
WHITE PAPER



FACILITIES MANAGEMENT OUTSOURCING:

South Africa and The United Kingdom

servest

74%

OF SOUTH AFRICAN ORGANISATIONS THAT OUTSOURCE, CONTRACT OUT MORE THAN 50% OF THEIR FM SERVICES

69%

OF UK ORGANISATIONS THAT OUTSOURCE, CONTRACT OUT MORE THAN 50% OF THEIR FM SERVICES

Top 3 Outsourcing Objectives

SA

UK

1



85%
FINANCIAL SAVINGS



67%
FINANCIAL SAVINGS

2



77%
SERVICE LEVEL IMPROVEMENTS



62%
BUYING EFFICIENCIES

3



69%
BETTER TECHNICAL EXPERTISE



58%
BETTER TECHNICAL EXPERTISE

FACILITIES MANAGEMENT OUTSOURCING: South Africa and The United Kingdom

Growth in facilities management outsourcing continues unabated despite media reports and statements by end-users and organisations advocating the insource model. Globally, the facilities management market is expected to be worth \$698.8 billion by 2020 driven by burgeoning commercial construction projects, the focus on reducing building operating costs and the increasing trend towards outsourcing ¹.

This white paper provides an analysis of two markets: South Africa and The United Kingdom. It reviews the stand out trends, forecasts and predictions in the facilities management (FM) sectors in both countries. These findings are based on two surveys commissioned by the Servest Group, a global facilities management service provider, entitled:

- Changing Times in Facilities Management.² (UK), and
- 2017 Facilities Management South Africa Survey.³

OUTSOURCING

Drivers & Objectives

In the United Kingdom, while there are headline cases in the media of FM services being brought back in-house, the Changing Times in Facilities Management research demonstrates a continued trend towards outsourcing, with those organisations which outsource doing so to a much greater degree. Financial savings, buying efficiencies and better technical expertise are the top three main drivers for outsourcing (in fact financial savings has been the number one outsourcing objective in the United Kingdom for the past four years). This is also true of South Africa, where financial savings correspondingly tops the list of outsourcing objectives, followed by service level improvements and the need for better technical expertise as reported in the 2017 Facilities Management South Africa Survey.³

The good news is that in both markets, service providers are, to a large degree, successful in meeting their client's outsourcing objectives.



FINANCIAL SAVINGS DOMINATES BOTH MARKETS











Services Outsourced

In the United Kingdom, end-users deliver facilities services predominately through single, bundled or hybrid (in-house plus other service delivery models) with little in-house provision in comparison to previous years. These models are mostly used to deliver workplace facilities services, such as pest control, cleaning, waste management and security, rather than portfolio, strategy and planning services. In South Africa, end-users mainly outsource via single and bundled serviced contracts utilising one or more suppliers. Top FM services that are outsourced include ground maintenance, pest control, security, cleaning services and energy management.

Tenders & Bids

Confidence in the team's ability, cost, personal chemistry between parties, innovation and reference sites are the top 5 drivers of tenders and bid evaluations in the United Kingdom. In South Africa, cost, innovation, confidence in the team's ability and adopting a local supply chain with Broad Based Black Economic Empowerment (B-BBEE) are important criteria when end-users evaluate tenders or bids. It seems that more facilities management contracts in the United Kingdom are facing evaluation over those in South Africa. End-users in South Africa (30%) and in the United Kingdom (29%) say they will re-tender the same facilities contracts, while 49% in the United Kingdom versus 19% in South Africa indicated that their contracts would be re-scoped and then re-tendered.

Top 5 Tender Criteria

	SA	UK
1	 4.3 COST	 4.5 CONFIDENCE IN THE TEAM'S ABILITY
2	 4.0 INNOVATION	 4.4 COST
3	 3.7 CONFIDENCE IN THE TEAM'S ABILITY	 4.0 PERSONAL CHEMISTRY BETWEEN PARTIES
4	 3.3 LOCAL SUPPLY CHAIN	 4.0 INNOVATION
5	 4.0 CORPORATE SOCIAL RESPONSIBILITY & B-BBEE*	 4.0 REFERENCE SITES

* Broad Based Black Economic Empowerment



FOUR WAYS TO IMPROVE OUTSOURCED RELATIONSHIPS



IMPROVED
COMMUNICATION



BETTER ALIGNMENT OF
STRATEGIES AND PLANS



WORKING TOGETHER AS
A TEAM



BETTER BASELINE COSTS

RELATIONSHIPS

What's Important?

Financial savings continues to dominate outsourcing as buyers and service providers in South Africa and the United Kingdom collectively consider it to be important to successful FM relationships. In the United Kingdom, access to best practice is the most important element in buyer/provider relationships while in South Africa financial savings, service level improvements and the ability to self deliver, all top the list of important criteria for successful client and provider relationships.

What Can Be Improved?

Communication, working together as a team and better alignment of strategies and plans are the top areas that UK-based end-users, service providers and FM consultants believe would further improve outsourcing efforts. These areas of improvement were echoed by South African service providers, FM consultants and end-users, but with the addition of better baseline costs.

INNOVATION IS A KEY FOCAL POINT

INNOVATION

How Innovative is the FM Sector?

Innovation is becoming a key focal point in most boardrooms with 37% of end-users in South Africa linking innovation in facilities management to the strategic and business objectives of their organisations or requiring that it's used as a key performance indicator. It was encouraging to note that 68% of South African organisations are in the process of innovating while 24% are, or have, implemented the occasional innovation. In the United Kingdom, innovation is much more mainstream than it was three years ago with 61% of organisations innovating compared to 42% of organisations three years ago.

Where Is Innovation Applied?

If one compares the role of facilities managers 10 years ago to their role today, it is clear that the influences of innovation are having a powerful impact on the sector. In South Africa, there is a strong appetite to implement on-going innovations from automation and systems optimisation, to labour, waste, energy and environmental management. In the United Kingdom, innovation is higher on the agenda in terms of facilities service delivery than what appears in terms of outsourcing objectives. Much of the innovation activity in the FM industry in the United Kingdom is aimed at producing organisational, environmental or technological product innovations.

In South Africa there are four key areas where innovation is applied...



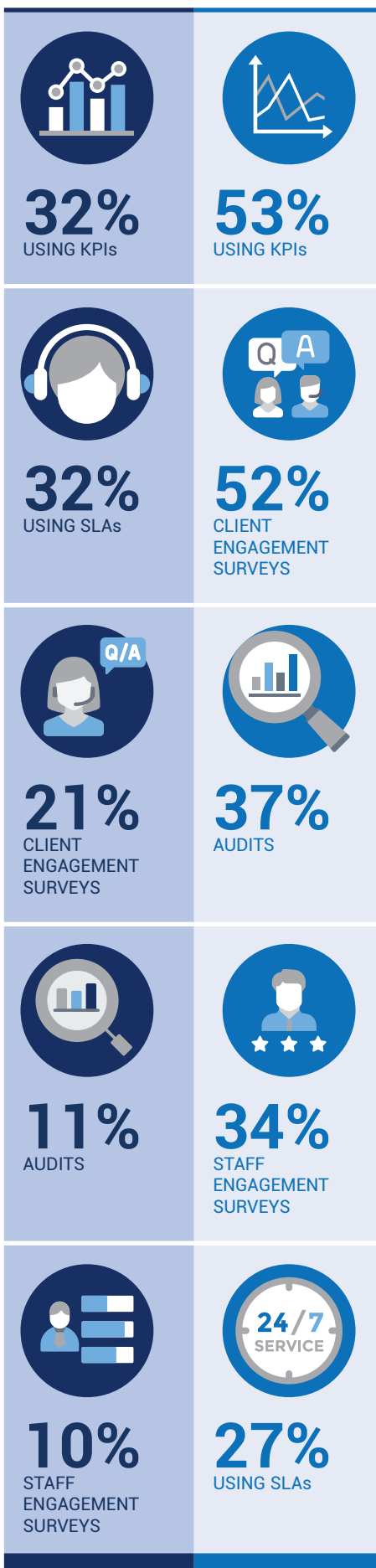
...compared to the United Kingdom where there are five key types of innovation reported:



How Innovation is Measured

SA

UK



SINGLE SERVICE DELIVERY WILL DECREASE

OUTLOOK

The future: South Africa

What does the future hold for facilities management outsourcing and services in South Africa and the United Kingdom? The outlook for FM services in South Africa over the next five years can be summed up in two words: diverse change. Over 50% of end-user respondents to the South African survey want to return to in-house management or absorb facilities services into broader business process outsourcing (BPO). However, an equally large amount (43%) will continue to outsource their FM services. Service quality, access to technical expertise, reducing costs and the ability for end-users to focus on their core business will drive outsourcing in the next five years. Global, European and African near-shore outsourcing will increase a fair bit in the next five years, while there will be moderate growth in total facilities management (TFM), integrated services and TFM and property services. Bundled services will increase substantially while single services will decrease.



28%

OF RESPONDENTS INDICATED THAT FACILITIES SERVICES WILL RETURN TO IN-HOUSE MANAGEMENT AND SERVICE PROVISION



23%

OF RESPONDENTS PREDICTED THAT OUTSOURCING WILL CONTINUE TO BE LED THROUGH A FEW BIG MULTI-SERVICE PROVIDERS



GLOBAL

DEMAND FOR NEARSHORE AFRICA, EUROPEAN AND GLOBAL OUTSOURCING DEALS LOOKS TO INCREASE OVER THE NEXT FIVE YEARS



41%

OF RESPONDENTS FELT THE DEMAND FOR BUNDLED SERVICES WILL INCREASE OVER THE NEXT FIVE YEARS, WHILE 46% BELIEVE SINGLE SERVICES WILL DECREASE



5YRS

AHEAD; SERVICE QUALITY, ACCESS TO TECHNICAL EXPERTISE, REDUCING COSTS AND THE ABILITY TO FOCUS ON CORE BUSINESS WILL BE THE MAIN DRIVERS OF OUTSOURCING

The future: United Kingdom

In the United Kingdom, outsourcing of FM services will continue to be important and dominate the market. Demand for TFM/TFMPS*, bundled and integrated forms of service delivery is perceived to increase – while single services (like those in South Africa) are to decrease. The ability to focus on core business, value for money, reducing cost, and service quality are considered to be the most important factors when outsourcing over the next five years, while skills development of the FM team and commitment to sustainability are considered the least important.



38%

OVER ONE-THIRD OF RESPONDENTS INDICATED THAT OUTSOURCING WILL CONTINUE TO BE LED THROUGH A FEW BIG MULTI-SERVICE PROVIDERS



19%

MORE RESPONDENTS PREDICTED THAT FACILITIES SERVICES WILL BE ABSORBED INTO WIDER BUSINESS PROCESS OUTSOURCING (BPO) CONTRACTS THAN THEY DID IN 2013 (8%)



GLOBAL

DEMAND FOR EUROPEAN/ GLOBAL OUTSOURCING DEALS LOOKS TO EITHER STAY THE SAME OR INCREASE OVER THE NEXT FIVE YEARS



HALF

NEARLY HALF OF RESPONDENTS FELT THE DEMAND FOR SINGLE SERVICES WILL DECREASE OVER THE NEXT FIVE YEARS



5YRS

ABILITY TO FOCUS ON CORE BUSINESS, VALUE FOR MONEY, REDUCING COST AND ADDING VALUE ARE CONSIDERED TO BE THE MOST IMPORTANT FACTORS WHEN OUTSOURCING OVER THE NEXT FIVE YEARS, SIMILAR TO 2013

GAME CHANGERS

South Africa

There are several major game changers that will influence the FM sector over the next five years in South Africa. They include:

1. **Digitisation & Technology:** with the adoption of new technology and innovations augmented by the digitisation and automation of FM services.
2. **Customer Experience (CX):** that includes improved FM service delivery and providing more value across all spectrums of FM services.
3. **Cost Saving:** which is highlighted as a major game changer and important objective throughout the survey.
4. **Knowledge Leadership:** whereby end-users will look for more skills, training, knowledge transfer and smarter and empowered FM teams.
5. **Employee Experience (EX):** that includes creating agile workforces and utilising automation for mundane tasks thereby enabling FM managers to focus on more complex functions.
6. **Sustainability:** to balance FM optimisation with sustainable systems and processes.
7. **Good Data:** that will enable FM teams to analyse and interpret data in real-time and make better, informed decisions.

Conclusion

Truly, the facilities services and management market is on the brink of progressive, industrious transformation. Over the next 5 years FM outsourcing will become more strategic, streamlined and integrated with enhanced value-chain approaches, management systems and methodologies. New technology, customer experience, legislation, big/good data and cost savings will be the most important game changers to watch in both South Africa and the United Kingdom demonstrating the need for greater FM optimisation and value, but with an eye on effective budgeting and financial responsibility.

United Kingdom

In the United Kingdom, a number of areas look to change the FM market landscape in the coming years, including:

1. **Use of Technology:** in terms of improving the delivery of services and transparency (and subsequent cutting of costs) - specifically, the Internet of Things (IoT), robotics, software programmes and Apps.
2. **Legislation:** and the impact of Living Wage introduction and Brexit.
3. **Using Data:** and specifically being able to link 'big data' and analytics to decision making to improve productivity and service quality.
4. **Culture Change:** with changing attitudes towards working/ workplace resulting in changes in how people work and communicate — be it through technology or changes to the built environment as people become less reliant on attending offices or more willing to share space.
5. **Cost:** increased competition, reduced budgets of buyers and high expectation of service users.
6. **Innovation and Sustainability:** were frequently mentioned in the survey but not in any detail concerning why these are game changers.



2017 Facilities Management
South Africa Survey



Changing Times in
Facilities Management (UK)

Source:

¹ Global Industry Analysts, Inc.

² Changing Times in Facilities Management facilitated by GRITIT and Sheffield Hallam University

³ 2017 Facilities Management South Africa Survey published by Knowledge Executive

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