The Facilities Manager's GUIDE TO BUDGETING

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Virtually every company on the planet, from sprawling regional chains to national enterprise corporations, functions on a predetermined budget. Budgets help you effectively manage assets and grow revenue while providing a financial foundation upon which your company's future success will be built.

Though it may be tempting to have built-in flexibility, the uncertainty that approach creates almost always leads to problems: projects become delayed due to a lack of proper funding, resources aren't allocated correctly, and you lose the ability to effectively price your products and services. Simply put, the financial foundation of your brand will start to crumble—and quickly.

UNDERSTANDING THE BASICS:

Where to Begin with Your Facilities Management Budget

Managing a multi-site, multi-million-dollar company's financials means making sense of thousands of disparate line items. Several of those line items will undoubtedly be devoted to facilities management (FM), which often appears as the second or third largest expense many multi-site businesses must account for.

Due to their complex nature, budgets require input from several different departments and business areas. So, even though the facilities manager might not be directly involved in the development of their company's budget, they work in tandem with leadership and other stakeholders that are. And while C-level leaders are well-versed in the basics of budgeting, how FM fits into the grand scheme of things isn't always necessarily apparent.

In order to build a budget that's inclusive of all your organization's FM needs, it's helpful for all involved—from the CFO to the facilities manager—to work together and prioritize the following initiatives accordingly:

Capital Expenditures: This is more strategic (not to mention financially relevant) than it may sound, and your list should include details beyond just a simple catalog, such as the asset's history, redundancy, complexity, and how often maintenance tasks are completed using said equipment. Be sure to tag specific repairs to the relevant asset so you can quickly identify trends. Assess whether or not it makes sense to replace or repair the asset and determine if there is an underlying problem causing the need for frequent fixes.

Seasonal Needs: Facilities managers and their teams will have a better grasp on what seasonal preparations need to be made, but CFOs need this data as well if they're going to craft a financial plan that will take them through the end of the year. Maintenance schedules are impacted by seasonal shifts, and you should think about this cycle as you plan your next budget. Also consider scale, starting with must-have maintenance and repairs, and fill in the gaps as these larger projects are funded and completed.

Vendor Management: Whether you outsource services or utilize FM software technology to manage your facilities, make room in the budget for these vendors and related expenses. Some FM business management companies will even assist CFOs and the accounting team in assessing and building your FM budget so you can be sure all the important details are accounted for.

AN UPHILL BATTLE:

Common Budgetary Challenges Facing FM Today

Historically, the role of the facilities professional has had a purely tactical purpose. Partnering with an FM solutions provider will alleviate this tactical burden, empowering your facilities team to think and act solely on strategy.

This means facilities managers are increasingly focused on strategy, especially when it comes to the bottom line: When polled, facilities executives indicated that budgeting and cost management is their biggest concern (16%) beating out other categories such as organizational factors (12%), HR and talent management (11%), workplace/space management (9%), asset management (8%) and technology (4%).[1]

[1]http://www.buildingclouds.com/docs/Raising_the_Bar_3_Full_Report_240317_IC.pdf

Whether you're the facilities manager on the ground or the C-level executive at the boardroom table, there are likely several aspects of your FM program that are ripe for optimization.

Let's take a look at a few commonly overlooked areas impacting FM and your organization's ability to properly budget for it.

Perception: FM is one of those departments that typically functions behind the scenes. In other words, as long as the HVAC system's up and running, and the floors and bathrooms look clean and tidy, FM isn't top of mind for many senior leaders. This causes some organizations to skimp on things like preventive maintenance, with many adopting an "if it isn't broken, don't fix it" mentality.

However, this cost-center mindset is stifling FM's true potential, and acting reactively rather than proactively can set your company back both financially and strategically. It's important to constantly evaluate what's working and what isn't so you can discover hidden opportunities. For example, even though your old incandescent bulbs work fine, you could potentially save considerable capital in the long run by switching to LED lighting. Resource efficiency and cost control are important, but they're only part of the equation. Focusing solely on cutting facilities' costs will potentially save you money in the short term, but it will impede your ability to uncover efficiencies in the long term. By viewing FM through a more holistic lens, you can improve processes and optimize spend through better budgeting.

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Timing: Timing is everything when it comes to assessing your FM-related resources. As mentioned in the previous section, all budgets require proper preparation, and facilities managers should be ready to provide leadership—and in some cases, the accounting team—with detailed records and data points around FM spend. Gathering this information before the end of each fiscal year is the best way to ensure all of your FM program's needs are met the following year.

Data: In today's digital world, data is increasingly important—and increasingly easy to access. But this is only true if you utilize the right technology to harness and make use of this data. If you rely solely on disparate spreadsheets or manual systems to track things such as expenses or work orders, there is no way for you to easily aggregate key data points and spot trends. This lack of actionable insights creates a huge gap in your FM program, and 9 times out of 10, will result in significant overspending.

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IT'S ALL ABOUT TECHNOLOGY:

Using Data to Understand Your Assets

One of the most important features FM technology offers users is the ability to collect and interpret key data points across virtually any facilities and maintenance program. When tied to the proper operational practices (processes) and led by the right team (people), FM technology can lead to measurable progress. Once you start leveraging this approach that prioritizes technology, people and processes, you'll gain insight into:

- The status of every active work order across all of your organization's locations;
- Which maintenance projects require additional funds, and conversely, which can afford to be scaled back;
- Year over year comparisons, including individual store costs, regional issues, etc.
- Which individual locations require more or less attention, especially during seasonal peaks;
- Where you've allocated FM spend in the past so you can better forecast for the future; and
- Which assets require repair, replacement and/or routine maintenance.

Asset management, in particular, is crucial to the stability of your budget. For example, if you're a retailer selling perishable goods such as food or even cosmetics, the health of your assets is directly tied to the health of your business. Ask any grocer, healthcare provider or beauty retailer, and they'll be the first to tell you that an HVAC breakdown, even one that only lasts a few hours, could spell trouble when it comes to making their quarterly numbers.

While tracking your asset history won't necessarily prevent catastrophe—after all, machines do break down from time to time, often with little warning—it will give you actionable insights into the condition of each piece of equipment at each of your business's locations. This will allow you to plan a maintenance schedule tailored to specific sites and their needs, so you can act proactively rather than reactively.

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ANALYTICS TO THE RESCUE:

Forecasting into the Future

Do you know how much you spent on emergency repairs last year? What about cleaning and janitorial services? Now, how about exterior maintenance, such as landscaping and parking lot upkeep? Understanding past expenditures is often the key to predicting (and preparing for) future costs, but without an advanced FM platform, you'll be hard-pressed to come up with accurate numbers on the fly.

Even those who use an FM platform might find it difficult to understand their maintenance history due to a very common, yet very detrimental practice: relying on the "other" category. Rather than categorize maintenance according to the type of project or repair (plumbing, floor cleaning, etc.), some facilities teams simply drop work orders into the "other" bucket, providing little insight into what the project entailed. To be fair, some projects may in fact qualify as "one offs" that are difficult to assign a single category. But in many cases, this is used as a way to save time or cut corners when entering project details. This practice is more widespread than you might think, and it has an impact on your ability to budget, and therefore, accurately forecast.

Beyond simply organizing this data all in one place, an FM platform can take things a step further by giving you the visibility necessary to spot cost-saving trends and actionable patterns. For example, if the same pieces of equipment are constantly being repaired, despite the high upfront cost of purchasing new equipment, it might be more economical in the long run to replace these units altogether.

Once you start running analytics, you'll not only gain insight into your internal operations, but you'll also be able to benchmark your progress against key industry players. Knowing where your peers stand can help you assess your goals, gains and what areas you need to focus on improving.

It's important to note that although data, analytics and technology can greatly enhance your ability to budget, successfully implementing smart strategies requires a human touch. Many FM platforms are simply that—platforms—which organizations find difficult to navigate without the trusted expertise of an FM partner. Coupled with this consultative approach, data analytics can propel your program into the future. Without it, you'll likely find it difficult to navigate the data, whether it's at your fingertips or not.

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BEYOND THE BOTTOM LINE:
Improving the Brand Experience

A well-planned budget is critical not just in terms of your internal organizational operations, but it can enhance the customer experience, too. On the surface, it may seem like these two things don't have much to do with one another, but your brand as experienced by your customers will only be properly reflected with the accurately budgeted FM funds.

Here's a great example: Let's say you've only budgeted for quarterly floor cleanings rather than monthly ones. Perhaps you thought this was an easy way to trim money from your budget without sustaining any real repercussions. What might not be immediately apparent is that this practice not only harms your brand reputation—in fact, 93 percent of customers switch to competitors due to unmet cleanliness expectations[2]—but it takes a considerable toll on your budget, as well. Instead of routine sweeping and mopping, facilities professionals need to spend extra time deep cleaning, buffing and burnishing the floor, resulting in hours of extra time, work and money. This practice can be especially resource-intensive in areas where seasonal elements (think salt in the winter, sand in the summer) have an outsized impact on janitorial services.

[2]https://blog.prestigeusa.net/blog/impact-of-retail-cleanliness-on-customer-satisfaction

Conclusion

Budget restrictions are a concern held by many FM professionals across a range of industries. It is common for departments of all stripes to feel pressured to reduce their budgets year over year, but this continual expectation to "do more with less" is something FM teams have been grappling with for years. It's difficult terrain to navigate, but with the right tools, your FM program can become a strategic, not just tactical, component of your business.

FM technologies have advanced to the point where they can transform your organization and:

1. Provide crucial analytical insights that enhance forecasting capabilities;
2. Allow FM teams to spend less time and resources on reactive maintenance;
3. Enable leadership to spot trends that could potentially yield cost savings; and
4. Allow organizations to get more out of existing assets.

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But not all FM platforms are created equal. To reap the benefits, it's imperative to select an FM partner like NEST that can provide the tech and the consultative expertise needed to put your newfound insights into action.

Learn more at www.enternest.com