FM Capability Profiles of Real Estate Owners

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Abstract

The Real Property Portfolio has significant financial and operational impact to most organizations. Yet in many instances Facilities Management and Real Estate (FM/RE) is not performing optimally because of gaps and disconnects between the various functions within FM/RE as well as with other departments. Currently, no easily accessible assessment tool exists to study the efficiency of FM processes and to benchmark organizational FM/RE capability against industry peers. This paper introduces an analysis tool to generate an organization's Facility Management capability profile. Using the tool, the research team analyzed the FM capability of more than 50 organizations with major real estate portfolios in the US, Asia and Europe. The resulting capability profiles provide a fascinating, concise overview of current practices in Facilities Management.

Keywords: Built Environment, Facility Management, Capability Profiles, Performance Measurement

1. Introduction

In the past few years a shift of focus within the Facility Management and the Real Estate (FM/RE) industry has occurred. The emphasise is no longer primarily on cost savings for the company and the perception of FM/RE as a cost centre, but more on the added value generated by the department in its own right (Madritsch, 2008). FM/RE has parted from the perception of real property as a purely tangible asset and is considering its value as an immaterial asset with long-term earnings expectations. Management will hesitate to consider

FM/RE as a function adding strategic value until the description of facility management activities is associated with the critical success factors that are relevant to the core business.
It has become apparent during the past years that professional Facility Management (FM) is an essential component in enhancing company value. The management focus of the FM function is shifting from pursuing tactical goals to delivering strategic value (Madritsch, 2009a). Currently FM research lacks a comprehensive, industry-neutral classification framework that allows a company to analyze the organizational maturity of an organization's FM department and to benchmark it against peers and across industries.

2. Purpose and research method

This paper is a summary of an international research project between Pratt Institute in New York and the University of Applied Science in Kufstein. Researchers analyzed companies with real estate portfolios in the US, Asia and Europe. The research project pursued three goals and developed a product in each of the categories:

1. Development of an industry-independent, asset lifecycle based management model:
   The "Built Environment Management Model" (BEM2)
2. Development of an assessment tool to identify maturity levels in FM/RE:
   The "Built Environment Management Maturity Model" (BEM3)
3. Cataloguing "Best Practices" in FM:
   The BEM3 Best Practices Database

The tool set of the "Built Environment Management Model" (BEM2) and the "Built Environment Management Maturity Model" (BEM3) was developed in a multi-year project under the auspices of the "Best Practice in Facility- and Real Estate Management Research Project" conducted by researchers from the United States and Europe. The aim of the project was to investigate and evaluate of current FM/RE management models and methods practiced in North America and Europe. In reviewing pertinent literature and publications from professional and standard setting organizations, the researchers found various models of differing extend and consistency, but did not find a comprehensive model that would provide a reliable representation of FM/RE principles and could be used as a framework to identify and catalogue "best practice" in FM/RE. Consequently, the research team developed an

"industry independent" framework, based on a simple building lifecycle model that can effectively classify and compare existing FM/RE practices within and across different industries. The first part of the project, conducted between 2009 and 2010, concluded with the release of the first versions of the tool set of BEM2 and BEM3. Following researchers introduce the development of the models. The following paper outlines how the three research goals were tackled and how the tool set was developed and verified.

3. GOAL 1: Development of an industry-independent, asset lifecycle based management model

The first goal was the definition of a comprehensive Management Model outlining the processes areas of an organization's FM/RE function. Recognizing that all organizations have business functions to provide a "built environment" to conduct their business, the research team started with a developed a simple framework showing the "built environment management" functions within an organization (Figure 1).

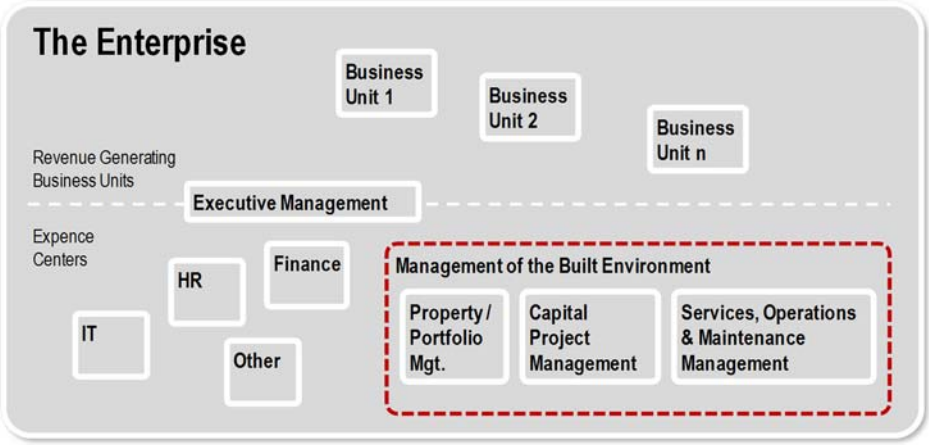

Figure 1: "Built Environment" functions in a typical organizational configuration

The researchers recognized the cyclical nature of the built environment management functions and developed a framework that categorizes FM/RE business processes in a sequential, cyclical model based on the asset lifecycle (Stockinger et.al., 2009; Reuter, F., Ebinger, M., 2009) (Figure 2):

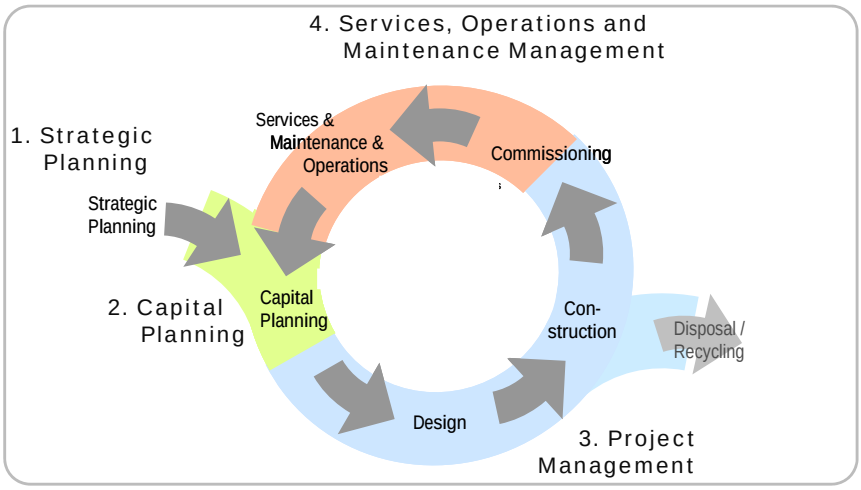

Figure 2: The "Built Environment" Lifecycle

Overlaying the Built Environment Lifecycle functions over the organizational environment, the research team developed a sequential, process-based framework that links all functions required for the provision of a built environment with an organizational entity (Figure 3).

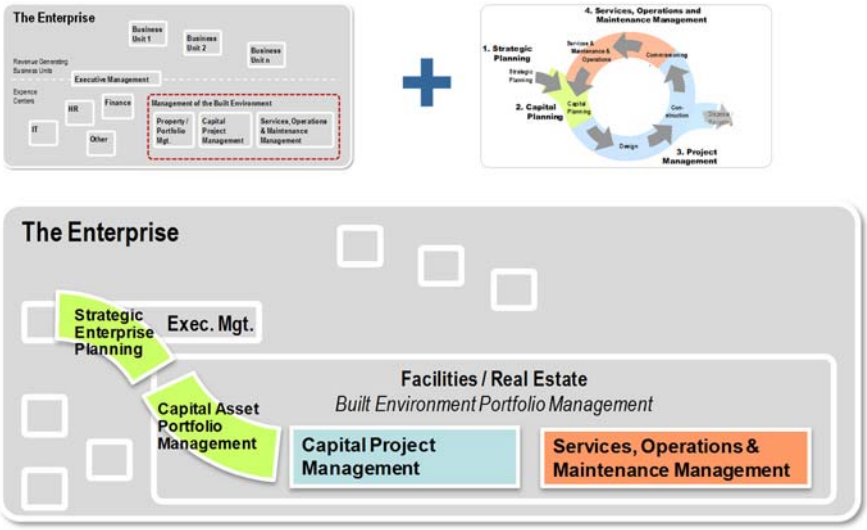

Figure 3: Overlaying the Built Environment Lifecycle with the organizational Built Environment business functions

The resulting model is a process-based framework that is generic and industry-neutral, as all organizations need to plan, provide, service and maintain a built environment. Subsequently, the team increased the level of granularity in the process description and identified a series of sequential, interdependent key process areas (Figure 4).

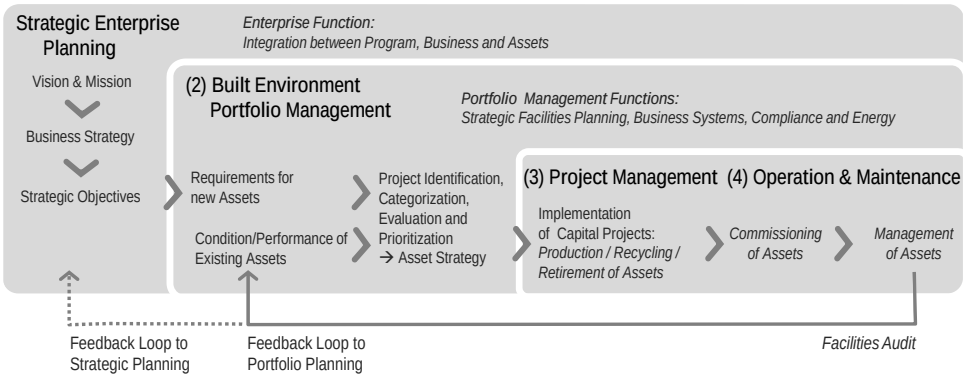

Figure 4: The Built Environment Management Model (Version 1)

The resulting process model was named "Built Environment Management Model" (BEM2) to emphasize its industry neutrality. The model was reviewed for completeness and relevance in semi-structured interviews with more than 10 facilities management consultants and professionals.

4. GOAL 2: Development of an assessment tool to identify maturity levels in FM/RE

The second goal of the research project was the development of an assessment tool that would allow a comprehensive, yet inexpensive review of an organization's FM capability to generate strategic value. Using the "Built Environment Management Model" (BEM2) as an industry-neutral reference framework, the research team applied well-established capability maturity analysis principles (Carnegie Mellon University, 2006; UK Office of Government Commerce, 2006; Project Management Institute, 2004) to measure the organizational maturity of FM functions. The resulting "Built Environment Management Maturity Model" (BEM3) consists of an empirical survey based on a questionnaire with 58 questions, followed by a semi-structured interview. More than 50 organizations with major real estate portfolios in the North America and Europe have been assessed this far.

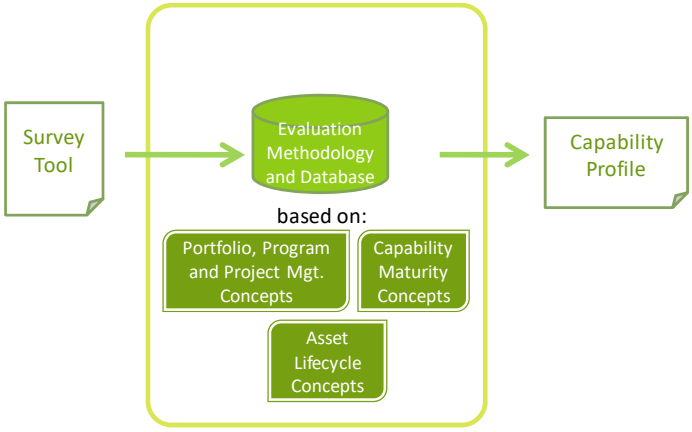

Figure 5: Cataloguing "Best Practices": Overview of approach

5. GOAL 3: Cataloguing "Best Practices" in FM

The third goal of the research project was the cataloguing of "Best Practices" in FM. Analyzing the data from the reviewed organizations, the research team is currently studying if specific "Capability Profiles" can be discerned within the available data sample (Figure 5).
Using a spider diagram, the research team is able to visualize the relative FM maturity of an organization (Figure 6) along the Asset Lifecycle. A high Capability Maturity Score indicates that an organization has well defined, measured, managed and self-improving processes, while a low score could mean that processes are conducted in an ad hoc manner.

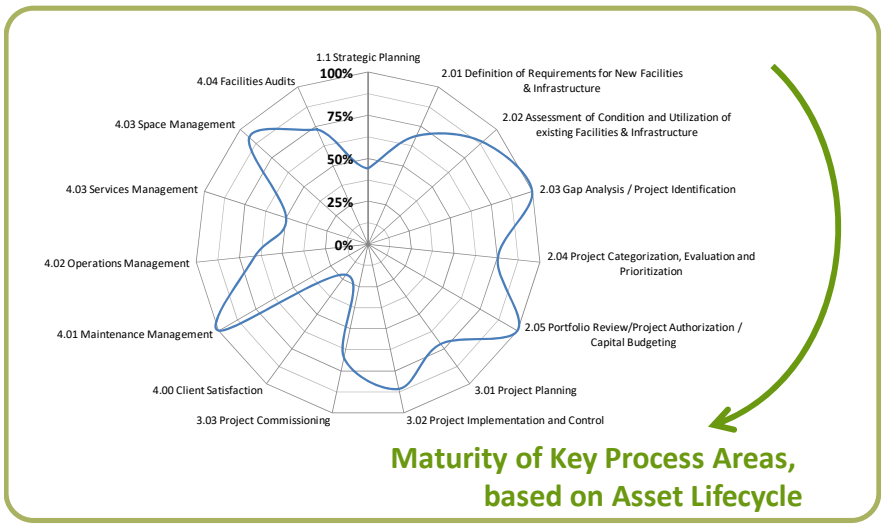

Figure 6: Sample BEM3 Maturity Profile

Industry specific capability profiles will be used by an organization's leadership to benchmark the organization's FM capability against the peer group. Furthermore to determine the need for enhancement initiatives at the appropriate maturity level.

6. Findings and Practical implementation

The methodology and approach of the BEM3 tool has generated positive feedback from participating organizations. The tool promises to be a reliable measure of organizational FM/RE maturity and helps organizations to obtain a high-level overview of their FM/RE capability. Figure 7 shows three sample Capability Profiles of surveyed organizations with specific best practices areas.

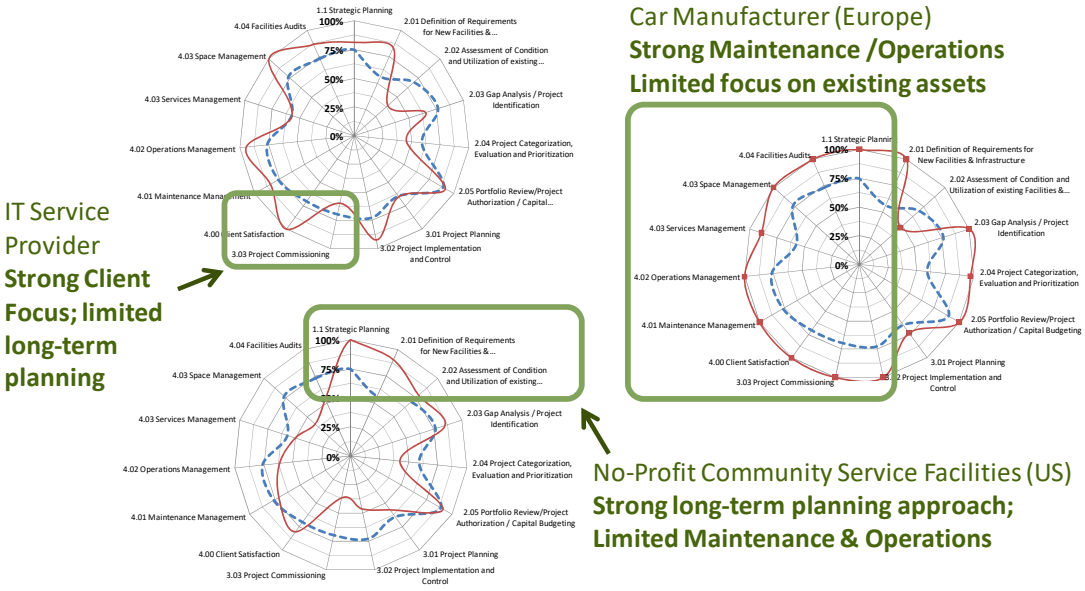

Figure 7: Best Practices areas of selected organizations

With increasing numbers of organizations recognizing the usefulness of a systematic Facility Management function (Madritsch 2009b), this research with help to determine the appropriate level of investments in Facility Management functions so that it can serve the organization most efficiently. Even though the spread and application of capability maturity models is growing in various management disciplines, they have not yet penetrated significantly into the FM/RE. Existing models in FM/RE are still fragmented and don't differentiate between process- and knowledge based taxonomies.

The BEM2 and BEM3 models provide a simple, yet comprehensive framework for the FM/RE industries and the resulting capability profiles provide a fascinating, concise overview of current practices in Facilities Management. Further, the capability profiles allow organizations to benchmark their FM capability against peer groups and industry leaders. Depending on the level of organizational maturity, the profile allows organization to develop "winnable" improvement initiatives to increase the strategic value of the FM function. A drawback with regard to the current development level of BEM3 is the lack of specific procedures for process improvements. Even though the actual capability level of the FM/RE function is analysed and the results are compared with other companies, not much methodology exists on how this should be handled.

The research team will conduct further surveys in 2011 and 2012 to increase the sample size. The goal is to identify typical "capability profiles" that define best practices with "appropriate maturity levels" for the FM/RE functions in key industries. The findings will help to further

professionalize Facility Management functions to raise the efficiency of organizational processes.

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