

ASK THE EXPERTS

BY FACILITY MANAGEMENT CONSULTANTS COUNCIL



In each issue of FMJ, IFMA's Facility Management Consultants Council shares some commonly asked FM-related questions accompanied by advice from top FM consultants. The questions and answers presented in this section align with IFMA's core competencies following the themes outlined for the given edition of the magazine.

While the following answers are intended to be helpful, these responses should not be deemed complete and are limited in context by the space allocated. Please contact the individual consultants directly for further explanation of the opinions expressed.

The theme of this edition of FMJ is **"FM Finance."**

The Facility Management Consultants Council (FMCC) represents more than 300 FM consultants from various countries around the globe. Its mission states, "The FMCC is the resource and voice for facility management consultants worldwide to leverage our collective expertise to benefit IFMA members, and the facility management profession."

Questions regarding the Ask the Experts section of FMJ can be directed to John Ringness, SFP, MRICS, CBIFM, president and CEO of NEXT Facility Management Solutions and FM Consultants Council president, at john.ringness@nextfms.com.

Visit FMCC online at fmcc.ifma.org or join the conversation on the council's LinkedIn group at <http://linkd.in/1gAa8ae>.

QUESTION 1

HOW CAN I BUILD A STRONG BUSINESS CASE WHEN FINANCES ARE REQUIRED?

ANSWER: I promised myself early in my career: “I will never be out-argued by a bean counter.” I learned my finance and business basics, using them to my advantage in facility management. How?

Demand that your company has complete and accurate real estate asset value information; not just historical book values, but also current market values and calculated replacement values. Once top management has financial reporting information showing these, real estate and facility management will be more appreciated (pun intended).

Demand clear policies and guidelines regarding calculated interest on real estate and workplace assets based on calculated replacement values.

Each owned asset, from office desks to a headquarters campus, ties up capital. Capital employed and its cost (i.e., calculated interest) has top management’s attention, and so do the managers responsible for them. Write the draft for those guidelines yourself.

Demand that the head of real estate and facility management is responsible

for all real estate and workplace assets and for the capital employed in them.

Think and act as if you are responsible, managing these assets with the capital employed in mind at all times, and argue every move you make accordingly.

Implement in your company’s reporting system the international total occupancy cost code. It shows real costs for the total company, for each building and each cost center. It will include depreciation and interest on owned real estate as well as rent, which is needed to give a real picture.

If your company jumps through all these hoops for you, what will it get in return? That’s simple: Real, complete financial data to make decisions which are right, and not just cheap.



ANSWERED BY:
Peter Prischl (Germany)
Managing Director
Reality Consult GmbH
peter.prischl@realityconsult.com
+49 160 9099 7587
www.realityconsult.com

Peter Prischl is the managing director of Reality Consult GmbH, an international management consultancy for real estate and facility management with 20 consultants and offices in Frankfurt and Vienna. Reality Consult works for more than 150 clients in more than 20 countries worldwide, with core competencies in strategy, organization, controlling and IT. Prischl is also a co-author of “The Facility Manager’s Guide to Information Technology” published by IFMA.

QUESTION 2

HOW IMPORTANT IS A KNOWLEDGE OF FINANCE FOR THE PROFESSIONAL DEVELOPMENT AND CAREER ENHANCEMENT OF FACILITY MANAGERS?

ANSWER: Many facility managers are terrified of finance. Simply speaking, finance is the language of business. Like any language, if you cannot speak it or understand it well enough, you will struggle with communication and most of what you are trying to say could be lost in translation.

Across the globe, the subject of finance has been a huge weakness within the facility management profession. This weakness in the area of finance could potentially be a limiting factor for your own personal or professional development as well as potentially become a barrier to career enhancement.

FM speak combined with finance speak can be a potential weapon in a facility manager’s communications arsenal, whether presenting a business case to the C-suite, negotiating your budget, service and supply contracts, or recommending staff salaries and bonuses.

Without venturing to become an expert in finance, one should focus on understanding the fundamentals of financial statements which monitor, report and analyze performance of your

business be it your division or your company. As the old saying goes, “What you cannot measure, you cannot manage.”

For beginners, I would recommend profit and loss statements, which help in measuring the performance of your division or your company.

In addition, it is helpful to understand balance sheets, which tell you your position relative to assets and liabilities (what you own versus what you owe), and cash flow statements, which are key to liquidity (how much cash you have on hand and how much you need for the financial years ahead).



ANSWERED BY:
Val Moraes, CFM, MBA
(New Zealand)
Director
GregMore Group
Global Liaison South Asia,
FMCC
Vice President, FMCC Board
of Directors

Val Moraes is a principal consultant at GregMore Group, a facility management consultancy based in Auckland, New Zealand. His more than 30 years of international FM experience include senior roles with Oberoi Group, Colliers International and Progressive/Woolworths Australia. Moraes holds qualifications in building and project management from Victoria University, Wellington. He helped found Facilities Management Association of New Zealand and serves as immediate past chair and a foundation member. Moraes is a director and South Asia liaison for FMCC, is a Green Star New Zealand Accredited Professional and was the first New Zealander to achieve IFMA’s Certified Facility Manager credential.