

# Beyond focusing on cost reduction

## Adding Value by FM and CREM



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Definition of Added Value

Value parameters

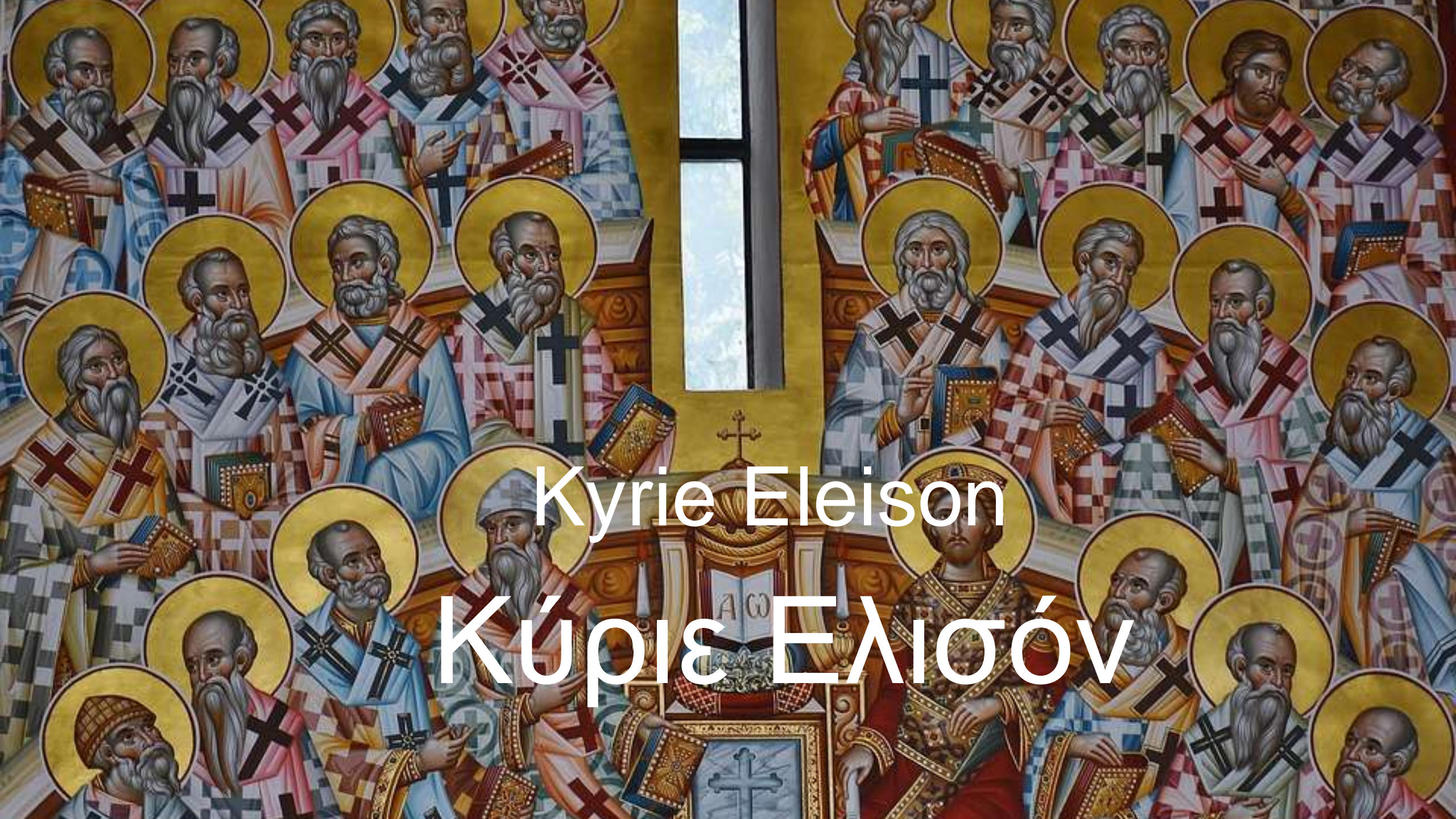
How to manage Adding Value

How to measure Added Value

Conclusions

March 20, 2019

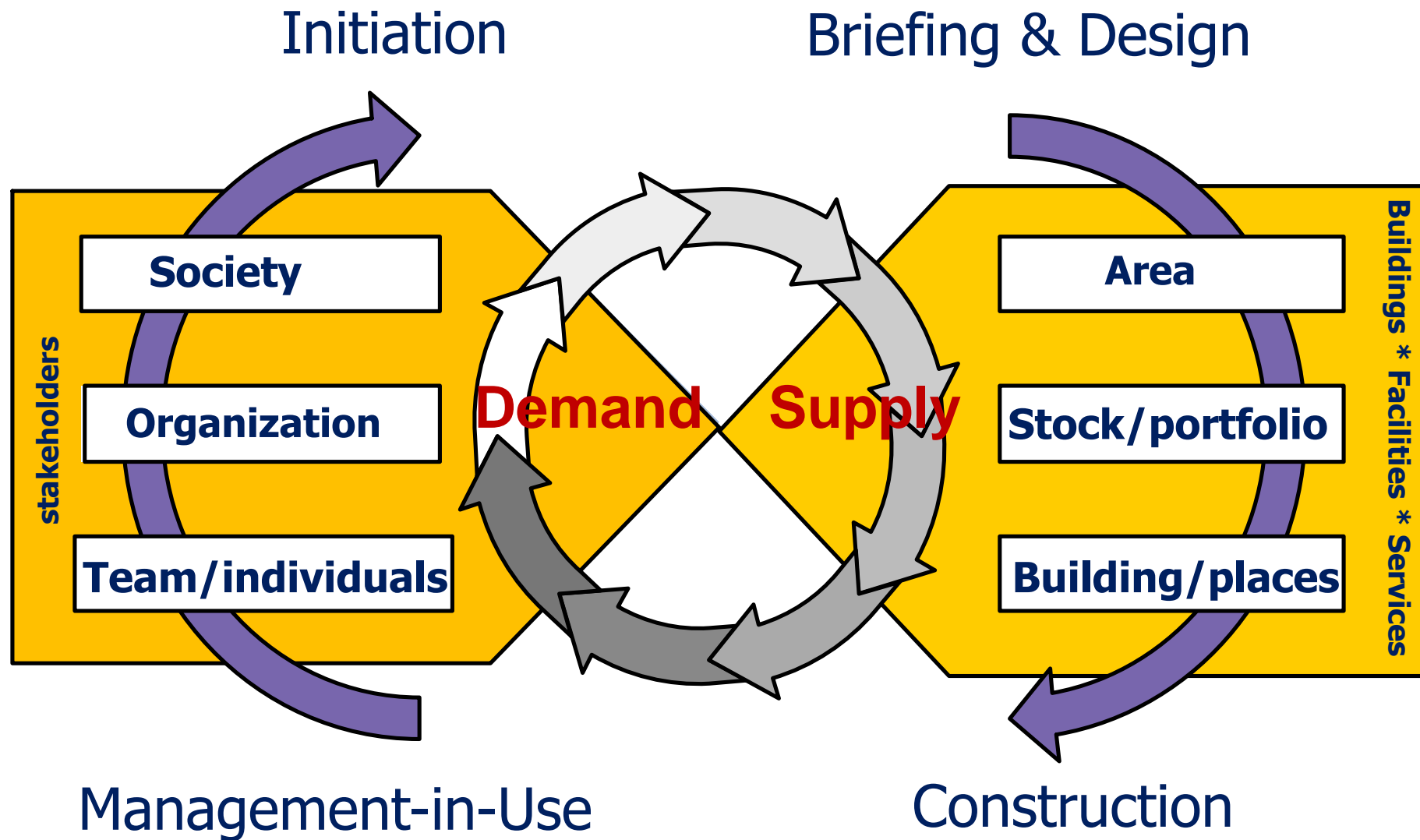




Kyrie Eleison

Κύριε Ελισόν







What is, could be or should be  
the added value of Facilities Management  
and Corporate Real Estate Management?  
And ... Value for Whom?

# THE ADDED VALUE OF FACILITIES MANAGEMENT CONCEPTS, FINDINGS AND PERSPECTIVES



PER ANKER JENSEN, THEO VAN DER VOORDT AND CHRISTIAN COENEN  
(EDITORS)



Jensen, Van der Voordt & Coenen, 2012

18 authors / 7 nationalities

## Topics

Concepts and definitions

FM Value Map

FM as a Value Network

Performance measurement

AV in offices, hospitals, campuses

Green FM

# Different types and descriptions of added value

- Quality relative to price
- Benefits minus costs
- Use value / user value
- Client / customer value
- Shareholder wealth
- Financial value
- Exchange value
- Relationship value
- Social value
- Etc.

Multi-dimensional  
concept

Value added =  
Volume x Quality x Flexibility / Cost



**Word cloud of 50 descriptions of Added Value**



Added value (general definition) =  
the **trade off** between **benefits** and **sacrifices**  
i.e. the costs and risks of a particular FM/CREM decision

The added value of buildings, facilities and services =  
its contribution to the fulfilment of the objectives, needs and preferences  
of the organisation and its stakeholders in connection to the costs and risks





# Facilities Management and Corporate Real Estate Management as Value Drivers

How to Manage and Measure Adding Value

Edited by Per Anker Jensen  
and Theo van der Voordt



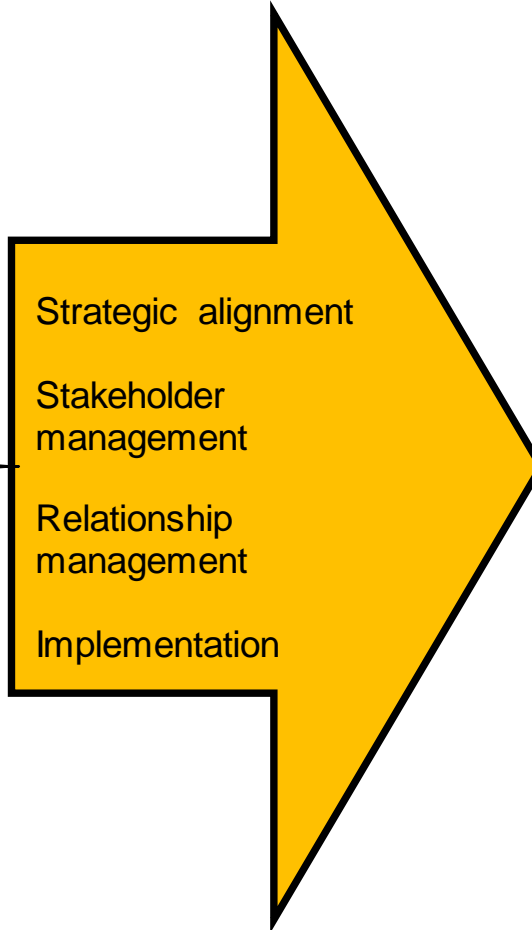
23 authors / 5 European countries / 17 chapters

## Topics

- ❑ Value Adding Management Model (VAM)
- ❑ Twelve value parameters: state of the art, ways to measure, KPIs, tools to manage adding value by FM and CREM
- ❑ Reflections, conclusions and recommendations

# Typology of interventions

- Changing the physical environment
- Changing the facilities services
- Changing the interface with core business
- Changing the supply chain
- Changing the internal processes
- Strategic advice and planning



- Satisfaction
- Image
- Culture
- Health and Safety
- Productivity
- Adaptability
- Innovation and Creativity
- Risk
- Cost
- Value of Assets
- Sustainability
- CSR

# Value parameters



Amsterdam, Former ING House  
Design: Meyer & Van Schooten

Prague: Dancing Building  
Design: Frank Gehry

What is the Added value of exceptional architecture?







What is the Added value of the "Google" concept?



## Potential benefits

- Positive image: modern, innovative, being a frontrunner
- Attracting more customers
- Attracting young talent
- Increased employee satisfaction / being more proud
- Increased productivity
- Increased market share and profit
- ....

## Potential costs and risks

- More expensive architect
- Higher investment costs
- Higher running costs
- Risk of negative image: spending money on the wrong things
- .....

# NEW WAYS OF WORKING

(flexible, activity-based)



## Potential benefits

- Better communication and collaboration
- Improved performance/productivity
- Efficient use of space and resources
- Cost reduction
- Flexibility in the use of space
- Support of culture change
- Increased job satisfaction
- Positive image, modern and innovative
- Contribution to sustainable environment

## Potential costs and risks

- Costs of changing the environment
- Costs of implementation
- Resistance to change -> lower employee satisfaction -> increased sick leave
- Reduced job satisfaction
- Loss of social cohesion and team spirit
- Lack of privacy
- Distraction -> Loss of productivity



	All projects	Traditional offices,	Combi offices, personal desks	Flex offices, activity-based
Number of projects	151 projects	44 projects	19 projects	84 projects
Number of respondents	N = 30.199	N = 7.838	N = 1.840	N = 19.954
	<b>Dissatisfied</b>	<b>Dissatisfied</b>	<b>Dissatisfied</b>	<b>Dissatisfied</b>
Architecture/appearance	16	29	10	11
Number and variety of places	28	26	21	30
Location of work places	19	18	16	20
Openness and transparency	21	18	20	23
Functionality and comfort	23	22	16	25
Interiour design	23	33	13	20
Privacy	38	24	38	45
Concentration	41	33	38	46
Communication	11	10	5	14
Archive/storage	27	22	20	32
IT facilities	20	19	16	22
Facility Management	13	14	7	14
Indoor climate	41	42	41	41
Acoustics	30	20	23	35
Facilities for remote working	17	20	14	16
<b>Support of being productive</b>				
Own productivity	26	18	21	31
Team productivity	23	17	17	28

**% Employee dissatisfaction**

**CfPB**

WODI-data  
2018

**Red = ≥ 35%  
dissatisfied**

**Green = ≤ 15%  
dissatisfied**

[www.cfpb.nl](http://www.cfpb.nl)

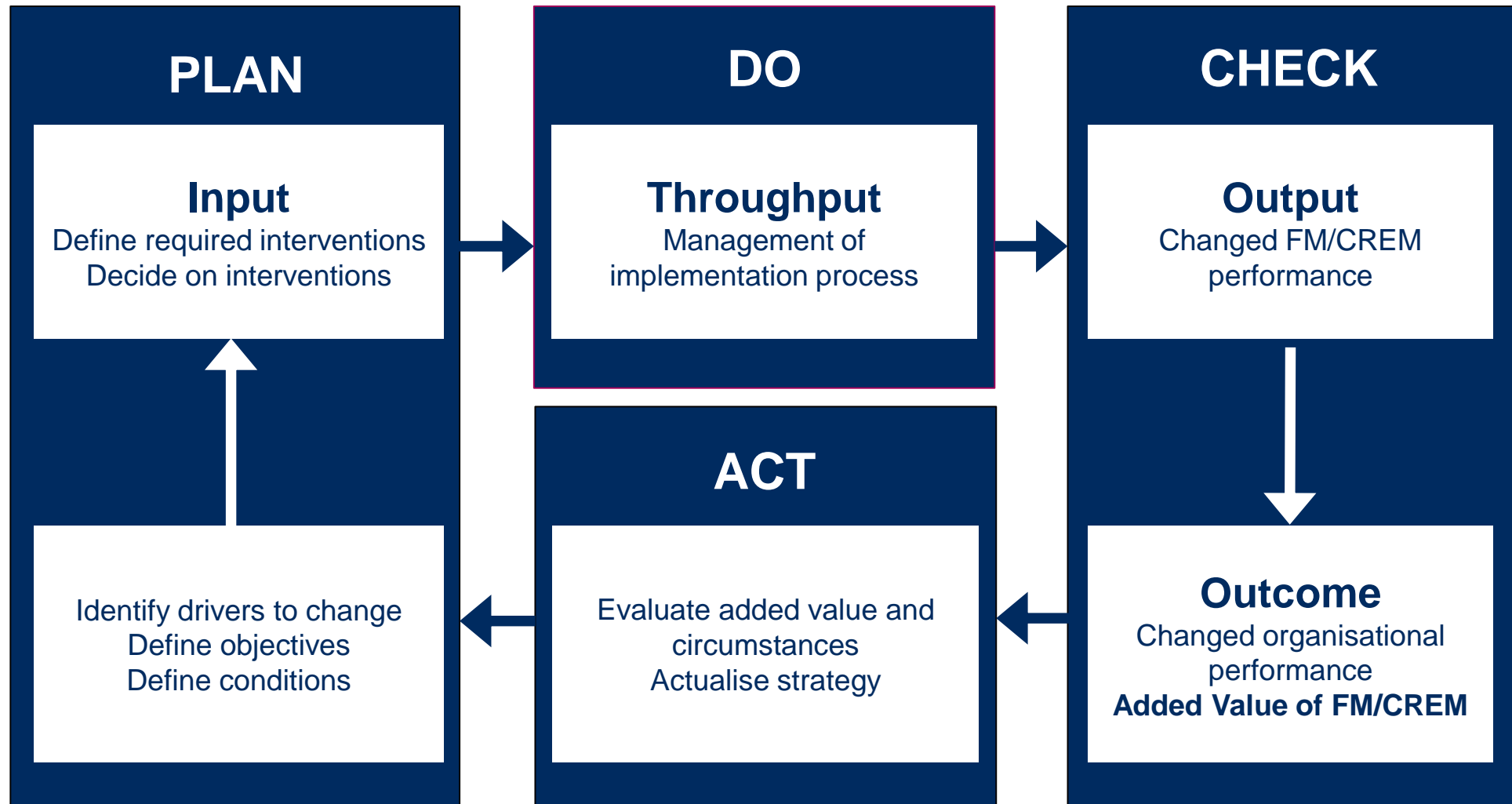
## **Penny wise .... pound foolish**

Office workplace costs about 10.000 euro/year

Employee costs about 70.000 euro/year

- It makes more sense to raise productivity with 5% than to cut workplace costs with 30%

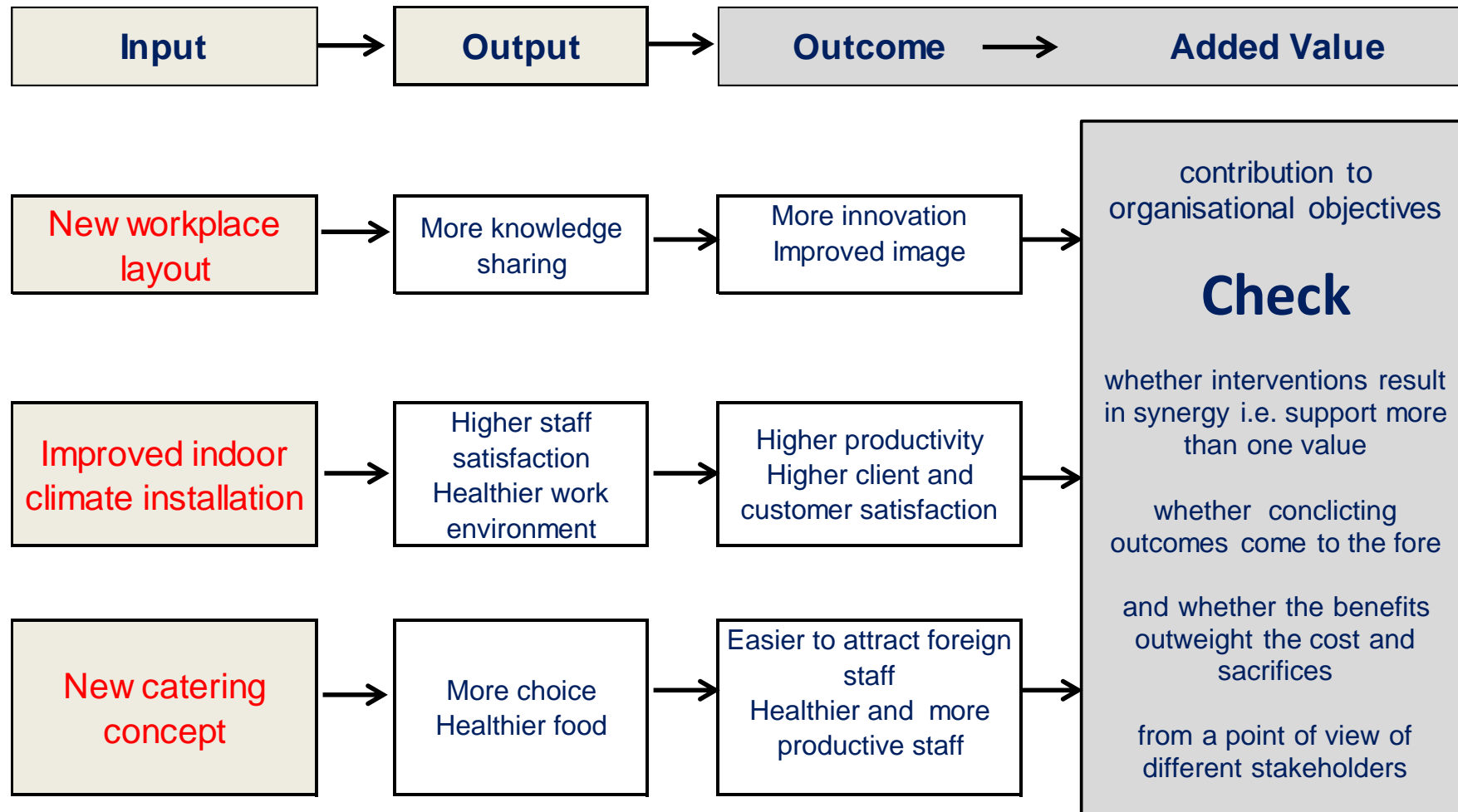
# Adding Value as a process: Value Adding Management Model



Hoendervanger, Bergsma, Van der Voordt & Jensen, In Jensen & Van der Voordt, 2017  
Chapter 17, Tools to manage and measure adding value by FM and CREM  
See also our paper in Corporate Real Estate Journal 6(1), 42-56



# Examples of adding value by buildings, facilities and services



## Example: measuring productivity

- Actual output / actual input**
  - ≠ translated words per employee per day (translation office)
  - ≠ phone calls per day (call centre)
  - ≠ cars per f.t.e. (automobile plant)
- Actual input** e.g. monitoring computer activity (mouse clicks)
- Amount of time saved or lost** e.g. time saved by a new computer system, or time lost by having to log on frequently
- Absenteeism** due to illness or for other reasons
- Levels of satisfaction** (a happy worker is a productive worker)
- Perceived productivity support** (interviews, survey)
  - perceived support of productivity by the work environment (scale 1-5)
  - estimated percentage of time being productive
  - perceived productivity gain when all facilities would be excellent
- Indirect indicators** (observations, interviews, survey)
  - extent to which people are able to concentrate properly
  - frequency of being actually distracted
- .....

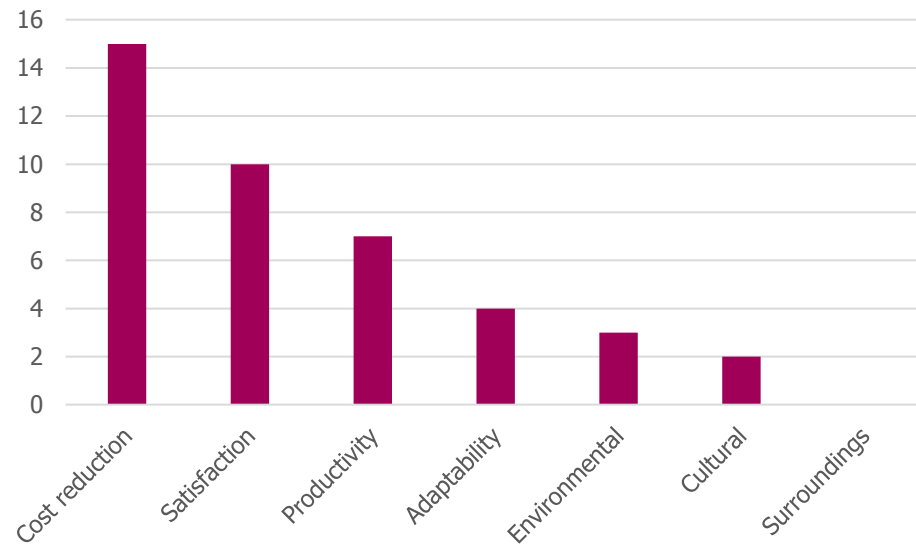


## 4 out of 12 values - Interventions, measurement tools and KPIs

<i>Chapter Number and Value</i>	<i>Interventions Provide/create:</i>	<i>Tools to measure the impact</i>	<i>KPIs (Top 5)</i>
5. Satisfaction	More suitable spatial layout More collaborative spaces Extra storage space Better indoor climate Modern and attractive interior, furniture and finishing	Employee surveys Observations Interviews Walk-throughs Narratives	Employee satisfaction with: <ul style="list-style-type: none"> <li>– Workplaces</li> <li>– Collaborative space</li> <li>– Indoor environment</li> <li>– ICT and other equipment</li> <li>– Amenities</li> </ul>
6. Image	Move to a new location High quality surroundings Reorganisation of spatial layout Better/more facilities and services “Green” programme	Stakeholder surveys Group discussions Analyses of historical sources Analysis of social media and other ways of communication	Perceptions of <ul style="list-style-type: none"> <li>– Corporate identity</li> <li>– Corporate value</li> <li>– Corporate brand</li> <li>– Media exposure</li> <li>– Shares and likes on social media</li> </ul>
7. Culture	More open settings to support collaboration Shared desks/places New types of food New behavioural rules (e.g. regarding dress code)	Employee surveys Observations Interviews Workshops	Perceptions of <ul style="list-style-type: none"> <li>– Corporate culture</li> <li>– Match between corporate culture and <ul style="list-style-type: none"> <li>○ organisation</li> <li>○ facilities</li> <li>○ work environment</li> </ul> </li> </ul>
8. Health and safety	Higher level of personal control Ergonomic designed furniture Better indoor air quality, acoustics and light More healthy food Healthcare services	Capture and react on complaints Workplace H&S assessment	Sick leave Number of accidents Absence due to accidents Number of complaints about H&S Percentage of (dis)satisfied employees in surveys

Hoendervanger et al. (2017), in Jensen & Van der Voordt, Chapter 17.

## Prioritized values in practice - offices

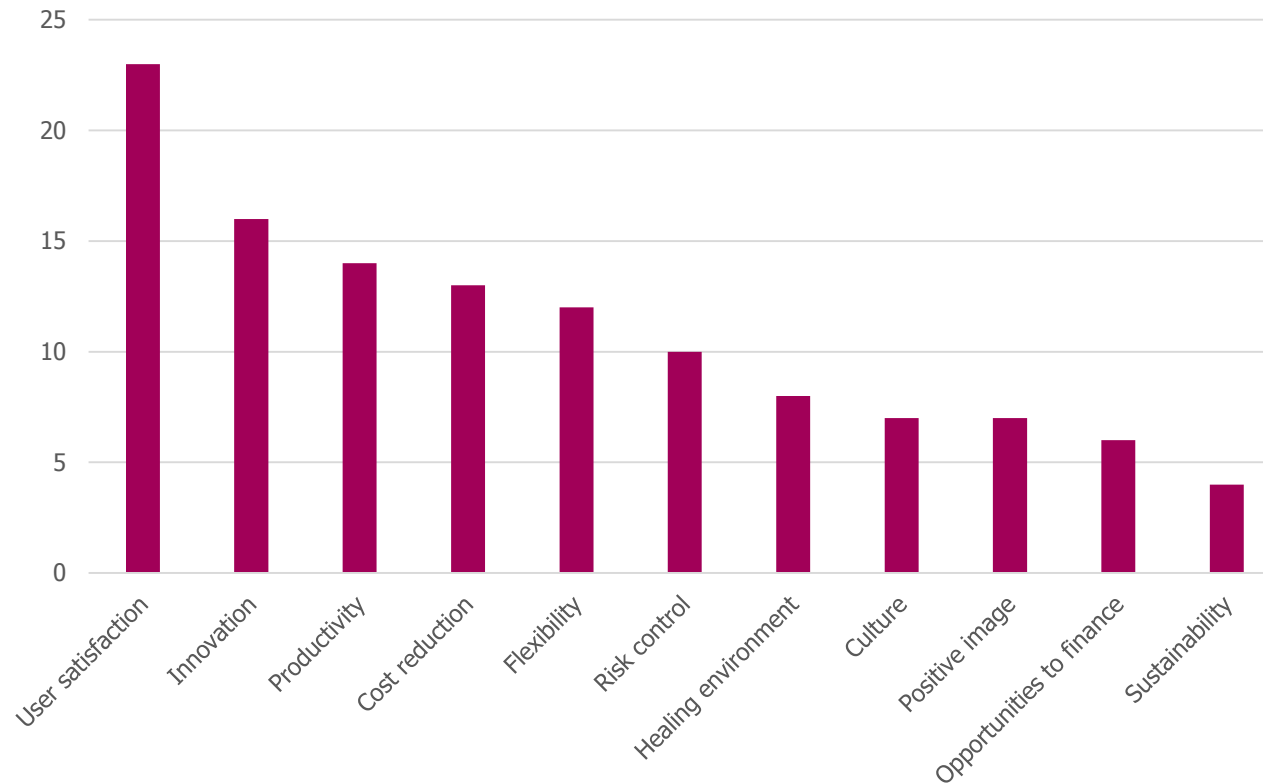


Most frequently prioritized values in 10 interviews (5 De, 5 NL)

Top 5 - Total 41 values



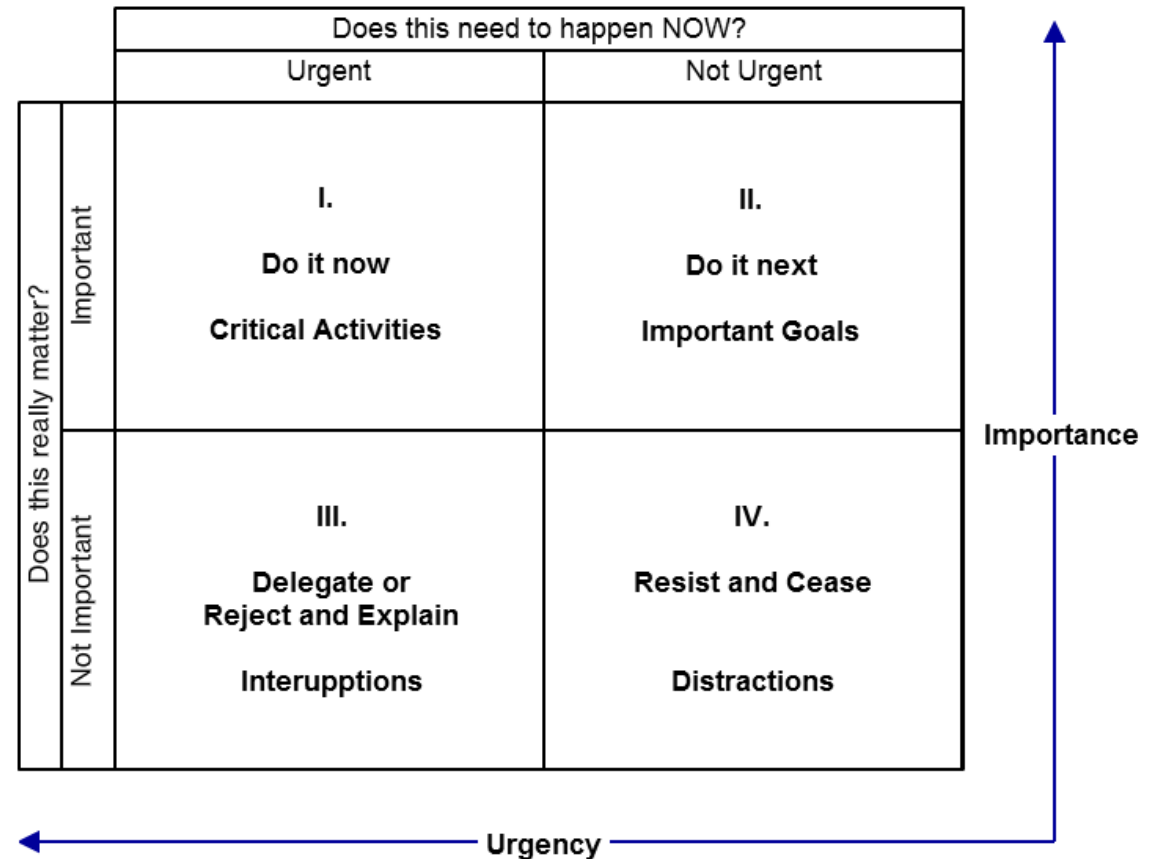
# Prioritized values in practice – health care facilities



**Most frequently prioritized values (top 3) in 54 interviews**

# Criteria for prioritization

- ❑ Importance
- ❑ Urgency
- ❑ Impact
- ❑ Do-ability



## Conclusions & recommendations

- ❑ Adding Value is a multi-dimensional concept
- ❑ AV can be different for different stakeholders
- ❑ Be aware of the distinction between output and outcome
- ❑ AV parameters can be measured in different ways
- ❑ Measuring takes time, money and effort: prioritize
- ❑ Focus on most relevant, urgent and do-able interventions
- ❑ Use standardised tools to support benchmarking
- ❑ Conduct more holistic, integrated business cases

# Book 1

## THE ADDED VALUE OF FACILITIES MANAGEMENT CONCEPTS, FINDINGS AND PERSPECTIVES

*Per Anker Jensen, Theo van der Voordt and Christian Coenen (editors)*

During the last decades the perception and application of Facilities Management (FM) has gradually shifted from primarily steering on cost reduction towards managing of facilities as a strategic resource to add value to the organisation and its stakeholders and to contribute to its overall performance.

This book shows why and how this shift occurred and how the supply of facilities can or should be aligned to the different interests and needs of various stakeholders. It connects concepts, theoretical frameworks, research data and measurement tools from different countries and different disciplines, including Facilities Management, Corporate Real Estate Management, and Business to Business Marketing. The case studies explore different sectors such as offices, higher education, industry and health care. Much attention is being paid to value adding management, performance measurement and Key Performance Indicators covering economic issues, the needs and preferences of clients, customers and end users, shareholder value, relationship value and sustainability.

The starting point for this international collaboration was the so-called FM Value Map that visualizes the links between input (resources), throughput (process), output (provisions) and outcomes i.e. the impact on the core business and the surroundings. The book ends up with many lessons learned, both from an academic and a practical point of view, and input for the future research agenda. As such this book is appropriate to be used in academic research, educational settings and practical decision making.

The Added Value of FM is a result of an international collaboration between eighteen authors representing the perspectives of seven nationalities. It was edited by Per Anker Jensen, Professor in Facilities Management at the Technical University of Denmark (DTU), Theo van der Voordt, Associate Professor in Corporate Real Estate Management at the Delft University of Technology, and Christian Coenen, Professor of Marketing and Services Management at the Zurich University of Applied Sciences.

The publication has been made in collaboration between Centre for Facilities Management – Realdania Research and the European network EuroFM.

The book has 312 pages in colour print, format 170 x 240 mm and hardback.

The price is 249 DKK + postage (approx. Euro 33, £ 28 and \$ 42).  
On-line order at [http://www.polyteknisk.dk/home/Facilities\\_management](http://www.polyteknisk.dk/home/Facilities_management)

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*Further reading  
in English*





# Facilities Management and Corporate Real Estate Management as Value Drivers

## How to Manage and Measure Adding Value

Edited by Per Anker Jensen, Theo van der Voordt

Facilities Management (FM) and Corporate Real Estate Management (CREM) are two closely related and relatively new management disciplines with developing international professions and increasing academic attention. Both disciplines have from the outset a strong focus on controlling and reducing cost for real estate, facilities and related services. In recent years there has been a change towards putting more focus on how FM/CREM can add value to the organisation.

The book is research based with a focus on guidance to practice. It offers a transdisciplinary approach, integrating academic knowledge from a variety of different fields with practical experience. It also includes 12 interviews with practitioners, shedding light as to how they manage adding value in practice. This is a much needed resource for practitioners, researchers and teachers from the field of FM and CREM, as well as students at both undergraduate and postgraduate level.

### **Contents**

Preface. Forewords. **Part I: Introductory Chapters.** 1. Introduction and Overall Framework. 2. FM and CREM Interventions. 3. Value Adding Management 4. Value Parameters. **Part II: Value Parameters.** 5. Satisfaction. 6. Image. 7. Culture. 8. Health and Safety. 9. Productivity. 10. Adaptability. 11. Innovation. 12. Risk. 13. Cost. 14. Value of Assets. 15. Sustainability. 16. Corporate Social Responsibility. **Part III: Epilogue.** 17. Tools to Measure and Manage Adding Value by FM and CREM. 18. Reflections, Conclusions and Recommendations.

For more information:

<https://www.routledge.com/Facilities-Management-and-Corporate-Real-Estate-Management-as-Value-Drivers/Anker-Jensen-van-der-Voordt/p/book/9781138907188>

# Relevant papers on Adding Value by FM and CREM

- ❑ Van der Voordt, T. & Jensen, P.A. (2018)  
**Measurement and benchmarking of workplace performance: key issues in value adding management.**  
*Journal of Corporate Real Estate* 20(3), 177-195.
- ❑ Van der Voordt, T., Jensen, P.A., Hoendervanger, J.G. and Bergsma, F. (2016)  
**Value Adding Management of buildings and facility services in four steps.**  
*Corporate Real Estate Journal* 6(1), 42-56.
- ❑ Van der Voordt, T. (2016)  
**Adding Value by Health Care Real Estate: Parameters, Priorities, and Interventions.**  
*Journal of Corporate real Estate* 18(2), 145-159. Special ERES Issue.
- ❑ Van der Voordt, T. & Jensen, P.A. (2014)  
**Adding value by FM: management practices in the Netherlands and Denmark.**  
*European Facility Management Conference EFMC 2014*, Berlin, 4-6 June 2014.
- ❑ Jensen, P.A., van der Voordt, Th., Coenen, C., von Felten, D., Lindholm, A., Balslev Nielsen, S., Riratanaphong, C. and Schmid, M. (2012), **In Search for the Added Value of FM: What we know and what we need to learn.**  
*Facilities* 30(5/6), 199-217.



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