A DETAILED STUDY ON FACILITY MANAGEMENT AND ITS CONTRIBUTION TO THE CONSTRUCTION INDUSTRY

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ABSTRACT-*In a changing real estate environment, intensity of competition has increased, new production and organization structures, new technologies and concepts of work result in new requirements for real estate which result in pressure on the cost forces of companies to exhaust all saving capacities. Hence professional facilities management will emerge as a pre-requisite to sustain profitable business prospects. Facility management has been employed because of the necessity to decrease overheads cost and unnecessary waste. In Real estate environment, developers will have to tie up with providers of such services to ensure a better selling price for their properties. On the other hand, corporates will continue to avail of the benefits of outsourcing facilities management services for their office spaces to enhance their overall image and brand value. Various organizations like MNCs, developers, banks, hospitals, etc., are employing the services of a professional service provider. In fact, developers tie up with an FMA prior to the completion of the project to facilitate marketing. This also helps prospective tenants to estimate their facilities management costs and thus arrive at gross rentals. This paper focuses on this new niche sector within real estate that is fast developing shape, the concepts and theory of facility management and the need and viability of the same are explained at a length. Also focuses on design, maintenance and operations phase of the services in the public buildings.*

Keywords: Facility management, services, business management model, finance.

1, INTRODUCTION

Facility management companies are the drivers and the primary components of the industry. They are the service providers who serve of the service seekers. With increasing complexity of the operations and client demands, challenges of day to day activities, medium term, long term business operations have become even more complex. The way to tackle them is to infuse multi-pronged management solutions into business operations. While looking through literature one finds a whole abundance of terminology and explanations for the expression "Facility

Management". This is due to the fact that there have been a lot of attempts for definition though there is no standardized system of definitions one could actually use. "Facilities" are considered the totality of materials necessary for the process of work, not being a physical part of the product or service but being essential for the performing of the company's ends. Thus, property, buildings, utility equipment, all kinds of installations, material for one's work, also: office furniture, communication devices etc. are all considered facilities. For this reason, the expression "facilities" contains all operating and working equipment."

2, OBJECTIVE OF THE PROJECT:

To perform an evaluation & to provide justification of Facility Management as a service, oriented towards making a positive impact on the construction industry.

3, SCOPE:

The scope & extent of this thesis are the following:

- How extensively facilities management was and is being used in the management of Real Estate: Commercial properties.
- How facilities management is an integral part of Project Management.
- To understand the business of Facilities Management and its service to the Real Estate Industry from the point of view of a Consultant as well as that of a contractor.
- To develop a model for comparative financial appraisal for carrying Operations & Maintenance in malls with and without Facilities Management service provider.
- How the future trends will be in facilities and services management industry.

4, CASE STUDIES ON FACILITY MANAGEMENT COMPANIES:

These can be understood only after a comprehensive study of the same in the context of existing facility management service providers. This is exactly what the questionnaire aims at. It aims at an overview if the business process and the questions have been stratified under the following heads:

a) General Questions
b) Marketing Management.
c) Business Strategies and Development.
d) Human Resource Management.
e) Contracts Management.
f) Quality Management.
g) Safety / Risk Management.
h) Equipment Management.
i) Cost & Profitability related questions.

This questionnaire was used to survey the leading multi-national companies who are in the fray to gather their share of the facility management market.

5, ANALYSIS OF CASE STUDY:

This analysis is result from in depth survey and exercises done during the research process which included interviewing facility management organization, the experts from the industry and site visits. The main idea behind this analysis is to get a conceptual framework of 'Business of Facility Management' in Indian scenario in a multidisciplinary aspect such as marketing, finance, operations.

This analysis is the groundwork for development of a Business Management Model for a Facility Management Company.

5.1 Facility Management Organization

All the leading facility management organizations have their base in several other international countries and have then ventured into India as a developing market for the FM industry.

Facility Management organization usually works in both ways as an independent department as well as sub department. Services offered by various FM organizations other than FM are:

- Project Management
- Property Management
- Transaction Management
- Asset services

After the department fully matures or if it is capable enough to handle its own territory then the organization separates it giving its own identity e.g. Workplace management, a sister company.

The organizational model followed in the FM industry is a flat organizational hierarchy which has benefits of efficient coordination that becomes the crux of a successful business (Fig). The mundane work of operation and maintenance is outsourced to various vendors. The ratio of in-house and indirect employees in a typical facility management organization is 20:80. Among the 80% are the labours which are outsourced for the work whereas the decision making process of each service remains with the 20% of employees in the facility management organization.

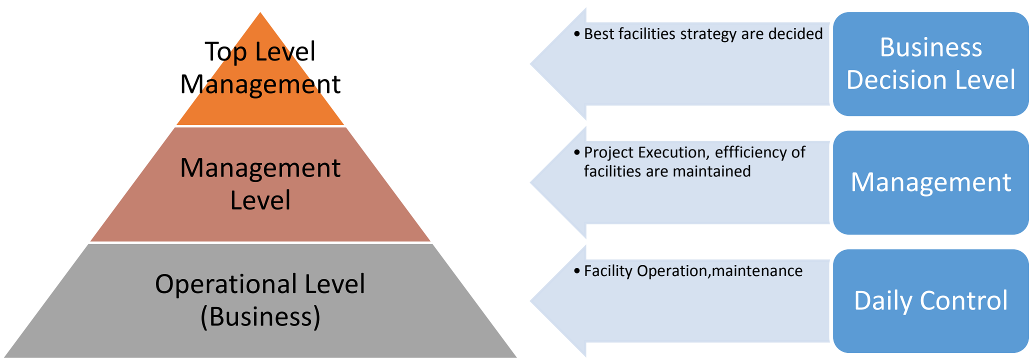

Figure. 1 Flat Organisation Hierarchy

To understand the broad range of management activities, maintenance and operations they can be broken down into six basic areas of responsibility:

1. **Management of the Physical Asset -** Involves administration of the maintenance plan, hiring and monitoring of independent contractors, tenant construction, and capital improvements.
2. **Intra-company and Customer Management**. - Includes interdepartmental and customer relations, rent collections, and evictions.
3. **Financial reporting and Controls** -Includes preparation of the operating budget, detailed record keeping, and purchasing/inventory control.
4. **Administration** - Includes employee selection, training, and supervision, development of appropriate insurance programs; operation of the management office; and compliance with federal, state, and local laws.

5. Communicating Performance - Refers to the- development of communication systems between the senior management, customers, and vendors with the facility management department.

6. Marketing and Leasing - Includes market research, marketing strategy, broker selection, lease preparation, leasing techniques, and tenant selection.

These services offered by the facility management department will vary depending on project strategy, type and size of real estate and facility holdings, remaining term(s) on leased and subleased properties, organization of the project, and stage of corporate development. In many projects, the- facility management department may primarily have responsibility for managing the physical asset; in others, it may have responsibility for all six of the functions listed.

5.2 Quality Management

The quality of the management work is being increasingly presented by different service level agreements and specifications. Service specifications and service level agreements (SLA´s) are tools for managing the quality, performance and value of service produced. The specifications and SLA´s are formal documents in the contracts that set out the customer's expectations of the quality, performance and value of services as clearly as possible.

A service specification is a document that quantifies the minimum service levels that are acceptable if the customer's requirements are to be met. It provides a benchmark against which the level of services delivered to the customer can be assessed.

The specification is an extremely important document in any facilities management contract. It will usually set out the client's requirements in relation to services to be performed, quality standards to be met and all pertinent information that the facilities management contractor will require in order to perform the services in accordance with the contract. The contractors look at the specifications when calculating their tenders. A well-drafted specification, containing all of the needed information, ensures the adequate pricing of the service provision in the proposals.

The production of the service specification is a prerequisite in the negotiation and drafting of SLA´s. Specifications should set out the needed information for the SLA´s of the internal standards (corporate policies), external standards (legislation), service procedures and technical standards and quality and performance targets. The specification contains these under different sections.

Section	Contents
Part 1: Terminology	1.1 Definition of Terms Used
Part 2: Areas/items/services	2.1 Scope of Areas/items/services covered by specification
Part 3: External standards	3.1 Statutory requirements 3.2 Manufacturers recommendations 3.3 Industry-accepted best practices
Part 4: Internal Standards	4.1 Corporate/Department Requirements 4.2 Previously accepted Standards
Part 5: Categorization of areas/items/services	5.1 Detailed procedures for each category 5.2 Frequency of procedures for each category

Table. 1 Specification under Service Level Agreements

The contents of service level agreements and specifications alter between different contracts. In many cases the quality is being presented, instead of all-inclusive service level agreement, with key performance indicators representing the occasional priorities of each customer and property unit.

5.3 Contract management

A management agreement or contract is a formal and binding document that establishes the manager's legal authority over the operation of the property. The manager is usually an agent for the owner, serving as the owner's trustee of the owner's funds and assets associated with the property.

The agreement states each party's responsibilities and authority and it guarantees certain protections to one party from the other. A well-drafted and well-negotiated agreement should eliminate, or at least minimize, most misunderstandings between the parties. A poorly drafted agreement on the other hand may lead to disputes between the management firm and the property owner, raising questions of trust, undermining the confidence of the parties in each other and creating an uncomfortable relationship for both parties.

5.4 Resource Utilization

One of the modern "keys to successful business" is the efficient use of resources. Out-tasking is the oldest form of outsourcing. In out-tasking an outside service provider is hired to provide the service. Out-tasking does not involve transfer of personnel and the whole business unit. Similarly a word contracting-out is used for out-tasking a certain function.

Presently in the Indian scenario outsourcing becomes an important aspect in business of Facility Management. Percentage of outsourcing practiced is about 80 % to 100% which includes all the services such as plumbing, mechanical, electrical.

6, COMPARATIVE FINANCIAL APPRAISAL

Finance is the parameter on which the impact of the service can be quantified. Comparing the costs incurred without the services of a FM organisation to those incurred after availing the services of FM Organization. It is based on certain assumptions and 'what if' scenarios.

The costs incurred have been first calculated for one year and then discounted @ 1.5 % p.m to arrive at the net present value as on the first day of the respective financial year. Further costs have been inflated over a span of ten years and then discounted @ 18 % p.a to arrive at the effective NPV as on the first day of the decade. Thus the two costs when compared show a savings of 20 % across a decade when O & M of the Mall is done by a facility management organisation.

VII. CONCLUTIONS

The conclusions for comparative financial appraisal are as follows:

a. Availing the services of a facility management organisation is technically as well as financially viable proposal.
b. It provides the core business of the client with a competitive sustainable advantage.
c. Malls offer a great business opportunity to facility management organisations, as regular operations and maintenance is the key to the success and financial viability of mall business.
d. In case of facility management, both the service provider and the service seeker are dependent on each other, a true example of symbiosis.

The nature of facility management business in India is now limited to day to day operations & maintenance. This is because facility management is still a new concept in India. Sooner than later it will grow beyond the traditional realms of operations & maintenance and expand over to aspects of project management, space panning, and interiors and also at the project conception stage.

The competition in the FM industry is increasing leaps & bounds. Several multi-nationals are increasing tapping the growth potential of the Indian Market. This will mean that new entrants need to develop a cutting edge, and soon evolve it into a sustainable competitive advantage, in terms of management of day to day activities both inside & outside their organisations.

Thus new entrants into the industry will have to prepare a detailed and comprehensive business management model in addition to a concise business plan to forward their entrepreneurial ambitions.
Facility management offers tangible financial benefits to the industry players. This is because they have technical expertise in these areas, managerial expertise and over the years have developed core competencies in their field of expertise. They also allow their clients to focus in their respective core businesses and thereby improve the performance. Financially FM industry can bring down the costs of operations and maintenance by around 15 %to 25 %, and thereby significantly impacting the bottom line.

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