

QUICK START GUIDE

# Choosing an FM operating model

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# 1. Trends in FM service delivery

**Thirty years ago, facilities management was a largely inhouse affair. Organisations directly employed cleaners, security guards, maintenance engineers, handymen and catering staff, only turning to contractors for specialist work such as lift or air-conditioning maintenance. But as the market has matured, so have delivery models.**

Although there remain examples of organisations retaining in-house services critical to their business, such as security in a banking environment, FM is now largely outsourced with few organisations employing no more than a management layer concerned with supervising service delivery partners. The general trend however, as reported in Changing Times in Facilities Management, the 2016 report from Sheffield Hallam University, is for greater levels of outsourcing in both private and public sectors. Now 69% of the market outsources more than half of their facilities services.

## 2. Options for FM operating models

Broadly, FM delivery falls into seven models:

- a) In-house FM: where the facilities are delivered by a bespoke in-house FM delivery team. It is rare for an organisation of more than 250 people to self-deliver all of its facilities services. Often there will be some element of outsourcing, even if it is simply to a local cleaning firm, or a self-employed handyman. Just 6% of facilities services are now delivered entirely in-house. The benefits are flexibility in service delivery and strong communication.
- b) Single services: using a number of specialist providers which concentrate on, for example, waste management, concierge, cleaning or catering. While there had been a trend to move away from single services because of the time involved in managing numerous suppliers, there is a belief that best-of-breed suppliers can provide an ideal solution for organisations looking for high levels of service delivery, particularly in catering and front-of-house. This is borne out by research that shows that single service delivery is now 29% of the market, compared with 22% in 2012. Single services offer improved management information, value for money and access to technical expertise. But it can be time-consuming for the client to manage several suppliers.
- c) Bundled services: one supplier will manage two or more services for a client, typically bunched into hard and soft services such as mechanical and electrical maintenance and lifts; or catering, cleaning, reception and security. This can reduce costs for the client providing increased value for money, usually increases innovation and reduces risk. The downside is that the contractor is usually strong in one service line and lacking in another.
- d) Integrated services: similar to the bundled model, but a number of services are delivered by one organisation under a single management lead. Again this reduces costs and improves value for money but the supplier might not be equally strong in all areas.
- e) Total Facilities Management (TFM): where the entire matrix of service delivery is outsourced under a single contract to a single provider organisation that may subcontract or self-deliver some or all of the services. This model has seen an increase in popularity over the past few years increasing from 6% in 2012 to 12% of the market in 2016. It allows the client to focus on the core business, provides improved management information and value for money while offering access to technical expertise. However it can leave the organisation dangerously lacking in the intelligent client function.
- f) Managing Agent: where a consultant is engaged to manage the service provision. This frees up the client's time as they are not required to manage suppliers and provides valuable supply chain insight, but it can add an extra layer of cost.
- g) The Integrator: a matured and improved version of the Managing Agent model, the Integrator sits between the client and supply chain providing business intelligence and an independent, impartial view on supplier performance, finance and cost control, workplace experience and FM compliance together with a strategic approach to the entire estate. The benefits include a single point of information and the ability to choose the best service partner for the job together with increased strategic insight into the estate. This approach is being adopted by organisations with large, complex portfolios.
- h) A hybrid approach: many organisations are increasingly adopting a hybrid approach by keeping some services in-house and outsourcing others using any of the models above. This allows the client to design a bespoke FM service delivery model for their particular needs.

## 3. How to choose the right model

**There is no right or wrong answer when it comes to choosing an FM operating model. What works for one organisation, will not necessarily work for another. The size, type and location of the estate, the nature and business of the organisation and its culture, together with the standards of FM required, will all have an impact on the decision. But it's useful to ask the following questions:**

- Does the organisation have an appetite for outsourcing – does it outsource other business functions such as IT, payroll etc?
- Is there any previous experience of FM outsourcing and how successful were those operating model(s)?
- What level of procurement expertise does the organisation have?
- What is the nature of the estate? Is it particularly large, complex and geographically-spread or typical office space confined to a few urban locations?
- Does the organisation have a significant in-house FM team which it is keen to retain? Or is the intelligent FM client function relatively small or inexperienced?
- Are some services, such as security, cleaning, catering or plant maintenance, considered essential or critical to the organisation and therefore need to be delivered by specialist providers?
- Is it important for the organisation to work with small and medium-sized businesses (SMEs) such as public sector establishments?
- Is the organisation looking to outsource FM risk?
- Is a consistent standardised approach to the workplace experience a consideration?

### BEFORE IMPLEMENTATION

The information provided in this Quick Start Guide has been prepared based upon the requirements of Legislation, Regulation, Industry Standards and current best practice. These requirements change and require interpretation to relate to the needs of specific properties, situations, etc. Quick Start guides are not intended to be exhaustive or conclusive but to provide a framework and basic information to support individual Facility Managers' understanding and thus identify further research and develop solutions that match their specific needs.

### OTHER INFORMATION

- Changing Times in Facilities Management, Sheffield Hallam University research 2016
- The IWFM Good Practice Guide to Managing FM Teams Across Borders
- The IWFM Good Practice Guide to Procurement further research and develop solutions that match their specific needs

### Contact information

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