

The concept of facility management as a method of effective real estate management

Introduction

Real estate management plays an important role in a whole company's control process. Properties represent a large part of a fixed capital and could be also classified as long-term investments. The belonging to one of the groups depends on a purpose of a real estate- the first class includes those, which are used for own needs of enterprises; the second ones become a source of income. Therefore, the capital involvement connected with real estate section increases. Modern concepts of real estate management are being introduced to the economy, among which is placed the facility management (FM) idea.

Visible processes mixed within the market economy change the real estate market. The scope on the properties and the need to manage properly for profitable activities rose due to few facts. Attaching greater importance to the commercialization of the buildings gave them the status of the investment. Expansion of property market is supported by the appreciation of the role of factors other than strictly related to the product or service in achieving competitive advantage.

The role of building in business is rising, as well as connected business sector as an important component of a whole company management. The transition to a service economy increases the importance of real estate as property resource in the assets structure and the need for economic real estate management. Due to that, facility management concentrates on value management instead of property management as such. Rising potential of facilities management industry is causing a rapid growth of the market and FM practices requirements. Regardless of the size of the organization, companies are realizing the overwhelming impact a facility manager could have on their business.

The aim of this article is to present and analyze the factors influencing the innovative features and effectiveness of the FM strategy, which is developing in numerous European countries. The data showing internal and external factors has been collected and information processed, resulting in SWOT analysis. The comparison of traditional approach with modern one has been discussed and characteristics defined for a model.

1. Definition and characteristics of facility management in terms of real estate administration

Definition of facility management is not clearly stated. Once it is connected with management of facilities¹, once with an infrastructure. Facilities is equated with the buildings, equipment, machinery provided for a particular purpose and type of a business. Concept of FM coordinates rules of administration and integrates people with purpose of organization and working place (the common area indicates FM). Facilities as valued assets should be subjected to a process of integration, which includes the place, factors determining success of work (the process), documentation of system (the technology) and employees (the people)². Properties in this idea are associated with instruments supporting mission and functions of a company. FM is defined as a separate area of non-core company infrastructure, based on properties resources. According to International Facility Management Association dictionary, FM integrates processes in organization in order to maintain/ develop the agreed services, which improve and support the effectiveness of primary activities³. As a support of primary processes facilities are also connected with management of technologically advanced equipment. Maintenance of facilities and provision of supportive services within the required standards involves three elements- quality, value and risk.

There are three basic approaches connected with real estate market: property management, facilities management and asset management⁴. First of the mentioned approaches refers to commercial properties and means creation, management and disposition of real estate portfolio on behalf of the owner to maximize returns for a given level of risk⁵. The differences between orientations are presented in Table 1.

The subject of facility management represents complex decision-making process in terms of planning, usage and adaptation of buildings and objects using information and telecommunication systems. The concept is a continuum, connecting different functions starting with planning, ending on disposal⁶. Facility management means strongly user-oriented management in property area in terms of emphasizing workplace conditions and management of places of services. Moreover, implementing facility management should be connected with

¹ A. Śliwiński, B. Śliwiński, *Facility management*, C.H. Beck, Warszawa 2006, p. 2.

² D.G. Cotts, K.O. Roper, R.P. Payant, *The Facility Management Handbook*, 3rd ed., AMACOM, New York 2010, p. 20–21.

³ Official website of International Facility Management Association, www.ifma.pl [access: 28.11.2016].

⁴ I. Dittmann, *The factor of recreation and entertainment in retail and services properties management*, „Studia i Materiały Towarzystwa Naukowego Nieruchomości” 2010, nr 2(18), p. 162.

⁵ *Zarządzanie nieruchomościami komercyjnymi*, red. I. Foryś, Poltext, Warszawa 2007, p. 71.

⁶ D.G. Cotts, K.O. Roper, R.P. Payant, *The Facility...*, p. 21.

strategic management. It means a change from traditional strategy of manufacture and dictation towards more modern view of management and facilitating⁷.

Table 1. Comparison of three main approaches in real estate management

| Category | Property management | Asset Management | Facility management |
|------------------|--|--|--|
| Definition | ownership supervision of property | management of the property value | ongoing maintenance of real estate |
| Source of income | commercial real estate | an object, several properties | all types of real estate |
| Objective | profit-maximising as income of the owner | participation in the assets of the company – usefulness in achieving goals | adapting the property to the needs of users |
| Major principle | profitability of investment | best solutions | user requirements |
| Role of manager | performing the duties of the owner in accordance with the objectives | investment advisor on real estate market | participation in the whole process of investment |

Source: Own elaboration based on M. Rymarzak, *Zarządzanie nieruchomościami przedsiębiorstw w Polsce*, CeDeWu, Warszawa 2009, p. 58-60; A. Śliwiński, B. Śliwiński, *Facility management*, C.H. Beck, Warszawa 2006, p. 5, 10.

The major objective of asset management is to provide continuous growth of assets belonging to a company, which includes properties⁸. This type of management focuses on analysis of buildings part in the total structure of assets, which means making decisions about property lease, rent, sale, investment. Property management concept in turn compares user requirements with profitability of investment, which is core rule. Property manager task mainly requires dealing with tenants. Under the FM rules, user needs are considered from the point of view of cost efficiency and optimization processes⁹. Both commercial, corporate buildings and ones for public purposes are in scope of FM, as long as the management function influences operation standards and the quality of using such properties for users in result. Range of activities forming FM presents Table 2.

Actions taken within FM could be divided into four areas connected with planning, construction, operation and maintenance of the facility and office services¹⁰. Auxiliary processes requires also cleaning services and healthcare, what is

⁷ J. Cox, *Leisure property trends: Consumer markets and behavior*, "Journal of Retail & Leisure Property" 2001, nr 1/3, p. 283.

⁸ S. Buczek, M. Kołatkowski, *Charakterystyka usług zarządzania aktywami [w:] Asset Management- zarządzanie aktywami w Polsce*, red. S. Buczek, Szkoła Główna Handlowa w Warszawie, Warszawa 2006, p. 9, 11.

⁹ M. Rymarzak, *Zarządzanie nieruchomościami...*, p. 60.

¹⁰ P. Barrett, D. Baldry, *Facilities Management Towards Best Practice*, Blackwell Science, London 2003, p. 48.

less significant in traditional approach. Operational FM level includes technical (maintenance, construction management), infrastructural (transport, security) and economical aspects (insurances, planning, accounting)¹¹.

Table 2. Activities within facility management

| | Activities |
|---------------------|--|
| Facility management | Building management |
| | Property and equipment maintenance |
| | Space allocation |
| | Lease management |
| | Legal and financial support, accounting |
| | Operation/maintenance of mechanical components, infrastructure |
| | Building and people security |
| | Cleaning services |
| | Media management |
| | Project management |
| | Office supplies |
| | Quality and risk management |
| | Healthcare |

Source: Own elaboration based on M. Rymarzak, *Zarządzanie nieruchomościami przedsiębiorstw w Polsce*, CeDeWu, Warszawa 2009, p. 60; International Facility Management Association data, www.ifma.pl [access: 26.11.2016].

2. Effectiveness factors of facility management model

Facility management connects supply side, representing by facility services, with demand side, indicating primary processes. FM practices organize control at every level of management – from operational by tactical to strategic one (Fig. 1). Hence, activities within FM are aimed at supplementing the primary functions of the properties user, what leads to increased effectiveness of basic and core processes. The introduction of the given approach to the organization supports primary processes and by so doing influences achieving assumed goals.

Through the use of facility management, it is possible to obtain tangible benefits in the form of shaping the spatial environment, improving the quality of services, creating the working conditions and the real estate characteristics by integrating people, technology and resources. The effectiveness and efficiency of the primary functions depends on the support processes, both external and internal provided. Different, broader approach to the property takes into account the external environment and distinguish also technique management. Manager is re-

¹¹ A. Śliwiński, B. Śliwiński, *Facility...*, p. 21.

sponsible for production and distribution of facilities complying with the requirements of the users¹².

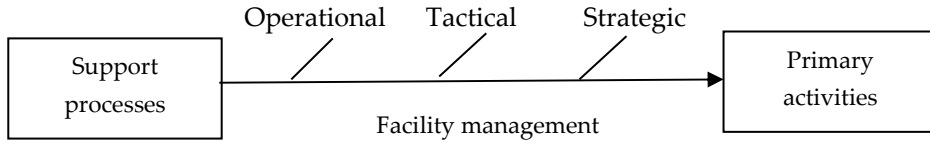


Figure 1. Facility management model

Source: Own elaboration based on A. Śliwiński, B. Śliwiński, *Facility management*, C.H. Beck, Warszawa 2006, p. 14.

The modern character of analyzed approach revealing also in the aforementioned three areas within one concept. Quality is defined as continuous improvement of operating standards of support processes. Value means rising or at least maintaining the value of equipment in the area of its contribution to production. The last component, risk, stands for widely understood monitoring of the performance, safety and costs control¹³.

By implementing facility management the user needs could be met. On the other hand, the incurred costs due to the new system increase. Benefits, weaknesses, advantages and disadvantages are shown in Table 3.

Changing conditions and new IT solutions could lead to problems with modern concept. Environment changes, such as economic growth or departure from traditional approach in favour of the property management trend, create a positive gap of opportunities.

The effectiveness of FM method is also achieved through the inclusion of real estate management into the strategic management. That is understandable by combining time horizon of cost and benefits analysis with the life cycle of real estate. The key factor of FM refers to customer satisfaction, which could be achieved by supporting primary needs with processes output. Effectiveness as an ability to achieve objectives (measured with operational and financial indicators, such as ROA- return on assets, liquidity ratios or media consumption) is not equal to efficiency, which means an ability to achieve results with the lowest input of resources. Due to that, being effective does not always entail being efficient. However, FM application eliminates the contradiction between the two economic categories as well as deals with continuous development in order to add value to the core business.

¹² P. Nowacki, *Effect of Globalization to Change in Real Estate Management Strategies of Enterprises*, "Studia i Materiały Towarzystwa Naukowego Nieruchomości" 2007, nr 1-2/15, p. 229.

¹³ A. Śliwiński, B. Śliwiński, *Facility...*, p. 10.

Table 3. SWOT analysis of facility management strategy

| Internal factors | Strenghts | Weaknesses |
|------------------|---|--|
| | savings wedge (achieving long-term savings) | application costs |
| | adjusting the structural units, spatial distribution and equipment to the expectations and requirements of the user | realizing contradictory interests of owners and users |
| | costs rationalization in the life cycle of real estate | process complication |
| | enhancing the quality and functionality of buildings, customer satisfaction rising | implications difficulty, reorganization of the structure |
| | adapting infrastructure to the changing conditions | entrusting large part of management to one person, centralization of power |
| External factors | Opportunities | Threats |
| | achieving competitive advantage by departure from traditional approach to the property management trend | little knowledge and unpreparedness of manager |
| | achieving synergy effect | rapidly changing external conditions |
| | growing demand for modern space | developing technology, excluding usable area demand |
| | economic growth in the region | considerable competition within the sector |
| | beneficial legal changes in the economic and tax environment of real estate | unfavorable increasing bargaining power of users |

Source: Own elaboration based on *Zarządzanie nieruchomościami komercyjnymi*, red. I. Foryś, Poltext, Warszawa 2007, p. 76.

3. The role of facility manager

Conversely to the traditional recognition of real estate, where the aim is to rationalize the cost of maintenance, FM focuses on strategy realization element. Real estate process (due to facilities provided by the properties) associates demand with supply, whereas facility manager is an innovative manufacturer of facilities instead of an administrator¹⁴. Facility manger tries to combine conflicting interests of the owners and users.

Management of property with the use of facility management refers to three main approaches:

- reducing operating costs of object and maintaining its functionality and quality of facilities;
- improving the quality and functionality of objects and equipment, while maintaining the current level of costs at most;

¹⁴ M. Kruszewska, *Doradca zamiast administratora*, „Businessman Magazine” 2004, nr 4, p. 141.

- improving the quality and functionality of real estate due to the additional outlays to increase net operating income.

One of the most important practical aspects of FM strategy is striving to reduce operating costs. Besides the reduce of cost, the person responsible for the FM practices application should be aware of the conditions and areas, where achieving savings are possible without affecting the general assumptions¹⁵.

Effective management is dictated by the ability of facility managers, who could influence how substantial resources of a firm are spent. Economic analyses should be based on life-cycle costs. Due to the emphasis on cost-effectiveness, rational FM carries a payoff for companies. Recapitalization plan with at least ten years perspective becomes a key factor in improving business areas such as sustainability, emergency and strategic/ operational management, referring to customer orientation. Every type of organization requires different approach to facility management, thus it should be based on a good leadership. The role of facility manager is crucial- treated as a business manager should be perceived as a negotiation and administration skilled innovator¹⁶.

Facilities model enables the development of target vision of facilities, which are the real source of income from property. Every facility manager should create such example for specific organization within an industry. Nevertheless, converting the model has a significant role in changing environment and user expectations¹⁷. Therefore, an expert possesses the architectural preparation and managerial features, has knowledge of maintenance determinants, creating work environments, finances.

Effective FM creates value, both to internal parts (employees, shareholders) and to stakeholders (clients, customers, providers). In order to help implement FM practices, legislators and organizations developed standards such as British Standard 15221, ISO 9000 and 9001, 41001-41013 (under development). The ISO standards describe a product as a result of a process, what makes support activities, driven by facilities (including land, buildings, tools and technique), crucial for a proper organization workflow.

In order to achieve effectiveness using mentioned practices, facilities should be managed at all levels of the organization:

- operational level: providing organizational and cost effective space for the functions performing;
- tactical and strategic level: improving clients, customers and end-users care, including them in decision-making process.

¹⁵ K. Śmietana, *Benchmarking in Corporate Real Estate Value Management*, „Zeszyty Naukowe Uniwersytetu Szczecińskiego. Finanse, Rynki finansowe, Ubezpieczenia” 2013, nr 64(1), p. 455.

¹⁶ D.G. Cotts, K.O. Roper, R.P. Payant, *The Facility...*, p. 3-4.

¹⁷ See A. Śliwiński, B. Śliwiński, *Facility...*, p. 19.

The manager links all levels of a company structure with real estate management by subordinating its activities to the fundamental objectives of the process, with the usage of facilities.

Conclusions

The efficiency of real estate management could be achieved through modern trend of customer orientation and adherence to managerial qualifications standards. Due to increase of real estate capital in asset structure of enterprises, the interest in efficient management of valuable resources (buildings) is growing. Provided that facility management respects the goals of the owner and users of real estate and at the same time maintains the functionality of the object and adapts it to the changing organizational and technological conditions, the company gains effective structure.

Facility management as a modern construction objects and spatial structures management treats buildings as support elements for real estate portfolio economy. Each element requires considering facilities during its whole life cycle, taking into account the impact of the processes in the following phases on the physical, economic and functional characteristics. Real estate adjustment processes, project management and risk management are significant in the daily practice of FM. Innovative concept assuming wider recognition of the buildings as facilities carriers yields many benefits on operational and strategic level (costs reduction during life cycle of real estate, enhancing the quality). By the strengths, weaknesses and factors (both external and internal) affecting strategy analysis, the connection of the ownership quality in the form of building structures management with the value delivered to the end-users is marked. The role of facility managers is undeniable in the application of facility maintenance. Facility management trend is still improving, therefore the market requires better research of the concept and application analysis of best practices.

References

- Asset Management – zarządzanie aktywami w Polsce*, red. S. Buczek, Szkoła Główna Handlowa w Warszawie, Warszawa 2006.
- Barrett P., Baldry D., *Facilities Management Towards Best Practice*, Blackwell Science, London 2003.
- Cotts D.G., Roper K.O., Payant R.P., *The Facility Management Handbook*, 3rd ed., AMACOM, New York 2010.
- Cox J., *Leisure property trends: Consumer markets and behavior*, "Journal of Retail & Leisure Property" 2001, nr 1/3.

- Dittmann I., *The factor of recreation and entertainment in retail and services properties management*, „Studia i Materiały Towarzystwa Naukowego Nieruchomości” 2010, nr 2/18.
- Kruszewska M., *Doradca zamiast administratora*, „Businessman Magazine” 2004, nr 4.
- Nowacki P., *Effect of Globalization to Change in Real Estate Management Strategies of Enterprises*, „Studia i Materiały Towarzystwa Naukowego Nieruchomości” 2007, nr 1–2/15.
- Official website of International Facility Management Association, www.ifma.pl.
- Rymarzak M., *Zarządzanie nieruchomościami przedsiębiorstw w Polsce*, CeDeWu, Warszawa 2009.
- Śliwiński A., Śliwiński B., *Facility management*, C.H. Beck, Warszawa 2006.
- Śmietana K., *Benchmarking in Corporate Real Estate Value Management*, „Zeszyty Naukowe Uniwersytetu Szczecińskiego. Finanse, Rynki finansowe, Ubezpieczenia” 2013, nr 64/1.
- Zarządzanie nieruchomościami komercyjnymi*, red. I. Foryś, Poltext, Warszawa 2007.

Summary

The article presents the beneficial factors from the application of facility management (FM) practices. The author analysis the strengths and weaknesses, as well as environment elements- both opportunities and threats, influencing FM strategy. The research of this paper is concentrating on this concept within real estate management in enterprises, leading to cost reduction and customer satisfaction growth. Nevertheless, the method seeks to reconcile the interests of owners with interests of users. Facilities (buildings, assets and services), grouped in real estate portfolios, supports primary activities. The study presents particular activities in terms of management of auxiliary processes. Proper real estate management (properties belong to facilities) determines the innovative way of increase the value of the company.

Keywords: Facility management, facilities, real estate management, effective strategy, facility manager

KONCEPCJA FACILITY MANAGEMENT JAKO METODA EFEKTYWNEGO ZARZĄDZANIA NIERUCHOMOŚCIAMI

Streszczenie

W artykule przedstawiono korzystne czynniki wynikające z zastosowania praktyk zarządzania udogodnieniami. Autor artykułu poddał analizie mocne i słabe strony, jak i elementy środowiska- szanse i zagrożenia, wpływające na strategię *facility management* (FM). Badania przeprowadzone w ramach tego artykułu koncentrują się na tej koncepcji w ramach zarządzania nieruchomościami w przedsiębiorstwach. Omawiana koncepcja prowadzi do redukcji kosztów oraz wzrostu satysfakcji klientów. Niemniej jednak, metoda ma na celu pogodzenie nieraz sprzecznych interesów właścicieli z interesami użytkowników. Udogodnienia, należące do portfeli nieruchomościowych, wspierają pod-

stawową działalność. W pracy ukazano i poddano dyskusji poszczególne działania w zakresie zarządzania procesami pomocniczymi. Właściwe zarządzanie nieruchomościami (budynki należą do *facilities* – udogodnień) stanowi innowacyjny sposób zwiększania wartości firmy.