

PROPERTY B5

Pressure on facilities management

Globally, inflation rates for services have exceeded those for goods in the past 60 years except during periods of substantial oil price increases. Against this backdrop, the facilities management industry has had to adapt to ensure it deals with the pressures of managing inflation, containing operating costs and maintaining a healthy growth and profitability.

Facilities management (FM) can be an effective tool to help developers, landlords and property owners to manage and rationalise their operating costs. A consolidated FM strategy can safeguard cost alignment whilst ensuring sustainable service quality standards. The services sector often bears most of the brunt of inflation, and this typically results in cost-cutting measures that often pose challenges to service quality standards. As building owners seek to rein in costs, there is a natural tendency to pass on any inflationary pressure to the FM provider, cutting into the profitability of the industry.

This increases the pressure on the FM provider who in turn has to reduce costs to be on par with competition while transforming the properties into income-generating assets.

And in a market where pricing is a key determinant for success, the rising operational expenses make it extremely difficult for FM companies to balance costs while meeting emerging client requirements. Competitive pricing needs careful planning as this might affect returns in the longer term.

It is thus necessary to have a thorough understanding of the largest cost areas of FM and develop a sound strategy to manage them.

Several methods are adopted when it comes to cost rationalisation. Human resource is the single biggest headache and containing this cost in the event of any inflationary pressure is a Herculean challenge. An innovative tool that the integrated FM industry adopts is internal staff progression that

reduces cost by prioritising internal promotions over new hires in supervisory and management roles.

Staff training is another area that boosts productivity and directly translates into successful delivery of agreements, and retention of labour and a reduced employee turnover.

Employee cost, while substantial, is not the only factor that has an influence on the FM pricing. Overheads such as transportation, logistics, on boarding expenses and the consolidation of supply chain costs (consumables, equipment, and uniform, among others) are few other elements that come under the scanner for cost rationalising.

A further critical catalyst to overcoming the inflationary pressures is through initiatives such as role and service integration, which is an excellent way to streamline service organisation. FM also leverages benchmarking as an important tool to achieve the cost comparatives, and in recent times it has been used to align the baseline budgets.

FM companies' common predicament is not only to manage their own operating costs but also managing their client costs in order to rationalise and increase their operational efficiency. Inflation continues to build pressures on companies to look for innovation across service delivery and infrastructure.

Technology is yet another critical tool that not only integrates a process based on best practices but also empowers the business, including giving it a productivity boost.

As one of the largest FM companies in the nation, EFS strives to set an example by implementing several cost rationalisation initiatives, to help the industry fight inflationary pressure whilst offering increased value for building owners.

This bodes well for the integrated FM industry which has been emerged as an innovation tool adopted by building owners and the industry at large. There have been interesting case studies in the region that clearly suggests that integrated FM support has resulted in significant leap in efficiency and financial gains to their clients, especially during periods of mounting inflation and leaner economic times.

Realty Check

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