

 **Visible Change**

Jane Fenwick has visited Unilever to see how the organisation and the HQ it has occupied since the 1930's have changed to meet the demands of the 21st century workplace.

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ISSUE 7 - SEPTEMBER 2008

A EuroFM Publication

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Is a revolution about to take place in Facility Management Procurement?

By Dr. Paul Luciani

According to Dr. Paul Luciani, a holder of a Doctorate in Facility Management at UTS and researcher on the topic, it's already started.

Dr. Paul Luciani came to this conclusion after years of research in the way facility management procurement cycles alter, in particular, the interaction of cost and value with in-sourcing and outsourcing of facility management in Australia.

After five years of research undertaken at the University of Technology Sydney in the faculty of Design Architecture and Building, he came to the conclusion that medium to large size organisation's core business actually undertake micro shifts in their operating environments, which has the effect of changing the optimal environment in which facility services should be delivered to achieve maximum value and minimum costs.

"Outsourcing thrives best under different operating environments than in-sourcing and vice versa," claims Luciani.

Luciani had a feeling that this was the case. After spending the last 13 years in various large organisations as an operations manager, he observed that there were times when external resources would definitely benefit the

overall delivery of the facility management function over internal resources. However there were times when it seemed that these external resources were adding unwanted costs.

"I remember signing off an FM IT consultant's invoice thinking, wow, this much money for not much return, we could do this better and cheaper ourselves! I had to remind myself that about 18 months prior to this he was credited with revolutionary management of the organisation's communications infrastructure. What had changed? It was then that I started to think that maybe it was the organisation that shifted away from the service provider, and not the other way around. Should the blame then for increased cost in service delivery be shifted from the suppliers to something else, say the organisation itself!"

That is when Luciani decided that he would seek to answer the question of how to get the balance right between insourcing and outsourcing of FM delivery. His search for a suitable avenue to research this question, led him to the University of Technology Sydney. "After scanning the globe, UTS was the only institution willing to offer a Doctorate in Facility

Management" said Luciani.

This is a first for Australia, and in fact, Luciani is the first graduate of the degree; and one of only a handful in the world who hold such a qualification.

Associate professor at the time, Craig Langston, a noted facility management academic who currently is the professor of construction and facilities management for the School of Sustainable Development at Bond University, was instrumental in the course design of Doctor of Facilities Management at UTS, and the course provided the perfect environment to study facility management procurement cycles.

"I remember sitting in Craig's office explaining my hypothesis on degradation curves in cost and value over time. His initial reaction was that a simpler problem should be chosen! But I was adamant that I wanted to research this. To his credit, he supported the notion and he supervised the development of the hypothesis which was eventually accepted by the University," said Luciani.

What transpired after this was an intense study on 148 organisations, with data collected going back 50 years in some instances.

"I remember running regression analysis on the final data set and not getting the expected results! I started worrying that my hypothesis may not be exactly correct. So I rang Dr David Leifer, senior lecturer and coordinator of the Facilities Management Program at the University of Sydney, Faculty of Architecture for his advice. I sent him the graphed results hoping he could shed some light on why the results were not returning the expected trends."

"Dr Leifer almost instantly recognised that I was using the wrong type of regression analysis and suggested that I use Polynomial regression to the 5th or 6th order. He was right. Once plugged in, the data

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set returned almost perfect trend lines supporting the hypothesis!" said Luciani.

Luciani was looking for slow and gradual decline in value and increase in cost, and so all his statistical methods were around a straight line trend. What was happening however, was a slightly erratic up and down curve trend that culminated at its peak about every five years. This, he learned, was best discovered using polynomial regression analysis, as the up and down cycles fitted the model better than a straight line method.

What this was indicating was that something was causing realised value and cost from FM delivery to change over time in fairly regular 5 year intervals. Fortunately, the response rate from the data set was very good, and as such it was easy to identify the causes of these changes. It was in fact, the organisation's operating environment itself changing in almost precisely the same pattern as the value and costs. "This was the driver I had been searching for!" said Luciani.

"I am most grateful to Dr Leifer for

his suggestion and more importantly, I am grateful that this sparked a long lasting relationship, where he has allowed me to progressively lecture on the findings of my thesis to his master's students. The feedback from the students has been very receptive. Many of the students claim to have known for some time that cycles existed and that micro management of external and internal resources delivers optimal results in their working lives." said Luciani.

This news was also not surprising to Luciani. In fact many organisations unknowingly are putting into practice the findings of his research as they strive for survival as an entity in an increasingly competitive global economy.

Luciani believes that this corporate devolution, in part, can be blamed on the ignorance of firms to their own changes in core business operating environment. These micro shifts alter the way that support services actually enhance or detract from the bottom line. He believes that attempts for corporate survival through "massive

cost cutting" or "major restructuring" of the back office is now avoidable.

The solution is to address these changes in the firm's core business operating environment by adapting support services delivery to suit. This means that the business is pulling the support services, and not being pushed by them. This way a balance is achieved, and Luciani's research shows that this equates to decrease costs and increased value for the firm.

An interesting parallel that can be drawn is the way in which firms now structure their property services functions. There is clearly an increasing tendency toward a merging of procurement, property, facility, and operational management in the one function. Luciani believes this to be the result of firms recognising the importance of support services and the way they are delivered and interact with core business for the very survival of the organisation itself.

The resurgence of the chief operating officer within corporate management is another indicator that organisations are recognising that healthy below gross margin results is largely a result of efficient support services delivery.

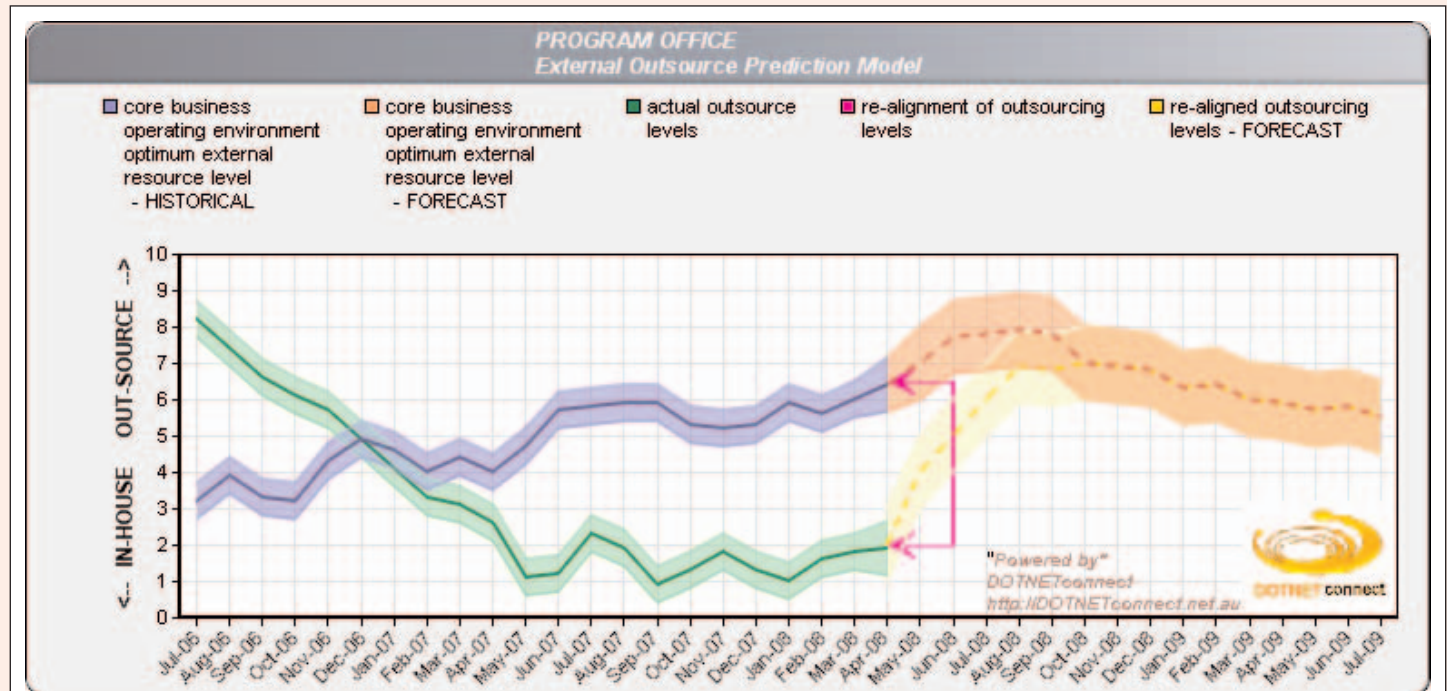
So the ramifications of these findings could be considered both

timely and relevant. Firstly, the "one size fits all" theory has been comprehensively disproved. No longer can it be assumed that outsourcing alone will deliver sustainable facility management past a five year period.

Secondly, great efficiency gains, never before realised in a sustainable way, could be realised by firms if they turn their attention to how facility management procurement is delivered, rather than solely concentrating on what services were to be delivered or how much these services were to cost.

Luciani maintains however, that putting this research to practical use is not as straight forward as one may think. Firstly, there are ten major variables of the organisations core business operating environment that must be "mapped". Once mapped, each support service commodity must be assessed to identify the extent of external or internal control that is currently utilised to deliver this support to the core business. Then, this data is plotted on graphs to determine optimum alignment to the core business requirements. Depending on the results, it's almost certain that re-

continues on page 3



In summary

1. The blue line represents the optimum outsourcing level as dictated by the core business operating environment (which is mapped by the system)
2. The green line is the actual amount of outsourcing currently taking place (you will note that there is misalignment. The green line should follow the blue line to ensure maximum efficiency)
3. The red line is the predicted optimum amount of outsourcing for the future (in this case it is coming down)
4. The yellow line is the change in current outsourcing levels required to align to the predicted optimum outsourcing levels required in the future.

NOTE: You will note that there is a curve here roughly taking place over a five year period. That is, from minimum outsourcing to maximum outsourcing over a five year period required to follow the core business operating environment.

NOTE: Once realignment has taken place, the system will report in real time so micro shifts in outsourcing levels can take place to maintain alignment without the need for large scale changes. This will significantly reduce costs such as re-engineering, redundancies, contract termination penalties, low quality of support services, etc. The five year cycle will still take place, but without the need for large case re-organisation.

Is a revolution about to take place in Facility Management Procurement?

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alignment of service delivery will be required.

Luciani believes that it is only at this point, once realignment has been achieved, that the benefits of predictive modelling come into play. "Once we know the optimum amount of external resources required to achieve maximum value for support services, then we can predict with a certain degree of confidence what changes in these external resource levels will be required to 'follow' changes in the firms core business operations".

This will allow practitioners and managers to "arrange" circumstances in advance to accommodate these inevitable changes in core business.

Examples of this prearrangement would be in the development of flexible contracts, allowing firms to reduce or increase the scope of external management as required and in advance. It is this "closing the gap" of service delivery and core business needs that saves money, claims Luciani.

Furthermore, he maintains that due to the complex nature of the formulas necessary to predict these shifts, the use of technology seems like the logical solution to effectively deliver these benefits to large organisations.

It's interesting to observe the evolution of strategic procurement and procure to pay solutions. These systems have evolved from basic

purchase order creation, to end to end commodity management lifecycle systems.

One interesting development, however, is the move towards life long vendor partnerships enveloped within the systems. Increasingly these systems are moving towards partnerships with vendors that allow scope increases and reductions to suit the client organisation without the need to change vendors.

This could be further evidence that not only are firms realising the importance of micro shifts in the way services are delivered, but that these shifts could be best managed via intuitive and holistic "systems". It won't be too long, claims Luciani, where these systems will evolve into the type of predictive modelling discussed in this article.

Understanding this, Luciani is currently developing a system-based model for direct application at his workplace, Ernst & Young. "We are currently focusing on below gross margin costs and are confident that our system will identify large gaps in our support services delivery methods which will allow us to make the necessary changes to reduce costs".

One problem they faced was ensuring the data feeds were consistent and did not require human intervention that would bias results. "We quickly realised that it was the organisation's finance system which held both consistency and statistical integrity. So we translated the original variables to 'talk' with the native language of the firm's finance system. This gave us huge benefits. Firstly, reports could be run monthly, weekly, or even daily in real time! Secondly, there was no requirement to 'consult' with either support services or core

business staff. With everything being derived from the finance system, it has given us a natural platform from which to produce results. One which is familiar to senior executives!

Dubbed the 'program office' the system will also be used as an executive dashboard that will report on changes in the firms operating environment that affect support services the most. "We are tapping into the 'heart beat' of our firm to ensure we stay in-line with it," stated Luciani.

Stated in balanced scorecard terms, this means that all the decisions made from the system would be based on lead indicators; namely, those indicators that impact (in real time) on business performance right now, rather than having to rely on historical information such as the monthly report. Luciani sees an FM procurement future revolutionised through the application of this modelling - a revolution that has well and truly already started.



Dr. Paul Luciani

Dr Paul Luciani Graduated from the University of Technology Sydney on the 6th May 2008 with a Doctor of Facility Management. He holds a Masters Degree from the University of New South Wales in Business & Technology, accompanied by two associate Diplomas in Building Sciences. He has been instrumental in restructuring support services delivery for W.D & H.O Wills, Westpac Bank, Allianz Insurance, David Jones, and is currently the Oceania Area Property & Procurement Director of Ernst & Young Australia.

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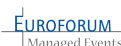
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Energy Monitoring of Public Buildings

The project "Intelligent Energy for Europe" aims at gaining general knowledge about energy characteristics of buildings.

The absence of information for the actual condition of the building about the energy performance of the objects is an impediment to launch the most effective measures for reduction of energy consumption in the buildings. The complete title of the project DATAMINE is "Monitoring of energy characteristic of new and already existing buildings using the data from their energy certification". It is part of the program "Intelligent Energy for Europe" and aims to increase the general knowledge about the energy characteristics of buildings, using the information from the process of their energy inquire and certification.

DATAMINE starts in the beginning of 2006 and continues three years. 12 EU country members participate in the project. The Energy agency of Sofia - SOFENA is the Bulgarian representative. DATAMINE has a specific commitment with the Energy Performance of Buildings Directive, which defines the necessity of emitting certificates for the energy performance of buildings in the EU. The experience shows that the directive is not yet apprehended and adopted in some countries members. Bulgaria has significant advance with the energy efficiency law and the adjoining orders.

12 models are foreseen to be fulfilled for data collection and monitoring in the countries that participate in the project. Every process for data collection and analysis will be tested in small scale in every country. Every model will have its own structure and specific features of the used certificates, data collection methods and the aims of the monitoring. Thus every participant in the project will represent his certification activities, as well as the key participants in the process. The unified scheme of the project for all participants is given.

Some of the expected results from the project are associated with:

- Setting up of a general harmonized European structure for data gathering and evaluation of the energy performance of the buildings
- Comparison of the methods for data gathering and monitoring schemes
- Extracting conclusions from the specific experience from different

projects with the goal of creating a coordinated system for monitoring on national and European level

- Creating a platform for realization of efficient and effective programs for increasing the energy performance of buildings
- Creating a software instrument for practical analysis of the collected data.

The expected results from the project are a good prerequisite for forming a harmonized system for monitoring of buildings on local, national and European level. The data to be analyzed is divided in several categories - general information, characteristics of the buildings' insulations, the installations etc. The specific characteristics such as energy consumption, heat conductivity etc., assessed by calculation or testing in the process of energy audit, can be utilized in the database. The resulting analysis is to be carried out mainly with the help of an Analysis Tool, which is set up on the basis of Excel.

The national project, which is realized by the agency SOFENA, is aiming to collect, analyze and monitor the energy characteristics of public buildings in Bulgaria - schools, kindergartens, social homes, offices etc.

The range and the specific goals of the Bulgarian model are connected with an estimation of the energy performance of as many public buildings in Bulgaria as possible, analysis of the certification and



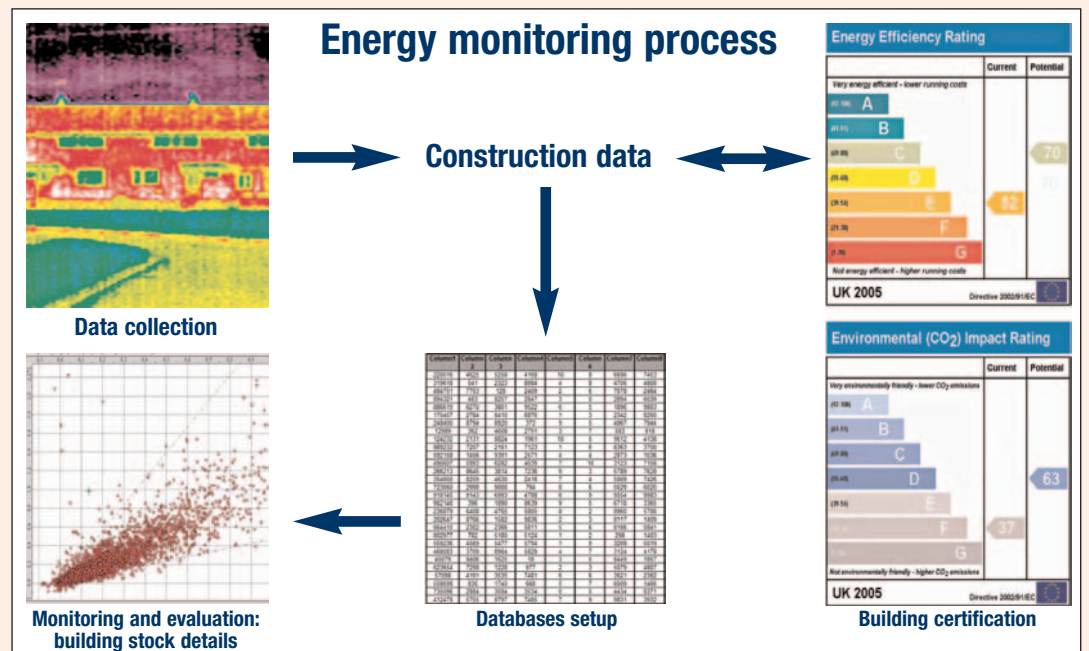
EU requires that the member states issue Energy monitoring certificates of the buildings located on the union's territory.

monitoring methods, estimation of the energy indicators, estimation of the buildings condition, calculation and estimation of the green benefits, analysis of the energy saving measures in buildings - by effectiveness, type, popularity, price etc. The fundamental prerequisites for obtaining good results are connected with the functioning legislation on energy efficiency, the big potential for conducting energy audits and monitoring of buildings in the country, as well as the best practices, know-how, experience and ideas of the

agency. SOFENA is collaborating and being supported by the state, particularly by the National Agency for Energy Efficiency, the municipal authorities and others.

It is expected 12 models to be fulfilled for collection of data and monitoring of buildings participating in the project.

The estimated results from the project are a good prerequisite for forming a harmonized system for monitoring of buildings on the local, national and European level.





FM Processes: Mapping the Path to Success

By Andrew Fleming, University of Salford

Rising energy prices and resource scarcity are just two of many contributory factors that are placing increasing pressure on organisations throughout the world to become more efficient and effective. Organisational minds are focussed on the question how can we do what we do better?

In answering this question, organisations must fully understand what they do, when they do it, who they do it with and for what reason. To help with this understanding many organisations model their processes to gain a current snapshot of how their people, tools and procedures are configured and interact. Once these process snapshots have been developed organisations should be equipped to understand how their primary and secondary processes are enacted and what improvements if any are required.

FM organisations and departments are well positioned to interface at this point to further support these organisations, as according to CEN the European Committee for Standardisation, 'FM is the integration of processes within an organisation to maintain and develop the agreed services which support and improve the effectiveness of its primary activities'.

Therefore, it is important that processes are modelled in a standardised way. To this end, work is currently ongoing under the umbrella of CEN to develop, through agreement, basic terms and definitions for a family of FM standards, one of which is focussing on FM processes, which are seen as a key to delivering innovative services to the highest levels of excellence in the developing market in Europe. The work is referencing existing ISO process management standards to ensure synergies between the developing FM Process standard and legacy organisational processes.

Organisations with a well defined management process can potentially improve short term and long term decision making, stakeholder management, consistency in delivery, organisational coordination and continuous improvement. With benefits such as these there is considerable interest in process modelling and improvement and EURO FM commissioned research to identify and review work in this field that is being carried out in EuroFM member organisations and other related research institutions in Europe. This work had

two objectives - to identify opportunities for research collaboration and to inform the development of a European standard for FM processes.

FM process work has been identified at academic centres in Germany, Sweden, Netherlands, Austria, Switzerland and the United Kingdom and encompasses a broad range of FM process initiatives that consider process development, innovation, mapping, implementation, application, assessment and optimisation. These initiatives all aim to help organisations do what they do better!

FM Development Processes

Atkin and Bjork (2008) in Sweden have taken a strategic perspective towards FM Processes and have developed a five stage process: Formulating FM strategy; Analysing requirements; Developing solutions; Implementing solutions; Monitoring service provision. They stress that all of the actors within the process should have a shared understanding and that the process they present portrays FM as a set of activities that combine to satisfy business needs and shows how process models can provoke discussion and study and provide owners and managers of facilities with a means by which they can define decision-making and determine improvements to their current procedures and practices. An IDEF 0 model accompanies the work to enable its application to real life cases.

Developmental work is being carried out by Fleming et al, (2008) to create a high-level protocol for generic facilities management processes to enable organisations to manage activities and the phases of the ongoing programme to achieve business and strategic objectives. The work draws from earlier work in the manufacturing and construction sectors. Sigg (2007) describes Swiss work to create an overall process-based model for commissioning facilities services.

FM Optimisation Processes

Previous to work by Redlein and Fleischmann (2007) it was difficult to undertake business process reengineering (BPR) in the FM Sector

as there was an insufficient number of FM reference process models available which are generic and reusable between organisations. Therefore, Redlein and Fleischmann developed a series of FM Reference process models which serve to accelerate BPR activity within the sector. They were derived and developed from extensive case study research in Austria and Germany and are aligned to GEFMA 100-2 standards. The processes are focussed at the operational level and are primarily building related. Currently Redlein and Giller (2008) are focussing on the importance of internal control systems in organisations.

Another method of process optimisation has been demonstrated by Wiesinger (2006) through the application of the process chain approach (based on system theory and cybernetics principles) which is a process orientated development of an integrated FM system that enables 'as is' process analysis by studying the flow of FM processes through an organisational unit and its supply chain. The process chain considers processes that are useful which directly create customer value, supporting which support the useful processes and blind processes that detract from what is trying to be achieved. This holistic view is beneficial as often it is only the outcome of support processes that is considered important as the support process provider is deemed to be responsible for its process. Wiesinger suggests that 'increasing competition is causing firms to focus on core processes and is also causing them to adopt tools and methods to remain competitive.' This approach may serve as a basis for facilities management agreements and control of performance.

FM Innovation Processes

Innovativeness is an important success factor in modern organisations and the work of Mudrak et al (2005) in the Netherlands has concentrated on innovation processes and the innovativeness of FM organisations. In house FM departments and FM main contractors were studied to consider how they are innovative. The work adapted a well established process of innovation to gauge how innovative the firms were. The innovation process comprised five stages from how they manage innovation to how they implement it whilst also considering external linkages, strategy and organisational context. The work found that the sampled organisations were lacking in innovation management capabilities, however, the contractor organisations were more innovative than the in house ones.

FM Implementation Processes

May et al (2008) suggest that in order to survive, private and public sector organisations need to improve their core competencies and that FM must be integrated into core business strategy.

They view FM as an intermediary between internal requirements and market conditions. Their work has studied the barriers to and benefits of FM implementation and is developing an IT solution called FM Assist which guides users through the entire FM implementation process by supporting decision processes. Currently their findings suggest FM implementation involves many different groups and that it is often not perceived as an essential function. They also suggest that FM is often implemented without an understanding of what it is supporting.

Application of FM Processes

The SPICE FM framework developed in the UK enables FM organisations to continuously monitor and improve their performance by providing a method for assessing facilities management (FM) process capabilities. It has been tested in a series of case studies to ensure that its outputs are appropriate to the facilities management sector and of real value to organisations. The SPICE FM work has been applied to the health sector.

Also in the health care sector Lennerts et al (2008) assembled a number of partners to study primary and secondary processes in healthcare settings to see where optimisations could be made. By using mind maps, focus groups and case studies they developed 'as is' processes and then they analysed a number of these in detail to see how they could be optimised. Processes have been field tested and evaluated in terms of interaction with the core process as well as determining cost and quality factors. Finally work by Yusof (2008) seeks to understand the application of facilities management processes in higher education institutions in the UK focusing on maintenance and operations in supporting the overall aims and objectives of the organisation.

Summary

These contrasting initiatives use a process approach to improve organisational understanding and as they become more developed and their application to the FM sector matures, increased organisational performance should be enjoyed. Finally, it is worth remembering that when developing processes they should be tailored to and accepted by those who use them, be thoroughly tested and useable.

Further information can be found within the EuroFM Monograph, Facilities Management Processes, edited by Prof. K. Alexander.

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Real Estate and FM: There is Plenty to do!

By Koos Groenewoud CFM

An interview with Prof. Hans de Jonge, Professor of Real Estate Management and Development at the Faculty of Architecture of Delft University of Technology, about the relationship between real estate and facility management. He believes that FM needs to be professionalized further in order for it to come into its own in various fields. This will require an increase in knowledge about the relationship between productivity and working environment.

In addition to being Professor of Real Estate Management and Development at the Faculty of Architecture of Delft University of Technology, since 1997 Prof. Hans de Jonge has been Chairman of the Board at the Brink Group. This organization is active in the field of management, consultancy and automation for the building, housing and real estate sector. De Jonge says: "I trained as an architect at Delft University of Technology and have always been interested in science combined with practical applications. I chose architecture because I thought it was a pretty broad field of study that integrated both 'hard and soft' areas of science. During my studies I worked abroad a lot and also for a large firm of architects in Rotterdam. After that, I was asked to set up a contract research team at Delft University of Technology to carry out research and consultancy for public and private clients. Following that, I acted in various executive functions within the Dutch Government Buildings Agency, which was undergoing a major transition from building services to housing services at that time. In 1991, I was asked to set up a new, more commercially oriented course in Delft. From that moment on, I've always combined working in higher education with working in the business world. That course experienced tremendous growth and is still going strong under the name Real Estate & Housing. There have been new initiatives in recent years, such as the creation of two centres: the Centre for People & Buildings (www.cfpb.nl) and the Centre for Process Innovation in Building and Construction (www.cpihc.nl). Seven years ago, in conjunction with Erasmus University and the Rotterdam Development Agency, we set up a new postgraduate Master's programme (Master City Developer)."

Combining two worlds

De Jonge combines teaching with a job in the business world; he has clear reasons for this: "Working on new issues in networks of different specialists, exchanging international experiences and working with students - I've always found it to be particularly inspiring. It keeps you sharp. But at the same time I'm too impatient to work in a university full-time. In the business world I like the dynamism of the market and the need to make decisions in unclear situations based on incomplete information. The tension between these two worlds gives me a lot of energy."

De Jonge also teaches in the USA. He is of the opinion that there are several differences there between the fields of Real Estate and Housing: "Thanks to the scale of organizations and the size of the country, there is a degree of professionalism at the highest level that you find much less often here in the Netherlands. The real estate market is seen predominantly from the supply side, and buildings are mainly considered as investment products. You are very much aware there of the dominance of the private market. On the other hand, for real estate development with a more



Prof. Hans de Jonge

socially oriented approach, we in Europe are more of a role model for the U.S. The field of Corporate Real Estate Management, which I brought over to Europe in the early 90s and expanded in Delft, is more advanced over there."

The Brink Group does not focus specifically on FM; De Jonge explains why this is the case: "The definition of FM that I subscribe to is: 'the integrated management of housing, services and resources'. According to that definition, housing is part of the field. FM has primarily the character of a general management discipline and thus, in my opinion, belongs in general management courses. In the areas in which the Brink Group is active, the focus is more on housing management than on the management of services and resources. In order to have proper housing management you need to have an understanding of the strategic, tactical and operational aspects of housing. The relationship between organization and building(s) plays a key role in this, and a whole range of technical issues needs to be considered. In my view, the strategic and financial impact of real estate and housing decisions is many times greater than those relating to resources and services, which are more at a tactical or operational level. The choice to focus on housing rather than the whole range of FM activities is connected with our firm's market profile."

Office space market

The office space market is growing. New offices and office parks are being built while vacancy rates are still high. What does De Jonge think about that, but also about the office market in general? "A way of thinking that involves clearly delimited market segments fits in perfectly with the principle of the separation of functions, which has dominated urban development for decades. But the essence of urban development now is to have a mix of functions. Because of the unpredictability of future demand and the fact that there are no longer that many functions that cause an unacceptable nuisance, flexibility and a mix of functions are possible and indeed necessary. Surplus office space must now be redeveloped or

demolished. This will often involve office premises at the lower end of the market. When there is a surplus of office space, tenants will generally move to better accommodation at a limited additional cost. If you look at the potential for redevelopment, it has been seen time and again that the mono-functionality of an area is a major problem. At Delft we have been carrying out research for more than ten years into the transformation of office buildings, and there are a lot more possibilities than we are currently using. I believe that urban planning should be much more concerned with the development of high-quality urban space than with the actual functions of the buildings. This will also mean that you are less affected by the cycle of 'boom and bust' in the office space market. Unfortunately, the players in the real estate market are often neatly organized into different market segments, and introducing more integrated approaches is often problematic. Nonetheless, there are enormous opportunities."

Finally, we asked Prof. De Jonge what developments we can expect in the facilities field: "We have just been through a period in which there was a great emphasis in FM on cost reduction. It seemed almost as if the main contribution of FM consisted in reducing facility costs. Now we have entered a new period of economic growth combined with the ageing and shrinking of the workforce, resulting in increasing pressure on the labour market. We will see that providing good facilities can make a distinctive difference in the labour market. The added value of FM will once again come into its own in several areas. This requires increased professionalization, which includes an increase in knowledge about the relationship between productivity and working environment. This is precisely the area in which the Centre for People & Buildings is active. There are also market segments in which additional professionalization is both possible and necessary. For instance, the healthcare sector is one of the last sectors in society to feel the impact of market forces. There is plenty to do."

Koos Groenewoud CFM is a member of the FMI editorial team and the founder of the AAA (Triple A) Total Facility Management network organization. He is recently appointed to Facility Manager at DELTA NV, the multi-utility company.



Visible Change

By Jane Fenwick

Few global organisations can claim such a strong association with a building. Jane Fenwick visits Unilever to see how the organisation and the HQ it has occupied since the 1930's have changed to meet the demands of the 21st century workplace.



100VE Side Final

About 150 million times a day someone somewhere chooses a Unilever product. Unilever's food products range includes the Knorr brand, Bertolli pasta sauces and dressings, Walls and Ben & Jerry's ice creams and Lipton and Brooke Bond teas, while its cleaning products include brands such as Cif, Comfort, Domestos and Persil.

What is unusual in such a fast changing and market sensitive business, is that Unilever is still located in its original HQ built in the 1930's when the company was formed. Over the past 70 years, the building at 100 Embankment has become a Thames-side landmark on the north end of Blackfriars Bridge. Home to Unilever's global HQ, '100VE' - as it is now called - has undergone a transformation behind its listed façade and art deco entrance to bring the workplace into 21st century.

100VE last had a major refit in the 1970s and since then both workplace design and philosophy -and the company - have moved on. Recognising that a cellular office environment was unsuitable for a growing global business, Unilever faced the choice of relocating to another site in London or beyond, or undertaking a major refurbishment of the existing building. Unilever chose the latter in part to retain this strong link with its historic home.

Maintaining this link was important not just for sentimental reasons but also to retain its City on London location. A sale and leaseback deal saw the building sold to Sloane Capital and

leased back on a 20 year head lease with an option for a further 20 year extension. By leasing three floors of the eight of the refurbished building, Unilever occupies only the accommodation it needs but retains one floor for future expansion if needed.

The company moved out in September 2004 to offices at No 5 Tudor Street on an adjacent site part occupied by JP Morgan. This temporary move was convenient and a valuable transition for staff to test out open plan styles of working and the better use of meeting spaces which were planned for the new building. Many lessons were learned here that were taken into 100VE.

The company also took the opportunity to undertake some restructuring and the UK and Dutch boards amalgamated with key executives located in 100VE. By the time the company moved back in last year, the building interior was unrecognisable. Architects Kohn Pedersen Fox Associations had reconfigured the floor plates to create a central atrium that gives an impressive 'wow' factor on entering but also provides transparency and links between the floors. Rising through the eight floors of the building, the atrium space is dominated by Conrad Shawcross's Space Trumpet, a massive sculpture suspended overhead that makes a small rotation on two planes daily taking over 60 days to complete a full cycle.

Looking up, visitors also see the novel and visually interesting 'flying



Sculpture in atrium.

carpets' - part floors at levels five through to eight 'floating' in the atrium and linked by a spiral stairway. These 'flying carpets' serve to link the office spaces and provide informal meeting space. Glass floored walkways across the space provide ghostly footprints as people walk from one side to the other.

'Transparency' was identified as key objective in developing its new workplace. During the consultation process it was discovered that feeling connected to the business was directly linked to the visibility of those who lead it. To achieve improved 'transparency', senior executives and the boardroom are situated within the workspace on the sixth floor and not tucked away on the top floor as had been the case previously. Elsewhere, the use of natural light and glass has been maximised, and bold branding panels create a vibrant open plan workspace.

Public cafe

Unusually in corporate offices, particularly in these days of heightened security, the ground floor of 100VE is open to the public from 7am - 8pm on weekdays and there is a public café area with wi-fi installed. This offers not only a unique opportunity to view a modern corporate office beyond the front door, but also is an ideal respite from the roar of traffic the Victoria Embankment. Beyond the reception

and security desk, workspace is generous, as is access to natural light, informal meeting space and views across London. The main meeting facilities are located at the top of the building together with the staff restaurant and café, executive dining and a roof garden all affording views along the Thames.

The refurbishment was also an opportunity to incorporate 21st century environmental ideals. Refurbished to British Council for Offices specification throughout, 100VE achieved a BREEAM excellent rating. Unilever's Service Delivery Manager, Johan Vanlook, expects that the operational rating after the first year of occupation will be as good. So far 100VE has achieved a 25 per cent reduction in carbon emissions over the old building.

Vanlook, who reports to the Vice President Human Resources for the Corporate Centre, oversees the FM operation at 100VE and another 55,000 sq ft on a short lease at nearby Ludgate Hill accommodating 170 people IT and finance staff. From later this year he will also become the Facilities Business Partner for Unilever's Global Leadership Academy in Surrey comprising four acres with a golf course and residential facilities. He is also the 'landlord' for the tenants at

continues on page 8



FM Team in atrium.

Visible Change

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100VE - solicitors Bristows and publishers, Little Brown Book Company.

Says Vanlook, "We've made a consistent effort to tell people how the transformation of the building has reflected the transformation of the business. Unilever is still the big business that cares very much about its customers, and it has modernised its operating models and streamlined processes. In the same way the HQ has maintained the trusted facade but behind it is a whole new environment."

Before the renovation, about 700 people occupied the whole building, now the headcount is just 500 occupying 150,000sq ft of the 260,000sq ft building. The FM operation has been radically changed from the existing inhouse service delivery employing about 130 people to an outsourced total FM contract with Carillion. Now there are only a handful of directly employed support service staff including chauffeurs and executive dining serving staff.

Carillion provides all the FM and estate management services, some change management services and FM to the tenants. Carillion's recent acquisition of Alfred McApline, which delivers technical FM services to Unilever's R&D and manufacturing

facilities including Port Sunlight, offers the tantalising prospect of bringing Unilever's FM services delivery across more of its estate under one management. Although this idea is at a very early stage, Vanlook sees a strategic FM opportunity for an organisation that has traditionally managed its FM at facility level. Unilever operates in 140 countries, and the potential for improving and standardising FM delivery internationally not been lost on Vanlook. He has already made contact with his opposite numbers in Unilever's European HQ in Rotterdam to examine its facilities across Europe, and he plans to use the company as a case study for developing a strategic approach to FM across its global estate for his MBA.

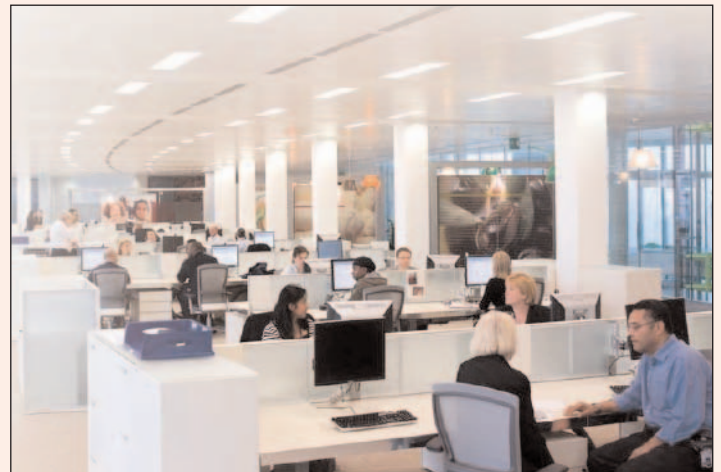
A 'Work Vitality Guide' is also under development, using the experience of 100VE to set the standard for workplaces in its other facilities in London, Rotterdam and Mumbai, to name but a few. The refurbishment of 100VE has created the opportunity for Unilever to create a step change in its working environment and practices. For example, the global HQ has installed a 'telepresence' video conference suite and currently has the facility to have video conversations 'across the desk' with five other locations across the world, which will total 18 locations by the end of this

year. Additionally, each senior executive has a desk top video conference unit.

Meanwhile, Vanlook has a number of projects on hand that have emerged since the building was occupied and directly relate to how the occupants have learned to use it. For example, the top floor catering facilities that link to the roof garden and command great views across London have been more popular with staff than anticipated. This necessitates an extension to the food preparation areas for the staff restaurant, and making additional provision for Unilever's development chefs who currently share the kitchen facilities with caterers, Baxter Storey.

Vanlook also plans to offer the fine dining facilities, particularly in the evenings for Unilever's business clients. On the ground floor he is managing a £2m project to provide 140 seat auditorium and catering facilities so that the company can host investor meetings and hire out the venue, generating over £2m of annual income.

Unilever has undoubtedly achieved the transparency it craved. 100VE has been designed to be light and open to help change and lift the spirits and drive the energy of all who work within it. With the ground floor open to the public, anyone can judge whether this is true.



Typical office.



Transforming Corporate Real Estate into a Strategic Function

By Jim Blaschke

Corporate real estate is big business. American corporations alone have more than US\$4 trillion in property, plant and equipment on the balance sheet, and 30 to 40 percent of that total is real estate. A single corporate real estate department may be responsible for managing strategic investments in hundreds of real estate assets-representing millions of dollars each year. To optimally manage building assets and allocate those investments appropriately, the organization needs to understand how these assets support strategic business objectives as well as their implications for financial and operational risk.

Even among the Fortune 500 companies, it is not uncommon for corporations to lack detailed information about the real estate they own and manage. Many have no central repository or database of real estate holdings. Each business unit has pieces of the puzzle, in many different formats and few common standards. In many corporations, the capital planning cycle only looks out 12 to 18 months, which may result in unpleasant surprises such as spikes in required investments in building systems when renewals and replacements are needed.

So how do corporations-particularly

those with multiple business lines and geographies-effectively plan for their long-term investments in facilities and ensure those investments are aligned with business goals? The following depicts of how one global bank has approached this challenge.

An assessment of global facilities

With more than 2,400 facilities around the world, the international bank studied has a central corporate real estate group which is divided into five global regions. Each region has faced many similar challenges. Decisions about real estate investments

were generally tactical, since there were few mechanisms in place to align those investments with long-term business strategy. The corporate real estate group tried to be responsive to business unit demands, which-in the absence of an overall strategic framework-translated into a reactive rather than proactive asset management approach. The regions were continually pressured to reduce "discretionary" expenditures and spent much of their efforts managing costs, rather than focusing on how to most effectively support growth.

Historically, the company's capital planning horizon was 12 to 18 months. This is typical of many corporations where shareholder pressure for short-term returns, continually changing market conditions and evolving technologies make long-term planning a challenge. However, the organization wanted to better understand both the long-term liability inherent in its facility portfolio and how well the

existing portfolio supported future business plans.

One of the first steps in the company's effort to extend its capital planning horizon to three to five years was to assess a subset of its facilities worldwide. The assessment evaluated the current condition of facilities, the backlog of deferred maintenance and upcoming maintenance and renewal requirements. Seventy-five facilities from each of three building classes were chosen. With a building list established, assessment teams consisting of an architect, electrical engineer and mechanical engineer evaluated each identified facility and its major building systems.

Planning capital investments

The bank selected VFA.facility software from VFA, Inc., a solutions provider for facilities capital management, as both a database for information about facility assets, as well as a tool for planning its capital investments. Assessment results documented in the software included recommended maintenance and repairs, as well as renewals for major building systems such as heating, air conditioning and power. Along with each requirement, the associated cost and urgency was also documented. The

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Transforming Corporate Real Estate into a Strategic Function

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regional corporate real estate teams then reviewed the data for the facilities in their region for accuracy.

In addition to categorizing facility requirements according to common groups such as building system, functionality and code compliance, the bank also classified requirements based on leasehold obligations, strategic priorities and an asset's potential for generating revenue. For instance, in categorizing leasehold obligations the bank considered facility wear and tear and depreciation costs for every asset, as well as tracking lease disposals and terminations.

A pre-defined target facility condition index (FCI) was established for each facility, based on its region and the class of the building. For example, a primary data center—a Class I facility—would have a target FCI of less than 2 percent—meaning the cost of all building requirements, from repairs to system renewals, should not exceed 2 percent of its replacement value. However, in a back office operation—a Class III facility—an FCI of up to 15 percent was acceptable. The FCI metric that calculated automatically with the software, gave the corporate real estate team the ability to compare similar buildings to each other across regions, and more readily identify buildings in the greatest need of updates. Each region can now independently define the target FCI for each of its assets based on the asset type for that particular region.

Correlating risk and redundancy

Using the capital planning software, individual regions can also create "what-if" scenarios to determine the impact of different capital investment decisions today on both long-term spending requirements and the FCI of

regional facilities. Such scenario planning tools are also useful in making decisions regarding the renewal of leases and when to lease versus buy a specific facility.

The assessments included identification of requirements related to system redundancy based on the criticality of a building to the bank's operations. Systems with a high level of business criticality require the highest level of redundancy. A critical facility such as a primary data center, would be expected to have full redundancy for all major building systems. With detailed data about its facility assets and their current requirements in place—including redundancy requirements—the bank could readily correlate risk and redundancy for key systems, identify the existing gap and understand the cost implications of addressing that gap.

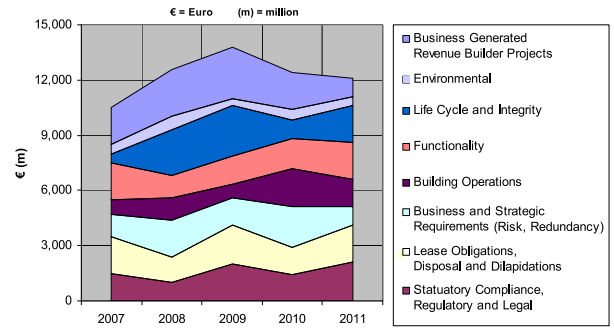
Long-term capital planning

Recognizing that top management support was key to making corporate real estate a strategic function within the organization, the bank's management formed a strategic asset management steering committee as part of this initiative. The steering committee helped ensure the implementation kept the organization's strategic direction in sight, kept the project timeline on track to support budget development for the next fiscal year, and that each region made the condition of its facilities a business strategic requirement. The cost and timelines associated with each requirement within VFA facility became the default capital budget for each region—ensuring their ownership of the data on an ongoing basis.

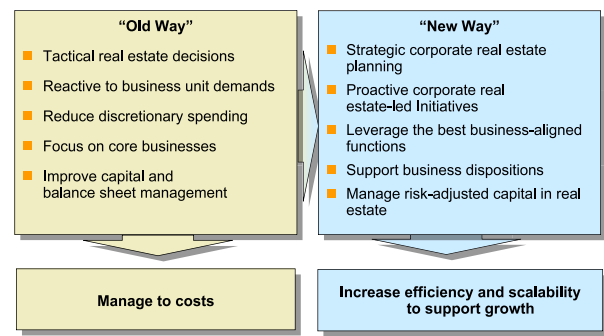
To support strategic asset management initiatives in large organizations, corporate real estate teams are becoming increasingly sophisticated about their approach to long-term capital planning and managing their ongoing investment in capital improvements. Successful

Fully-Inclusive Capital Planning

Investment Categorization and Prioritization (Sample Chart)



Corporate Real Estate Services Evolution



capital plans—and their effective execution—enable organizations to reduce both risk and cost, to provide facilities that are less expensive to operate, to promote a better working environment and to better serve the overall organizational goals and objectives.

In this sense, the capital plan needs to be integral to the organization's overall strategic plan. At a minimum, capital planning should be carried out in tandem with strategic planning activities. Organizations with strong processes and systems for assessing capital assets, prioritizing capital requirements and documenting the

impact of alternative funding scenarios will be best positioned to advance their objectives in a changing global environment.

About the Author

Jim Blaschke is vice president for corporate markets at VFA, Inc., a provider of solutions for facilities capital management. In addition to managing the development and delivery of capital planning solutions to corporate customers, he serves as head of the strategic asset management steering committee for a global bank. He can be reached at jblaschke@vfa.com.



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A Strategy Model for Facility Service Providers

"Positioning in the post Bolkestein Directive age"

By Drs. A.J. Simons, Ir. A.M. de Zeeuw

Adopting the Bolkestein Directive in February 2006, the EU has put the finishing touch on the Internal market for Services. Facility Service Providers now need to ask themselves the question what the implications are for them. These implications might not be as black as they look, but that's not to say they will be limited either. A comparison with developments in road transport makes painfully clear that competition from countries with lower salary levels can not be prevented by legislation alone.

The Internal Market with its changing competitive landscape, offers opportunities as well as threats. This calls for strategic (re-) positioning. Using a new strategy model, we can identify four strategies: a cost strategy, a specialisation strategy, a horizontal integration strategy and a vertical integration strategy.

The Realisation of the Internal Market (IM) for Services

The process of establishing an IM has reached its final stage. The (planned) expansion of the EU with new Member States (MS) had propelled the debate on migration of labour as a tool for improved labour mobility. Countries from Southern and Eastern Europe can use theory lower labour cost as a competitive advantage. Western European countries fear this competition on wages will displace their own labour force. The term social dumping is used in this context. Scientific research has demonstrated this fear is not without ground¹.

The Internal Market

Harmonisation (of legislation), liberalization and deregulation all contribute to more efficient ways of producing products and services. As this is true for all of Europe, competition will increase and prices will decrease. The savings associated with this can be used in other (read: better) ways, thereby creating a positive contribution to society.

Stimulating free movement of labour: Directive 96/71/EC

To prevent unfair competition, the EU in 1996 adopted Directive 96/71/EC on free movement of labour. With this Directive the EU aims to guarantee the rights of

employees on secondment with regard to industrial law, without thwarting the development of movement of services within the IM. The Directive obliges MS to ensure that employees who are on temporary secondment in their country can lay claim to a minimum set of local labour conditions (minimum wage, working hours etc.). This is informally referred to as the working country principle. The Directive is embedded in the national law of all MS since 2000. Yet it cannot be said the situation has been well-balanced ever since. Oftentimes the labour cost advantage stays partly intact, as employees are often insured in the Social Security system of their home country. Also from a fiscal point of view, in most cases the home country legislation applies.

Stimulating free movement of services: the Services Directive

More than ten years after Directive 96/71/EC, on February 16, 2006, the EU reached agreement on the Services Directive, more commonly known as the Bolkestein Directive. Currently, MS are studying this Directive and this could easily take another few years.

Originally, Bolkestein meant to follow the Country of Origin Principle, in which service companies would only have to adhere to the legislation in their home country. If labour conditions and services industry legislation do not differ much from one country to another, that would not pose a problem.

¹ M.S. Houwerzijl, "De Detacheringsrichtlijn, Over de achtergrond, inhoud en implementatie van Richtlijn 96/71/EG", Kluwer, 2004.

However, in case of a competitive advantage (e.g. on labour costs), it would constitute one. In the long run, the Services Directive could very well put pressure on the European social model and the Working Country.

The far-reaching proposals for liberalisation have been abandoned, mainly because of French objections. The Country of Origin Principle has been negated and a compromise proposal put forward. In this proposal, MS can refuse services offered by foreign companies on the grounds of social policy, consumer and environmental protection, public safety and health.

The increasing need for cost savings

In the meantime, a political game is unfolding between those in favour and those against the directive. The discussion focusses on the interpretation of the outcome. One thing is clear. With low wage countries entering the EU and the (as yet, limited) deregulation of the free movement of services, competition on wages will only increase. This conviction is implicitly highlighted by both those in favour and those against the Bolkestein Directive. After all, as long as those against still fear destruction of the European social model and those in favour speak of a step in the right direction of liberalisation, both groups apparently expect the same!

Reference: Developments in Road Transport

The road transport industry has also been a subject of discussion in the realisation of an IM. Some important similarities between road transport and facility services enable us to look ahead at what will become of the latter in the European context.

- Rules with regard to entering the profession. Just as in certain

segments of facility services, the demands are limited and easy to meet.

- Both industries are characterised by relatively low "switching costs". It is therefore easy to change suppliers, which puts negotiation power in the hands of the principal, resulting in continuing pressure on prices.
- Just as in road transport, facility service providers attempt to engage in structural relationships with their principals in order to improve their negotiation position and escape the price pressure.
- The type of service is not linked to a specific country or culture. This makes it relatively easy to enter export markets.
- Both industries are relatively labour-intensive, in other words payroll costs play an important part in strategic company decisions.
- Labour unions as well as industry organisations in freight trade have feared foreign competition right from the beginning. Unions feared foreign drivers and the consequences for their members, industry organisations voiced their complaints of unfair competition because companies with foreign drivers operate at lower payroll levels and would not stick to prevailing rules and regulations (driving and resting times).
- In road transport, the EU tried at the time to avoid social dumping through regulation.

Labour relations in road transport in the year 2006

Notwithstanding all good EU intentions at that time, today we can only conclude that the labour relations in road transport have been seriously disturbed. Firstly because competition by foreign companies offering lower rates have increased. Secondly, because some Dutch companies use so-called foreign branches to hire foreign drivers, only to send them on secondment to the parent company, in effect using a U-turn construction. In some cases there is suspicion of illegal activities. Apropos this subject: the FNV has found 80 companies to be in breach of the regulations and has announced it will bring cases to court, one of which will be against the largest road transport company of the Netherlands².

To illustrate: the (road) freight trade in the Netherlands employs 135,000 people, 26,000 of which work in international transport. Of

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A Strategy Model for Facility Service Providers

"Positioning in the post Bolkestein Directive age"

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those 26,000, 4,000 are from Eastern Europe - one year ago this figure didn't amount to more than 1,200³.

² "Actie FNV tegen bedrijven met illegale rijders", NRC-Handelsblad, 18 February 2006

³ FNV Bondgenoten Beroepsgeoderenvervoer Noord, weblog 16 September 2005.

Road transport as an omen

Facility services and road freight trade are similar with regard to the competition of low-wage countries. Facility services generally also primarily uses unskilled labour, it is very well imaginable that the developments in road transport are an omen of what's in store for the facility service industry. Notwithstanding regulation, competition on labour costs will increasingly lead to import of services. On the other hand, Dutch companies will conjure up constructions that make using cheap labour legally possible.

Cost Strategy

We speak of a cost strategy in the case of services with a relatively low added value, large scale or not. Service providers using this strategy have the most to fear from the new Bolkestein Directive. On the other hand: as these companies can export their services with relative ease, the Directive also offers opportunities!

Many companies in the cleaning industry are good exponents of a cost strategy. Even without the Bolkestein Directive they face strong price competition. Even though these companies do not focus on costs in advertisements (but rather on other aspects such as service) in vendor selection of cleaning companies, costs play an important part. The nature of the service and the competition between vendors enable a shift of negotiation power to the principal. Joint purchasing enhances this trend.⁵ An arbitrary quote from a trade magazine article about a medium-sized cleaning company (Hommersom)

⁴ © Copyright 2006, Simons, de Zeeuw.

⁵ An example of this is the extensive Programma Inkoop Taakstellingen (PIT) the Dutch government has started in 2004.

underscores this point: "submitting quotations on gut feeling has given way to work programmes and well thought-out calculations".

Specialisation strategy

Service providers combining specific knowledge or skills offer a service that cannot easily be copied by others and use the specialisation strategy. Examples are permanent and semi-permanent housing services, or document management services.

Cendris is a specialist in optimizing and managing data and document processes for their clients - document intensive organisations. Doing so, Cendris keeps these processes orderly, accessible and cost efficient. This type of service can be characterised as high value-added and offers Cendris a certain level of exclusivity. Exporting this type of service is possible, the Bolkestein Directive therefore offers mainly opportunities.

Horizontal integration within the industry

Horizontal integration occurs when service providers broaden their portfolio of relatively simple facility services. In other words, these service providers integrate within the industry. They meet the demand of companies that prefer to work with a limited number of sub-contractors. The scope of these vendors' portfolio to a large extent determines their success.

Large facility service providers such as Facilicom and ISS keep on adding services to their portfolio of services. Facilicom offers cleaning, catering, construction and equipment technical services, temporary employment services and main contracting. ISS presents itself as a provider of integrated services, a concept with which the United Kingdom has gained some experience and which aims at combining (packaging) facility processes. Ultimately this will lead to both lower costs and higher quality.

Vertical integration within the production chain

Vertical integration is the strategy where service providers (are allowed to) engage in structural relations with their principals. It is even conceivable that these vendors take over parts of their clients' primary business processes. These service providers integrate upstream and/or downstream within the production (supply) chain.

Examples of structural relations between facility service providers and their principals can be found in the field of buildings and equipment services. A Dutch example is the Sty. Elisabeth hospital in Tilburg, front-runner in the health care sector when it comes to outsourcing all energy supply - including all investment expenditure) to one vendor. The Sty. Elisabeth hospital cooperates with GTI technical facility management, the builder and future operator of its power station. Offering this type of service, GTI presents itself as the long-term partner for companies and public institutions. Companies taking the route of a vertical integration strategy are least hindered by the Bolkestein Directive.

Strategy Development

In the exhibit, the four strategies are linked using arrows. These indicate the most obvious development service providers will pass through. Companies using a cost strategy can develop into a specialist or broaden their portfolio of services and become an all-round facility service provider. The next step may be vertical integration. An interesting example of such development is the company Accounting Plaza. A spin-off from a Ahold Shared Service Centre (cost efficiency), Accounting Plaza now operates as an autonomous company specialising in financial services. Ahold is still one of the most important customers. Using specific knowledge of and experience with AHOLD's operational management, Accounting Plaza is vertically integrated with its original parent company.

Conclusions

Competition, dynamics, the Internal Market; strategic management keeps attracting much attention. Now as much as ever. The IM for services is the framework in which facility service providers can work. This framework offers opportunities as well as threats. Opportunities exist for companies that distinguish themselves for complexity of services rendered. The IM enables them to export these services. Threats occur for companies that offer relatively simple services and mostly compete on price. It is generally expected that competition on labour costs from low-wage countries will increase.

What course of action a facility service provider should take to counter this, depends among other things on the strategic position of the company in question. The specialisation-integration model we have proposed in this paper can serve to gain a clear understanding of which strategic courses are open to the company.

A.J. Simons, M.Sc. was trained as an econometrist/decision theorist. After many years as a consultant to both the profit and non-profit sector, Lex now divides his time between work as a freelance strategy consultant and lecturing at the Facility Management School of the NHTV, Breda.

A.M. de Zeeuw, received degrees in Industrial Design as well as in Business Administration. She worked as a facility management consultant before starting lecturing at the Facility Management School of the NHTV, Breda.

A Strategy Model for Facility Service Providers

The toning down of the original Bolkestein plans does not mean the consequences for facility service providers will be limited. The general expectation is that competition on labour costs will increase. This calls for a strategic reaction from facility service providers. Various strategic positions present themselves.

The four strategies discussed in this paper are a combination of the extent to which the service is specialised on the one hand and the extent of (vertical or horizontal) integration on the other.

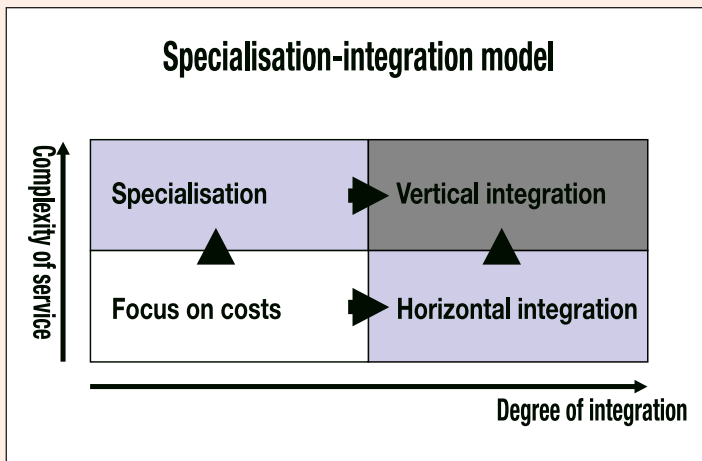


Exhibit 1: Specialisation-integration model according to Simons and De Zeeuw⁴.

Little Facilities Grow Up (in Italy too)

By Elisa Melzi (researcher at IFMA Italy)

The latest IFMA Italia benchmarking study highlights the rapid growth of FM in Italy. A growing number of Italian companies are following the example of the major North European multinationals by centralising the management of services, improving quality and cutting costs.

The latest benchmarking study conducted by IFMA Italia threw up some interesting information about the status of Facility Management in Italy. The sample surveyed in this fifth edition comprised 45 national and multinational companies with a total of 72 buildings (average size 18,900 sq m, 620 staff). The businesses in question were drawn from a broad spectrum of commodity sectors, a fact which in itself bears witness to the growing interest in FM.

In 28% of the sample, the Facility Manager mainly reports to top management: the CEO or Director General, thus creating an ideal condition for the successful application of FM. Although not high, this percentage is steadily growing, which demonstrates how the fundamental concepts of Facility Management have gained a foothold in the Italian business culture.

The position of Facility Manager within company hierarchies denotes a broad vision of service management, and this is also true for another important factor: the grouping of responsibility for services into a single management structure.

In the sample considered, 59% of businesses relied on a single management structure - a good percentage, although not yet entirely satisfactory. The rest of the cases analysed presented a more classical set-up, whereby services were allocated to various departments, such as general services, property/technical services, site and plant services.

Other interesting observations came from a comparison between Italian companies and the multinationals operating on Italian soil. The first thing highlighted by this comparison was the growing tendency for multinationals based on a North European model to resort to outsourcing not only for the operational aspect of services, but also for the purely managerial element. These companies represent the 12% of those surveyed who rely on a Facility Management firm for assistance with both the management and delivery of services. Their Facility Department (with internal Facility Manager) is therefore entirely or partially external.

The last statistics also reveal that the differences between the management styles of North European and Italian companies are gradually being eroded.

According to the IFMA Italia data, each person within the Facility Department (site manager, building coordinator etc.) is allocated an average of 4,271 square metres - an increase of 57% compared to a similar survey in 2004. The number of internal clients to whom each of the Facility Manager's assistants provides services has also risen by 25%. These increases in the burden of responsibility allocated to members of the Facility Department have probably been caused by paring Facility Management staff down to essential levels - a sign of a healthy quest for true managerial efficiency.

Maintenance is, without a doubt, one of the most onerous tasks performed by a facility department. However, if strategically managed, this area can also generate the biggest savings for the company over the long term. The decision, now widespread and consolidated, to outsource maintenance has given companies a deeper knowledge not only of the market, but most importantly of their own departments, so that they can better grasp the real cost-effectiveness of the offer available in this sector.

The result has been a steady growth in the attention paid to monitoring, and this trend can also be seen in the statistic for maintenance reporting, whereby in 56% of cases, suppliers adopt a pro-active approach by suggesting possible improvements and ideas to boost service efficiency. Whether this is the result of a direct request from the client, or is decided by the supplier independently, this phenomenon, which has continued to rise significantly over the past few years, is further proof of the attention from which maintenance management now benefits.

If we go into greater detail, several interesting observations can be drawn from a study of the costs and management strategies of small sites (between 5000 and 20,000 sq m) compared to larger business premises and giant complexes.

Smaller sites have higher costs per square metre than larger ones (> 20,000 sq m) in various areas of maintenance, such as electrical systems at €0.03 per square metre (€3.34 for large buildings) and fire safety (€1.23 per sq m compared to €1.04 per sq m).

This result has mainly been caused by the considerable impact of non-rental costs, which are far higher for smaller companies. To explain this phenomenon, we need to refer to the concept of preventive maintenance, now widely implemented and accepted among Italian businesses. It translates into frequent inspections by control teams, a procedure which can prove too expensive for small businesses. Paradoxically, the result is that these companies find it more cost-effective to take action after the event by repairing possible damage and malfunctions, rather than implementing a prevention policy.

Although the same logic can be applied to buildings maintenance, in this case it should be noted that the costs incurred by sites of between 2,000-5,000 square metres are significantly lower than those for buildings of over 20,000 sq m; €2.28 per sq m compared to €4.19 for larger company premises. There are various factors behind this: for example, in many cases, a single building used as office space is home to several small businesses, with some of the maintenance costs being borne by the owner of the building.

Is an Outsourced Service the Better Service Provider?

By Lisa Johannson

Are there any differences between in house and outsourced services in terms of perceived quality and economic outcome?

Students at one of the leading provider of FM-education in Sweden, Malmo University, have conducted and compiled a series of comparative interviews regarding the possible connections between how the facilities services are organised and how their quality is perceived.

The research was carried out in the summer of 2006 in the southern part of Sweden and focused on services provided to the core-biz of public real estate companies.

The findings were, that it didn't have much impact on the perceived quality whether these were provided by an outsourced partner or from an in house service department. The differences in outcome would seem to depend on other factors. For instance, in order to achieve high quality, you have to be able to accurately describe the type and level of service you demand and how this is to be delivered. This is easier when you control the entire process in house. If you chose to outsource the service, you

have to be quite specific and formal when you the contract to tender. And as to whether you succeed or not, in this latter case is more a question of how skillful you are in the procurement process than to the identity of the provider of the said facilities services.

Sometimes, the perceived quality actually decreased after an outsourcing decision. This disappointment may however not be so much dependent on the new service provider as to the fact that the customer in connection with the analysis preceding the procurement process chose to specify a lower level of service than has previously been provided. If the conscious implementation of a lower service level is not communicated to the affected employees, there will be a poor perception of the outsourced service quality.

According to the research, if the procurement is handled prudently, the outsourcing will however have a positive impact on the costs; i.e., you can get the same service to a lesser cost. That is however not an automatic

consequence of outsourcing; you still have to analyse the ever changing needs of your organisation, put these through a correct tender and retain management, customer competence and key personnel so in order to enable you to handle the outsourced service relations in a competent manner. In order to do this properly, you shouldn't outsource aspects ad hoc, but instead base these decisions on a strategic plan about your organisation's long-term needs.

The relation with the new, outsourced partner must also stem from a mutual expectation, so you mustn't think that once the outsourcing contract is signed you can relax and forget about the services all together. These expectations must be clearly expressed between the customer and supplier, and there must be an agreed upon manner and time set aside to handle complaints/negotiations between the two organisations. Regardless of who manages them, you still have to dedicate quality management time to your facilities!

EFMC

2008 | EUROPEAN FACILITY MANAGEMENT CONFERENCE



Taking it easy....

EFMC 2008: "Facility Management is on the Way to the Board"

Report on the European Facility Management Conference (EFMC)

10 and 11 June 2008, Manchester, United Kingdom

- Changes in climate and demography provide opportunities for FM
- Key issues: strategy, sustainability, education
- Chief Facility Management Officer as a board member

Manchester, June 2008. Facility Management (FM) has to become part of the corporate strategy in order to meet economic and ecological demands. This is the principal result of the European Facility Management Conference (EFMC) which was held on 10 and 11 June in Manchester, United Kingdom. More than 400 delegates from 30 countries discussed international FM strategies, sustainability, education and change management. Great Britain, Netherlands and Nordic countries had

the largest representation. The Business Conference and the accompanying Research Symposium were hosted by the International Facility Management Association (IFMA) and the European Facility Management Network (EuroFM). "FM grows and becomes more professional," summarized Remko Oosterwijk, Chairman of the CEN/TC 348 standardization committee. David Martinez, Secretary of IFMA Spain, appealed to preserve the strategic value of FM to secure the FM profession and business. "FM has a key role in the development of a sustainable society," declared Peter Cordy, Chairman of the British Institute of Facilities Management (BIFM).

"The world needs help from the FM industry"

Economist and futurist Hamish McRae named five great medium-term global shifts: demography, environment, globalization, technology and government. He predicted a downsizing of global economy and stated "the greatest shift of economic power for 200 years". Beneficiaries of this shift were the "BRIC" countries Brazil, Russia, India and China. "China is the largest net demander in the world," McRae said. He assumed that oil prices would not decrease soon because the developing countries would not reduce their consumption. McRae expected the prices of metals, energy and food to increase as well. All businesses needed help to face the new economic and ecological challenges. Crucial questions were how to lift productivity and quality, how to use labour more clever and how to lower energy use. This was where FM tasks and strengths flowered out. "Years to

worry about are 2009 to 2011. 2008 is the year to act," McRae pointed out. He discerned a "great commercial opportunity for the FM business".

FM topics: recognition, sustainability, education

A panel discussion considered similarities and differences in FM worldwide. Stephen Ballesty, Managing Director at Rider Levett Bucknall Australia, and Alan White, Chairman of the RICS Faculty Board, deplored a lack of understanding and recognition of FM. They pointed to the importance of communication to illustrate the benefits of FM. White also alluded to education, and so did BIFM's Chairman Peter Cordy. He argued for developing a career path considering the integration of people, society and environment. Cordy defined FM as a "catalyst" affecting people's everyday life. "FM influences society in general," he said, "and is increasingly recognized." Steve Gladwin, Managing Director at Hochtief Facility Management UK and Ireland and Chairman of Global Facility Management Association (Global FM), mentioned education and sustainability as hot topics affecting the FM industry. Sustainability for him was the key issue with the FM business playing a key part in educating people in what sustainability could do. Emergency preparedness, standardization, customer satisfaction and change management were other main topics, as Olav Egil Saeboe, Secretary of Norwegian Facility Management Network, summed up.

FM in a changing world

John McGee, First Vice Chair at IFMA, called for linking FM to the business strategy. Especially regarding change management, the definition and role of FM had to be made clear. Sustainability as well had to be integrated into a strategic plan. According to McGee, the strategic impact of FM was also shown in respect of risk management, business continuity and technology. EuroFM's Chairman Albert Pilger, Managing Director of Pilger Facility Management and Director of Studies for FM Academy Graz, explained that the issues did not stop at national borders. FM today meant procurement and services across borders due to international mergers of construction companies and FM providers. "FM is an inseparable part of the organization that cannot be outsourced. FM has to be integrated in the corporate strategy," Pilger pointed out: "FM is on the way to the board." IFMA Spain's Secretary David Martinez addressed the concept of a Chief Facility Management Officer (CFMO) as a future board member.



Gala dinner.

Strategic FM

At StatoilHydro, the FM division is part of Global Business Services, as Svein Harald Storli, Vice President Facility Management Services, explained. FM supported the company's core business, and the interpretation of the corporate strategy led to the FM strategy. "FM has changed from running operations to a business partner," he declared with regard to the strategic focus. Maril van Waes, Facility Management Leader for EMEA region at Dow Chemical, stated that FM had to gain credibility by showing clearly the added value and its contribution to the company's success. She said that Dow Chemical had saved costs of 15 per cent on the total FM budget since they had implemented a global FM organization. Ellen Bruce Keable and Valerie Short, Jacobs Consultancy, confirmed that FM had to become a strategic advisor and to prove its values. They showed the concept of a "responsive workplace" as an example of strategic facility planning.

Future perspective: "Total FM"

Kristof Vanvelk, Facility Manager at Philips Belgium Luxembourg, reported on the shift towards "Total FM": a strategic facility manager - who is subordinate to a contract manager from the real estate side and a service manager from the FM side - coordinates several service providers which are superior to contractors. Vanvelk described the future FM function as a combination of human resources, information technology and space management.

The next European Facility Management Conference (EFMC) will take place on 16 and 17 June 2009 in Amsterdam, The Netherlands.



FM Worldwide Presentation.

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Winners in Europe

The second European FM Awards were presented in Manchester on Tuesday 10th June in front of over 300 members of the FM community from Europe, Asia and the US attending the Gala Dinner of the EFMC2008 European FM conference.



FAST BECOMING AN ESTABLISHED PART of the international FM calendar, the European FM Awards 2008 were presented in four categories – one more than last year. These categories reflect the key areas of interest and activity of EuroFM – education, research and practice. The award for European FM of the Year joined the existing Award categories of European Student of the Year, European Researcher of the Year and Partners Across Borders established at the first presentation in Zurich in 2007. Each Award categories was judged by a panel

representing experienced professionals in FM education, FM academia and FM practice from across Europe. The judging took place during March and April this year and involved interviews with candidates, and in the case of the Partners across Borders category, the judges visited the entrants' sites in Cyprus, Poland and the UK.

The European FM Awards have arisen from the growth in the need for a strategic approach to delivering facilities management and support services consistently and efficiently across the business properties of organisations that operate internationally, and often on a global scale. This approach is particularly challenging with a European environment where languages, currencies, cultures, regulations, climates and political structure vary from country to country.

The new Award of European FM of the Year recognises the necessity for FM's with international strategic responsibilities to demonstrate their abilities to manage their client's facilities and support services across political and cultural boundaries, using their language skills or those of their teams in different countries.

The Gala Dinner at which the Awards were presented were held at The Monastery, Gorton Manchester. Located on the outskirts of the city, the once elaborately decorated monastery church is a fine example of renovation and reuse of historic facilities. The dinner was held in the former monastery church and the reception in the former cloisters.

EuroFM is grateful for the support given by the sponsors for the European FM Awards - Harrow Green Group, GlaxoSmithKline, Facilitec, Faceo and Barclays.



WINNER European FM Researcher of the Year 2008

HERMEN JAN VAN REE: Hermen is combining his PhD research at University College London with his role as Head of Research & Development at IPD Occupiers where he is developing new performance tools for use across the FM and real estate sectors that have produced interesting results and are being considered by several multinational companies.

Hermen Jan van Ree accepts his award from Luis Valenzuela, Services Director of Facilitec



WINNER Partners Across Borders



(l-r) Simon Fry, Facilities Manager UK Microsoft Real Estate & Facilities, Mike Liddle, Albert Pilger, Chair of EuroFM, and Tony Angel, a member of the delivery team".

MICROSOFT WITH BUSINESS & FACILITIES AND CORPORATE FM ALLIANCE: Microsoft aims to provide consistent and effective FM provision across the company's property portfolio in Europe from one service supplier in each country. Since this partnership entered these Awards last year, the concept, model and process has been completed in Spain and the Netherlands, and is currently in progress in Belgium, Russia and Italy. Mike Liddle, Partner Business & Facilities said: "We are delighted to have won the "Partners across Borders" award. My team and I have worked very hard to achieve the Microsoft RE & FM goals and objectives and as a partnership across the many cultures and borders and I believe we have created and developed a workable and practical solution to outsourcing in EMEA. We enjoyed working as partners with the various Microsoft team members across the countries we have been involved in".

WINNER European FM of the Year 2008

PETER BÄCKSTRÖM is the Johnson Controls' Customer Business Director for EMEA region for a global telecommunications supplier, and joint Regional Executive for its operations in Sweden and Finland. In Sweden and Finland he is responsible for co-ordination of the business and utilisation of resources, and acts as a central point of contact for Johnson Controls clients and staff. He said: "I am honoured that my operational and managerial experience in an international and dynamic environment has been recognised with this prestigious award. I am delighted that EuroFM acknowledged Johnson Controls' best practice and my personal commitment in delivering FM services consistently and effectively across European boundaries".



(left) Peter Bäckström with sponsor, Reg Allen, MD Harrow Green Group

WINNER European FM Student of the Year 2008

MARCEL BROUMELS: Aged 23, Marcel obtained a first degree in Hotel Management in the Netherlands before working on a second degree in Facility Management. During his third year of study he undertook a work placement at the Scottish Parliament for six months.

(l-r) Andreas Rohregger from IFMA Foundation, Marcel Broumels and Gordon McMillan from sponsors GSK



Practice Network Group by Helena Ohlsson

"The Practice Network Group (PNG) is currently working on a number of projects that will all be presented at the upcoming network meeting in Helsinki in September.

1. FMP: Entry Level Professional Accreditation in collaboration with IFMA

The National Associations have had the opportunity to submit their written comment on the FMP project since the Leaders' meeting in Manchester in June. All comments will be issued to the National Associations together with the financial project plan.

2. The EuroFM Mentor Programme has received new applications after the launch in Manchester in June and we are expecting more to come. PNG is currently searching for a Programme Sponsor in order to further develop this excellent cross border learning opportunity.

3. The Programme Advisory Group for the EFMC 2009 has met for the second time and the call for papers will be out shortly. Please ensure that you send in your application and share your knowledge and experience at the upcoming conference in Amsterdam next year.

4. This autumn, the PNG will continue to develop and strengthen the relationship with CEN and explore the opportunities of knowledge sharing and joint promotion of the European Standards.

5. The Market Intelligence Project that was presented in Manchester might have a follow-up next year and the information gathered so far will be shared with the PNG members.

6. PNG is strongly supporting the EuroFM Web Page Improvement initiative.

7. The term of my Chairmanship is coming to an end, and we are currently in the process of looking for a successor. Do not hesitate to send in your details to the EuroFM secretariat, should you be interested in applying for the role, which can offer hard work, lots of fun and an opportunity to be part of the European FM development."

Research Network Group by Per Anker Jensen

At the 7th EuroFM Research Symposium which took place during the EFMC2009 in Manchester, two new research publications were

presented as well as the symposium proceedings including 27 research papers. One of the publications is a research monograph based on RNG's FM Processes project with the title "Facilities Management Processes", edited by Professor Keith Alexander, University of Salford, and includes 9 chapters written by a number of different authors from around Europe. It is divided into three sections with the headlines: Modelling, Mapping, and Applications.

The other publication is a report from phase 2 of the Usability of Workplaces project, which is a joint project between RNG and CIB W111. The report is also edited by Professor Keith Alexander, University of Salford, and includes 8 chapters written by a number of different authors. It is divided into three sections covering Concepts, theory and methods, Learning from the cases, and Future directions. A third phase of the project is planned.

Education Network Group by Rene Hermans

Student Poster Competition EFMC Manchester 2008

25 students from Finland, Germany, The Netherlands and Austria, gathered to participate in the Poster Competition in Manchester. A full programme was organized around the poster competition by the ENG to intensify the international involvement between the students and their studies.

With much enthusiasm the students presented their posters in the halls of the conference centre. Their next challenge was to deliver an elaborate presentation to the jury.

The four jury members were Mr. Francis Kuhn, Mr. Andreas Rohregger and Mr. Stephen Ballesty, all Board Trustees of IFMA Foundation and Mr.

Wayne Tantrum, Vice President of EuroFM. They were pleasantly surprised by the high quality of the presentations and chose the following candidates for the finals:

Stephanie Liese en Andre Zapke FHTW/TFH Berlin- " A different view"

Frans van Eersel NHTV Breda and Marcel Broumels NHTV Breda- "From SLA to ELA: Experience Level Agreement"

Katja Sillsten/Jyri Lehtonen Turku University- "Full House"

These students presented their posters again, this time in a plenary session for all the delegates. This year's winner was Stephanie en Andre. The prize, donated by the IFMA Foundation, is a trip to Dallas including accommodation and participation in the IFMA World workplace Dallas 2008.

Jury Report best European FM Student of 2008

Brimming with achievement and ambition, the three finalists were:

MARCEL BROUMELS, 23, obtained a first degree in Hotel Management in the Netherlands before working on a second degree in Facility Management. During his third year he undertook a work placement at the Scottish Parliament for six months. As part of his studies he developed an interest in 'Imagineering' which formed part of his graduation project called 'Experience Level Agreement'. His project is to be presented in Manchester as part of the Student Poster competition. He plans to continue his studies at the Imagineering Academy in the Netherlands.

WALTER BARON VON KOSKULL, 22, is a student at FH Kufstein Tirol University in Austria. His thesis is examining the effects of local district heating in small residential areas as a means to reducing CO2 emissions, as well as building and operational costs. He is currently project leader of a team of eight students working on a case study looking at energy concepts, energy accounting and real estate



Finalist European Student of the year 2008. Marcel Broumels, Nora Rothacher and Walter Baron Von Koskull.

benchmarking for the province of Tyrol.

NORA ROTHACHER, 20, studies at FH Kufstein Tirol University in Austria and is planning a career as a FM consultant and project manager. She has undertaken work experience in Germany and participated in international study schools. She is currently working on a thesis on 'Redevelopment of industrial landmarks'. She plans to ultimately work in Eastern Europe and has recently spent an exchange term in Riga, Latvia. With fellow student Daniel Wagonsoner, she is submitting at poster on 'Passive refuge houses in alpine regions' about the refuge huts used by climbers and walkers.

All three candidates are currently in their final year of the Bachelor in Business Administration Degree in Facility Management. During their studies they have all been involved in a number of international activities; these range from internships, attending conferences, participation in study field trips and making presentations to external groups and organizations.

The jury focussed on academic achievements, their understanding of European FM issues, future aspirations and, of course, personality. The differences between the candidates became more apparent when consideration was given to each of the finalists from more of a behavioural perspective. Significant differences were present when maturity, independence, presentation and communication skills were reflected upon. Additionally, their pro-activity and eagerness to explore were considered along with the value of their undergraduate research findings to the wider FM profession.

The jury found that the task to decide on the winner of the European Student Award 2008 was no simple matter. After much discussion and consideration of the written submission, the interview and feedback, it was confirmed that the European Student Award 2008 should go to:


Marcel Broumels, Academy of Facility Management, NHTV Breda, University of Applied Sciences, Netherlands.




Student Poster Competition participants EFMC 2008

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