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INSIGHT

EuroFM
EUROPEAN FACILITY MANAGEMENT NETWORK

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NORWAY

Towards relationship-oriented property management

By Øystein R. Kristoffersen M.Sc, MBA and Bjørg Totland M.Sc

Relationship implies cooperation, and relationship management involves interacting with one's environment with specific goals in mind. Relationship-oriented property management consists of much more than just acquiring Customer Relationship Management (CRM) software and employing a Key Account Manager. This article takes a closer look at the strategic and commercial benefits and opportunities for real estate investors/lessors if they adopt a more distinct relationship orientation in their property management, focusing on the long-term management of customer relationships.

A knowledge-based real estate industry

The Norwegian real estate industry is currently benefiting from a healthy inflow of executives with management experience in other sectors. This offers the potential for a welcome refinement and improvement in the traditional management and strategic thinking in our historically more homogenous industry. The findings of the Real Estate Industry Executive Survey 2013 (Kristoffersen 2013), which focused on Chief Executive Officers in Norwegian property companies with eight or more employees, indicate the following:

- 45% of Chief Executive Officers have executive experience in another industry
- 55% have had more than four years' of higher education, while 44% have had four years or less
- 1 in 5 Chief Executive Officers received their main education abroad
- 95% of these Chief Executive Managers characterize their own firm as a knowledge-based company which is dependent on its employees' competency levels in order to achieve its goals

The findings suggest that Norwegian real estate companies of a certain size are staffed by competent, knowledge-based managers and employees – which should be an excellent starting point for modern, strategic, commercially-oriented property management.

Traditionally, the real estate industry and property management have been oriented towards the "harder" disciplines, such as engineering, economics and law. We are now seeing that "softer" subjects, such as relationship management – i.e. lessors' strategies for continuous engagement with existing tenants – are being given a "hard" dimension, with the result being cost-effective repeat purchasing behavior and improved lessor reputation in a highly competitive market. A 2003 study for sectors other

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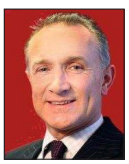
Comment

The future of FM lies in professionalism

RICS Global Commercial Property Director Johnny Dunford



The FM industry has witnessed a dramatic change in pace in the last 10-15 years where expansion of the sector has been met with difficulties in defining its role within an organisation. Often perceived as a reactive business function; in reality it is far from it.

In a climate of budget cuts, strategic and forward-looking facilities managers can add value to business by driving efficiency and sustainability, linked to their expertise in managing workplace change.

During the recent EUROFM conference in Helsinki I addressed an audience on the underlying issues impeding growth of the FM sector as mainly, a lack of understanding by board level directors on the strategic role of FM as a business function, along with the absence of a defined professional FM sector.

As a business function responsible for workplace and labour infrastructure and considering labour accounts for up to 70% of an organisation's operating expenses it is essential that the FM sector is both strategic and professional.

With this in mind RICS has focussed its attention on addressing the lack of professionalism in FM and sees it as the 'big issue' restricting its development.

Professionalising FM will increase demand, opportunities and profile.

So how do you make a profession? Currently there are a number of barriers to advancements in the FM sector. A profession is made through the combination of qualifications, strategic direction and career progression all of which at present are lacking. RICS is playing a central role in developing these attributes.

Most recently the publication of RICS Research 'Raising the Bar: City Roundtables (Phase II)' where FM professionals across six continents and 12 economically different cities were surveyed, identified 'A Dozen Challenges' to the profession answered by "A Dozen Recommendations" to the FM market. Most notably, contributors highlighted the role of FM professionals themselves must play in promoting the value of FM as a profession to directors and to ensure FM is incorporated into the overall business strategy. The report built on findings from RICS 2012 research 'Raising the Bar: Enhancing the Strategic Role of Facilities Management (Phase 1)' which provided robust evidence for high-performing organisations to introduce FM as a strategic management discipline.

Further initiatives aimed at careers and education has included the launch of a Facilities Management Pathway as a route to RICS membership and the Global Strategic Facilities Management guidance note published last year.

Currently, blurred lines existing between operational and strategic FM offer no clear career path for professionals. It is hoped that by developing a clear professional pathway it will raise the profile and increase opportunities available to the FM sector.

However, more progress is still needed in the areas of general management skills, clearer career paths and education opportunities in order to create a more pro-active and innovative sector.

So what are the next steps?

As a global body acting at all levels of the property industry RICS is uniquely placed to lead the professionalisation of FM and we have been working in close collaboration with our members and the wider industry on guidance and education programmes.

Our recently launched FM Careers Open Evening has been developed with this in mind and is targeted at existing facilities managers, at all levels of their career, as well as potential new recruits to the industry.

Nevertheless, there is still a long way to go and it is now FM professionals themselves who need to take the lead and carve out the path to recognition of the FM profession.

RICS

Towards relationship-oriented property management

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Bjørg Totland

than real estate indicates that a rise in the repeat purchase rate from 60% to 70% will produce an increase in revenue of around 35%, while a rise from 60% to 80% will result in a doubling in revenue (Andreassen 2003). Similarly, a fall in the repeat purchase rate could have a strongly negative impact on revenue.

Establishing the value of customer relationships

Effective property management that optimizes resources is an attractive and challenging goal for all property investors. Rational investors demand a solid commercial focus on the profitable management of assets, in order to move towards a predictable and optimum return on their investment. This goal can only be achieved through a close and effective interaction between the owner's leasing agents and the tenants, in which both parties gradually become more adept in their respective roles – albeit each from a differing perspective: While the lessor would generally consider the property and the return it produces to be a measure of its own business performance, the tenant will view the property as a necessary fixed asset.

This property-based customer relationship represents great commercial value to the lessor, as the market and collateral value of a property for rent is a direct product of the economic terms of the lease agreement, the contracting parties' mutual fulfillment of these terms and the parties' respective financial status. This valuation method, however, applies only to the weighted size and duration of the contractual relationships, with very little opportunity for commercial added value linked to customer satisfaction and the likelihood of a possible contract extension. This is because this is not related to a specific property, but to the lessor's organization and property management.

From transaction-oriented to relationship-oriented property management

In line with an increasing level of professionalism and a focus on personal service in the world of business, today's tenants expect that the lessor will manage not just the property, but also the tenancy itself. This means that it is in the lessor's interests to replace its traditional transaction-oriented rental and management strategy with a more relationship-oriented approach. In this context, transaction-oriented management means that the tenant's signature on a lease agreement represents the end of an intensive marketing and sales effort, with the aim being primarily to create added value for the lessor – often at the expense of the tenants' interests. Relationship-oriented property management, on the other hand, means that the same signature represents only the start of a long-term and strategic effort to build a relationship, with the aim being to create tenant satisfaction, loyalty and repeat purchasing. An effective and closer interplay between the two approaches enables greater added value to be created – for both the lessor and the tenants.

Commercial contracts for the lease of property now involve increasing demands and expectations on the part of tenants with regard to the total spectrum of services offered by the lessor. This represents a significant shift in attitude compared to the traditional, if rather hackneyed mantra about location, location, location being the key driver of value in the real estate market. A relationship-oriented lessor is in a fantastic position to be considered by tenants as a potential full service supplier for everything they need in the leased premises. Systems and procedures that make tenants' everyday lives easier and reduce the number of necessary – and somewhat less necessary – external points of contact for the operation of their business, will have a positive impact on the overall perception of a lease agreement and therefore on the perception of the relationship with the lessor.

Repeat sales, reputation and added value

Game theory tells us that parties who expect to cooperate infrequently in the future will have a strong tendency to act opportunistically – they will seek the greatest possible gain for themselves without considering that the other party might represent an attractive future cooperation partner. Both the lessor and the tenant lose by viewing the other party only as a short-term business relationship. How can we create incentives for long-term cooperation rather than competition, and what might this mean for property management?

Repeat sales to existing customers are an attractive goal for all commercial enterprises. The costs are generally much lower than for new sales, and the parties already know some of each other's strengths and weaknesses – which in turn leads to more realistic and feasible contractual obligations. A high level of repeat sales contributes to the lessor's good reputation and to a higher value for existing leases, which in turn has a positive impact on the valuation of individual properties and portfolios. Increased tenant loyalty and repeat sales also create added value for the lessor's organization.

What is the commercial added value for an organization that is able to enthuse its own tenants to such an extent that they renew already valuable contracts at higher rents and for a larger area? And what is the difference in value compared to a competing organization whose tenants move out at the end of the contract period? The answer cannot be found using traditional methods of valuation and analysis, but it is essential that it should be accepted at all management levels in the lessor's organization, since it is critical to the lessor's business.

Seeking to maximize the potential of relationships

Relationship-oriented property management both creates and optimizes value, since the focus moves away from the potential of the lease agreement and towards the greater potential that the tenant represents as an existing and future contractual partner. In order to succeed with this type of relationship-oriented approach, the lessor's property management must be adapted strategically, tactically and operationally – in such a way that the lessor's business culture is permeated at every level by a belief in this reorientation. The key words in this context are insight into and interaction with one's customer relationships and innovative thinking concerning the services that are offered.

The real estate, technical, legal, marketing and financial skills that the lessor's staff possess must be integrated holistically with softer disciplines – such as psychological insight into interpersonal interactions, an ability and willingness to negotiate, an awareness of body language, tone of voice and the use of eye contact. In this sense, relationship-oriented property management might involve:

- Creating an active partnership between the lessor and its tenants
- Creating and maintaining ties with good tenants, so that they will continue to use the services that the lessor offers
- Intercepting potential sources of expensive problems before they arise

Similarly, a relationship-oriented approach must address the level of satisfaction with the relationship – i.e. an assessment of the working relationship based on four different decision alternatives (Biong and Wathne 1997):

- Continue the relationship
- Expand the relationship
- Reduce/scale back the relationship
- End the relationship

A shift in the relationship – from signature to cooperation

In a noisy marketplace in which it can be difficult for tenants to differentiate between the various properties available for rent, the value of the lessor's customer relationships and customer loyalty could have an even stronger impact than that which was envisioned by marketing guru Philip Kotler in his toolkit for marketers in the 60s.

The leading relationship managers in the real estate industry are now focusing on providing a finely tuned rental concept with clear added value, in which effective property management is combined with solution-oriented and forward-looking organization that allows tenants to do what they do best: their own business.

Øystein R. Kristoffersen

Taking the burden of all property-related problems away from tenants and offering them attractive additional services that they did not even know they could request will also increase customer satisfaction and loyalty. There are, of course, costs associated with raising the threshold for what is expected of and understood to be good relationship management. But that is neither the question nor the answer. The question is rather how large will be the substantial costs faced by your competitors once a new standard for tenant relationships has been established – by your organization. And the outcome may well be that customers will choose your organization, based on your significantly better reputation and your dynamic tenant relationships. Or, as the Chinese proverb so accurately says: "Make happy those who are near, and those who are far will come."

A customer loyalty ladder for real estate lease agreements might look something like this, with the highest and most desirable relationship at the top:

- Advocate
- Repeat purchaser
- Customer
- Prospect
- Lead

It is worth noting, however, that the relationship with tenants cannot be expected to provide anything more than a marginal competitive advantage unless the lessor takes a strategic and long-term view of the role of relationship manager – and makes an active effort to move tenants up the loyalty ladder. A Key Account Manager with responsibility for customer care and the introduction of a CRM system do not constitute an adequate strategy – every employee in the lessor's organization must be seen as a relationship manager and must become actively involved!

Summary

The following may serve as a possible guideline for a successful relationship-oriented strategy for property management:

- It is not sufficient in today's competitive market to assume that good tenants will find their way to a particular lessor or property for a shorter or longer period of time – the lessor must actively choose to pursue tenants, with a level of ambition that

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First ever EuroFM skiing championships in Espoo, Finland!

by Pekka Matvejeff

EuroFM network had its winter meeting in Helsinki region, Espoo, Finland. From 12th till 14th of February 2014 Laurea University of Applied Sciences (UAS) along with the Finnish Facility Management Association (FIFMA) were acting as hosts for the EuroFM Members meeting. During the same week Laurea UAS was hosting the third EuroFM Winter School. Around 80 network members and students from all over Europe participated in various meetings at Laurea Service Innovation and Design campus in Leppävaara, Espoo.

Group picture of all participants

Already in October, 2013 in the Sofia meeting it was agreed that EuroFM network will have its first ever skiing championships in Finland. The competition was arranged as a relay of four skiers per team. The teams of EuroFM board, Educational network group (ENG) and FIFMA had enrolled their teams in the competition. In spite of the challenging weather conditions the skiing competition was held at Leppävaara Sports Center in Espoo. The winning Finnish FIFMA team made history as being the first EuroFM Champion. The brave EuroFM ENG team came second and the EuroFM Board team took the third place.

The Finnish FM Award

As a part of the EuroFM meeting, the annual Finnish FM Award was presented to the Finnish mobile phone operator company DNA Ltd of their efforts to support employee´s well-being. The transformation from traditional office environment towards mobile workplace has been implemented successfully and the results show an enormous development in productivity of the organization. DNA Ltd has almost 1500 employees and the turnover is 766 million € (2013).

"DNA Ltd has put special emphasis in cooperation and communication between the management and the employees during this transformation", says the Human Resource Director Marko Rissanen from DNA Ltd. "Without the mobile working environment and remote working technology this transformation could not have been implemented. The commitment of top management, as well as open communication between all involved parties were the cornerstones for these developments", continues Rissanen.

The EuroFM Board team from left: Aad Otto (ENG Chair), Susanna Caravatti-Felchlin (PNG Chair), Ron van der Weerd (EuroFM Chair), Ole Emil Malmstrom (invited senior member)

The ENG Group team from left: Juhana Lounela (Turku UAS), Johan Tjoelker (InHolland UAS), Klaus Homann (DbHW Stuttgart), Goran Milanov (BGFMA Chair)

To be continued

The spirit of the EuroFM meeting in Espoo creates promising prospects for the future. The promising results of the Winter Schools held jointly with the member meeting give hope to even closer cooperation between the network groups. Not to talk about the fun, joy and laughter amongst the participants when competing on the skiing track. For some of them it was the first time ever on cross-country skis!

The author of this article Pekka Matvejeff, M.Soc.Sc., MBA, is Senior Lecturer and FM Coordinator at the Laurea University of Applied Sciences in Finland.

All photos: Copyright Laurea UAS, Johanna Jaakola

Towards relationship-oriented property management

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extends beyond the time frame of the individual lease agreement.

- Operation and maintenance plans should be drawn up and revised, but the lessor's relationship plan must also be regularly updated and carefully checked.
- Consider the fact that the lessor's existing tenants represent the lion's share – if not all – of the value of the lessor's property portfolio and that this value can be mutually enhanced and increased by focusing more on cooperation (with the prospect of renewing the lease agreement for a higher rent or for a larger area) rather than on competition (with the prospect of replacing tenants with new, unknown tenants for a lower, identical or higher rent).

In conclusion, it might be said that a good real estate strategy and property management consists of focusing less on the lease agreement or the maintenance plans for the guttering, and more on the tenant. This will be profitable over time – for those companies who choose to pursue a niche position as the leading relationship managers in the real estate industry.

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GERMANY

The 10-point roadmap

The energy efficiency cascade effect

by Dr Peter Koch

Each individual step described below helps to increase energy efficiency in data centers. Substantial savings can be achieved by implementing all the steps in an integrated approach which improves the efficiency of both the IT systems and the support systems.

In 2007, Emerson Network Power came up with the "Energy Logic" roadmap for increasing efficiency and saving energy in data centers. Each of the strategies described was then thoroughly tested in a 464.5 m² model data center with 210 server racks and an average rack density of 2.8 kW. The impact on energy consumption was calculated on that basis. In total, using all ten strategies produced energy savings of 52% and a 65% reduction in the amount of space required. In recent years, new opportunities have arisen for optimizing efficiency and capacity. Emerson Network Power has therefore revised and updated its roadmap. Using the latest technologies and the second version of this approach, which has recently been published as Energy Logic 2.0, it is now possible to reduce energy consumption in data centers by more than 70%.

1. Low-Power Components

The ten strategies of the Energy Logic approach can be used in any data center without increasing the risk of downtime. Which strategies will be adopted first depends, among other things, on the duties and the utilization of the data center. To take full advantage of the cascade effect, it is advisable to purchase low-power components. This need not entail any loss of performance, since high-efficiency processors are available that consume 40 to 60 W less than standard processors. Reducing the power consumption of processors from 91 W on average to 54 W on average leads to a reduction of approximately 11.2% in energy consumption in the aforementioned model data center.

2. High-Efficiency Power Supplies

There is also potential with regard to power supplies. Average power supply efficiency is estimated at only 86.6%, but could be raised to 93%. The efficiency of the power supplies depends on server load. Power supplies which perform better at partial loads are particularly suitable for devices with a redundant power supply, since these have an average utilization of less than 30%. Savings in power supplies can reduce overall energy consumption by 7.1%.

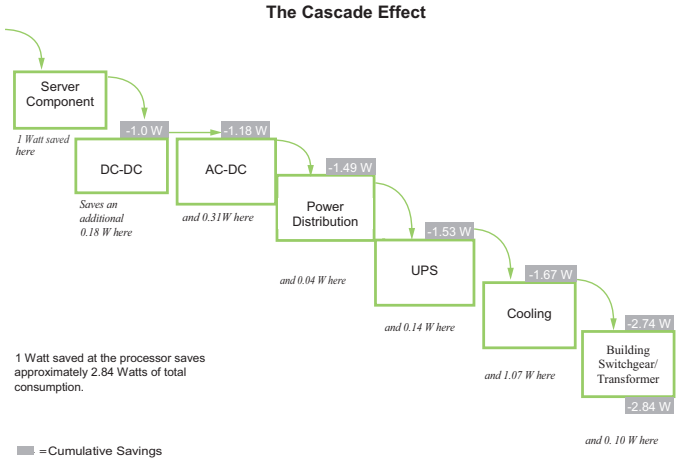

Figure 3. Savings at the server component level cascade across support systems to amplify savings. At a PUE of 1.9, 1 Watt saved at the server component level results in cumulative savings of about 2.84 Watts.

Version 2.0 underlines the "cascade effect". This occurs when lower energy consumption at the component and device level is magnified by reducing demand on support systems. Data Center Infrastructure Management (DCIM) is also of particular importance, since being able to take advantage of all the advantages of DCIM is a prerequisite for implementing various Energy Logic measures. For example, in a data center operated with a Power Usage Effectiveness (PUE) of 1.9, a 1 W saving at the server processor will generate a 2.84 W saving at the facility level. At higher PUE values, the savings will be even greater.

3. Server Power Management

In many data centers, a large number of servers are operating at only 20% capacity, but consume 80% of the energy required for a facility operating at full capacity. Intelligent power management can reduce server energy consumption by around 10%. Modern Data Center Infrastructure Management (DCIM) solutions can take on this task. They also collect real-time operating data and consolidate it with server utilization data. This creates the visibility required to identify stranded capacity and low-performance servers and thus enable the safe and effective use of server power management.

4. ICT Architecture

The information and communication technology (ICT) architecture of data centers often leaves something to be desired. Many data centers have been expanded over and over again, resulting in silo-like architectures in which virtualization is frequently limited to the application level. Other problems in these non-optimized network architectures include duplication, lack of asset tracking and coordination of the network switching/routing infrastructure. This compromises network efficiency and performance. An easy way of increasing efficiency is to use higher-performance network cabling. The power dissipation of Cat 7 cables is significantly less than that of Cat 5. Implementing a cohesive ICT architecture requires rules and guidelines that apply to all the systems in the data center. The IT assets are deployed in accordance with a master plan, which is based on the workload and which minimizes network size and costs. This makes it possible to take full advantage of the benefits of centralized control through a DCIM system.

5. Server Virtualization and Consolidation

It is also well-known that increased virtualization can lead to energy savings. Older servers can be consolidated onto much less hardware and capacities can be allocated more flexibly. Increasing server virtualization from 30% to 60% reduces data center energy consumption by 29%. This represents savings of 448 kW in a 1,543 kW data center. A prerequisite for this, however, is the efficient monitoring of the virtualized environment with a powerful DCIM tool. This provides the necessary visibility into how virtual servers are deployed and the available capacity.

6. Power Architecture

Historically, data center managers have had to choose between availability and efficiency in the data center power system: double-conversion uninterruptible power supply (UPS) systems offered the greatest availability, while line-interactive systems provided better efficiency. Double-conversion UPS systems have now caught up in terms of efficiency, but they still consume 4% to 6% of the input energy for the AC-DC-AC conversion. This can be circumvented by installing a bypass switch in the UPS system if data center criticality is not as great or if mains power is of the highest quality. The bypass ensures a break-free transfer of the load to an auxiliary or backup system to enable maintenance work to be carried out and guarantee uninterrupted power supply in the event of overload or acute loss of bus voltage. Bypass power quality is monitored by the UPS system. Implementing an ECO mode and optimizing the power path from the UPS to the servers and other devices can reduce data center power consumption by 4% of the total, or 10% of the 614 kW load remaining after the other strategies have been implemented.

7. Temperature and Airflow Management

A further reduction in energy consumption can be achieved by a strict separation of hot and cold air and an increase in the return air temperature, e.g. by means of cold-aisle containment. In addition, it must be ensured that there is precise control of the fan speed, cooling water temperature and economizer. Intelligent control systems make it possible to adjust the cooling in accordance not only with the ambient temperature and air humidity, but also with the specific needs of the servers. If the refrigerant compressor and airflow are optimally adjusted, the temperature in the cold aisle can be raised. If, for example, a rise of 5.6 Kelvin in the return air can be tolerated, the efficiency of the cooling unit can be increased by between 30% and 38% – depending on the system. A DCIM system determines the optimum temperature by comparing temperatures with cooling system and server energy consumption patterns. "Free cooling" provides a very effective way of

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FRANCE

Rules for open-space working environments; good idea or not?

by Barbara Vacher

Frequently uncomfortable open-plan working environments, multi-generational teams; everyone feels the stress and demands on productivity, whether working in groups or individually. There are so many factors which can put employee coalescence and the model of "working together" in a company to the test. Some companies have set up a "good behavior charter" to encourage standards of good conduct between workers in an open-plan environment. We interviewed two professionals on the use and efficacy of these practices.

François Rajaud

Former Human Resources Manager at Groupama, François Rajaud is an HR consultant at the Hautes Improbabilités Conseil firm.

Photo Rajaud

François Rajaud's opinion Putting in place good behavior charters or codes, as long as they are led by those they will affect, shows the benefits of adapting to change. Using such methods provides a good excuse for talking about good behavior and for reassuring those unsure about open-plan environments when needed. Nevertheless, what I have seen in my own experience leads me to think that in the end, such practices don´t really serve any real long-term purpose; everyone forgets about them little by little, new arrivals in the office are not made aware of them and the potential rule-breakers are not sanctioned under these charters or codes. And this is where my real criticism lies; too often we resort to these practices to pretend we are resolving disagreements arising from an open-plan diktat! We therefore treat the symptom not the cause. Let us reverse this process by interviewing the parties concerned: "Within our economic, technical and social framework, what environments do you need in order to work well and be productive?" If the workers directly concerned and their supervisors are fully included in solving this question, then such environments are no longer perceived solely as a constraint, they are also seen as a resource offering efficient work conditions. Moreover, I have noticed that self-regulation of behavior establishes itself. We facilitate this self-regulation by offering different spaces depending on whether the space will be used for concentrating, sharing, relaxing or producing. And there is no longer a need for good behavior codes! And incidentally.... we will no longer have to talk about open-plan working environments.

Agnès Coulombe Appelgren's opinion Rules for behavior can prove an excellent way to improve working conditions in company communal areas and can bring about change. However, careful communication is necessary.

Agnès Coulombe Appelgren

Manager of the real estate division of Crédit Agricole S.A., Agnès Coulombe Appelgren managed her company's move to the Evergreen HQ in Montrouge.

Photo Coulombe

At Evergreen, the Crédit Agricole HQ, we had not originally planned to introduce such rules. In view of certain behavior, we finally decided - with the support of social partners - to put in place a good behavior charter. Given the name "Evergreen Attitude", the charter presents 18 rules related to the sound level in the open-plan environment, the use of meeting rooms and staff areas, and sustainable development. Accompanied by comical drawings, these charters are distributed as posters in different work areas of the company and on the intranet as well as in the "welcome pack" for new arrivals. Since starting in 2011, the experience has proved to be positive. Levels of satisfaction amongst occupants, managers and social partners in open-plan environments, as well as the results of internal surveys, have risen since Evergreen Attitude was started.

Behaviour management in the workplace is above all about communication. In order to be efficient, putting in place rules of good behavior must be accompanied by shrewd communication of clearly defined messages. But before carving any rules in stone, I really advise taking the time to study the behavior of occupants on site first of all.

The 10-point roadmap

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optimizing efficiency.

Optimizing the cooling system in this way results in a further 5.2% reduction in energy consumption, provided that the other Energy Logic strategies have already been implemented.

8. Variable-Capacity Cooling

Peak loads occur only rarely in data centers. It is therefore important that the cooling systems can also operate efficiently at partial loads. On chilled water systems, the fans are the largest consumers of energy. For this reason, continuously variable EC plug fans are to be preferred. These can be installed in existing cooling units and controlled by intelligent controls. Variable-capacity compressors can increase the efficiency of both direct expansion (DX) and chilled water systems. Optimizing the cooling system in this way can reduce data center energy consumption by an additional 2.6%.

9. High-Density Cooling

A higher data center density can also produce savings, provided that an environment is created that can support much higher densities. This involves bringing the cooling unit closer to the sources of heat. This shifts some of the cooling load from conventional forced-air cooling units to supplemental cooling units mounted on or alongside the equipment racks. This type of high-density cooling reduces data center energy consumption by a further 1.5%.

10. Data Center Infrastructure Management (DCIM)

DCIM solutions help to optimize data center efficiency, capacity and availability. The data center manager not only receives an overview of the entire data center, but the system can, for example, independently generate an alarm when specific limits are exceeded. In addition, processes become so visible that stranded server capacity can be identified and unused infrastructure capacity can be utilized. DCIM is a central component of many Energy Logic 2.0 strategies. For this reason, it is impossible to provide an accurate indication of the savings percentage attributable to it.

Figure 14. The first five strategies in Energy Logic 2.0 produce a dramatic reduction in energy consumption, but a small increase in PUE.

Power Usage Effectiveness (PUE) is now regarded as one of the most important metrics for measuring data center efficiency. Energy Logic 2.0, however, highlights the limitations of this metric, which is the ratio of the total amount of energy required by the data center to the energy delivered to the computing equipment: if a company were to implement strategies 1 to 5, overall data center power consumption would be reduced by around 650 kW, while maintaining the current level of performance, but the PUE would get slightly worse, moving from 1.9 to 1.91.

The white paper "Energy Logic 2.0 - New Strategies for Cutting Data Centre Energy Costs and Boosting Capacity" from Emerson Network Power can be downloaded free of charge from www.facility-manager.de/downloads.

FMJ
USA

Making the Case

Cost analyses key in presenting facility investments to the C-suite

By Dr S Slaughter

Facility managers know that if they can implement building improvements quickly and effectively, they can save money; improve occupant health, safety and satisfaction; meet corporate objectives and comply with emerging government requirements.

Many facility managers, however, find it difficult to communicate the urgency and opportunity for these upgrades with the top managers and the C-suite. Organizational budgets focus on allocating funds based on the previous year's expenses, and the argument for investing in building upgrades often takes a back seat to other priorities.

The financial analysis of potential improvements, however, can help facility professionals make the business case by translating opportunities into clear economic terms. Most importantly, financial calculations can include possible or expected cost increases to help teams evaluate the urgency associated with performance improvements, and make the argument for investing now rather than waiting until later.

Establish the business case

The primary measures of economic efficiency in life cycle cost analyses for buildings are the present value net savings (PVNS) and overall rate of return on investment (ROI). These two measures can be used to compare and rank sets of mutually exclusive alternatives to select the most effective course of action.1

To make the case for investments, facility managers can use current information about a building's operating costs to establish the base case for the financial analysis. Current data on annual resource use for energy (such as monthly kilowatt hours for electricity), water, wastewater and solid waste, together with the unit costs for those resources (such as dollars per kilowatt hour for electricity), provide the basic data for the analysis.

Most organizations have established basic procedures for financial analysis. The "study period" for the financial analysis reflects the expected useful life of the building as well as the investor's time horizon; since the average age of buildings in the U.S. is more than 40 years old, longer time periods are appropriate for evaluating major building systems. For instance, the U.S. federal government has established a maximum study period of 40 years for analyzing investments for buildings.

Organizations also establish their "discount rate," which is the cost of money to that organization. The discount rate may reflect borrowing costs or returns from alternative investments (such as returns from a savings account or treasury bonds). The discount rate for U.S. federal government building projects is set equal to the return on U.S. treasury bonds; its current "real" discount rate (which excludes inflation) is currently 2 percent for a 40-year study period.

Identify the alternatives for building improvements

Facility managers may identify several possible alternatives to improve building performance, and will need to collect basic information to analyze the financial benefits. The first step is to obtain good estimates of the initial investment costs, as well as the expected cost reductions (or savings) related to each cost category. The critical aspect is to identify the incremental additional costs associated with the expected savings.

For example, if a building needs new HVAC equipment, the FM should identify the cost of standard equipment as well as the costs of higher-efficiency models. The additional costs for the higher-efficiency equipment compared to the standard are then used as the initial incremental investment costs. The annual savings expected from the higher performance equipment are calculated from the operating costs of the higher performance equipment compared to the standard equipment, such as a 10 percent reduction in energy use.

The FM can obtain the initial incremental costs from vendors and manufacturers, and can estimate the annual expected savings from vendor data supplemented by actual in-field performance data from government laboratories, engineering experts, and other sources. For example, Lawrence Berkeley National Laboratory provides energy savings estimates for numerous types of facilities, such as high-performance relocatable classrooms (Rainer and Hoeschele, 2003).

The operating costs for buildings differ significantly by location and can change by different rates over time. FMs should consider recent price increases and explicitly include annual escalation rates for costs that have increased rapidly. For instance, Baltimore has experienced an annual 9 percent increase in water/sewer costs over last four years (Sharper, 2012).

The consumer price index, compiled by the U.S. Department of Commerce for major cities, provides price trends for local energy, water and sewer and solid waste disposal costs over the last 20-30 years (BLS, 2013). The Energy Information Administration provides annual energy price projections (EIS, 2013) which establish the energy escalation rates to be used to assess U.S. federal capital projects.

FMs may also want to include combinations of improvements in the analysis, since sometimes building upgrades are less expensive when they are done at the same time rather than being done separately, and can provide complementary benefits.

Case study: Measuring economic efficiency

The director of facilities for a large company has been asked to suggest the most economically efficient improvement for the headquarters building that will reduce operations costs and meet the company's threshold for investments, specifically where the ROI is greater than the organization's discount rate of 3 percent. His team has identified two alternatives:

1. A high efficiency HVAC unit that reduces energy costs by 10 percent.
2. A combination alternative that includes:
   a. A highly insulated roofing system, which reduces heating/cooling loads;
   b. A new downsized high-efficiency HVAC unit; and
   c. Rainwater capture from the roof that can be used to flush toilets, causing a 20 percent reduction in water use.

The FM team has compiled the current data on energy and water use for the building, as well as the incremental initial costs and expected savings for the alternatives (Table 1). The savings are calculated using the current actual energy and water usage and related energy and water unit costs for the building, and the expected savings.

The FM team first calculates the present value net savings, which is the accumulated annual savings over the study period brought into

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Costs/Benefits	HVAC unit	Combination alternative
Initial incremental investment	$20,000	$50,000
Annual savings		
Energy	$7,922	$7,922
Water		$6,732

Table 1: Financial costs and net savings of alternatives

Making the Case

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current year dollars, minus the initial incremental investment. They know that an alternative is economically efficient when the PVNS is greater than or equal to zero; that is, when the discounted net savings is greater than the investment. The company's study period is 40 years, and real discount rate (excluding inflation) for building projects is 3 percent.

The FM team then uses the PVNS to calculate the overall rate of return on investment, which is the annual financial return from the initial investment. They calculate the ROI using the ratio of the discounted annual savings (excluding the initial incremental investment) to the investment, with the discount rate as the expected rate of return for reinvestment of annual savings. An alternative is economically efficient when the ROI is greater than the discount rate.

The director of facilities decides to examine two scenarios. First, he uses the current energy and water costs and calculates the PVNS and ROI for the 40-year study period. In this first scenario, both alternatives are economically efficient (since the PVNS is greater than zero), and the combination alternative has a greater net savings than the HVAC unit (Table 2). However, the HVAC alternative has a higher ROI at approximately 9 percent than the combination alternative.

In the second scenario, the director of facilities includes the possibility of price increases for both energy and water costs. He recently read an article that predicted, for his region, that future energy prices would escalate moderately at 0.5 percent per year (excluding inflation), but that water and sewer prices would increase significantly, at 4 percent a year, due to new required investments in the infrastructure. He understands that another way to view the financial analysis results is that the alternatives reduce a potential future liability in operations costs, which is particularly important in locations that expect to see significant and rapid price increases.

With the annual energy prices escalation at 0.5 percent and water/sewer prices escalation at 4 percent, the discounted net savings (PVNS) for each alternative increases, but the savings increase more rapidly for the combination alternative than for the HVAC unit (Table 2). The ROI also increases for the combination alternative, indicating that it would provide a higher annual return on investment than the HVAC unit if these prices increase significantly in the future.

Under both scenarios, the alternatives are preferable to maintaining the status quo, as they provide approximately three times the rate of return currently available to the organization on the market. In addition, if the organization decides not to invest in either alternative, the analysis indicates that it will incur significantly higher operating costs, which it could have avoided with these investments.

With the financial analysis in hand, including the two scenarios, the director of facilities is able to make the clear business case for implementing the building improvement immediately, and specifically recommending the combination alternative with the highest present value net savings in both scenarios, and the highest return on investment if prices significantly increase in the future.

Look for savings in all the right places

Facility managers should periodically collect resource use and costs to evaluate different opportunities as they arise, and update the information as the situation changes. For instance, the initial investment cost for a high-performance alternative may decrease over time, or local prices for energy or water may increase unexpectedly. These changes may make an alternative more economically attractive and strategically important than it was previously.

Although many FMs are watching energy prices, they may not be as aware of other potential economic benefits from "green buildings," particularly concerning future price increases in operations and maintenance costs such as:

- Local water and sewer costs
- Cleaning and landscaping costs
- Office and food waste disposal costs
- Employee health costs

Keeping an eye on emerging major cost categories, particularly as unit prices increase, can reveal new opportunities for providing significant economic returns as well as improving building efficiency and effectiveness.

FMs can learn more about these economic efficiency calculations through several sources:

- Professional training sessions available through government and industry organizations, such as guidance documents and online training from the U.S. Federal Energy Management Program (FEMP);
- Reference books (e.g., Ruegg and Marshall, 1990); and
- Technical white papers and other references (e.g., Slaughter, 2013).

Conducting a thorough financial analysis allows FMs to make a solid, fact-based business case for selecting and implementing building improvements. Increases in local operations costs (such as unit costs for energy and water) should be included in the analysis to reduce vulnerability to future price increase and to better understand the strategic value of these investments. Finally, FMs can regularly update the analysis to reassess the feasibility of different alternative to reduce costs, improve building operations, and meet corporate objectives.

Costs/benefits	HVAC unit	Combination alternative
Economic measures (no price escalation)		
Present value net savings (PVNS)	$163,126	$288,735
Overall rate of return on investment (ROI)	8.9%	8.1%
Economic measures (0.5% energy, 4% water annual price escalation)		
Present value net savings (PVNS)	$179,293	$479,604
Overall rate of return on investment (ROI)	8.9%	9.3%

Study period = 40 years, discount rate = 3%

Table 2: Evaluation of alternatives with future price escalation

[1]Some organizations use the payback period, which is a simple calculation of the initial investment divided by the annual savings. The payback period is not a measure of economic efficiency because it ignores the savings over the full study period and excludes the cost of money. It is solely used as a measure of liquidity.

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FMworld UK

A risky business

by Bernard Williams

Bernard Williams argues that a risk-based approach to FM can reveal its importance as a function to the wider business.

Without adequate facilities management, no organisation has a snowball in hell's chance of achieving best performance in the modern commercial world.

But what do we mean by adequate? Is adequate enough? Should FM's be striving for exceptional performance? If so, how can they demonstrate its achievement or, more importantly, justify it?

The fact of the matter is that nobody has yet come up with any hard, universally accepted conclusive evidence in support of the benefits to business of high-quality facilities. Anecdotes abound, but no organisation has yet told its shareholders that high-quality FM is the secret of this year's increased profits.

So we have a conundrum: FM does not (apparently) add value to the business performance, while at the same time, most would agree that poor FM undoubtedly detracts from it.

However, this is a misconception – one must be the reciprocal of the other.

But because the benefits of good FM are not so far proven, and FM's cannot make their business case coherently, the contribution of facilities performance to core business performance is rarely argued or understood in terms that are commercial.

The reciprocity of risk avoidance and achievement is a fact – people who want to deliver to the best of their ability play to their strengths – so as to avoid playing to their weaknesses.

The soccer striker shifting the ball to his preferred foot does so to increase his chances of scoring, while at the same time reducing the risk of not scoring.

So, until FMs can demonstrate, beyond question, that higher quality provides added value, maybe they should concentrate on proving that without it, business performance might subsequently suffer.

Quality and the FM policy

The quality of facilities, that is the performance of facilities, should be enshrined in the facilities policy supporting the corporate plan.

Quality management in facilities is primarily dependent upon a willingness by top management to accept the contribution of appropriate facilities to the productivity of core business.

However, down the line, any facilities managers unable to identify the relationship between their own goals and corporate requirements will be unlikely to make any pro-active contribution, even if management is enlightened enough to be seeking it.

Seeking an improvement in the quality of facilities performance must be accompanied by a two-way educational process – both within the organisation's core business management and from within the discipline itself.

The core business customers must know what they are being offered and why – and accept or reject that. On the other hand, facilities managers must be able to make the case for what is on offer in language business can understand and interpret.

Justifying the strategy

Justification for providing a specific level of quality in facilities can be based on either:

- conventional wisdom
- the potential effects on business performance.

Due to a quite universal dearth of good data, both approaches must inevitably depend on sensitivity analysis of different assumptions, with regard to increased benefits.

Sometimes justification for the adoption, or confirmation, of a specific level of service is derived from comparisons with peer group organisations – maybe in benchmarking groups – where facilities managers draw confidence (although perhaps not inspiration) from the decisions made by their peers, in other words, the conventional wisdom.

This is a safe route, provided the peers have got it right, but one that suggests a lack of business acumen in the FM slavishly following the fashion.

The easiest way to express the benefits of a given level of quality is to identify and appraise the risks to the organisation of not achieving the appropriate level of support. This can be built on sensitivity analysis of options around a 'zero-base' drawn from normal or minimum conventional practice.

There is one fundamental difference that makes this risk exposure-based approach more likely to motivate the end user than one promoting the prospect of added value: that is the fact that whereas it suits some finance directors to be sceptical about unsupported financial arguments for higher quality facilities, most people can accept the existence of a risk – a possibility – of loss through under-provision of quality. At risk of over-egging the piece, we repeat that quality management and risk management have exactly reciprocal implications.

Risk management is a discipline in its own right. Here, it is simply necessary to look at the areas of business supported by facilities which are the potential beneficiaries of added quality: these are, of course, the self-same areas which put the business at risk of loss through failure to provide adequate support.

Of these, in most organisations the impact of facilities on external and internal image is likely to be by far and away the most significant.

Effects on ergonomics and therefore productivity will be fairly important, with the benefits likely to be most achievable at and around the workstation. Frequently, it is possible to reduce risk substantially with very little cost other than that incurred by dint of good management, for example, disciplined filing and storage, clean desk policies.

Meeting legal requirements such as statutory compliance (health and safety) and contract obligations (leasehold commitments) can be a problem when quality falls away. But failure rarely results in more than miniscule hard revenue penalties. That said, a bad image gained through adverse publicity due to such indiscretion may well have far-reaching implications for the core business.

Maintenance that affects assets that enhance or maintain a good image, and ergonomics, are concerned with quality management in terms of functional performance. However, the process of maintaining the assets at a level that avoids excessive depreciation and/or obsolescence is one for

risk management in terms of physical performance.

It is not hard to see that the same piece of work could fulfil both these objectives; the problem is that many property managers (and some facilities managers) are pre-occupied with the actual physical performance, to the detriment of the more significant functional issues stemming from any environmental failures.

Weighting the risks

The value management process requires that performance objectives should be weighted, across such areas as internal and external image, physical property, intellectual property, intellectual property, ergonomics, legal obligations and assets.

The logic of this is that the impact of facilities quality (whether relating to appearance or comfort), on the way visitors, passers-by, customers and staff perceive the organisation will affect business success and productivity to a must greater extent than the effect of any better, or more comfortable or safer working conditions.

Loss of intellectual property can be very serious, but matters involving fines or penalties are normally insignificant in the context of business turnover.

Although this clinical analysis may not hold good in every business scenario – and may well be considered unacceptable by some on social and moral grounds – facilities managers do need to keep the right balance between philosophical and economic justification of their expenditure.

But to get that balance right they do need to be able to make the latter argument coherently. FM is about getting the right thing at the right price, but getting the right thing at the wrong price is always better than getting the wrong thing at the right price. In other words, nothing's cheap if it ain't what you need!

A completely different way of working

by Gerard Dessing

TenneT TSO in Arnhem became one of the first organizations in the Netherlands to use best value procurement when it outsourced the 'food and drink' package for its new head office. What were its experiences?

A conversation with Klaas Bakker, Kay Woesthuis and Koen Franken.

TenneT TSO has moved from its current three buildings in Arnhem to its new head office: the Mariëndal Centre of Excellence.

TenneT Netherlands, the national electricity transmission system operator, has grown considerably in recent years. To enable the organization to be housed properly and efficiently at its Arnhem headquarters, in late December last year, the company moved from its current three buildings in Arnhem to a splendid new head office called the Mariëndal Centre of Excellence. This square building (with 1200 workplaces) follows three main principles:

- It provides 'energy' for the employees.
- It facilitates cooperation (connecting, meeting, collaborating, inspiring).
- It blends into the surroundings.

To ensure the optimum functioning of the new building, almost all facility services had been put out to tender. One of these was the complete catering facility, or anything to do with 'food and drink'.

This involves a wide range of services; from the provision of hot and cold drinks and the coffee bar to lunch and hot meals, and from catering for the Board of Directors to banqueting services.

Best value procurement

The tender process, which was completed in 2013, was based on the philosophy and methodology of best value procurement. Klaas Bakker, former Facilities and Real Estate Manager and new buildings project manager, was the driving force behind outsourcing the 'food and drink' package in this new manner. "TenneT can offer a marketplace of 1200 customers, five days a week, for a period of ten years. If you opt for traditional outsourcing, you run the risk that only traditional catering companies will submit bids. But we wanted something new, something a bit more unusual that provided a genuine restaurant-type experience. The key question for us was: do we settle for a standard catering concept, or do we go for an experience similar to that of a three-star restaurant? The answer was clear: we wanted the latter. That calls for different, non-standard service providers, and a different way of outsourcing," says Bakker. Klaas Bakker has subsequently become a Programme Manager of TenneT, allowing Ingeborg Leene to step into the role of Facility Manager.

Who is the expert?

Kay Woesthuis, the buyer at TenneT responsible for the food and drink package, adds: "TenneT is not a specialist in the area of food and drink. But with traditional outsourcing you automatically end up playing that role. By putting the package out to tender using best value procurement, you can reverse the roles: you can give the service provider the opportunity to bring their expertise to the table.

As the client, you just put a few things down on paper: the central objectives (for us that was to achieve and maintain the highest possible customer satisfaction, with everything being taken care of for TenneT, and sustainability being part of the package), the current situation and the boundary conditions (for example: the contractor is responsible for all capital investment). In addition, you specify a ceiling for the bid, but that's it. After that, it's the expert's turn: they must come up with their interpretation of how best to implement the service."

From left to right: Kay Woesthuis, Klaas Bakker and Koen Franken of TenneT TSO: "Any caterer can make a sandwich, but what is the added value that enables you to create a special experience?"

In February 2013, various suppliers were invited to an information meeting explaining the philosophy and methodology of best value procurement. A few weeks later, a second meeting was held in inspiring surroundings. The original 24 interested parties had by now been reduced to around 12. The tender was then published through the appropriate channels and the procedure started.

Four bids

Ultimately, only four bids were received. Woesthuis recalls an anecdote: "Two days before the tender deadline, a well-known caterer called me up. He sounded a bit desperate. 'What services do you expect me to deliver?' he asked. My answer: 'That's up to you to decide, it's your field and you're the expert'."

Koen Franken, Contract Manager in the Facility Management department considers four bids to be a good result. "One of our preconditions was that the supplier would have to be responsible for all capital investment. If you consider that the contract can be terminated in the event of underperformance, that means that the work could stop at any point before the supplier has recouped their investment. In the current economic climate, it is understandable that only four companies were willing to take on this challenge."

The first step was to check the bids with regard to a number of points: had the ceiling been exceeded, had everything been made anonymous and had all the requirements been met? Next, the assessment team got down to work and the bids were evaluated (scope and project expertise document and the risk and opportunity plan). The suppliers who scored at least six for all the documents were invited to an interview.

Interviews

One supplier fell by the wayside because their score on the risk and opportunity plan was insufficient. They were unable to name the risks and control measures outside their own sphere of influence.

The interviews were conducted by a TenneT buyer who was not directly involved in the tender, together with the operational/tactical manager, such as the catering manager, and the strategic manager, i.e. the person responsible for ensuring that the transition of staff went smoothly. "You get the confirmation you're looking for as a client," says Woesthuis, reflecting on the process. "You can see that one supplier really knows their bid inside out, while another might have the perfect bid on paper, but cannot translate it into practice. Interviews allow you to get the measure of these 'winners on paper' before the contract is awarded, and to rule them out."

Pre-award phase

On completion of the overall assessment (the price envelope is only shared with the team after the other points have been evaluated), an overall ranking is determined. As the highest ranked bidder, Vitam Catering was the only supplier to be invited to the next phase: the pre-award phase. This phase (which lasted approximately six weeks) allowed the parties to clarify the specific details of the bid, which up to this point had only been broadly defined.

"This proved to be a valuable phase for uncovering potential issues in advance," says Koen Franken: "Normally, the contract is signed and it is only during the implementation stage that it becomes obvious that things have been understood in different ways. That causes delays, and can result in problems with working relationships. With this method, you discover these things at an early stage, that is, during the tendering phase. That puts less strain on relationships and ensures the parties understand what is expected. It requires a substantial investment in time, but you get that back later because everything is clear."

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ITALY

Cutbacks, yes, but smart ones

By Maria Elisa Dalgrì

How should we go about cutting the costs of Public Administration? Contract renegotiations, consolidation, cutbacks, focusing on price or service? Let's see what the experts have to say…

At a time when spending reviews are a hot issue in the country, we asked IFMA Italia Facility Managers to put themselves in the shoes of a hypothetical public sector service manager for a day and give us a rundown of what action they would take. The experiment provided some interesting food for thought.

"Facilities Management is definitely a great place to start when it comes to increasing flexibility and dynamism, streamlining the service management process and overcoming resistance to change. As regards the strategy to be adopted, I think it's fundamental to focus mainly on the control stage, translating deviations into corrective measures both in terms of budget and actions to be undertaken within the public administration. However, even FM companies need to carry out additional steps. These include limiting operational costs and implementing a targeted cost reduction and control policy, involving the staff with cost reduction objectives and processes in order to cement the relationship between the PA and the FM, and, finally, implementing and monitoring all the processes that help to improve the efficiency and effectiveness of the government machine." *Daniela Santolini, Facilities Management Planning, Wind Telecomunicazioni*

"The first thing I would do would be to perform a quick analysis of operations in order to try to identify who does what. You'd be surprised. Sometimes there may be outdated functions that are no longer necessary, for example. Next I would call a couple of meetings with my group to see which functions are redundant and thus potentially subject to review. Even the most difficult of decisions can be made easier by brainstorming and discussing with the working group. In terms of the areas to be tackled, space optimization is often considered to present significant saving possibilities in PA. But that's not entirely true. While it can bring immediate cost savings in terms of management costs, leases, taxes, etc., you need to find the right balance with employee welfare requirements. In this respect, the overuse of open spaces often leads to dissatisfaction and a reduction in productivity." *Franco Manuel Porcelluzzi, Senior Buyer, Roche*

"The first step required is an internal audit in order to ascertain the actual size of the PA's real estate, both in terms of surface areas to be managed and the type, the nature and the quantity of the facilities in place. I would then go on to check contracts, if there are any, and would try to determine if they really are appropriate for ensuring the real estate is correctly managed. Another crucial step is the process of space optimization and the subsequent streamlining of the costs connected with management services.

With regard to choosing suppliers, I think the lowest price criterion can be applied, provided that the services required of the companies are clear and well-defined. Savings can be made in two ways. Firstly by rationalizing and optimizing services and secondly by implementing a more streamlined structure for the Facilities Department." *Gaetanto D'Altrui, Manager BU Service, Centostazioni*

"Some of the key steps that I would take straight away would be analyzing the financial statements to determine which balance sheet items are the largest and the cost per citizen, benchmarking with other Italian and European public administrations, and seeking direct contact with citizens in order to identify the most critical issues. Finally, I would review the specifications of existing contracts, introduce penalties for delays, eliminate any possibility of extra budget costs and issue new invitations to tender for the most necessary of services only. In this regard, I believe that relying on the simple criterion of lowest price is wrong. A whole host of assessment criteria is required. You need reliability, quality and timescale guarantees. Items that significantly affect PA costs when contracts awarded to the lowest price end up costing much more as a result of delays and failures. Transparency should be enforced." *Roberto Vito Palmiotti, Administrative Services Manager, 3M Italia*

"If I had been asked a few years ago what steps I would take in terms of a spending review, I would have given a 'textbook' response: deal with 20% of the most significant categories of expenditure (which theoretically should make up 80% of the budget) by renegotiating contracts with the purpose of consolidating services, with contracts of 3-5 years. For infrastructure, I would then have suggested investing in upgrading older buildings in order to make them less energy consuming and less expensive in terms of maintenance. But so much has changed now. The quest for efficiency is made from a viewpoint that has traditionally been consigned to the theoretical realms of "expert Facility Manager's guides". I'm talking about the ability to completely redesign services, questioning whether they are truly useful in the manner in which they are delivered and, if not, whether they can be done without. Nowadays you can, and indeed you must, dare to do what in the past was unthinkable, because today it will be accepted. Here's an example: in the past the offices were cleaned daily or at least three times a week and it was a commodity, it wasn't questioned. Today, the offices are cleaned once a week and I haven't noted greater absenteeism as a result of allergy problems compared to previously." *Pietro Fiorani, National General Services Manager, Coca Cola HBC Italia*

"Contrary to what you believe, it is certainly possible to work to targets even in public administration, but internal resources need to be utilized to the maximum. The first step in this direction, in my opinion, lies in reducing consultancy and external contracts to a minimum, encouraging the most capable members of staff to take the helm of improvement projects, and discussing with them how to invest the respective budget. In doing so, the manager will become a servant to the organization, running it and equipping it with the necessary tools to achieve his or her goals. And I think it should also be stressed that in PA there are already staff who work from home, or at any rate remotely, as well as those who work unpaid hours to achieve their goals. And indeed many do." *Gianni Maja, Workplace Services Manager Europe, Avago Technologies Italy*

A completely different way of working

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Period of adjustment

Did the results of the tender process surprise TenneT? Woesthuis puts it like this:

"I think that an insufficient knowledge of and familiarity with the possibilities of the BVP procedure meant that the suppliers did not fully take advantage of the opportunity that was offered to them. You might hope for more, but to ask suppliers who for years have sought to meet their client's wishes suddenly to assume the role of experts represents an enormous transition. That will take time. I have heard from another client – who has started working with best value procurement – and from other suppliers that they are now taking steps to adjust to this way of working. Surprisingly enough, the unsuccessful suppliers reacted positively to this method of tendering!"

Franken anticipates that the necessary development will take place in the future within the current contract: "We have ten years ahead of us. A fantastic product can be put in place. Based on improved relationships between client and supplier, TenneT, together with the expert, can create an outstanding service that provides the best possible support for the workplace concept."

Conclusion

Woesthuis says in conclusion, "Best value procurement is not some sort of purchasing trick. It is, above all, the way in which the supplier carries out their work and the way in which the client provides the necessary direction. In fact, TenneT only wishes to hear how things are going once a month. As long as the supplier can demonstrate that they are doing good business, we won't interfere – they are the experts."

Koen Franken: "Any caterer can make a sandwich, but what is that extra ingredient, what is the added value that enables you to create a special experience? The principles of best value procurement give you a philosophy and a methodology that may help you to discover it sooner."

Chairman's report

Chairman's report after the members meeting in Helsinki with a look forward to the EFMC 2014 in Berlin

Prof. Ron van der Weerd
Chair EuroFM

As I stated before in EuroFM Insight: "EuroFM is in its roots a network organization where members are in charge and where members by meeting each other through formal, informal and social ways approach new ideas, projects and new FM developments. It is a community of people who want to bring FM forward in the world and to further professionalize the craft.

Building bridges is a central task for the EuroFM organization and board. We learned that in Prague with the historical Karl's bridge symbolizing our task.

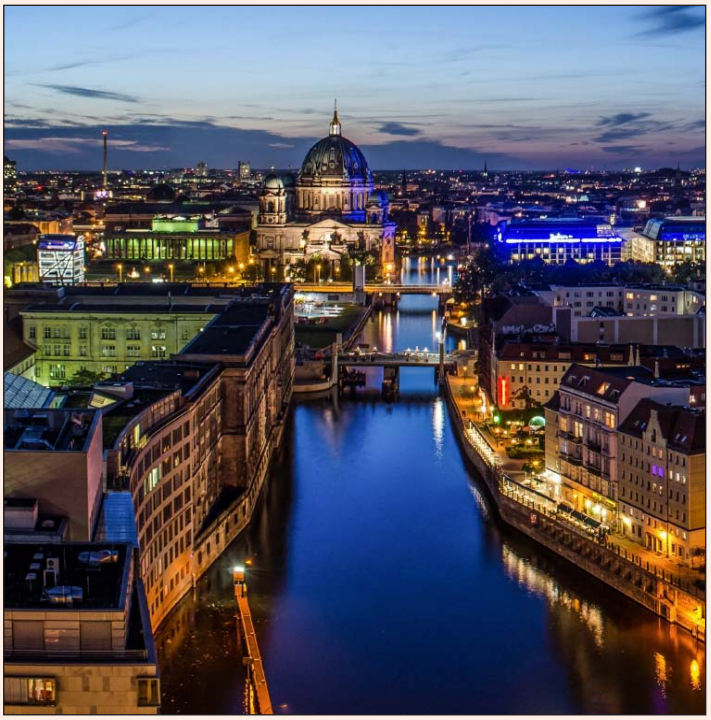
Now after the EuroFM members meeting in Helsinki, capital of the home country of Nokia we can add that we are here for "connecting people" anywhere, anytime, anyplace.

In Helsinki we were hosted by Laurea University.

Talk about Facility Management or Hospitality Management! It was great, impressive and very successful. And the beautiful thing was that it was all managed by students: the planning, coordinating, schedules, welcome reception, dinner, meeting schedules, class rooms, executing operations, serving, anticipating, the list goes on. All this was under the inspiring coordination of graduating student Ms. Olga Guscina.

As for planning: Olga was able to ensure that Pekka Matvejeff, Senior Lecturer, FM Coordinator, M.Soc.Sc., MBA, board member of FIFMA and loyal contributor to EuroFM received news of the birth of his first grandchild while he was in a meeting with us. That is what I call planning, management and connecting people. There is a promising future in store for Olga.

But besides all of that, there was also a lot of progress in some serious matters. We started with a warm welcome speech by Margit



Lumia, Director of Laurea Campus in Espoo, followed by an impressive presentation on Service Innovation and Design by Katri Ojasalo, PhD and principal lecturer. Apart from the network group meetings and board meetings, we were very happy to have Johnny Dunford over again. In an inspiring way he presented the RICS report about FM: Raising the bar part two, which is available on the RICS website.

We are witnessing the increasing rapprochement between the worlds of Real Estate and Facility Management. There was also a very interesting workshop about the ISO standard on FM. We thank Olav Egil Sæbøe for his devoted work on this topic and informing us about the developments in that area.

During all of this, 25 students from 10 different European Universities were participating in the Winter school on the theme of "Service Design in FM context". Working very hard on intense projects using various SID tools within a week when it normally takes 5-6 weeks, and coached by excellent professors of Laurea University, students were able to present innovative ideas for one of the biggest shopping malls in Finland. Personally, seeing these presentations and all those youngsters devoted to FM were the highlights of the EuroFM meetings.

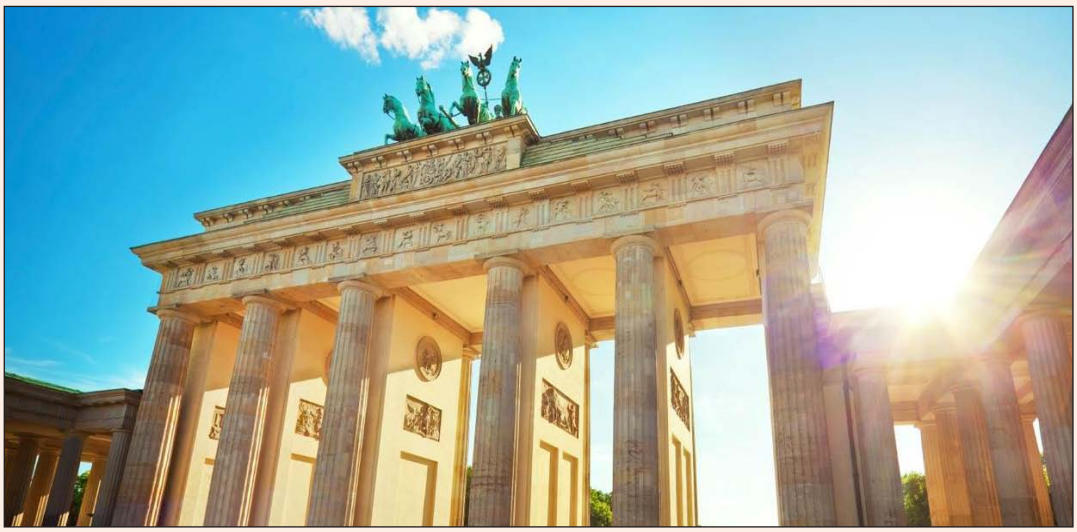
And of course, together with our partners IFMA and GEFMA we are working hard on the EFMC in Berlin June 4th-6th 2014. Meeting GEFMA at the Frankfurter Messe last week was impressive and also showed signs that Berlin will be a great success, based upon its great program and excellent venues.

Helsinki was excellent and it became the historical place of the first EuroFM cross country skiing competition. And yes, we, the EuroFM board, did win third prize!!

I would like to finish by thanking Pekka, Paulina, Olga and all the others of Laurea University. But one thing is clear: the FM future is in the hands of the youth.

Hope to see you all in Berlin in early June!

Ron van der Weerd, Chair of EuroFM



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Practice Network Group

Susanna Caravatti-Felchlin, Chair

First of all I would like to thank all applicants who have sent in their abstracts for the EFMC 2014 business sessions. We received more than 70 papers from FM professionals based all over the world; the Program Advisory Group (PAG), together with the conference manager, Natalia Spartakova from Informa, had to deal with the difficult decision in selecting the best ones for the business conference in Berlin this year. Practitioners from very different industries and countries will illustrate their experience and best practice under the motto "Innovation – Integration – Vision". Furthermore, there will be some interesting panel discussions and round table talks where professionals can exchange their ideas about newsworthy FM subjects. You will find the program for this highly regarded facility management networking and educational event on www.efmc-conference.com.

Pekka Matvejeff's invitation to come to Helsinki in February 2014 was a great success. Up to 50 facility managers met at the Laurea University of Applied Sciences in Espoo. At the unique cross-country skiing championship on Wednesday afternoon, ENG, RNG and PNG measured their sports abilities in mixed groups while at the FIFMA sponsored dinner event the groups' performances were honored with local products.

At the Practice Network Group meeting, Keijo Kaivanto, Managing Director at Kiinko, illustrated how the local FIFMA association is working and who is on the board. As president of FIFMA he has initiated an FM award for highly innovative business ideas that have been successfully put into practice. The association also works closely together with local FM students, involving them in the local real estate conference and linking them with seasoned professionals. They also use LinkedIn to highlight the association's events.

Moreover, PNG members expressed their commitment to work closely with ENG and support some new initiatives such as distributing student research topic proposals, sharing lists of research students and a list of professionals with their interests to build a get-together platform. Two PNG members, Ondrej Strup and Johnny Dunford, will also judge the poster competition for both the bachelor's and master's students at the EFMC in June.

A very important topic at the PNG was also the current development of ISO facility management standards. Olav Saeboe leader of the second ISO workgroup presented the current status of the ISO FM standards development. PNG will strongly support the EuroFM proposal to further improve the current level of the standards. It is important that they are in line with the European FM Standards 15221 or are even clearer and more substantial. The FM Market Data Report, service charges and FM benchmarking were also discussed at the PNG meeting.

It was again very valuable to all to discuss FM subjects together with people from more than eight countries and to use their ideas and experience in a local situation.

The next PNG meeting will take place on the morning of June, 4th in Berlin. Further information can be found in the EFMC 2014 brochure or on the PNG homepage www.eurofm.org/groups/practice/

Education Network Group

A.J.M. Otto MA, Chair

The ENG held its meetings at the , Finland

Wednesday morning February 12th: the ENG members came to visit students participating in activities at the winter school

In our regular ENG meeting Thursday February 13th we discussed the following agenda points:

- The minutes from the October 2013 ENG Meeting in Sofia, Bulgaria. Nomination of a new Chair of the Education Network Group from 1-1-2015.
- Update on the Student Poster Competition 2014 in Berlin (Bachelor and Master students).
- Brief update about the Winter School 2014 at Laurea University Helsinki, Espoo, Finland.
- The Winter School Nomination for February 2015.
- Updates on the following projects: Development of an annotated bibliography for FM Education at European University, EuroFM Education Guide 2013, the IFMA Foundation, ENG EuroFM: Facility Management International Profiles Definition Study, the plans for cooperation with other network groups (PNG and RNG) and of course the program for the EFMC, June 4-6 2014 in Berlin.

In the next edition of EFMI there will be a summary of these minutes.

Friday February 14th in the afternoon all members of the ENG attended the final research results presentations from Winter School students. The students and lecturers really did a great job.

EuroFM Reports

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Research Network Group

Pieter le Roux, Network Communications Coordinator RNG

EuroFM research network report – Helsinki meeting.

The EuroFM Research Network met during the recent EuroFM Meeting which was held at the Laurea Service Innovation and Design (SID) campus in Espoo, Finland. The meeting was held from February 12–14 and was attended by 13 active members. In addition to the network and business meetings, the programme also included a half-day research workshop entitled 'Sustainability in Facilities Management' (Wednesday, February 12th). This workshop which was chaired by Susanne Nielsen was attended 13 members and included presentations by Brenda Groen ("Serious Game"), Keith Alexander ("Case Study Protocol") and Susanne Nielsen ("Pilot Studies"). The presentations provided a foundation for discussing research issues raised in terms of the RNG Working Group 2 focus on Sustainability in FM. All presentations. Together with the discussions, have been collated and distributed amongst members.

Network development

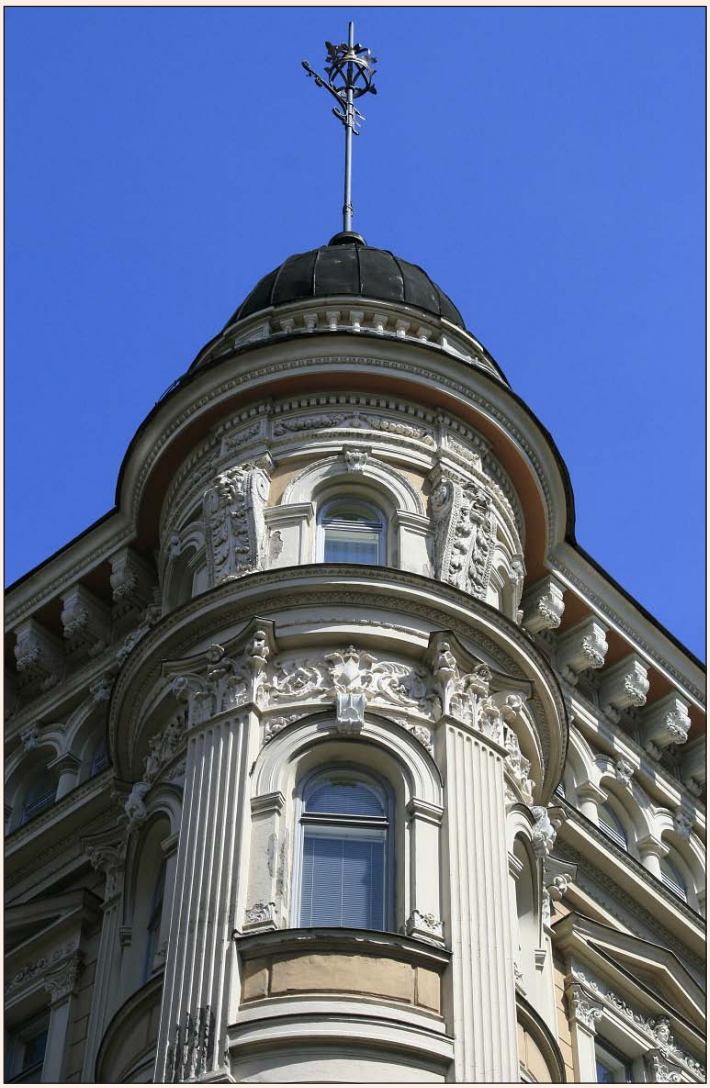
The Research Network which was held on Thursday, February 13th, meeting kicked off with Keith Alexander reporting on the status of the Membership database which has been updated to reflect not only the names of members, but also member organisations, representatives, individual participant and responsibilities. Currently the database includes 70 active researchers from 40 organisations and 15 different European countries. All members are urged to review the database and to identify additions and corrections to their own entry and to identify other necessary changes according to their personal knowledge.

Reports from the convenors of the three working groups were presented to reflect on the purpose, programme and progress of the different working groups. were presented. Per Anker Jensen (WG1: Added Value of FM) summarised discussions with Theo van der Voordt about future activities of the group. Proposals include development and publication of a new anthology of research. Members were encouraged to express their interest and suggest contributions. Susanne Nielsen (WG2: Sustainability in FM) tabled a short paper on the proposed activities of the group with a focus on a potential EU application in the Horizon 2020 programme. Discussion of options and expressions of interest were discussed in the SFM workshop on the previous day and in a series of informal meetings. A separate note of the meetings, including presentations and discussions will be communicated to all members. Keith Alexander reinforced the need to include EuroFM as a formal partner in any application. Subsequently the EuroFM Board, who were approached to be a partner a Dutch consortium, will sign a framework agreement, within which any proposal should be developed. Mark Mobach (WG3: FM innovation) presented work in progress in the group in preparation for the one-day workshop at EFMC in Berlin, June 4-6.

During the round table, individual network members contributed to sharing their research interests and current activities. Pieter le Roux undertook to collate the information with previous reports and provide the link to member organisation web sites in preparation for development of the RNG web pages. All RNG members are urged to provide details of their current research interests and up-to-date description of their research organisation for inclusion on the RNG web pages and for discussion at the next meeting in Berlin in Summer 2014.

Kaisa Airo reported on a disappointing response to invitations to postgraduates to participate in the Laurea-meeting. Further efforts will be made to encourage the PG network to participate in the research workshops, research symposium and EFMC in Berlin. The postgraduate database has now been merged into the RNG database in order to encourage full participation. Looking forward to EFMC, a total of 10 postgraduate places are available (subject to final confirmation of the overall EuroFM budget).

The topic of improving network communications – as discussed during the Sofia meeting (October 9-11th, 2013) continued. Previous proposals for changes to the EuroFM website have been frustrated by contractual issues. Proposals for a knowledge portal supercede previous ones for content management. In this respect, Pieter le Roux will liaise with Alex Redlein in identifying RNG requirements and responding



to developing proposals for implementation of the knowledge portal prior to EFMC in Berlin.

Keith Alexander also introduced proposals for an open access mandate for EuroFM. The mandate would set out EuroFM's intentions to make the products of its research activities accessible. During the meeting members discussed an initial statement in this regard. EuroFM will seek to work with member organisations to ensure that research output is openly available through institutional repositories after an initial six months access through the EuroFM website. The International Journal of Facilities Management will continue to be the exclusive vehicle for publication of the results of EuroFM sponsored research. Special issues will be published for work emanating from the working groups and from research projects and from the annual Research Symposium. ISBN and ISSN numbers will be allocated and DOI names will be attached to electronic versions available on the RNG web pages. Members identified confusion with the electronic journal of a similar title published online by Georgia Tech with the support of the IFMA Foundation. Keith Alexander reported discussions with the editor and IFMA to collaborate and resolve the issues.

With regards to the EuroFM Research Symposium during EFMC in Berlin, 4/6 June 2014, Keith Alexander reported that proposals for the programme for the 13th EuroFM Research Symposium have been accepted by Informa. Further details of attendance, sessions, feedback and learning will be circulated as soon as they are available.

Finally, according to the rota for Board membership, Keith Alexander will step down at the end of this year. Elections for RNG chairman will be held at the London meeting in October 2014.

The Research Network meetings concluded with a positive look towards the on-going and future activities of the group and its members. The next meeting of the RNG is scheduled as part of the programme for the EuroFM Research Workshops at HTW in Berlin – Wednesday 4 June 2014.

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