between project managers (50%) and online tracking of project milestone completion dates (50%) provides an organization with the necessary information consistently, often in real-time, to drive visibility into spending on facilities, the mitigation of project risks, and proper collaboration to complete maintenance tasks in an efficient manner.

continued

"Each office has implemented their own and shared experiences with others. We are recycling more, including paper, glass, plastic; purchasing compostable products, including paper, food utensils, etc. Landlord has received Gold LEED certification, and our office is doing the most recycling of all tenants in the building of close to 1M RSF."

~ General Manager, Operations, Legal Services
Automated communication enables project managers to tap into a centralized system and easily extract information in regards to both current facilities spending and ongoing improvement projects.

**Figure 8: Automation of Facilities Management Processes**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Best-in-Class</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic generation of purchase requests and purchase orders</td>
<td>62%</td>
<td>47%</td>
</tr>
<tr>
<td>Automated and centralized communication with project managers</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Online tracking of project scheduling and milestone completion</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Budget forecasting and scenario analysis for facilities capital investments</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>0% 10% 20% 30% 40% 50% 60% 70%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, October 2010

The automation of budget forecasting (50%) is a crucial measure; a company’s facilities and locations are often significant investments. Regular budgeting and forecasting, which is enabled by automation, can easily update stakeholders on both the current and future performance of their locations, allowing them to take action if necessary to improve facilities conditions and the effect on corporate budgets if those improvement need to be made.
Chapter Three:
Required Actions

Whether a company is trying to move its performance in managing facilities from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- **Secure executive support for facilities management improvement efforts.** The vision of effectively managing facilities needs to be developed at the top level. It is extremely difficult to implement changes in strategy, processes, and collaboration without the buy-in and support of true budget and authority holders. Best-in-Class companies are 61% more likely than all others to have executive support and sponsorship for facilities management across the enterprise.

- **Establish a strategy to monitor and track KPI's related to facilities management.** Laggards should establish metrics to quantify the benefits of facilities management programs and link those metrics to corporate metrics to better understand the impact of facilities management initiatives on corporate goals. This is the top strategy established by Best-in-Class companies.

- **Invest in facilities / maintenance management solutions.** Managing a facility is a complex task. A key to success is collaboratively working with different groups to manage critical data. Laggard companies should invest in a facilities management solution so that employees have easy access to this information and can spend time on effectively managing facilities rather than looking for data from different systems and spreadsheets. This solution is utilized in nearly 20% more Best-in-Class organizations than all others.

Industry Average Steps to Success

- **Standardize processes for measuring facilities management performance.** Industry Average organizations should start with establishing standardized processes to measure facilities management performance. This will enable Industry Average companies to leverage best practices for managing performance and scale those practices across the enterprise. Best-in-Class companies are nearly 40% more likely than their peers to have standardized processes in place for monitoring facilities management data and performance.

- **Leverage energy management solutions / technology to improve sustainability efforts and drive down energy consumption.** Energy cost is a big part of the total operating cost.
and the ability to understand energy consumption patterns is critical in controlling those costs. Industry Average organizations should invest in energy management solutions to provide visibility into key energy metrics to their employees as well as executives, and use that visibility to optimize day to day operations. Energy management solutions and programs are leveraged in 20% more Best-in-Class companies than all other enterprises.

- **Improve responsiveness to maintenance work orders by providing real-time information to the facilities maintenance group.** In a big facility it can be difficult to respond to maintenance requests in a timely fashion if the information is not sent to the maintenance employees in real-time. Industry Average companies need to invest in a facilities management solution with functionalities such as mobility and alert management systems to provide employees with real time visibility into work orders. Only 42% of Industry Average companies have currently invested in a facilities management system. This will also enable employees to prioritize work orders based on the severity of the requests.

**Best-in-Class Steps to Success**

- **Elevate the strategic importance of facilities management.** Only 22% of the overall respondents view facilities management as a strategic function. While Best-in-Class companies are more likely than other organizations to understand the importance of facilities management to the organization's bottom line, the overall percentage is still low. Effectively managing facilities will not only reduce operating costs, but it will also impact workforce productively resulting in direct bottom line benefits.

- **Integrate facilities management systems with existing systems and solutions.** Facilities represent the opportunity for enterprises to alleviate cost woes and drive strategic value. By integrating facilities and financial management systems, organizations can monitor budgets in each business unit or group to make educated decisions for future budgeting.
### Aberdeen Insights — Summary

In good times, a focus on cost containment is prudent; in more difficult times, it becomes a necessity. The long-term value of looking beyond facilities spending as sunk costs, or simply the cost of being in business, is measurable. It pays dividends to those enterprises willing to believe that their competitive position can be affected by how they manage their facilities. To achieve high-level operational and financial gains it is absolutely critical for organizations to first have visibility into key aspects of facilities, such as maintenance work orders, energy consumption, inventory, and purchasing transactions, among others. Best-in-Class organizations have established executive sponsorship, improved visibility into key facilities and energy data, and invested in a facility management solution to provide intelligent information to their employees. This has enabled these leaders to process a single work order in $4.18, decrease maintenance costs by 14.2% and decrease energy consumption by 10.2%.
Appendix A:
Research Methodology

Between September and October 2010, Aberdeen examined the use, the experiences, and the intentions of more than 107 enterprises on their experience with Facilities management processes.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on Facilities Management strategies, experiences, and results.

Responding enterprises included the following:

- **Job title**: The research sample included respondents with the following job titles: Senior Management (CXO, EVP, VP, GM) (14%); Director (27%); Manager (42%); Staff (9%); Consultant (5%); and other (4%).

- **Department / function**: The research sample included respondents from the following departments or functions: operations / facilities manager (27%); Procurement (13%); corporate management (11%); IT manager or staff (4%); sales and marketing staff (5%); and other (19%).

- **Industry**: The research sample included respondents from Education (15%); Public Sector (9%); Industrial Mfg (7%); High Tech (6%); A&D (6%); Medical devices (5%); Real Estate (4%); and Utilities (4%).

- **Geography**: The majority of respondents (81%) were from North America. Remaining respondents were from the Asia-Pacific region (4%) and Europe (10%), and other (5%).

- **Company size**: Thirty-two percent (32%) of respondents were from large enterprises (annual revenues above US $1 billion); 42% were from midsize enterprises (annual revenues between $50 million and $1 billion); and 26% of respondents were from small businesses (annual revenues of $50 million or less).

- **Facility space**: Thirty-four percent (34%) of respondents were managing facilities larger than 1 million sq ft; 44% were managing facilities 100,000 sq ft and 1 million sq ft; and 23% of respondents were managing facilities less than 100,000 sq ft.

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**Study Focus**

Responding Facilities management executives completed an online survey that included questions designed to determine the following:

- The degree to which FM systems is deployed in their operations and the financial implications of the technology
- The structure and effectiveness of existing FM implementations
- Current and planned use of FM to aid operational activities
- The benefits, if any, that have been derived from FM initiatives

The study aimed to identify emerging best practices for Facilities Management (FM), and to provide a framework by which readers could assess their own management.
### Table 4: The PACE Framework Key

<table>
<thead>
<tr>
<th>Overview</th>
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<tbody>
<tr>
<td>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</td>
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<tr>
<td><strong>Pressures</strong> — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</td>
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<tr>
<td><strong>Actions</strong> — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</td>
</tr>
<tr>
<td><strong>Capabilities</strong> — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</td>
</tr>
<tr>
<td><strong>Enablers</strong> — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</td>
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</table>

Source: Aberdeen Group, October 2010

### Table 5: The Competitive Framework Key

<table>
<thead>
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<th>Overview</th>
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<td>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</td>
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<td><strong>Best-in-Class (20%)</strong> — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</td>
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<tr>
<td><strong>Industry Average (50%)</strong> — Practices that represent the average or norm, and result in average industry performance.</td>
</tr>
<tr>
<td><strong>Laggards (30%)</strong> — Practices that are significantly behind the average of the industry, and result in below average performance.</td>
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In the following categories:

| Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process? |
| Organization — How is your company currently organized to manage and optimize this particular process? |
| Knowledge — What visibility do you have into key data and intelligence required to manage this process? |
| Technology — What level of automation have you used to support this process? How is this automation integrated and aligned? |
| Performance — What do you measure? How frequently? What’s your actual performance? |

Source: Aberdeen Group, October 2010

### Table 6: The Relationship Between PACE and the Competitive Framework

<table>
<thead>
<tr>
<th>PACE and the Competitive Framework – How They Interact</th>
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<tbody>
<tr>
<td>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</td>
</tr>
</tbody>
</table>

Source: Aberdeen Group, October 2010
Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- **Real Estate and Facilities Management: Defining a Strategic Process, Driving Significant Value;** December 2009
- **The CPO's Agenda 2009: Smart Strategies for Tough Times;** April 2009
- **Real Estate and Facilities Lifecycle Management: The Path of Unified Management;** October 2008
- **Real Estate and Facilities Lifecycle Management: Strategic Value, Savings, and Efficiencies;** June 2008
- **Real Estate and Facilities Lifecycle Management: Strategy and Execution in Large and Midsize Enterprises;** May 2008
- **Visibility: The Crux of Real Estate Management;** January 2008
- **Real Estate and Facilities Lifecycle Management;** June 2007

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

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