

# Benchmarking facilities management

For any business function, one key sign of having 'arrived' is coming under pressure to benchmark. Through benchmarking, business processes can be compared either within an organisation (e.g. a multinational organisation contrasts finance processes in its subsidiaries in different countries) or among different organisations (e.g. a 'club' of companies share information on their finance processes).

Facilities management is well suited to benchmarking and we can expect significantly more of it in the future. Most of the recently-created Special Purpose Vehicles (SPVs) set up for Private Finance Initiative/Public-Private Partnership (PFI/PPP) deals need to provide 'market testing' of their costs on a regular basis and, short of re-tendering, benchmarking is an efficient way of doing this.

However, benchmarking, in any area, is never as straightforward as it looks. Can we define facilities management in the same way in two different organisations? How do we know that we are comparing like with like? Can we trust those providing the comparisons? Have they just provided easily available numbers or have they worked hard on them? How do we reconcile different levels of information within different organisations? How do we fairly compare organisations of different sizes? How can we ensure that the information has been validated through, say, interviews or published accounts?

## HITTING A MOVING TARGET

Benchmarking is the art of knowing the possible. From benchmarking you find out where you can improve; how much volume can make a positive or negative effect on costs; and what the 'best of breed' achieve so you can set your own targets. A good benchmarking process is regular, part of the routine and there are essentially three types:

- Benchmarking what your customer thinks, through interviews or surveys on customer perceptions of quality and operational performance
- Benchmarking your operations by calculating cost/staff member, cost/metre, throughput/head, breakdowns of activity costs, risk incidents/hours worked, etc
- Benchmarking the costs of your suppliers

Benchmarking can be an expensive and lengthy process. The first stage, as in any major project, is to have a clear definition of the objectives and scope, accompanied by a statement of the anticipated benefits. The process of setting objectives is often iterative:

first find out what is possible and then re-examine the objectives, scope and benefits. The clearer the objectives and the more the project benefits are 'pre-sold' to senior management, the better the end result.

The next stage is a thorough consideration of what constitutes comparable organisations:

- Are you trying to learn best practice or see how comparable organisations tackle your sort of problems?
- Are you going to learn more from organisations in the same sector or from people outside your sector working with different problems?
- Which organisations can be considered credible comparisons?
- How will you encourage people to share sensitive information? What benefits will other participants get from the benchmarking?

Because benchmarking intrinsically involves third parties providing the comparisons, this dependence needs to be addressed early on. Organisations must be approached at an early stage to assess their genuine interest and commitment, as although they may be open to benchmarking, the timing and the effort involved may not coincide with their current plans.

## BENCHMARKING THE BENCHMARK

The design of a full-scale benchmarking project is an involved process but facilities management benchmarking should be structured around seven standard elements – inputs, processes, outputs, feed-back, feed-forward, monitoring and governance. Some ideas for comparison include:

- inputs: direct expenditure, management time spent, non-facilities management staff time spent, related insurance expenditures, compliance time and effort, external advisors and costs;
- processes: scheduling, implementing, speed of response, financing, modelling, documentation, education
- outputs: square footage managed, cleaning, security, fleet, reprographics, training days, scale of communications and any other numbers dealing with efficiency
- feed-back: looking at measures of effectiveness in measurement and reporting structures, outcome measures, risk reduction or mitigation measurements, reductions in cost, event and impact comparisons, testing wider awareness in the organisation via customer surveys
- feed-forward: setting targets, objectives, motivational structures, risk management, event horizon scanning
- monitoring: reporting structures, assessing payback, charging structures, activity-based costing, communications and briefings
- governance: strategy setting process, organisational inclusiveness in decisions, seniority of governance, independent reporting route(s) to the board, policy inhibitors, policy trends

The end result will typically take the form of comparative tables – what they do and you don't; their percentage of staff cleaning complaints and yours; their M&E cost rate per £ of turnover and yours and so

forth. To move from such a report to positive change, workshops and other mechanisms need to communicate the results and confront managers with performance assessments.

Managers need to be challenged to change their behaviour and develop theories about how to improve in order to reach the goals that benchmarking implies can be achieved. In the end, analysis can always be more detailed; comparisons will always be slightly unfair; results will probably be somewhat incomplete. The benefits, however, are not always in the end result. Frequently, the very process of benchmarking prompts much needed thought on why we do things and what we expect.

### LOOKING OUTSIDE

Surprisingly, competitive organisations often benchmark. Z/Yen conducts global surveys on costs among the vast majority of investment banks. Despite being intense competitors, they all share a desire to control costs and are prepared to share sensitive information in order to help themselves. When benchmarking across organisations, an independent third party often provides confidence in data gathering and comparisons as well as anonymity for sensitive data. Many trade associations, institutes, publications and consultancies provide a valuable role helping their clients to determine what to benchmark, when to benchmark, how to plan the process, how to manage the process and how to interpret results wisely and sensibly.

Organisations obtain benefits of many different sorts

from benchmarking:

- new levels of performance: learning about other organisations' expectation levels. One organisation with which Z/Yen worked set about contrasting their facilities management function with the human resources function, sparking a healthy internal competition in efficient practice
- new targets: seeing what others expect and how they measure it. In one instance, an organisation that thought of risk management as an overhead, turned its measures into those of a profit centre
- new ways of working: learning tools and techniques from others. One organisation started using cost/benefit analysis to determine the areas of greatest potential benefit and shifted management emphasis from large risky projects to more mundane operational work activities. Another started to require demanding incident reporting times
- new roles: changing some core facilities management objectives. Some of the new roles include managing internal risk insurance markets, genuine profit centre deductions, or 'concierges' at customer sites ■

**Michael Mainelli is a director of risk/reward management consultancy Z/Yen tel: 020 7562 9562; email: Michael\_Mainelli@zyen.com; www.zyen.co.uk**

## STATISTICAL APPROACHES – AVERAGES CONCEAL MORE THAN THEY REVEAL

The exercise of benchmarking costs and service levels, as well as quality and user satisfaction, is easier than ever, but managers sometimes fail to use these benchmarks in making key decisions because they believe that their sites vary too much and are heterogeneous. The fundamental problem is how to combine, rapidly and simply, large amounts of internal data on actual building and property use with external benchmarks in order to make predictions about:

- setting performance measures for property and facilities managers
- forecasting demand for hotdesking, workplace environments, refurbishments and service levels for varying locations
- whether to outsource components, and to whom, as well as setting contractual targets

One approach is to use statistically calculated comparisons by combining available internal and external data into a large dataset containing, for instance:

- property characteristics – size, location, freehold/leasehold, etc
- cost – direct cost
- workplace productivity appraisals
- usage – security data (swipe cards), CCTV, car park use, canteen use, IT use, telephone poll data, meeting room bookings and utilisation per square metre
- customer views – staff questionnaires, external evaluations

Some of the data sources might seem unusual (for instance using offshore companies to count the people entering

and leaving buildings from CCTV), but all contribute to an understanding of true property usage. A key difference, particularly for large property holders, is using statistical sampling of the actual workplaces in order to avoid the enormous costs, and largely wasted effort, of exhaustively documenting today's environments. Using Dynamic Anomaly and Pattern Response (DAPR) systems such as Z/Yen's PropheZy prediction engine, various predictions can be made from the dataset:

- cost targeting per property or property group
- usage per property
- ideal workplace environment per property
- desirable service and satisfaction level targets

Basically, by using statistical predictions, managers can contrast heterogeneous sites. One large accountancy organisation with offices across Europe used statistical prediction to compare different city centres with different town centres and set standards. For instance, despite the security problems of being located in a city centre, their man-guarding costs were still too high. Nevertheless, they were doing well at keeping cleaning costs down, despite costs being higher than average because they were located in an expensive city. They were also able to work out what type of work environment was correlated with the highest professional staff productivity and undertook a large renovation programme to realise the gains.