Time for change in facilities management

Interserve, Sheffield Hallam and i-FM facilities management research 2013
Executive summary

Interserve commissioned this market research with Sheffield Hallam University and i-FM, for the third year running, to look at the shape of current and future facilities outsourcing, as well as the issues and trends in the market. This year the report looks at specific areas around innovation, relationships and future trends.

227 people responded to the survey, and their insights and opinions showcase an interesting future for the market:

THE MARKET’S GETTING LARGER:
> 16% increase in those outsourcing over 76% of their estate
> 14% increase in those outsourcing services to one provider
Cleaning, maintenance and security outsourced in nearly 70% of cases

REASONS FOR OUTSOURCING:
> Financial savings (72%), better technical expertise (64%), and transfer of risk (59%) are top three objectives for outsourcing
> Cost, innovation and local supply chain are most important factors in a tender evaluation
> 94% of people believe cost is most important factor in tender evaluation, followed by innovation at 86%

FUTURE OF OUTSOURCING:
> Cleaning is the most likely service to be re-tendered or re-scope at contract end
> On average only 6% of people are likely to bring services in-house in the future
> Only 17% of companies are likely to stay with the same supplier in the future

BUILDING THE RIGHT RELATIONSHIP:
> In 91% of cases people prefer long term contracts
> Access to best practice (94%), better technical expertise (93%) and service level improvements (93%) are the three most important factors in building a successful client / partner relationship

AN INNOVATIVE APPROACH:
> 90% of respondents believe it is important suppliers bring new ideas to the table
> Over 50% of the market believes there will be more European and global outsourcing deals in the next five years

“The last few years have seen companies constantly cutting costs, however this year our research shows that businesses are starting to look at not just doing things for less, but at doing them better. This step-change in service delivery can only be achieved with innovation and partnership. You need great ideas to help transform service delivery, but you need a strong relationship to deliver this on the ground. Reassuringly that is what the market believes as well; longer term contracts offer more value in 91% of cases, and 90% of the companies believe it is important that suppliers bring new ideas to the table. It’s time to change, and it’s time to do it together.”

Tony Sanders, Managing Director - Commercial, Interserve
About the research:

Interserve commissioned this research from Sheffield Hallam and I-FM. It was undertaken between July and August 2013. Online questionnaires were distributed via I-FM and by the Centre for Facilities Management Development at Sheffield Business School. 227 individuals responded to the survey.

Three key drivers of outsourcing:

- Cost
- Value for money
- Flexibility

Experience:

- 60% have 5+ years of experience of outsourcing
- 72% are private sector
- 53% have less than £5 million budget
- 28% are public and third sector
- 18% have more than £51 million budget

Organisational split:

- 23.9% single services outsourced
- 23.9% integrated service
- 21% in-house

Budgets:

- 50.4% provide facilities services to other organisations
- 39.7% buy facilities services
- 4.5% provide facilities services in-house
- 4.5% other

Did you know:

This is the third year running we have conducted this survey and over that time the demographics of the respondents has remained largely unchanged. The significant differences are:

- 12% more private sector respondents than in 2011
- 18% more facilities consultancy and service providers than in 2012

Provision of facilities services:

- 50.4% provide facilities services to other organisations
- 39.7% buy facilities services
- 4.5% other

Facilities services delivery model:

- 23.9% all services delivered in-house
- 13.8% bundled services
- 7.2% total facilities management and property services
- 10.1% total facilities management model
### About the facilities deals

Those who outsource are doing so to a much greater degree. Private sector organisations are increasingly choosing integrated or total facilities management models, whilst cost and savings continue to drive outsourcing choices.

#### Outsourcing deals are getting larger and more consolidated

- **16%**: Increase in those outsourcing over 76% of their estate
- **14%**: Increase in those outsourcing services to one provider
- **70%**: Cleaning, maintenance and security outsourced in nearly 70% of cases

#### How are your services currently delivered?

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 25%</td>
<td>14.6%</td>
<td>22.75%</td>
</tr>
<tr>
<td>26% - 50%</td>
<td>15.6%</td>
<td>20.96%</td>
</tr>
<tr>
<td>51% - 75%</td>
<td>20.8%</td>
<td>23.35%</td>
</tr>
<tr>
<td>76% - 99%</td>
<td>20.66%</td>
<td>30.2%</td>
</tr>
<tr>
<td>100%</td>
<td>12.28%</td>
<td>18.8%</td>
</tr>
</tbody>
</table>

#### How long are your outsourcing deals?

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>LESS THAN 1 YEAR</td>
<td>6.4%</td>
<td>4%</td>
</tr>
<tr>
<td>1 - 3 YEARS</td>
<td>4.3%</td>
<td>9.4%</td>
</tr>
<tr>
<td>3 - 5 YEARS</td>
<td>15.5%</td>
<td>22.37%</td>
</tr>
<tr>
<td>5 - 10 YEARS</td>
<td>26.6%</td>
<td>30.4%</td>
</tr>
<tr>
<td>10 YEARS OR OLDER</td>
<td>40.4%</td>
<td>40.7%</td>
</tr>
</tbody>
</table>
SERVICES CURRENTLY BEING OUTSOURCED

- Energy Management: 26.2%
- Utilities: 40.5%
- Office Services: 29.8%
- Catering: 58.3%
- Maintenance and Engineering: 44%
- Project Management: 27.4%
- Estates Management: 25%
- Consultancy / FM Strategy: 19%
- Security: 69%
- Communications / Telecoms: 22.6%
- General / Specialist Cleaning: 78.6%
- Health and Safety Services / Consultancy: 21.4%
- Building Management Systems: 44%

TIME FOR CHANGE IN FACILITIES MANAGEMENT
Outsourcing objectives

DID YOU KNOW? #1 Financial savings has been the number one objective for three last years. Better technical expertise replaced service level improvements in second place.

HIGHLIGHTS

- 72% Financial savings, better technical expertise, and transfer of risk (59%) top three objectives for outsourcing
- 80% Have achieved their number one objective of achieving financial savings (72%)
- 11% Less have achieved their outsourcing objectives in 2013 compared to 2012

- 33% Of people rate sustainability as an objective and it is achieved in 19% less cases than in 2012
- Technical expertise and ability to focus on core business are now more important in outsourcing models than service level improvements
- Cost, innovation and local supply chain are most important factors in a tender evaluation
- Cleaning is the most likely service to be re-tendered or re-scope at contract end

WHAT IS YOUR OBJECTIVE FOR OUTSOURCING AND HAS IT BEEN ACHIEVED?

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Savings</td>
<td>80%</td>
<td>72%</td>
</tr>
<tr>
<td>Better Technical Expertise</td>
<td>76%</td>
<td>64%</td>
</tr>
<tr>
<td>Transfer of Risk/Share Risk</td>
<td>68%</td>
<td>59%</td>
</tr>
<tr>
<td>Access to Best Practice</td>
<td>73%</td>
<td>50%</td>
</tr>
<tr>
<td>Reduce In-House Staff</td>
<td>63%</td>
<td>56%</td>
</tr>
<tr>
<td>Service Level Improvements</td>
<td>74%</td>
<td>48%</td>
</tr>
<tr>
<td>Greater Flexibility</td>
<td>69%</td>
<td>53%</td>
</tr>
<tr>
<td>Buying Efficiencies</td>
<td>63%</td>
<td>52%</td>
</tr>
<tr>
<td>Focus on Core Business</td>
<td>83%</td>
<td>55%</td>
</tr>
<tr>
<td>Better Management Info</td>
<td>58%</td>
<td>49%</td>
</tr>
<tr>
<td>Save on Management Time</td>
<td>59%</td>
<td>48%</td>
</tr>
<tr>
<td>Innovation in Service Delivery</td>
<td>42%</td>
<td>41%</td>
</tr>
<tr>
<td>Improve On In-House Quality</td>
<td>77%</td>
<td>32%</td>
</tr>
<tr>
<td>Improve Sustainability</td>
<td>51%</td>
<td>33%</td>
</tr>
<tr>
<td>Increased Competitiveness</td>
<td>67%</td>
<td>24%</td>
</tr>
<tr>
<td>Deliver Improved Brand Image</td>
<td>89%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Are you curious about the impact of outsourcing on sustainability? From 2012 to 2013, sustainability became an objective and it is achieved in 19% less cases than in 2012. This indicates a shift in priorities among organizations seeking to optimize their cost, technical expertise, and risk transfer, while also emphasizing the importance of environmental sustainability in their decision-making processes.
CHOOSING THE RIGHT MODEL

- People procuring bundled services are looking for more added value through innovation than through cost efficiencies.
- Those procuring integrated services are looking for more technical expertise than value for money.
- When procuring total facilities management people are looking for ability to focus on core business and technical expertise instead of value for money.
- For total facilities management and property people are looking for ability to focus on core business and improved management information rather than value for money.

TOP DELIVERABLES BY SERVICE MODEL OVER TIME

<table>
<thead>
<tr>
<th>Service Model</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>IN-HOUSE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>Flexibility in Service Delivery</td>
<td>Service Quality</td>
</tr>
<tr>
<td></td>
<td>Communication</td>
<td>Service Quality</td>
<td></td>
</tr>
<tr>
<td>SINGLE SERVICES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improved Management Information</td>
<td>Service Quality</td>
<td>Service Quality</td>
</tr>
<tr>
<td></td>
<td>Value for Money</td>
<td>Access to Technical Expertise</td>
<td></td>
</tr>
<tr>
<td>BUNDLED SERVICES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reducing Costs</td>
<td>Reducing Costs</td>
<td>Reducing Costs</td>
</tr>
<tr>
<td></td>
<td>Management of Risk</td>
<td>Value for Money</td>
<td>Added value/innovation</td>
</tr>
<tr>
<td>INTEGRATED SERVICE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reducing Costs</td>
<td>Value for Money</td>
<td>Reducing Costs</td>
</tr>
<tr>
<td></td>
<td>Management of Risk</td>
<td>Reducing Costs</td>
<td>Access to Technical Expertise</td>
</tr>
<tr>
<td>TOTAL FACILITIES MANAGEMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ability to Focus on Core Business</td>
<td>Value for Money</td>
<td>Ability to Focus on Core Business</td>
</tr>
<tr>
<td></td>
<td>Improved Management Information</td>
<td>Reducing Costs</td>
<td>Improved Management Information</td>
</tr>
<tr>
<td>TOTAL FACILITIES MANAGEMENT AND PROPERTY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Not applicable</td>
<td>Value for Money</td>
<td>Ability to Focus on Core Business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reducing Costs</td>
<td>Improved Management Information</td>
</tr>
</tbody>
</table>

EVALUATING CONTRACT BIDS AND TENDERS

94% of people believe cost is most important factor in tender evaluation, followed by innovation 86%, local supply chain 73%, skills development 68% and sustainability 65%.

<table>
<thead>
<tr>
<th>Factor</th>
<th>1.7%</th>
<th>8.5%</th>
<th>23.2%</th>
<th>42.7%</th>
<th>22%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUSTAINABILITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SKILLS DEVELOPMENT</td>
<td>2.4%</td>
<td>3.7%</td>
<td>25.6%</td>
<td>51.2%</td>
<td>17.1%</td>
</tr>
<tr>
<td>INNOVATION</td>
<td>2.4%</td>
<td>2.4%</td>
<td>9.8%</td>
<td>59.8%</td>
<td>25.6%</td>
</tr>
<tr>
<td>LOCAL SUPPLY CHAIN</td>
<td>2.4%</td>
<td>6.1%</td>
<td>18.3%</td>
<td>54.9%</td>
<td>18.3%</td>
</tr>
<tr>
<td>COST</td>
<td>1.2%</td>
<td>1.2%</td>
<td>3.7%</td>
<td>32.9%</td>
<td>61%</td>
</tr>
</tbody>
</table>

DID YOU KNOW? #2 Innovation is the second highest (following cost) important factor in a tender evaluation.
## Future of Outsourced Contracts

<table>
<thead>
<tr>
<th>Category</th>
<th>Stay with Supplier</th>
<th>Retender The Same</th>
<th>Retender and Rescope</th>
<th>Bring In-House</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultancy/FM Strategy</td>
<td>15%</td>
<td>4%</td>
<td>36%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and Safety Services/Consultancy</td>
<td>19%</td>
<td>26%</td>
<td>42%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General/Specialist Cleaning</td>
<td>19%</td>
<td>26%</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance and Engineering</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Services</td>
<td>13%</td>
<td>15%</td>
<td>28%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Project Management</td>
<td>15%</td>
<td>15%</td>
<td>33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>17%</td>
<td>25%</td>
<td>36%</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>Utilities</td>
<td>15%</td>
<td>22%</td>
<td>33%</td>
<td>7%</td>
<td>22%</td>
</tr>
</tbody>
</table>

> Retendering or rescoping the contract is the most likely option

> Of people on average are likely to bring services in-house

> Of companies are likely to stay with the same supplier

### Time for Change in Facilities Management

- Building Management Systems: 15% stay with supplier, 19% re-tender the same, 35% re-tender and rescope, 11% bring in-house, 20% N/A
- Catering: 14% stay with supplier, 25% re-tender the same, 42% re-tender and rescope, 5% bring in-house, 14% N/A
- Communications/Telecoms: 21% stay with supplier, 13% re-tender the same, 27% re-tender and rescope, 6% bring in-house, 33% N/A
- Consultancy/FM Strategy: 21% stay with supplier, 4% re-tender the same, 34% re-tender and rescope, 4% bring in-house, 36% N/A
- Energy Management: 15% stay with supplier, 21% re-tender the same, 29% re-tender and rescope, 8% bring in-house, 27% N/A
- Estates Management: 21% stay with supplier, 14% re-tender the same, 33% re-tender and rescope, 5% bring in-house, 28% N/A
- General/Specialist Cleaning: 19% stay with supplier, 26% re-tender the same, 47% re-tender and rescope, 6% bring in-house, 1% N/A
- Health and Safety Services/Consultancy: 19% stay with supplier, 7% re-tender the same, 29% re-tender and rescope, 5% bring in-house, 40% N/A
- Maintenance and Engineering: 20% stay with supplier, 22% re-tender the same, 48% re-tender and rescope, 5% bring in-house, 6% N/A
- Office Services: 13% stay with supplier, 15% re-tender the same, 28% re-tender and rescope, 4% bring in-house, 39% N/A
- Utilities: 15% stay with supplier, 22% re-tender the same, 33% re-tender and rescope, 7% bring in-house, 22% N/A
03

The role of your brand

DID YOU KNOW? 11% There has been a 11% drop in those who see brand plays no part in their strategy

HIGHLIGHTS

- THERE IS A 50/50 SPLIT BETWEEN THOSE THAT THINK BRAND PLAYS A PART IN THEIR STRATEGY AND THOSE THAT THINK IT DOESN'T
- THERE IS ALSO NO DIFFERENCE BETWEEN THOSE IN THE PRIVATE AND PUBLIC SECTOR IN TERMS OF BRAND PERCEPTIONS
- WHERE BRAND DOESN'T PLAY A ROLE IN FACILITIES MANAGEMENT IT IS BECAUSE OF ITS COST, NO ENGAGEMENT IN BUILDING AND THE COMPANY HAS A LACK OF BRAND IDENTITY

TIME FOR CHANGE IN FACILITIES MANAGEMENT
Considerations of outsourcing versus in-house delivery

There are differing perceptions about the challenges of moving to outsourcing compared to the actual challenges encountered.

**HIGHLIGHTS**

- 70% of people think the cost of outsourcing is too high to consider outsourcing.
- 68% of those that deliver services in-house think there is no compelling case to change.

**DID YOU KNOW?**

- 15% of those who provide services in-house have had a bad experience of outsourcing.

**WHY HAVE YOU NOT CONSIDERED OUTSOURCING TO DATE?**

- 71.9%: Costs would be higher.
- 68.8%: Had a bad outsourcing experience.
- 68.8%: Satisfied with current service delivery model.
- 31.3%: Loyalty to staff.
- 15.6%: Had a bad outsourcing experience.
- 9.4%: Risks too high.
- 9.4%: Market place / providers’ capabilities not mature.
- 25%: Activities are too strategic in nature.
- 70%: No compelling business case to change.

TIME FOR CHANGE IN FACILITIES MANAGEMENT
**IF YOU WERE TO CONSIDER OUTSOURCING WHAT ARE THE OBJECTIVES YOU WOULD WANT TO ACHIEVE?**

<table>
<thead>
<tr>
<th>Objective</th>
<th>2013 RESPONSE</th>
<th>2012 RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to best practice</td>
<td></td>
<td>51.7%</td>
</tr>
<tr>
<td>Better management of information/service</td>
<td>27.6%</td>
<td>25%</td>
</tr>
<tr>
<td>Better technical expertise</td>
<td>48.3%</td>
<td></td>
</tr>
<tr>
<td>Buying efficiencies</td>
<td>27%</td>
<td>43%</td>
</tr>
<tr>
<td>Deliver improved brand image</td>
<td>6.9%</td>
<td>13%</td>
</tr>
<tr>
<td>Financial savings</td>
<td></td>
<td>69%</td>
</tr>
<tr>
<td>Focus on core business</td>
<td>27.6%</td>
<td>29%</td>
</tr>
<tr>
<td>Greater flexibility</td>
<td>20%</td>
<td>34.5%</td>
</tr>
<tr>
<td>Improve on in-house quality</td>
<td></td>
<td>34.5%</td>
</tr>
<tr>
<td>Improve sustainability</td>
<td>17.2%</td>
<td>17%</td>
</tr>
<tr>
<td>Increased competitiveness</td>
<td>20.7%</td>
<td>11%</td>
</tr>
<tr>
<td>Innovation in FM service delivery</td>
<td></td>
<td>41.4%</td>
</tr>
<tr>
<td>Reduce in-house staff</td>
<td>31%</td>
<td>44.8%</td>
</tr>
<tr>
<td>Save on management time</td>
<td>31%</td>
<td>37%</td>
</tr>
<tr>
<td>Service level improvements</td>
<td>31%</td>
<td>30%</td>
</tr>
<tr>
<td>Transfer of risk/share/mitigate risk</td>
<td>41.4%</td>
<td>31%</td>
</tr>
</tbody>
</table>

**WHAT ARE THE PERCEIVED CHALLENGES OF OUTSOURCING**

1/3 of respondents said that finding a suitable service provider and managing the contract are the biggest challenges of outsourcing.

**DID YOU KNOW?** 21% increase in those who would consider outsourcing to provide better technical expertise. 10% increase in those who think outsourcing would achieve innovation.

**DID YOU KNOW?** People believe it is difficult to find a service provider who understands their requirements, who has the skills, structures and efficiencies to deliver the service and can offer more than just cost savings.

**CHALLENGES FACED BY THOSE THAT ALREADY OUTSOURCE WHEN OUTSOURCING FM SERVICE DELIVERY:**
- Managing the contract
- Cost
- Internal resistance to change
- Need to make sure the tender documents and contracts are clear about what is expected
- Unions/TUPE
- Communication
- Co-ordinating multiple suppliers
- Finding a suitable service provider

**CHALLENGES THOSE PROVIDING ALL SERVICES IN-HOUSE BELIEVE THEY WOULD ENCOUNTER IF THEY WERE TO OUTSOURCE:**
- Managing the contract
- Losing/keeping control
- Unions/TUPE
- Service quality
- Internal resistance to change
- Communication
- Co-ordinating multiple suppliers
- Finding a suitable service provider

**Top 3 reasons to outsource, for those that do not already, are financial savings (69%), buying efficiencies (62%), and access to best practice (51%)**
The role of the relationship

The issue of finance continues to dominate outsourcing, as it is still considered the most important factor of a successful relationship. However communication and working together as a team are the key areas for improvement.

### HIGHLIGHTS

- **94%**
  - Access to best practice, better technical expertise (93%) and service level improvements (93%) are the three most important factors in building a successful client / partner relationship

- **90%**
  - Of respondents believe it is important suppliers bring new ideas to the table

- **76%**
  - Communication and working together as a team (76%) are the most important factors in helping buyers outsource better

### HOW IMPORTANT ARE THESE FACTORS IN BUILDING A SUCCESSFUL CLIENT / PARTNER RELATIONSHIP

<table>
<thead>
<tr>
<th>Factor</th>
<th>No Importance</th>
<th>Little Importance</th>
<th>Unsure</th>
<th>Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to best practice</td>
<td>25%</td>
<td>63%</td>
<td>12%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Better management information/service</td>
<td>21%</td>
<td>56%</td>
<td>24%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Better technical expertise</td>
<td>23%</td>
<td>54%</td>
<td>24%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Buying efficiencies</td>
<td>25%</td>
<td>51%</td>
<td>24%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Deliver improved brand image</td>
<td>7%</td>
<td>15%</td>
<td>26%</td>
<td>33%</td>
<td>19%</td>
</tr>
<tr>
<td>Financial savings</td>
<td>2%</td>
<td>41%</td>
<td>56%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Focus on core business</td>
<td>23%</td>
<td>11%</td>
<td>50%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Greater flexibility</td>
<td>23%</td>
<td>10%</td>
<td>59%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Improve on in-house quality</td>
<td>5%</td>
<td>7%</td>
<td>21%</td>
<td>49%</td>
<td>18%</td>
</tr>
<tr>
<td>Improve sustainability</td>
<td>4%</td>
<td>11%</td>
<td>16%</td>
<td>51%</td>
<td>17%</td>
</tr>
<tr>
<td>Increased competitiveness</td>
<td>4%</td>
<td>7%</td>
<td>20%</td>
<td>48%</td>
<td>21%</td>
</tr>
<tr>
<td>Innovation in FM service delivery</td>
<td>2%</td>
<td>7%</td>
<td>12%</td>
<td>52%</td>
<td>28%</td>
</tr>
<tr>
<td>Reduce in-house staff</td>
<td>6%</td>
<td>14%</td>
<td>24%</td>
<td>42%</td>
<td>14%</td>
</tr>
<tr>
<td>Save on management time</td>
<td>2%</td>
<td>3%</td>
<td>5%</td>
<td>61%</td>
<td>21%</td>
</tr>
<tr>
<td>Service level improvements</td>
<td>23%</td>
<td>4%</td>
<td>55%</td>
<td>38%</td>
<td>31%</td>
</tr>
<tr>
<td>Transfer of risk / share / mitigate risk</td>
<td>3%</td>
<td>7%</td>
<td>13%</td>
<td>41%</td>
<td>36%</td>
</tr>
</tbody>
</table>

**DID YOU KNOW?**

Did you know that supporting the delivery of an improved brand image is the least important factor in building a successful client / partner relationship.
HOW IMPORTANT IS IT THAT SUPPLIERS BRING NEW IDEAS TO THE TABLE

- **2.4%** NO IMPORTANCE
- **1.2%** LITTLE IMPORTANCE
- **6%** NEITHER IMPORTANT NOR UNIMPORTANT
- **46.1%** VERY IMPORTANT
- **44.3%** IMPORTANT

**DID YOU KNOW?** **94.4%** of respondents believe it is important for suppliers to bring new ideas to the table.

WHAT CAN BE DONE TO HELP BUYERS OUTSOURCE BETTER

- **56.3%** IMPROVE SERVICE LEVEL AGREEMENTS
- **76.6%** BETTER WRITTEN REQUESTS FOR PROPOSALS
- **38.3%** BETTER GOVERNANCE STRUCTURES
- **65.3%** CLARIFICATION OF ROLES AND RESPONSIBILITIES
- **58.1%** WORKING TOGETHER AS ONE TEAM
- **45.5%** BETTER BASELINE COSTS
- **56.9%** KPI’S AND REPORTING
- **76.6%** BETTER ALIGNMENT OF STRATEGIES/PLANS

**DID YOU KNOW?** **38%** of people think better written requests for proposals would help buyers outsource better.

EFFECTIVENESS OF CONTRACT LENGTHS:

- **91%** IN 91% OF CASES PEOPLE PREFER LONG TERM CONTRACTS

ABILITY TO EXIT CONTRACT

- **51.9%** SHORT TERM (<3YEARS)
- **11.7%** LONG TERM (>3YEARS)
- **18.2%** NEITHER
- **18.2%** BOTH

BUILDING RELATIONSHIPS

- **5.1%** SHORT TERM (<3YEARS)
- **73.1%** LONG TERM (>3YEARS)
- **7.7%** NEITHER
- **14.1%** BOTH

COMMITMENT TO STRATEGIC GOALS

- **7.8%** SHORT TERM (<3YEARS)
- **68.8%** LONG TERM (>3YEARS)
- **6.5%** NEITHER
- **16.9%** BOTH

COST OF PROCUREMENT

- **9%** SHORT TERM (<3YEARS)
- **59%** LONG TERM (>3YEARS)
- **16.7%** NEITHER
- **15.4%** BOTH

EFFICIENCY SAVINGS

- **15.8%** SHORT TERM (<3YEARS)
- **46.1%** LONG TERM (>3YEARS)
- **13.2%** NEITHER
- **25%** BOTH

FLEXIBILITY IN SERVICE DELIVERY

- **28.6%** SHORT TERM (<3YEARS)
- **31.2%** LONG TERM (>3YEARS)
- **14.3%** NEITHER
- **26%** BOTH

FLEXIBILITY IN PROCUREMENT OF SERVICES

- **31.1%** SHORT TERM (<3YEARS)
- **31.1%** LONG TERM (>3YEARS)
- **13.5%** NEITHER
- **24.3%** BOTH

INNOVATION IN SERVICE DELIVERY

- **12%** SHORT TERM (<3YEARS)
- **48%** LONG TERM (>3YEARS)
- **16%** NEITHER
- **24%** BOTH

PARTNERSHIP APPROACH

- **7.9%** SHORT TERM (<3YEARS)
- **65.8%** LONG TERM (>3YEARS)
- **7.9%** NEITHER
- **18.4%** BOTH

QUALITY OF SERVICE DELIVERY

- **14.3%** SHORT TERM (<3YEARS)
- **35.1%** LONG TERM (>3YEARS)
- **13%** NEITHER
- **37.7%** BOTH

STABILITY AND RELIABILITY

- **9.2%** SHORT TERM (<3YEARS)
- **53.9%** LONG TERM (>3YEARS)
- **9.2%** NEITHER
- **27.6%** BOTH

**DID YOU KNOW?** Ability to exit the contract is the only reason people prefer short term contracts. And only in flexibility in service delivery and procurement do long term and short term contracts have equal advantages.

TIME FOR CHANGE IN FACILITIES MANAGEMENT

- **24%** TIME FOR CHANGE IN FACILITIES MANAGEMENT

TIME FOR CHANGE IN FACILITIES MANAGEMENT

- **25%** TIME FOR CHANGE IN FACILITIES MANAGEMENT
Innovation in facilities

DID YOU KNOW? Innovation didn’t make the top 10 objectives for outsourcing. And only 42% of people thought it was achieved in 2013

HIGHLIGHTS

77% IN 77% OF CASES INNOVATION IS HAPPENING

67% BELIEVE LINKING INNOVATION TO STRATEGIC OBJECTIVES IS THE BEST WAY TO ACHIEVE INNOVATION

22% OF ALL INNOVATION IS TOTAL I.E. RADICAL CHANGE

60% OVER 60% OF INNOVATION IS REWARDED AT AN INDIVIDUAL AND AT A TEAM LEVEL

ARE YOU DOING INNOVATION?

- 35.2% YES WE HAVE IMPLEMENTED AN INNOVATION
- 42.3% YES OUR INNOVATION IS ONGOING
- 13.2% NO WE HAVE NOT UNDERTAKEN ANY ACTIVITY

HOW WOULD YOU DESCRIBE YOUR INNOVATION?

- 22.5% TOTAL INNOVATION ACTIVITY
- 26.9% INCREMENTAL INNOVATION ACTIVITY
- 13.7% EXPANSIONARY INNOVATION ACTIVITY
- 26% EVOLUTIONARY INNOVATION ACTIVITY

HOW DO YOU MAKE INNOVATION A REQUIREMENT OF SERVICE DELIVERY?

- 67.8% USING KPIs
- 34.2% LINKING INNOVATION TO STRATEGIC AND BUSINESS OBJECTIVE
- 28.9% USING SLAS
- 24.2% THROUGH CONTRACT TERMS
- 8.1% NOT APPLICABLE

DID YOU KNOW? 24% believe that using contract terms will help make innovation a requirement in service delivery

TIME FOR CHANGE IN FACILITIES MANAGEMENT
TO WHAT EXTENT HAVE THESE FACTORS HAMPERED YOUR ABILITY TO INNOVATE

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not at All</th>
<th>Somewhat and</th>
<th>Quite a Bit and Very Much</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty in finding innovation partners</td>
<td>47.8%</td>
<td>43.5%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Innovations costs are too high</td>
<td>40%</td>
<td>36%</td>
<td>24%</td>
</tr>
<tr>
<td>Lack of finance from sources outside</td>
<td>54.2%</td>
<td>25%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Lack of funds within your organisation</td>
<td>33.3%</td>
<td>33.3%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Lack of information on technology</td>
<td>41.7%</td>
<td>46.7%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Lack of information on markets</td>
<td>45.8%</td>
<td>46.7%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Lack of qualified personnel</td>
<td>45.8%</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>Market dominated by established firms</td>
<td>45.8%</td>
<td>41.7%</td>
<td>12.5%</td>
</tr>
<tr>
<td>No need because of no demand</td>
<td>45.8%</td>
<td>32.5%</td>
<td>16.6%</td>
</tr>
<tr>
<td>No need due to prior innovations</td>
<td>56%</td>
<td>36%</td>
<td>8%</td>
</tr>
<tr>
<td>Uncertain demand for innovative goods and services</td>
<td>33.3%</td>
<td>45.8%</td>
<td>20.9%</td>
</tr>
</tbody>
</table>

DID YOU KNOW? Respondents measure innovation using customer satisfaction, client feedback, performance outputs, and key performance indicators

AS AN INDIVIDUAL

64% YES

36% NO

AS A TEAM

63% YES

37% NO

DID YOU KNOW? There is no significant barrier to innovation, on average all responses ranks in the somewhat category.
The future market

DID YOU KNOW? 45% of people anticipate single services to decrease significantly in the next five years.

HIGHLIGHTS

- 37% of people believe there will be more outsourcing but to fewer multi-service suppliers.
- 50% of the market anticipate integrated services, total facilities management and total facilities management with property services will increase a lot over the next five years.
- 50% of the market believes there will be more European and global outsourcing deals.
- 52% think organisations will improve productivity and efficiency of services to a great extent in future.

DO YOU THINK THE FACILITIES MANAGEMENT MARKET WILL CHANGE FUNDAMENTALLY IN THE NEXT FIVE YEARS?

17.5% NO FUNDAMENTAL CHANGE

37.2% CONTINUED PATTERN OF OUTSOURCING INCREASINGLY LED BY A FEW MULTI-SERVICE PROVIDERS

8.2% FACILITIES SERVICES ABSORBED INTO WIDER BPO CONTRACTS

29% CONTINUED PATTERN OF OUTSOURCING BUT A RETURN TO INDIVIDUAL SPECIALISTS

8.2% RETURN TO IN-HOUSE MANAGEMENT AND SERVICE PROVISION

IN THE NEXT 5 YEARS HOW WILL DEMAND CHANGE FOR THESE MODELS?

<table>
<thead>
<tr>
<th>Model</th>
<th>Decreasing A Lot</th>
<th>Decreasing A Fair Bit</th>
<th>Not Much Change</th>
<th>Increasing A Fair Bit</th>
<th>Increasing A Lot</th>
</tr>
</thead>
<tbody>
<tr>
<td>SINGLE SERVICES</td>
<td>15.3%</td>
<td>30.5%</td>
<td>34.5%</td>
<td>14.1%</td>
<td>5.6%</td>
</tr>
<tr>
<td>BUNDLED SERVICES</td>
<td>3.4%</td>
<td>20.1%</td>
<td>40.2%</td>
<td>30.5%</td>
<td>5.7%</td>
</tr>
<tr>
<td>INTEGRATED SERVICES</td>
<td>2.2%</td>
<td>11.2%</td>
<td>30.7%</td>
<td>43%</td>
<td>12.8%</td>
</tr>
<tr>
<td>TOTAL FACILITIES MANAGEMENT</td>
<td>4.5%</td>
<td>12.5%</td>
<td>22.7%</td>
<td>37.5%</td>
<td>22.7%</td>
</tr>
<tr>
<td>TOTAL FACILITIES MANAGEMENT AND PROPERTY SERVICES</td>
<td>3.4%</td>
<td>14.5%</td>
<td>25%</td>
<td>29.5%</td>
<td>27.8%</td>
</tr>
</tbody>
</table>
WHAT WILL BE THE FIVE MOST IMPORTANT FACTORS IN OUTSOURCING IN THE NEXT FIVE YEARS?

1. SKILLS DEVELOPMENT OF FACILITIES MANAGEMENT TEAM
2. SUSTAINABILITY
3. COMMUNICATION
4. INFORMATION / SERVICE PERFORMANCE DATA
5. ACCESS TO TECHNICAL EXPERTISE

IN FIVE YEARS TIME DO YOU THINK THERE WILL BE MORE OR LESS?

<table>
<thead>
<tr>
<th>Facilities Management Deals</th>
<th>Less</th>
<th>No Change</th>
<th>More</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL FACILITIES MANAGEMENT DEALS</td>
<td>20%</td>
<td>23%</td>
<td>58%</td>
</tr>
<tr>
<td>EUROPEAN OUTSOURCING DEALS</td>
<td>13%</td>
<td>30%</td>
<td>57%</td>
</tr>
<tr>
<td>GLOBAL OUTSOURCING DEALS</td>
<td>17%</td>
<td>29%</td>
<td>54%</td>
</tr>
</tbody>
</table>

IN THE FUTURE TO WHAT EXTENT WILL ORGANISATIONS:

<table>
<thead>
<tr>
<th>Action</th>
<th>NOT AT ALL</th>
<th>VERY LITTLE</th>
<th>SOMEWHAT</th>
<th>TO A GREAT EXTENT</th>
<th>DON'T KNOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Align FM Team to Brand Values</td>
<td>4%</td>
<td>21%</td>
<td>40%</td>
<td>32%</td>
<td>3%</td>
</tr>
<tr>
<td>Continue to Develop Skills in Employees</td>
<td>2%</td>
<td>18%</td>
<td>48%</td>
<td>31%</td>
<td>1%</td>
</tr>
<tr>
<td>Improve the Productivity and Efficiency of Service Delivery</td>
<td>2%</td>
<td>8%</td>
<td>37%</td>
<td>52%</td>
<td>1%</td>
</tr>
<tr>
<td>Include Sustainability as a Key Decision-Making Factor</td>
<td>1%</td>
<td>18%</td>
<td>32%</td>
<td>49%</td>
<td>1%</td>
</tr>
<tr>
<td>Reduce the Cost of Outsourcing Deals</td>
<td>4%</td>
<td>18%</td>
<td>50%</td>
<td>27%</td>
<td>1%</td>
</tr>
</tbody>
</table>

DID YOU KNOW? 49% think sustainability will become more important in organisations operations

DID YOU KNOW? 10% more people believe there will be more outsourcing deals this year than last
Background data

What industry do you operate in?

- 42.3% Public Sector
- 7% Third Sector
- 7% Private Sector

Where is your organisation based?

- 23% United Kingdom
- 37% London
- 17.6% South East
- 17.6% East Anglia
- 14.1% North Midlands
- 6.6% South West
- 3.1% Northern Ireland
- 6.2% Rest of the World
- 4.8% Rest of Europe
- 0.4% Wales
- 0.9% North West
- 0.9% Scotland
- 0.4% Leeds

Are you a public, private or third sector business?

- 227 Total
- 5% Third Sector
- 72% Private Sector
- 23% Public Sector
**Which area of the organisation do you work in?**

- **Property/Estates**: 15.5%
- **Bid/Account Management**: 7.5%
- **Commercial/Business Development**: 14.6%
- **Facilities**: 43.8%
- **Finance**: 0.9%
- **Other**: 13.7%

**What level of the organisation do you operate at?**

- **Operational**: 1.3%
- **Line Management**: 5.3%
- **Middle Management**: 25.2%
- **Director/Partner**: 32.3%
- **Senior Management**: 32.7%
- **Other**: 3.1%

**How many people work in your organisation?**

- **1 - 20**: 13.7%
- **21 - 100**: 11.5%
- **101 - 250**: 10.6%
- **251 - 500**: 9.7%
- **501 - 999**: 22.1%
- **1,000 - 4,999**: 7.1%
- **5,000 - 9,999**: 4%
- **10,000 or more**: 16.4%

**What is your organisation’s facilities budget for the financial year?**

- **Less than £500k**: 4.2%
- **£501k - £1M**: 9%
- **£1M - £3M**: 8.8%
- **£3M - £5M**: 7%
- **£5M - £10M**: 9%
- **£10M - £25M**: 14.6%
- **£25 - £50M**: 8%
- **£51M - £100M**: 8%
- **£100M or more**: 12%

**Time for change in facilities management**

- **36**
- **37**
This research reveals a shift from a pure cost and service level focus to a stronger emphasis on successful buyer-partner relationships, with 90% of respondents requesting new ideas to be offered by their suppliers during the preparation and management of outsourced contracts.

At the same time, there is a discrepancy between what buyers want in terms of contract innovation and how this is being measured. 68% of those engaged in innovation link it to their strategic objectives and 86% rank it as important (the second highest ranking) when evaluating tenders or bids, but only 24% actually list it as a requirement in their contracts.

The objectives for outsourcing remain similar to 2012, with financial savings (72%), access to better technical expertise (64%), transfer of risk (59%), access to best practice (56.5%) and reduction of in-house staff (56%) all scoring highly.

However, while results from 2012 show that reducing costs was more important than quality, this year’s report predicts that value for money will come from a greater emphasis on innovation, service quality and customer satisfaction.

The report also rates longer term contracts (more than three years) as more preferable in 91% of cases in helping organisations achieve their objectives. Communication (76%) and working together as a team (76%) were ranked as the top areas for buyers and suppliers to improve together.

Over the last few years the industry has been focused on taking out costs, but this year there has been a subtle shift to the need to start delivering services differently. Although people are still unwilling to put issues like innovation at the top of their priority list when outsourcing, more and more it is being seen as a vital part of service delivery.

The other significant trend in this year’s research is the benefit of building longer term contracts. In 91% of cases longer term contracts provide more benefits than shorter term. For us, this is about building a partnership based on the client’s strategic outcomes rather than focusing just on the quick cost-cutting measures.

Overall the industry needs to work closer with its clients to develop the right relationships that deliver added value and contribute to the long-term success of the client’s business.

Sheffield Hallam University

Interserve specifically partnered with the Centre for Facilities Management Development (CFMD) at Sheffield Hallam University to undertake this research. Sheffield Hallam University is an academic centre of excellence that applies the latest thinking to develop facilities management knowledge, people and practice.

www.shu.ac.uk/cfmd

As a business we aim to embrace and complement our customers’ operations and reputations through the application of our own experience and understanding. We share our customers’ goals, mitigate their risk and put their business needs at the heart of everything we do.

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or email at info.support@interserve.com

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