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Managing Knowledge for Facilities Management Organisational Effectiveness: A Business Case

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Although the knowledge management concept has grown noticeably during the last few years, management of facilities knowledge has been little studied. Facilities knowledge is of crucial importance for organisational effectiveness and makes a proactive contribution to businesses achieving competitive advantage. This paper stresses the importance of a business case to manage facilities knowledge within the workforce and provides some insights into developing a formal and a structured business case. The necessity to manage knowledge within a facilities management context and highlighting the benefits of such initiatives are considered as the main facets of a sound business case.

Keywords: business case, facilities management, knowledge management.

BACKGROUND

Facilities management (FM) is intrinsically bound up with creating the conditions in which business effectiveness may be achieved. Hence FM is a key managerial discipline and large corporations are increasingly recognising its importance in respect of achieving organisational goals and objectives (Nutt and McLennan, 2000). Similarly to industries like construction, the 'people factor' can be considered as one of the important assets of FM organisations, as improvements and challenges in the FM organisations can be met through the workforce. Furthermore, the emerging concept of the 'knowledge worker' highlights the importance of managing intellectual capital within the FM context for organisational effectiveness. Research has emphasised that there is a clear need to critically manage FM knowledge, which would integrate both the business and facilities domains. Yet knowledge management (KM) has been little studied in the context of FM, despite a theoretical proposition that it is one future (Nutt, 2000), or perhaps the future (Price, 2000) of the discipline. Such a lack of attention is mainly due to the lack of recognition and the difficulty in justifying the benefits of any KM initiatives within the FM context. Therefore, in the current business climate there is a growing need for a clear business case for FM organisations to manage their knowledge.

This paper aims to address this necessity by providing some insights on developing a business case to manage knowledge in FM organisations. This is done through a critical literature review and a synthesis on both FM and KM, as well as through the outcomes of two interviews conducted with an academic and a practitioner within the industry. Accordingly, the paper is broadly divided into three sections. Initially, an overview of FM and its prevalent trends are discussed. Secondly, the application of KM within FM is considered, which outlines the importance of recognising the knowledge and people trails of FM. Finally, the paper provides some insights on developing a

business case to manage facilities knowledge within organisations which further discusses the need for such initiatives and the benefits it can generate for a business.

AN OVERVIEW OF FM

Facilities management (FM) is a key managerial discipline and large corporations are increasingly recognising its importance in respect of achieving organisational goals and objectives. Hence FM, as one of the fastest growing professional disciplines, continues to expand and develop in terms of volume and diversity of commercial activity (Barrett and Baldry, 2003) and appears to be gaining greater recognition and acceptance as a significant influence upon organisational success and goal achievement. It is widely accepted that FM covers a wide range of facility services - the management of which can contribute to the relative success or partial failure of an organisation's business (Chotipanich, 2004). Furthermore, with the severe commercial and competitive pressures exerted on businesses in both private and public sector to seek some form of competitive advantage from every part of their organisation, FM is increasingly being considered as a strategic and commercially-orientated discipline. As defined by Alexander (1996), FM is the process by which an organisation ensures that its buildings, systems and services support its core operations and processes, as well as contributing to the achievement of its strategic objectives in changing conditions.

Previously, FM was managed as an isolated activity and considered as an overhead like any other cost in the budgeting process. However, presently FM is managed as an activity integrated with the commercial, manufacturing and marketing functions of the enterprise. As such, this closer integration of facilities brings important advantages to provide a competitive advantage (Alexander, 1996; Puddy *et al.*, 2001). This has caused management to realise that for organisations to benefit from their enormous investment in facilities, they have to begin managing them actively and creatively, with commitment and a broader vision (Amaratunga, 2001). The growing focus in FM definitions is to view it as the management of non-core company assets and activities to support and increase the efficiency of the core business of the organisation. As such, it seeks organisational effectiveness to help organisations to allocate their resources in a way that allows them to flourish in competitive markets. As the practice of FM has gradually matured, some apparent shifts in the focus have been evident.

Within its initial focus, FM was merely considered as an overhead to the organisation and therefore something to be managed for minimum cost rather than optimum value (Price, 2000). Hence FM was characterised as working in isolation from the rest of the organisation and its function was criticised for a lack of output applicable to organisational effectiveness. The integration of a FM process perspective was characterised with the next shift in the focus of FM. Within this, FM promoted the process focus between the organisation's individual and businesses and the FM organisation by making FM activities within the organisation a continuous process (Amaratunga, 2001). Within the next shift in focus, FM is now seen as being more concerned with resource management, concentrating on managing supply chain issues associated with the FM functions. This changing focus in FM as an integrated resource management has stressed the importance of understanding FM as a business context. Yet as contended by Then and Danny (1999), in order to achieve the much needed alignment between organisational structure, work processes and the enabling physical environment, the organisation's strategic intent must clearly reflect the facilities' dimensions in its strategic business plans.

According to Tuveson (1998) and Barrett (2000), there needs to be a match between FM and organisational and business strategies, as well as their delivery process, which represents the main issues behind the current focus of FM. Then and Danny (1999)

outlined three emerging themes within strategic FM; i.e. linking facilities decisions to corporate strategy, proactively managing facilities as a business resource, and measuring facilities performance in order to fully understand the strengths of the above relationships. However, by taking a different stance, Nutt (2000) highlights four basic 'trails' to the future by considering the risks and opportunities within the strategic directions of FM:

- Financial Resource Trail - Business
- Human Resource Trail - People
- Physical Resource Trail - Property
- Information Resource Trail – Knowledge

Having identified four basic trails for the future, Nutt (2000) stresses the significance of the management structure that links knowledge and experience across these financial, human and physical areas of concern. This highlights the growing importance of managing facilities knowledge (knowledge trail) as a strategic resource in the future. Therefore the following section examines the application of KM within the FM context.

KNOWLEDGE MANAGEMENT IN FM CONTEXT

There has been a surge of interest in managing knowledge during last few decades, leading to considerable changes in the business environment. As a consequence, organisations are increasingly concerned to deliberately manage knowledge in a systematic manner. The London Times (Hoare, 1999) calls KM the "fifth discipline" after business strategy, accounting, marketing and human resources, and called upon British companies to harness it to improve their performance and profitability. KM is of strategic concern for many organisations in today's business environment; hence there has been a growing interest in KM within FM recently. However, KM has been little studied in the context of FM (Nutt, 2000). Indeed the management of facilities knowledge may be the most underutilised tool in KM (Nutt and McLennan, 2000) and such a knowledge perspective may supply the conceptual framework with which facilities users can understand and measure the business benefits they derive from such services. According to Nutt (1999), FM knowledge is of crucial importance and makes a proactive contribution to business, whereas FM still tends to be technically orientated and reactive.

Within this context, FM knowledge continues to be borrowed from other fields and tends to be holistic, yet faces up to the 'real' issues of design for the future management of facilities in use (Nutt, 1999). While the relevancy and potential value of available technical and management expertise is recognised, its application to the specifics of facilities operations and management is poorly developed. As contended by Nutt and McLennan (2000), the FM knowledge trail is at an early stage of development in which:

- it sets out from an ever widening and ill-defined sphere of activity.
- it still needs greater internal coherence for many working in the field.
- it lacks external coherence to many corporate and business organisations, and to the educated public at large.
- it has too few secure methods of its own to underpin good practice.
- it has already begun to make its own distinctive contribution within the management field.
- it is insufficiently supported by an adequate knowledge base.

This highlights that the effort put into managing facilities knowledge is still in its infancy in the FM organisations. Nutt and McLennan (2000) stress two KM knowledge perspectives that need to be considered within FM: those of the corporate organisation

and those of the individual employee. Hence the focus needs to be on human perspective; i.e. personalise KM strategies within FM to reflect the socially constructed nature of FM knowledge. People or tacit knowledge need to be recognised as the prime knowledge asset, rather than explicit knowledge or codifications strategies. Thus people and knowledge trails have become the future opportunity within the strategic direction of FM. As such, the following section elaborates on developing a business case for managing knowledge within the FM context, which could justify the undertaking of KM initiatives.

A BUSINESS CASE

There are many documented cases of successful KM efforts that have greatly aided organisations in many areas of business. However, even with these documented achievements, many companies are still reluctant to undertake KM initiatives. As Yelden and Albers (2004) contend, there are undoubtedly many reasons for this; however, foremost amongst them is the difficulty in establishing a sound business case and justification for this type of an undertaking. A business case is essential if senior management is to be reassured, employees motivated, and participation and commitment to KM are to be maximised. A major challenge for those with responsibility for KM is, therefore, to be able to convince senior management and other stakeholders that the benefits far outweigh the costs. Within the FM context, many organisations have recognised the necessity for a sound business case to manage facilities knowledge, but this has not been adequately addressed. This is further supported by Palmer and Platt (2005), who assert that:

....Most companies are still at the stage of building their awareness or understanding of KM. The majority have still to commit significant resources to their work in this area. They have not yet had to make a formal business case to justify investments - the need for which comes immediately before the implementation stage... (Palmer and Platt, 2005).

A business case for KM is a structured argument put forward to senior decision makers to persuade them that it is worth putting effort into managing facilities knowledge. The details may vary from company to company, but they typically include a description of current challenges and the benefits of managing facilities knowledge, weighted against likely costs. As Sheehan *et al.* (2005) state, from a KM perspective, a business case is often seen as a document that presents a comprehensive view of the knowledge initiative(s) or project(s) and provides the financial justification for implementation. The business case can therefore be used to communicate the project to others and to gain funding approval for the initiative. Nevertheless, an organisation's specific KM goals and their perceived benefits are fundamental to the way it approaches the business case. As contended by Palmer and Platt (2005), the clear connection between KM and meeting business objectives is a prime requirement for a successful business case. Therefore the main way to win the support of top management is to argue that business objectives could be achieved through managing facilities knowledge, and also to present the risks of not acting. This highlights the whole basis of a successful business case, which for this purpose will need to be supported with a clear proposal for action. In summary, a business case for managing facilities knowledge within an organisation needs to reflect two main aspects:

- The necessity to manage facilities knowledge.
- The achievement of business objectives through benefits.

The following sections discuss these two facets in detail to justify the implementation of KM initiatives in FM organisations. These sections also outline the outcomes of two

interviews carried out with an academic, who has also had experiences with the industry, and with a practitioner in a FM organisation.

THE NEED TO MANAGE KNOWLEDGE IN FM CONTEXT

As the literature reveals, KM has been little studied in the context of FM; hence the effort put into manage facilities knowledge is still in its infancy in organisations. This is further supported by one of the interviewees, who argued that

“the value of systematically capturing knowledge and particularly capturing learning about what works and what doesn’t is very undervalued in FM and also undervalued by those in the clients sector who outsource from their suppliers as well”.

The respondent believed that the FM market has commoditised to a certain extent due to this lack of concern for KM. As the interviewee contemplated,

“the market has commoditised to some extent because it hasn’t really focused on KM, hasn’t really focused on the meta knowledge, where how you do FM management. Just concentrating on tactical management of services which themselves are fairly predictable and repeatable”.

There are major problems associated with the adoption of KM within organisations, particularly in the formulation and implementation of the initiatives. According to the literature, the problem for many organisations stems not only from the concept of KM or the complexity of operationalising it, but from the fact that the implementation of KM initiatives has often been ad hoc, with a high degree of fragmentation and a lack of coordination. Providing further insights on this, respondents agreed that many organisations practice KM in one form or the other, either with the explicit knowledge that they are doing so or otherwise. However, they perceived the major problem to be that many organisations do not have a formal and a structured way of managing the knowledge assets within the businesses. As one respondent cited,

“the case is not whether organisations manage knowledge, the case is whether they know that they manage it effectively and whether they have formal and structured way of dealing with it”.

As such, interviewees felt that many organisations have techniques pertaining to KM, yet management intervention in terms of implementing them in a structured and purposeful way seems to be lacking. This has been highlighted by Nutt and McLennan (2000) who contend that “initiatives for innovation in the individual’s FM knowledge systems are hard to find”. Respondents cited that for a proper implementation, *“you need to think about it, you need to have objectives, you need to have a business case and then you implement it and don’t leave it at this stage and see whether the reasons why you implemented them have been achieved”.*

Understanding the types of knowledge facility that managers may need, use and create in the future is an important area for investigation for FM organisations to remain competitive. As suggested by Amaratunga (2001), facilities managers needs to value their entrepreneurial skills and knowledge of the core organisation, with the ability to pre-empt and translate the organisation’s need for change into facilities strategies which underpin operational objectives to yield competitive advantage. The commitment from the ‘people factor’ involved in FM organisations has a major role to play. For instance, evaluating the efficiency and effectiveness of existing buildings in terms of user satisfaction, identifying new improvements to buildings and so forth are major roles of facilities managers. Therefore, similarly to industries like construction, the

'people factor' or 'tacit knowledge' should be considered one of the important assets of FM organisations, as discussed elsewhere in this paper. As highlighted by one of the respondents,

"if one tries to find out the types of knowledge that contributes more to innovation and competitiveness, it is the tacit knowledge as opposed to the explicit knowledge. So there is a need to say tacit knowledge as important and there is even more need to explore that fully because we still haven't learnt how this sticky knowledge works".

But according to McLennan (2000), in the commercial office sector both the in-house and outsourced facility managers are poorly placed to exploit their tacit knowledge. In addition, in providing further insights on the importance of tacit knowledge within FM the other interviewee also argued that,

"generally, I don't think these institutes are helping terribly much with the real tacit knowledge issue. I think the way the knowledge is applied underpins professionalism, that's at the heart of the judgment issues which require tacit knowledge".

In summary, both the literature and the interviewees recognise the importance and necessity of managing facilities knowledge for organisational effectiveness, and further highlight the significance of exploiting the real tacit knowledge of the workforce. Having discussed the need to manage facilities knowledge, the following section outlines the benefits of such initiatives, which accounts for the other major facet of a business case.

AWARENESS OF BENEFITS AND VALUE

There is a wealth of literature advocating the benefits of managing knowledge in organisations. However, those with responsibilities for implementing KM initiatives are increasingly being challenged to make a business case for KM given the competing needs for organisational resources. As Robinson *et al.* (2004) contend, the strongest argument for a business case on KM is to demonstrate its business benefits so that the resources and support necessary for its successful implementation can be provided. As argued by one interviewee, since profit making organisations work on the premise that one unit of input requires more than one unit of output, it makes sense for organisations involved in KM to see how the effort they put into the process or techniques of KM yields dividends. Therefore, measuring the outcomes of KM initiatives is considered to be important in making value judgments on their contribution to the business performance. Also, justifying the benefits of KM initiatives constitutes an important part of any business case. This, however, is not easy. As Yelden and Albers (2004) argue, the difficulty in establishing a business case for KM programmes is really an issue of cause and effect, and often stems from the fact that there is no direct link from a KM process to a demonstrable business outcome. As a result there are a number of steps required to show a connection between the KM benefits and business outcomes. Nevertheless, one interviewee believed that "it would be quite feasible to make a business case in terms of value of a bonus from doing something good or being repeated."

One obvious benefit of KM processes is that it enables employees to quickly find an answer to a problem that has already been solved in another area of the organisation. Managing knowledge within the company will enable it to gain increased value from the existing knowledge and also to create new learning and knowledge in the process (Gray, 2001). The value to the business will be recognised when employees are able to increase and apply their tacit knowledge to the benefit of the company. While providing more insights on the benefits of managing facilities knowledge, one respondent explained that,

“cost saved is obviously much more attractive because that is the explicit part. Cost avoided in the sense is the metaphorical paradigm of tacit knowledge value I guess. We are interested in making business cases of whether there is a pump prime investment needed to make something tacit more explicit where that’s feasible or to systematically understand where we have done something new that had value, to the point we can repeat that”.

As contended by Sheehan *et al.* (2005), the value of knowledge can be considered in two different ways: the micro viewpoint and macro viewpoint. By considering the micro perspective, such issues like how to assess the impact of knowledge initiatives need to be addressed. Such knowledge initiatives could include communities of practice, after-action reviews, story-telling and so forth. On the other hand, the macro perspective could involve quantifying the intangible assets of an organisation. In an extension of Sheehan *et al.*'s argument, Yelden and Albers (2004) state that clearly delineating the expected hard and soft benefits of each aspect of the initiative will greatly aid in effectively justifying the need for it. The hard benefits of a KM initiative are fairly straightforward and directly related to financial performance. Soft benefits may include accelerated innovation, increased teamwork, increased speed and responsiveness, better decision making by front-line workers, increased employee retention, employees better connected to the experts, increased problem solving by front-line workers, improved work routines and so forth. Although these benefits are hard to quantify, they are commonly acknowledged to bring tangible business benefits. In summary, literature identified the difficulties in measuring benefits from KM initiatives, although interviewees admitted that is possible. Different aspects of measuring KM benefits have been highlighted and both the literature and respondents agreed on the importance of demonstrating business benefits for a successful implementation.

THE WAY FORWARD

The practical and strategic relevance of FM to organisations in all sectors of the economy is now increasingly recognised. However, KM has been little studied within the FM context. Therefore this paper has provided some insights on justifying the implementation of KM initiatives within a FM organisation by introducing the main facets of a business case. The necessity to manage knowledge within the facilities management context and highlighting the benefits of such initiatives are considered as the important aspects of a sound business case. This will provide a valid basis to investigate further into KM in the FM context and to collect empirical evidence on key KM variables for FM organisations, which constitutes the second phase of the research.

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