

How much reporting should it be and how much is useful?

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Reporting requirements are growing due to the increasing capabilities offered by IT/digitization and to the growing expectations of lawmakers, public and companies themselves. We will take a critical approach to the question of what reporting should contribute, focusing on supervisory duties and on the management of facility services and processes.

We will show that reporting must be clearly structured and that the content must be focused in order to ensure that all important information is conveyed. While the clients supervisory duties focus on documentation, it is also necessary for facility management to have comparable indicators to measure service quality along with performance.

Reporting, KPI's, Performance Controls, Penalisation

1. Preface

Reporting requirements are growing, firstly caused by the increasing level of digitalisation and its resulting possibilities to generate, collate and evaluate data; Secondly reporting requirements are rising on the client side, in order to meet the external demands from lawmakers and society, as well as to meet the own growing requirements on governance. The main drivers here are the increasing requirements from the corporate responsibility's point of view. We want to take a critical approach to the question, what reporting should contribute, which data and documents are essential to building security and facility operations, and which ones serve the purpose of facility services control. In this context, basic requirements applied to an 'output' based control by means of KPI and bonus-malus systems, or respectively penalisation, are being presented. Furthermore, preconditions on the data basis and availability, as well as on FM processes should be pointed out by means of function- and performance models of Real FM, in addition to requirements on IT/ CAFM systems.

2. Introduction: What is the meaning of 'Reporting' and what its use?

Basically every company needs to ensure, that its means of production and operating material, in this case the buildings and machines, do not cause any harm, neither to the company itself, nor to the environment, to third parties or to employees. Therefore laws and regulations need to be complied with. Moreover, the company must secure its commercial success by being productive, flexible and innovative, in addition to an effective



and efficient use of resources.¹ In order to achieve this, the company has to set strategic goals prior to monitoring and controlling their subsequent implementation. One key element contained therein is reporting. According to GABLER dictionary of commerce and business terms, 'reporting' describes the 'abbreviated designation' for all written or electronic reports, that were systematically produced, and that contain information crucial to decision-making and management. The objective to be achieved by a reporting is generally to meet information needs by the report recipients, in particular the creation of transparency, as well as preparation and finally the control of decisions.²

Documentation facilitates a transparent transmission of asset- or user-specific information, such as for instance fault and alarm messages. Moreover it provides data on energy and water consumption, together with information on occupancy rates, use of space etc. Finally, documentation includes proof on proper contractual service provision like data on service quality and overall performance.

Apart from meeting the information needs of the property owner/ user, reportings also fulfil an essential function for the facility service provider (hereafter referred to as 'FSP'). The FSP formally exonerates itself via a reporting and thereby renders account to the client. This means, that the client is informed about stated processes and events, as well as about actions carried out by the FSP, enabling him to react when required. This is why reportings often also include an assessment of the aforementioned facts by the FSP, along with recommendations on further measures and actions to be taken. Due to the reporting's scope, it is important to ensure, that the client receive all relevant information. In this context, the content must be edited in a way enabling the client to derive a potential need of action and to allow him/her to manage the FSP according to the own strategic goals.

3. Empirical values: How does reporting look like in reality? What is 'reported' to which extend and why?

3.1 Analysis of project-specific reporting requirements

In the framework of a specific project, Canzler issued a facility management tender covering all required and desired facility services in the framework of a multi-use asset portfolio. The requirements on reportings are extensive, due to the wide range of different real estate usages and property types, but also because of the comprehensive information need on the client side.

With respect to the evaluation, the procedure was as follows: The first question we have asked ourselves was: What is it we are seeking to achieve with the reporting? Here we laid a focus on two essential approaches:

- a) Documentation and
- b) Steering of facility services

¹ *Unternehmensorganisation*, 2. edition, Klimmer, Verlag Neue Wirtschafts-Briefe GmbH, Herne, 2009

² <http://wirtschaftslexikon.gabler.de/Archiv/5838/berichtswesen-v5.html>

The prime function of client documentation is the following:

- Meet the controlling obligations and to obtain proof, that the FSP fulfils the operator obligations while complying with all relevant laws, regulations, contractual regulations as well as the rules and processes, specifically laid down by the client;
- Identify risks and to be able to react accordingly

Moreover the client wants to be able to steer the processes together with the service provision along the following lines:

- Achievement of strategic goals
- Optimisation of profitability, respectively of performance and
- Improvement of service quality to augment user satisfaction

Even though the aforementioned goals may apply to a larger number of companies, taking a global view, they differ depending on the individual client. For the company concerned, the following corporate goals were (*inter alia*) to be observed:

- For an IT group, data centers are of fundamental importance, thus demands on operational and process safety are correspondingly high;
- In order to retain the best employees, employee satisfaction represented an essential factor in addition to establishing the rationale of hospitality on the side of the FSP
- As an international oriented group – from a sustainability viewpoint – it is envisaged to introduce an energy and environmental management system.

The reporting analysis showed the following distribution:

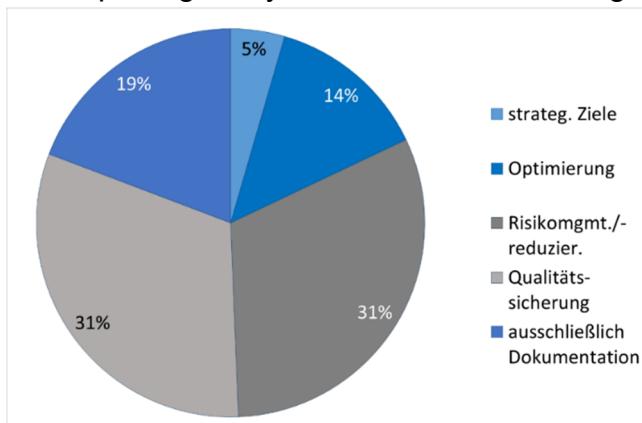


Image 1: Distribution of different reportings by focussing on strategic goals, optimisation, risk management/ assuming control obligations, quality assurance/ -improvement, documentation

It is notable, that close to two thirds of reportings serve the mere purpose of quality assurance and risk management, almost 60% of which account for record keeping, providing evidence, that the FSP meets his original duties, among others his operator obligations. These comprise *inter alia*:

- Staff deployment and service planning,
- proof of qualification and trainings,
- compliance with requirements and processes laid down by the client;

- planning schedules for examinations and provisions of service on the range of different services, as well as the comparison with their timely rendering
- listing of defects and complaints
- analysis of processing and reaction time with regards to fault and alarm messages, as well as events relevant to security and messages on user needs,
- evaluation of FSP internal checks together with quality checks on the client side etc.

3.2 Summary

In conclusion, two thirds of reporting on quality assurance and risk management, thus just under 60%, serve the sole purpose of monitoring the fulfilment of the delegated operator responsibilities. At the same time, the client and the FSP are performing QA checks, as well as audits according to DIN ISO 9001, 14001 and 50001. Experience shows that regular checks, usefully carried out by external specialised companies, result in a more adequate assessment of performance. This holds particularly true with an emphasis on the fulfilment of operator obligations, because:

- a) asset and usage specificities are taking into consideration,
- b) service provision is verified on the basis of protocols on all measures taken, while
- c) defects, that are identified in this context, can be assessed unfiltered.

Due to its scope, the reporting is currently analysed and agreed upon with all parties involved

operativ / taktisches Facility Management	operativ / taktisches Facility Management	Strateg. Ziele	Performance	Qualitäts-	Risiko-	Kosten-
Leistungsvorgabe	Ausführung		mittel	hoch		
Einhaltung Gesetz und Verordnungen	Leistungserbringung (Personalanwesenheit)					
Einhaltung auftrag	Leistungserbringung (...					
Organisation FSP	operativ / taktisches Facility Management					
Qualifikations- und Objektdokumentation	Ausführ. gem. Planun	Strateg. Ziele	Performance-	Qualitäts-	Risiko-	Kosten-
Gefahrstoffe und Emittierer	operativ / taktisches Facility Management	managem.	managem.	managem.	managem.	managem.
Dienst- und Handl	Ausführ. gem. Planun					
Gefährdungsbeurteil.	Leistungskontrolle					
Instandsetzungsbedar	Alarne, Notfälle, sich		hoch	hoch	mittel	
Inventarisierung (inst	Audits DIN ISO 9001					
Budgetplanung	Audits DIN ISO 14001					
Inventarisierung (war	Bearbeitung Nutzerb	Strateg. Ziele	Performance	Qualitäts-	Risiko-	Kosten-
Inventarisierung (Eig	interne QS-Kontro	managem.	managem.	managem.	managem.	managem.
	Verbrauchsnachweis)					
	Projektplanung (Umbaupla	operativ / taktisches Facility Management				
	Entsorgung (Haushaltsabfall, Recyclin	Leistungsverbesserung				
	TGM (u. a. Instandhaltungs	Vorschlagswesen FSP (Optimierungen und Verbesserungen)		hoch	mittel	hoch
	IGM (u. a. Reinigungs-, Bewächnungs-, Revierplane (GIV)	Vorschlagswesen FSP (Handlungsbedarfe)				hoch
				

Image 2: Report clustering according to work phases reflecting the performance model of Real FM

Depending on the client's individual need for security, reporting could be reduced by 30 to 50%. The costs for reporting and the office portfolio viewed amounted to an average of approx. 600 T€/year across all participating tenderers. This corresponds to a benchmark of about 0,30 €/m²/month. The potential savings in this project (estimated at 30%) would be in the order of approx. 200 k€/year. By contrast, annual on-the-spot inspections on 20% of all properties, depending on the inspection's intensity, would involve costs of about 75 to 100 k€.

4. Control and Management

In order to clarify the difference between control and management and to answer the question, if and how processes and facility management tasks can be controlled in the first place, the term 'management' shall be briefly clarified. According to the AHO technical commission, project management takes on the following tasks: 'specification of target data (planning/ determination), control (checks and target-performance comparison) as well as steering (deviation analysis, adjustment, update)."³ This includes the taking of necessary decisions by the project manager.

According to Real FM, management means:

- „Control of needs and requirements
- Control costs
- Control quality
- Control contracts and services
- Account for operational performance
- Control projects⁴“

The aim of the facility services management is, that the service provision

- a) corresponds to legal and contractual requirements,
- b) does not pose a threat to human health nor to the environment, and that normal and failure-free business activities are guaranteed,
- c) is designed effectively to serve client and user needs and requirements in a more targeted way,
- d) runs efficiently, meaning that the achievement of agreed results or the provision of the agreed service with reduced resources is being realised.

4.1 Preconditions

Requirements for organisation

As a first step, it is necessary to define responsibilities and make them transparent for the people involved, ideally without gaps and overlaps. Only he/she, who knows his/her responsibilities will be finally able to act accordingly and correctly.

Definition of objectives and expectations

In order to know the client's expectations, it makes sense to use the client-specific strategic objectives as a basis to deduce the tactical targets for the service provision. To achieve this, it is necessary to 'translate' the strategic goals for the individual property as well as for the corresponding service.

Delegation of responsibilities and performances

When it comes to the delegation of responsibilities and tasks, it is important to address the strategic goals and the scope of service, along with the expected service quality to the

³ Projektmanagement-Leistungen in der Bau- und Immobilienwirtschaft, AHO technical commission Projektsteuerung/Projektmanagement, No. 9 of AHO publication series, as of Jan. 2004

⁴ <http://www.realfm.de/zertifizierungen/certdls/>



FSP and to come to a contractual agreement on these indicators. In Germany, there already exists a comprehensive collection of legal requirements, norms and standards, presumed to be known among qualified FSP, as they are generally recognised code of practice. However, experience shows, that it does not suffice to merely describe the tasks or the specific services. Due to different factors, such as staff shortages, excessive demand, lack of identification or expert knowledge, services are often not or only partly provided. This is where controls or respectively control tools become necessary.

4.2 Control tools and steering of facility services

Today, there are basically two approaches taken by clients: On the one hand, the classic check on the provision of services and the corresponding service quality; On the other hand, the creation of indicators or respectively performance indicators, that facilitate comparative assessment of performances.

Controls and audits

The first approach can be summarized as 'Trust is good, control is better'. The term 'audit' is officially applied, when it comes to performance and quality reviews, particularly with regards to DIN ISO 9001, but also in the case of other ISO standard certifications, such as DIN ISO 14001 and 50001. In the framework of the audits, it is examined, whether processes, requirements and guidelines comply with the required standards. When FSP performance is reviewed by the client, this is usually done by means of random checks of the services provided and their final results. What is recorded here, is often a current state, which has been quite subjectively perceived, and which was - at its core - only derived from a more or less representative sample.

At this point, it is important to note, that the results should be accepted by both sides, which is usually the case, when audits come in to play. This is easily done by means of performance checks, if:

- the client (if necessary, represented by third-party specialists) and FSP perform the inspections together,
- both have agreed on a common definition of a representative sample,
- defects can be clearly identified and
- service quality can be assessed on the basis of a easy-to-understand evaluation scale.

These conditions help to avoid discussions; Furthermore, faults related to specific locations or services, are directly attributable to the operating staff.

Controls and audits guarantee an assessment on implementation of contractual requirements and serve the need of documenting legal and contractual control obligations. The FSP has to regularly document all results in the reporting. In this context, it is also recommendable for the FSP to point out the required measures or to make fitting recommendations.

Due to the big effort involved, controls shall be reserved to one representative sample.

Performance indicators as indicators

The second approach describes the reduction of information to performance indicators, serving as specific and comparable data, that can be analysed. In addition to analyses, such as trend developments or reconciliations with market data (benchmarks), KPIs (Key Performance Indicators) are often determined. KPIs are data, depicting the current state in the best possible manner. These performance indicators offer an unbeatable advantage. They depict the provision of services, or at least certain elements contained therein in one or several performance indicators. This in turn provides the following opportunities:

- Comparison of performance indicators and benchmarks in line with market comparison or trend development, in order to point out developments and identify to what extend measures for improvement and optimisation bring about success,
- Compression of performance indicators in combination with other company-specific indicators, to thus become a part of management reporting,
- Comparison of performance indicators from actual data with target figures (in consideration of acceptable deviations), in order to make the degree of fulfilment of operational services transparent for tactical and strategic control.

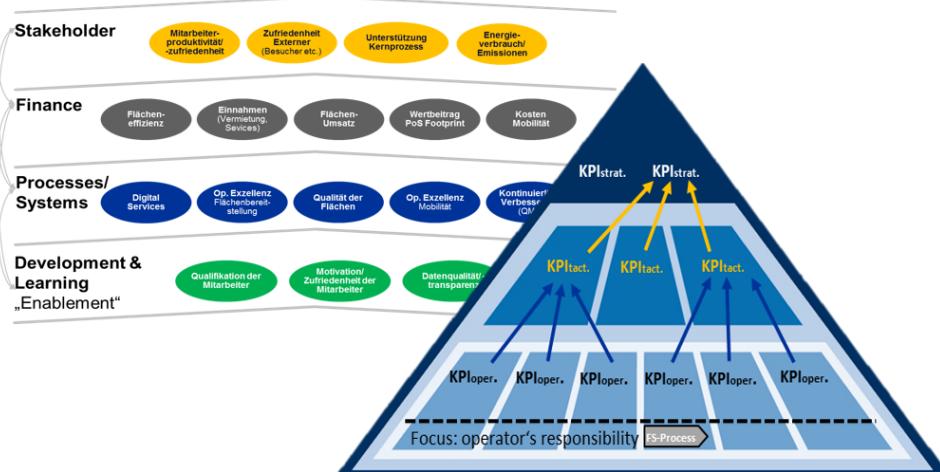


Image 3: KPI tree – Concentration of KPI across the operative, tactical and strategic level (own illustration)

In order to analyse and compare this data, it is essential, that on the one hand, all persons involved have come to a common understanding of the data, meaning their determination, their context, as well as their significance; On the other hand, it is imperative, that the actual data be clear, transparent and measurable for all parties involved.

This basically applies for all measurement data, for instance on technical facilities. However, if this data is used as a basis for KPI, experience shows, that this often gives rise to discussions. This is why there are usually other factors, that play a role, for instance plant design, age, operating condition of the facilities, which cannot – or only to a limited extent – be influenced by the FSP. Experience further shows, that it proves difficult to create output oriented indicators for the performance quality of facility services. It is thus only possible to assess whether the last maintenance on a plant has been carried out properly via random on-the-spot inspections and evaluations of f.ex. susceptibility to

failure and expenditure on repairs compared to other facilities. The quality of cleaning is only reliably measurable via on-the-spot inspections (namely directly following cleaning), supplemented by the number of complaints on cleaning quality, taking into account user conduct.

When it comes to services, where factors such as staff qualification are important, in order to prevent damage or dissatisfaction, proof of specific qualification and trainings can be requested. This is to be followed up regularly, in particular in the event of staff changes. Performance indicators for plannings/ work preparation are for example comprised of a timely update and completeness of maintenance- and district planning. A benchmark of staff assignment to contract volume can be formed for performance assessment. The approach, generally applied in the cleaning sector, relates the area to be cleaned to an hour and to every worker.

Moreover it is possible to 'track' the exact moment of the service provision and to compare it to the planning. In the event of unforeseen ad-hoc services, such for instance resulting from fault and alarm messages, response and processing periods can be agreed upon and then benchmarked against the actual times. An audit compliant documentation of incoming alert messages along with the time of reaction can basically only be produced by proper and adequate IT support. Here, so called 'ticket systems' have proved their worth.

The functional model of Real FM can be used for assistance along the preparation process. The process of service provision facilitates the definition of performance indicators for every service, and thus for every single step.

1. Planning/ Preparation,
2. Execution,
3. Control and documentation, as well as
4. Performance improvement

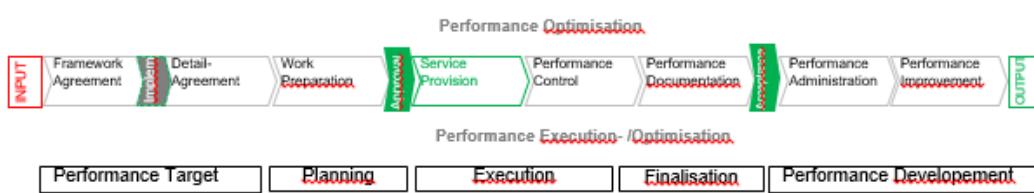


Image 4: Performance Model Real FM

The effort should be carefully weighed against the actual demand. After all, it is of little use to define a large amount of performance indicators, if these aren't expedient or can only be collected with disproportionate difficulties. Placing the emphasis where required, particularly depends on the respective strategic corporate objectives, as well as on the requirements of the core business.

Handling derivations in service provision/ quality

What needs to be done, if derivations from the agreed service levels or unsatisfactory services are detected, so that changes become necessary? The most immediate way to

manage provision of services is to take action in order to make sure, that defects are remedied as well as prevented in the future. Here, defects are to be understood as an explicit derivation of service performance against the backdrop of legal and contractual requirements. If improper performances shall be identified, a clear definition on the expected service quality is required. The target performance should be thereby based on clear, countable indicators. However, improper performances with regards to service quality usually cause difficulties. This is due to the fact, that the service result is only temporary and not permanent, leading to discussions, depending on the respective time of the inspections.

What possibilities exist, if reviews, audits and performance indicators reveal, that the FSP does not perform according to their target definition, while the FSP does not show any reaction in this respect? In such cases it is worth seeking to establish a personal contact. Nevertheless leverage is often key in order to obtain the required ability to assert oneself. For this purpose, bonus-malus systems are often included in the contract. Malus systems however, are only suitable to a limited extend for steering purposes, since they often do not have a targeted effect, but rather penalise one comprehensive evaluation. Moreover, the consequences and the financial risks are often not clearly addressed to the FSP in the course of the year. It is therefore not surprising, that this leads to a dispute, binding resources on all sides, required for the exchange of arguments.

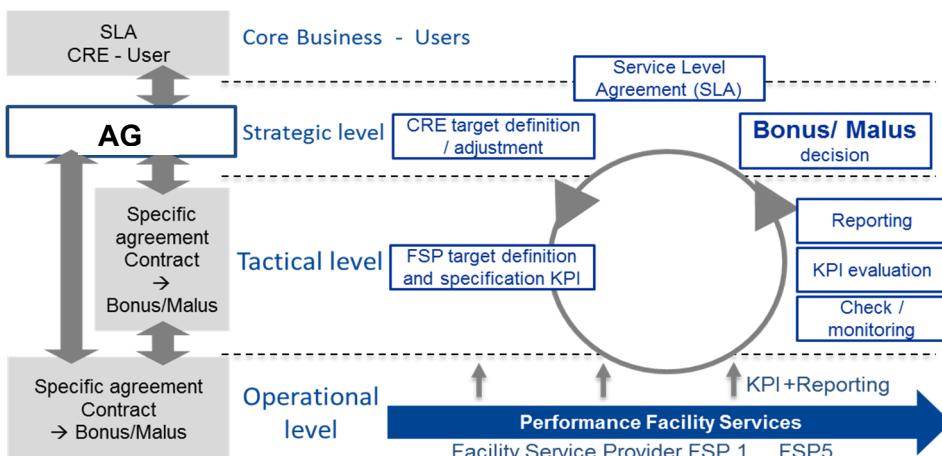


Image 5: Steering model (own illustration)

The application of specific sanctions in the form of contractual fines, referring to particular improper- oder under-performances, reduces complexity and thus improves comprehensibility and acceptance of such systems. A basis of quickly collated actual data even allows for a prompt sanctioning. For the sake of completeness, it should be mentioned that, in addition to penalisation, the system also offers a targeted payout of bonuses, rewarding a provision of service superior to the contractually agreed service level.

4.3 Conclusion

Despite the effort, reporting mostly represents the only or at least the essential basis for the client and the FSP to record property data, such as building condition, function, service

provision, including obligations on operators and service quality and to make those assessible. When it comes to different properties and usages, the reporting must be prepared in a particularly clear and structured manner, while contents shall be made the focal point of attention, in order to convey essential information. As the focus is placed on documentation, according to the client's control obligations, from the point of view of the facility services management, it is indispensable to find an agreement on comparable and thus clear performance indicators on service performance (KPI), together with the facility service provider. In this context however, on-the-spot performance and quality reviews remain necessary, to be able to gain a comprehensive picture. The operator should be actively involved and encouraged to report necessary measures and to make corresponding recommendations. This helps the overall assessment plus the decision making process.

Clear rules are needed to ensure, that the outcome of checks and audits, that are carried out, or results from KPI analyses, can possibly entail tangible consequences. Such rules need to be understood and accepted by all parties involved. Understanding and acceptance basically depend on the following conditions:

- Is the information and data base transparent to both parties
- Have the target figures been consistently defined
- Are the performance indicators audit compliant and clearly dedudible
- Is the result an the consequence free of doubt
- Is the request transparent and comprehensible for the FSP
- Is the proportionality of the means respected

Implementation notes

- Definition of strategic objectives, identification of property- and user specific requirements
- Derivation of focus points and clear prioritisation
- Identification of steering tools (controls, documentations or recording, tracking, derivation of KPIs and trend analyses, benchmarking)
- Definition of reporting and KPI per service throughout the process acc. to performance model Real FM (in detail for planning/ preparation, execution, control, documentation and performance improvement)
- Strong commitment to addressing and thorough elaboration of reporting requirements and KPI's (who, what, when/how often, in which form/ investment in data collation/ measurability)

5. Summary: Why is it important to prioritise and what is to be particularly stressed?

The increasing demands on reporting, combined with the possibility to directly generate reports with data derived from IT systems, must not disguise the fact, that the mere compilation of a report does not solve a single problem, nor does it bring the people involved closer to their goal(s). Reports serve the sole purpose of documentation and, at best, of transparent information of involved parties, in order to take the correct decisions

and to do the right thing. However, one should not lose sight of the fact, that each report produces effort among everybody concerned. In this context, the reporting effort is increasing, the wider the spectrum of properties and uses for every single facility service. It is therefore highly necessary to call for a focus on essential information, if required, and to edit them in a transparent way. Emphasis must be generally placed on the security of people and the environment, on building security, as well as on operations. Another focus should lie on the provision of service in the expected quality. Random (on-the-spot) checks are particularly suitable for the delegating person, who is in a contractual relationship to the client, enabling him/her to meet the control obligations on the overall building condition and to secure the provision of service, in accordance with legal and contractual requirements and processes. This can be substantiated via a regular reporting on significant verifications and KPIs. In order to pursue the sought performance and quality improvements, as well as to achieve further company-specific strategic objectives, it is necessary to form 'explicit' performance indicators, such as benchmarks and KPIs. Explicit means, that the performance indicators can be clearly identified, and that there is a common understanding and acceptance between all parties involved about them.

By actively requesting recommended actions by the client, the FSP takes the role of an active partner in the properties operation. On the basis of these performance indicators and trend analyses, the parties involved are able to agree on bonuses or penalisations in the form of malus payments or contractual penalties, in order to enforce decisions according to the 'steering concept'.

