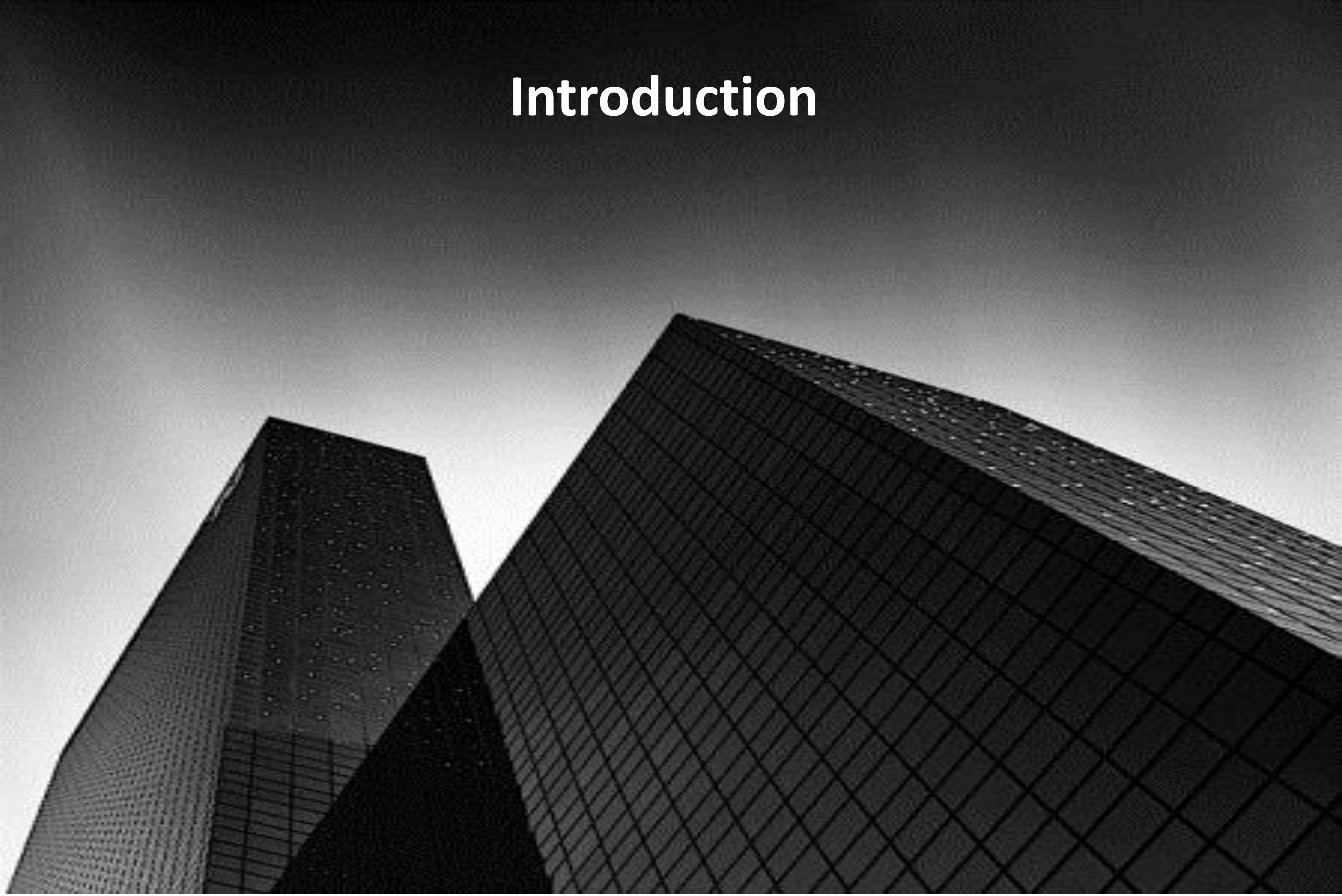
South African Facilities Management Industry Study

The outputs of this study reflect the views and opinions of Respondents and not SAFMA executive or members

Introduction



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SCOPE OF THE STUDY

This survey was about the local Facilities Management industry.

The following industry players were included in the survey:

- **Outsourced FM Service providers**
- **In-House FM operators**
- **Property Companies providing FM services**
- **Commercial sector**
- **Industrial sector**
- **Residential sector**

APPROACH AND METHODOLOGY

The methodology employed followed a three-phased approach.

Desk Research

Primary Research:

FM Companies

Primary Research:

Industry Users
(Business market)

Desk Research

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THE INDUSTRY BREAKDOWN FOR THE PURPOSES OF THIS STUDY

SOFT SERVICES

HARD SERVICES

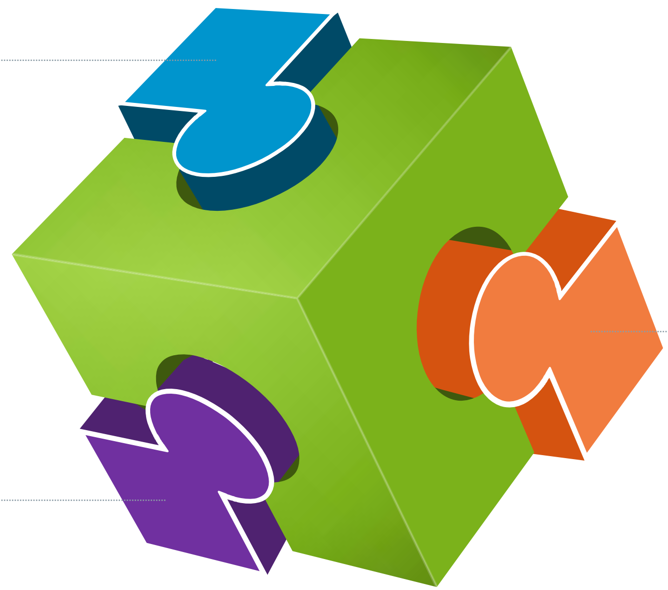
BUSINESS SUPPORT SERVICES

INITIAL FINDINGS

The industry has grown aggressively from being merely associated with building maintenance

FACILITIES MANAGEMENT SERVICE PROVIDERS

INTEGRATED FACILITIES MANAGEMENT



BUNDLED FACILITIES MANAGEMENT CONTRACTORS

SINGLE SERVICE FACILITIES MANAGEMENT CONTRACTORS

SKILLS SHORTAGE CHALLENGES

- One of the major challenges in the facilities management sector is lack of skills.

- The most difficult positions to fill included:

Skilled Trades	Sales Representatives	Drivers
Engineers	Secretaries & Personal Assistants	Technicians
Management & Executive Staff	Receptionists	Teachers
Accounting and Finance Staff	Admin Assistants & Office Support Staff	IT Personnel

Source: Government Gazette No 39604, 19 January 2016. List of Occupations in High Demand 2015.pdf

Research Results

SIZE OF THE INDUSTRY

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THE SIZE OF THE FM INDUSTRY

Total value FM's are responsible for

R39.12 BILLION

Source 2016 SAFMA industry survey
StatsSA, BER, SAMI

INDUSTRY TRENDS

EMPLOYMENT IN THE FM INDUSTRY

Approximately 25 000 full-time staff are employed by integrated Facilities Management Service Providers.

Sectors	FM Employee Sector Allocation
Commercial	42%
Public	44%
Industrial	15%
TOTAL	**100%**

Sources: 2016 SAFMA industry survey
StatsSA, BER, SAMI

SERVICE PROVISION OPTIONS

IN-HOUSE vs OUTSOURCING?

Verbatim comments received from respondents

- Some things like maintenance could be cheaper and cost efficient when appointing more skilled staff
- It will be better to outsource so that I can concentrate to my core business and will not have to worry about my facilities
- With more competitors in facilities management, outsourcing becomes cost effective
- Easy, it gets easier to outsource for specific function than to keep it in-sourced
- It is more difficult because skilled workers are hard to find, thus it is easier to outsource
- We are planning to expand the business - open more branches and employ more staff
- If potentially the company grows and business is better, the scale must go up
- If we expand we might think about increasing the number of outsourced services
- Good cost saving is always to the benefit and frees admin and other staff to get on with their jobs
- They make life easier especially labour regulation dealings
- Skilled people outside the FM industry are hard to find, so one must look for and stay with good FM companies
- I do not always acquire the skills on insourcing to maintain my facilities

CLIENT ENGAGEMENTS

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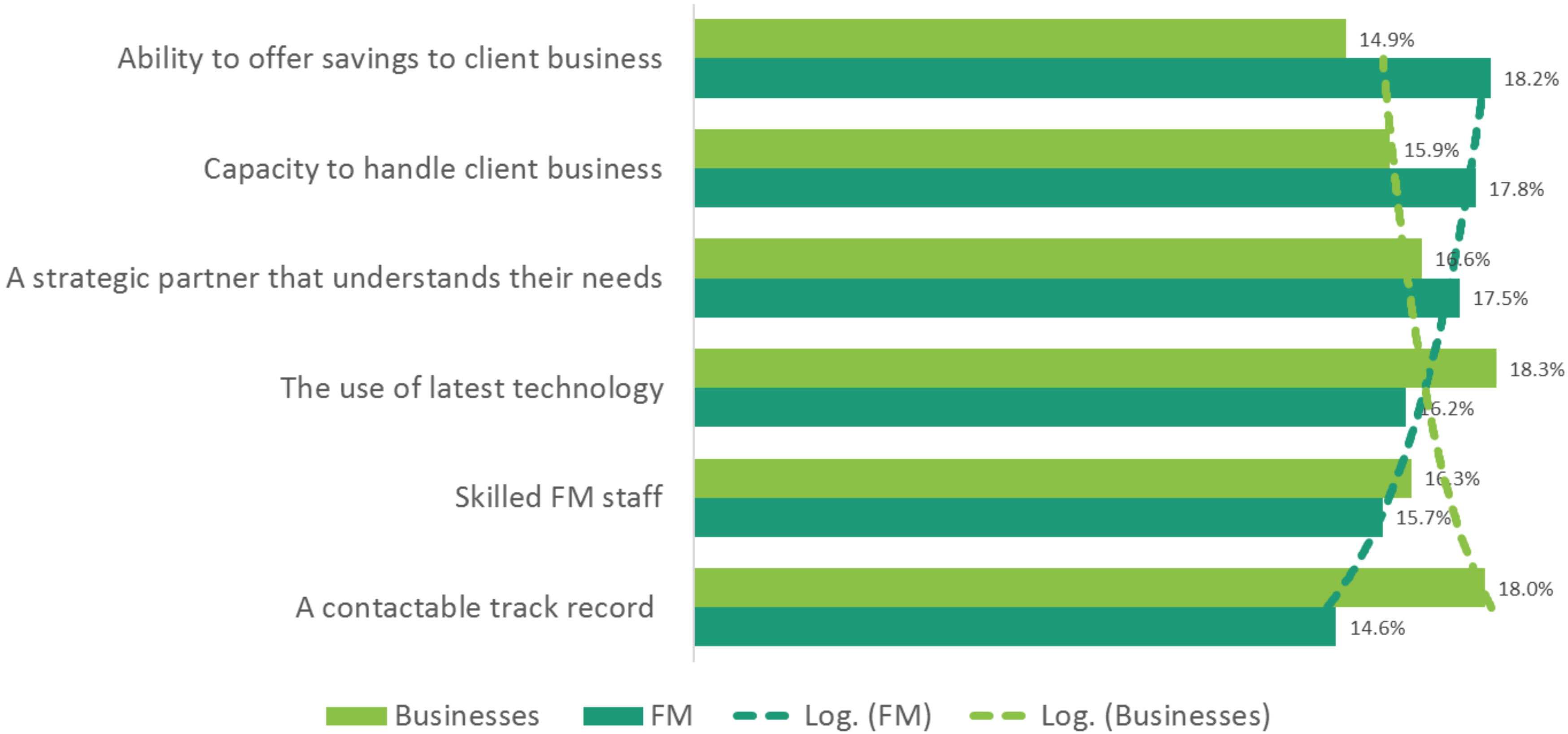
IMPORTANT ASPECTS WHEN SELECTING A SERVICE PROVIDER



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STRATEGIC DRIVERS OF REPUTATION

INFLUENCERS OF INDUSTRY PERFORMANCE

The most important influences when choosing a FM provider.

1 Costs
- Staff costs
- Administration

2 Service
- Meeting service demand
- Strategic integration

3 Reputation
- Take responsibility for services offered
- Communicate against adversity

4 Long term
- Long term contracts
- Support in partnership

5 Structural
- Transformation
- Create identity of integrated service

6 Challenges
- Expert skills
- Integrated support
- Ethical
- Nimble

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INFLUENCERS OF INDUSTRY PERFORMANCE

Costs

Cost drivers and administrative constraints

- The easiest way to cut costs is to outsource
- Statutory compliance increased in recent years
- Special labour regulations require extra admin
- Staff salaries cost more than maintaining the facilities
- Insourcing is more expensive than outsourcing

INFLUENCERS OF INDUSTRY PERFORMANCE

Service — Service demand and strategic integration

- Specialised security services to continue sustained demand
- The communication between FM and clients should improve
- Better to work with clients and understand strategies
- Businesses value the role of FM's

INFLUENCERS OF INDUSTRY PERFORMANCE

Reputation

Reputational risk

- FM industry has a good reputation for maintaining operations
- “Outsourcing must fall” influenced FM strategies

INFLUENCERS OF INDUSTRY PERFORMANCE

Long Term Complete and long-term engagement

- Clients work on 3 – 5 year contracts
- Clients tend to prefer on FM company to meet all their needs

INFLUENCERS OF INDUSTRY PERFORMANCE

Structural Structural concerns

- There are only a few BEE partners in the FM industry
- A fragmented industry with small niche service offerings

These results are the collated opinion of respondents and not of SAFMA

INFLUENCERS OF INDUSTRY PERFORMANCE

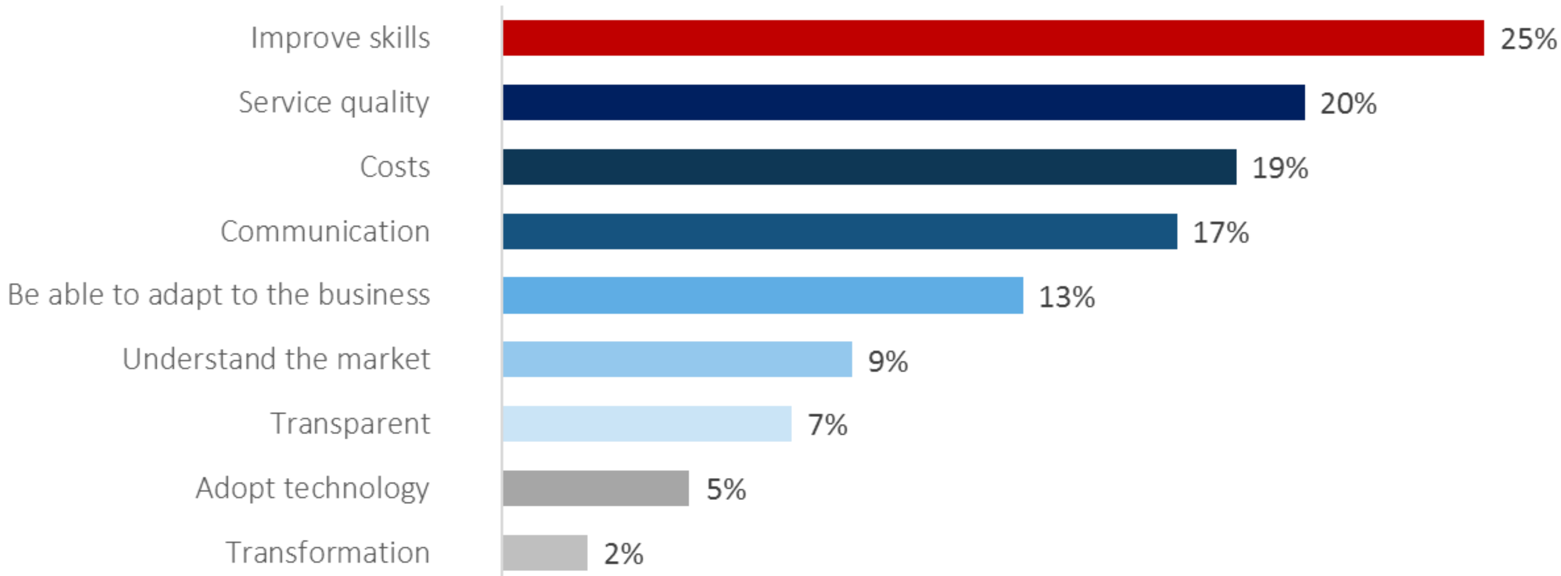
Challenges A mix of industry challenges

- Finding a competent and skilled service provider is difficult
- A fragmented industry with small niche service offerings
- FM companies lack the technical capabilities or skills
- A lack of transparency result in poor ethics and practices
- The big FM companies struggle to adapt

TACTICAL FACTORS TO ADDRESS

WHAT SHOULD THE FM INDUSTRY DO TO IMPROVE?

In the previous section, strategic issues were addressed that influences the reputation of the industry based on perceived importance of factors. In this section, the issues get more tactical. Very clear indicator is that the staff working on client premises are the custodians of the brand, and they are doing the industry no favours



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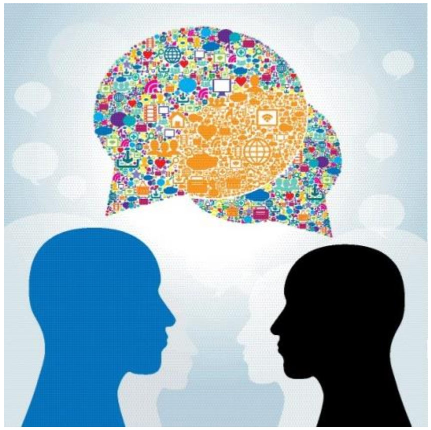
WHAT SHOULD THE FM INDUSTRY DO TO IMPROVE?

A selection of verbatim comments from respondents

- Mature as an industry- Cutting costs is not the answer, it does more harm than good for an industry to constantly under-cost in order to win work.
- They should adapt to their clients' needs and then align themselves to those needs
- They should start delivering better service more quickly and at more affordable cost.
- Better training for their staff to be better equipped to handle our business needs.
- The implementation process is the biggest downfall of FM contracts at the moment
- For when they dealing with a client to be able to advise and assist and also to correct a client whenever necessary
- Basically be more supportive to a company they need to understand our industry, I feel that they handle everyone the same whereas we are different in many ways
- Be visible, provide service that is needed, educate clients on services
- They are very expensive and dealing with them is very time consuming.
- Demand FM qualifications that prepare them to be good and balanced at the job of Facility Management and its issues



THREATS TO THE OUTSOURCED FM INDUSTRY

- Architects and engineering firms create a department to manage buildings but they do not have the skills
- Bundled service providers act as FM's and cannot deliver, they damage the industry reputation and charge more
- Cleaning and security services increased in recent years, making it more difficult to find good and affordable services
- Management agency of the business takes over the management of the facilities as well even though they are consultants
- Construction companies, real estate or property industry appoint landlords who act as FM's
- FM industry themselves, only those who can provide a customised approach with hands-on care will win
- Government regulations make it more difficult to hire staff and find skilled staff
- Operations in a business thinking they should run facilities as well
- Project managers get roped into facilities management, which is not their role and they cannot do the work
- Our service providers, there is little to no knowledge in the apprenticeship we come across, there are papers to prove they have been on the course, but one cannot send them out to do the work

CONCLUSION AND RECOMMENDATIONS

CONCLUSION REACHED BY RESEARCH ORGANISATION

On the tactical front, there are clear indicators on how to improve the FM industry:

1. **Improve skills** – better skills, more training, better trained staff, hire better staff
2. **Service quality** – better quality, higher standard, in-depth service, professional service builds reputation
3. **Costs** – too expensive, cost saving not seen, more affordable, more competitive, cheaper, costs too high
4. **Communication** – better communication, be available, follow up, check in, communicate so we understand them better
5. **Be able to adapt to the business** – understand my needs, be flexible, learn my operations and adapt, we are too specialized for them
6. **Understand the market** – learn more about the market, they do not understand the industry, this industry is different
7. **Transparent** – be ethical, open contracts, be open about what you do, they only sell a sales pitch, we do not understand what they do
8. **Adopt technology** – use more technology, understand technology better, be more inclusive using technology
9. **Transformation** – BEE, transfer of skills, more females

THANK YOU

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