



# Foresight

**Connecting assets: Improving service delivery with integrated facility management**

64<sup>th</sup> edition — July 2018

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Organizations need an efficient, compliant, and cost-effective way to keep the lights on, the physical plant humming, the lawns mowed, and other essential services properly delivered. These services could be supported and delivered in-house, but many organizations recognize the benefits of working with an integrated facility management (IFM) service provider that can offer multiple services under a single contract.

IFM is not to be confused with bundled services. Providers have offered bundled services for decades. But where a traditional bundled services contract covers only the execution of different tasks at the operational level, today's IFM approach focuses on both the strategic and the tactical level.

Cost savings is a common benefit associated with IFM. As a specialist in facility management, the IFM provider can leverage extensive experience, proven methods, and economies of scale to streamline service delivery and reduce operational costs. In addition, a provider can often manage a group of related services with fewer people than might be otherwise needed for the delivery and management of services through multiple providers or a mix of in-house resources and outsourced providers.

Performance can also be improved. An IFM contract encourages a shift from input-based management (hours and resources) to outcome-based management (performance). The organization's facility manager now has a single point of contact for all facility management issues, helping to support the efficient coordination and accurate monitoring of service performance delivery.

And with 'one throat to choke', the manager can expect greater accountability and responsiveness if issues arise.

In some cases, this shift to outcome-based management can be disruptive for hands-on managers who are used to tracking operations, maintenance schedules and multiple contractors. Even today, changing to IFM and performance-based contracts remains a hurdle for many companies that are still working with multiple providers on a time and materials basis. On the other hand, an IFM contract can help managers better understand total cost of ownership, risk management, supplier performance, and process improvement, helping them to better align the business value of services with the overarching goals of the organization.

## IFM in the public sector

The use of IFM is not confined to the private sector. In the UK, the public sector supports significant growth for IFM. As the national government reduces funding to lower debt levels, doing more with less has become the watchword for local authorities across the country. IFM is gaining traction as a cost-cutting method. It currently represents around a quarter of the market.

New infrastructure and social housing projects will create increased demand for IFM services. The British Government has committed over GBP58 billion of funds for investment in housing, regeneration, education, health and justice projects. The Brexit scenario will likely accelerate this investment as a way to mitigate negative impact on economic growth.

IFM initiatives are also being adopted by government entities responsible for energy management and sustainability as a way to address tighter carbon legislation and energy efficiency targets. Service providers are evolving from providing general IFM services to offering specialized energy management and related niche services.

Despite this growth, the IFM market remains volatile in the UK. With continued fiscal stress, and reconsideration of public services, the potential impact of Brexit and other factors, both in-house and outsourced service models have their champions. The options are not especially complex. However, the political environment makes it very difficult for a local government to handle in the short term.

We spoke with Kristian Dales, Regional Director at FCC Environment, about his work with local governments in facility management. "Uncertainty remains a key characteristic of today's IFM market," he explained. "There are some authorities now which are private that have gone back to public, and some authorities who are doing public but are considering private. And there are a lot of companies which have always been private that are remaining private."

At the same time, Dales sees significant potential for IFM in the UK. "Many large and highly sophisticated players are developing IFM offerings that will hit the market very soon," he said. "We expect a highly competitive landscape that will require an aggressive commercial strategy. For some service providers, this might include joint ventures, alliances or acquisitions of local or small players to achieve enough capacity and broadband to compete in the marketplace."

## Leading practices for IFM

Jean Morren is president of the International Facility Management Association (IFMA), Belgium. He recently shared his thoughts with us about how organizations can get the most from their IFM approach.

"Both the organization and the IFM service provider need a clear understanding of what to expect from one another," he said. During negotiations for the service contract, both parties

need to set expectations regarding the scope and level of services, and these expectations need to be explained in detail in the service level agreement (SLA).

Morren also stressed the importance of communication beyond emails and letters. Regular face-to-face meetings and thorough discussions are essential to articulate concerns, examine issues, and adjust strategies moving forward. As with any area of business, the objective is to increase cooperation and synergies among stakeholders while avoiding unforeseen developments that might lead to potential problems. He added that stakeholders should develop agreed-upon benchmarks for performance and then monitor operations to ensure that the goals of SLAs are met according to plan.

Perhaps the most important element of a successful IFM initiate, Morren said, was a strong, working relationship between the organization and provider. With unbundled services, he said, the focus is often limited to cost cutting and immediate efficiency gains. However, IFM can lead to a more strategic approach with facility management. "In many ways, the provider becomes a part of the organization," he said. "Everyone is still thinking about operational tactics, but they are also considering long-term strategies for the success of the organization. That's the real value of IFM."

## The future of facility management

Over the past several decades, facility management has undergone a complex evolution, from single services, then bundled approaches, and then IFM methods designed to bring together people, process and technology for operational improvements and competitive advantage. Different vertical industries, countries, and regions show different maturity levels in adopting IFM. Increased regulatory requirements, cost pressures, changes in architectural design, and new ideas about employee work environments ensure that this evolution will continue. One thing is certain — IFM has shown itself to have the flexibility, efficiency and sustainability required for today's markets.

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Designed by Evalueserve. Publication name: Foresight. Publication number: 135486-G. Publication date: July 2018