



An Update on the South African Facilities Management Market

March 2020

Report prepared for:
**South African Facilities
Management Association
(SAFMA)**

Report written by:
African Response (Pty) Ltd

Contact:
Jan Wegelin
Research and Analytics Director
Jan.Wegelin@africanresponse.co.za

Introduction

Welcome to the second review of the South African Facilities Management (FM) market. After the successful launch of the first report of its kind in 2017, the South African Facilities Management Association (SAFMA), the custodians of this research initiative, has had numerous engagements with role players to contextualise the findings towards the general improvement of industry standards. SAFMA, the industry representative body, with this report, aims to develop strategies to support members further to enhance the reputation and growth opportunities of the industry for members in particular but also the industry at large.

This subsequent survey was launched to update the size of the industry and shed light on the associated industries involved in the FM practice as a collective contribution to the overall maintenance and upkeep of business facilities.

SAFMA is a self-sustaining organisation, offering its members access to a body of knowledge about the industry including advisory services, networking events and as shared in this report, keeping its membership up to date about trends in the FM industry.

Furthermore, it was important to understand staff dynamics, training needs and the level of transformation in the industry to support the contribution of the overall employment status in South Africa and its contribution to the country's workforce.

In addition, SAFMA aims to enhance the quality of services delivered to the business fraternity by working with Facilities Management Professionals and Training Providers to increase and support the development and quality of operators, technicians and professionals.

Executive summary

Data collection for this report was done in February 2020, a few weeks before the severity of the Coronavirus (COVID-19) became known and subsequent social distancing and lockdown measures were put in place. Across the world the impact of the virus has been noted with a broad range of speculations in terms of new ways of working, a potential recession and the importance of supporting a strong local economy as the globalisation narrative begins to fade. These are also important considerations for the facilities management industry and how SAFMA could assist the industry in working out ways to sustain and promote these new ways of doing business in consultation with clients.

Since the previous survey, a few indicators improved, for instance costs are less of an issue although in light of the current pandemic, that will most likely become relevant again. There are also positive indicators of a drive towards transformation and improved levels of skills are noted although the quality of training is questioned in terms of the adequacy to meet business needs. Lastly, the use of technology, although still relevant, lost its impetus after the Big Data hype as seen in many other industries.

There is evidence of greater sophistication and improvement in the approach towards facilities management. These are all positive indicators of a changing, complex and dynamic industry. However, like all other industries in South Africa, challenged by limited economic growth, increasing the bottom line through more efficient and effective processes and finding ways to increase productivity in the business, the facilities management industry is no different.

Executive summary

An industry, comparable to the poultry meat market, almost on par with the economic contribution of the Northern Cape province (2.19%) to national GDP and about twice the size of the fisheries industry (R34bn); further comparisons illustrate the facilities management industry is about ten times the size of the film industry in South Africa. The facilities management industry has developed into a strong and noteworthy contributor to the South African GDP at R51bn, contributing 1.63% to GDP.

It is estimated that between 113 000 and 118 000 people work in the facilities management industry either as insourced or outsourced employees. The security, cleaning and purification as well as the building installation and maintenance services collectively contribute most to the outsourced component of people involved in the industry who are not directly employed by a FM business. It should be further noted the host of other industries cannot be included wholesale as there are areas of overlap and, overlap is not consistent throughout the year.

Considering the contextual references and that there are just over 10million employed (excluding the domestic worker and other personal service employment) people in South Africa, the facilities management industry contributes just over 1% to the total employed cohort.

From a different angle, the built environment in South Africa is worth R6.7tn of which 65% is the domestic or residential market, 22% the commercial, 4% public sector and 9% currently un-zoned or undeveloped. The commercial and public sectors alone are worth R1.74tn, when converting this to the size of the facilities management market, at R51bn, the proportional is between 2.95%.

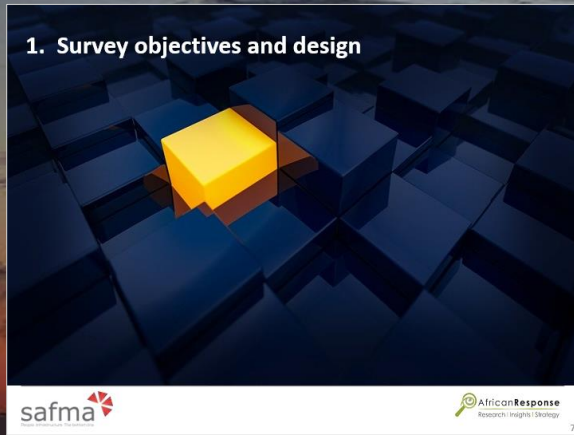
Executive summary

Of course there is a share of the domestic market to be included as flat buildings and complexes which will be difficult to determine based on landlord arrangements and ownership profiles. Irrespective, it is most likely between 2.9% and 3.2% of the built environment. Arguments could be made that it should be 5% to ensure buildings are looked after properly and the replacement value cycle of 20 years (the maintenance and management costs of the building) should cumulatively be the same as the replacement costs. However these arguments are developed, there remains an opportunity for the facilities management market to grow considering its contribution to maintaining the value of property when facilities are properly maintained.

For SAFMA it is important to understand the different “voices” of the industry. Why these exist, why the service providers and clients see these needs and identify these challenges. Furthermore, in light of the growth potential and great strides in client service and developing solutions that solve problems, challenges remain. For instance, skills levels are not always in line with economic sector demands, agility can improve, transformation requirements are sometimes just adhered to and sometimes fully supported but most importantly 83% of responses about what training should focus on, include skills audits, better quality training in line with specific business operations and in-house training support.

The 2020 update of the facilities management market yields great insights into the development and focus points for the industry in years to come. The current pandemic will disrupt the way business is done, exactly how, no one is really sure yet. However, it is important to understand the strong anchor points of the industry and note the opportunities to improve the much needed services delivered to client businesses to protect the value of assets and to create a favourable environment for employees.

Report Chapters



1. Survey objectives and design

Scope and Objectives

This study aimed to address the following objectives:

--- 1 ---

Update the key findings of the 2017 survey in line with current market trends

--- 2 ---

Obtain information about the industry to engage and lobby with industry and public entities

--- 3 ---

Understand how to best support the industry based on needs and expectations

The research covered the following aspects as an extension of these objectives:

How has the industry changed since 2017?
Are there new or how did existing trends change?

Relevant information about the industry to develop content for lobbying and support

What are the requirements of industry players and how do these support the current mandate of SAFMA?

The survey details referenced in this report:

Survey Details	2017	2020
Data collection timeframe	November 2016	February 2020
Achieved sample	n = 403	n = 416
Report date	March 2017	April 2020

The role of the Facilities Manager

Although the name Facilities Manager is often associated with the Integrated Facilities Management (IFM) industry, the profession has a far broader application. The tasks of employees (i.e. insourced) who are responsible for looking after the facilities at a business very often dovetails with the tasks or role of a Facilities Manager. Similarly, businesses that offer a single or bundled service either to businesses or the IFM industry also overlap with the tasks and role of the IFM professional.

It is therefore important to position the mandate of this study in the context of the broader definition of that role and look at ways in which the industry as a complete and complex interlinked service to the business fraternity to support and complement client businesses to focus on their mandate, which is to operate in a safe and operationally sound environment.



Macro-level industry layout and interaction

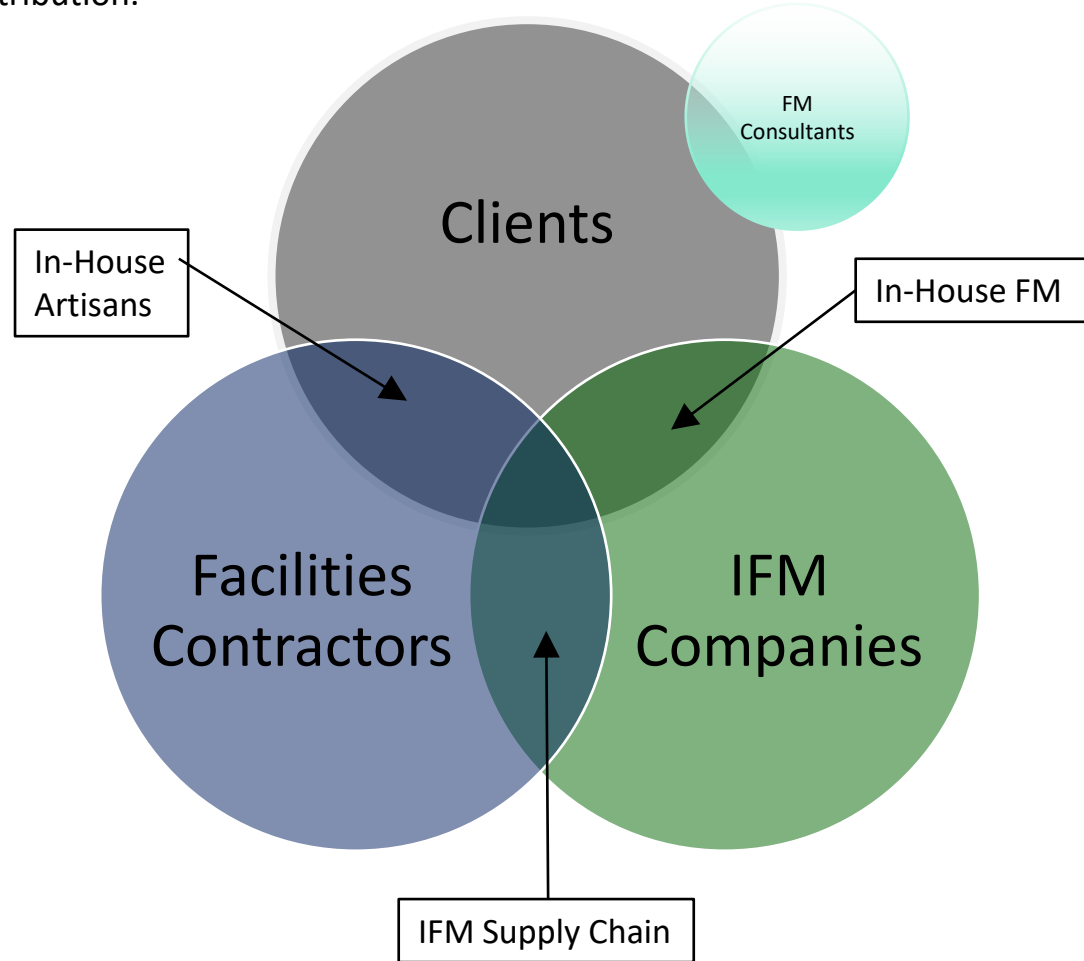
Within the context of the multi-skilled Facilities Manager operating at a range or levels, the following schematic illustration simplifies the interconnected role distribution.

Clients: This is the Demand Organisation or the receiver of the Service whether that is a single service or an integrated management service. This could be delivered in-house or by external Supply Organisations

Facilities Contractors: These are Supply Organisations that provide single or bundled operational tasks/services to clients directly or via FM Companies. Typically these would be contract cleaning, plumbers, electrical contractors etc. They do not provide any form of management services other than those directly associated with the task at hand

IFM Companies: These are Supply Organisations that integrate or provide the management of the facilities services either supplied by Facilities Contractors through their own FM Supply chain or by their own direct staff.

The intersection of the circles represent the other relationships and players that can exist.



Industry definitions

To define the industry within the context illustrated above is a challenge and therefore a few definitions are maintained. Below are three definitions of which one was used in this survey to ensure all participants in the research could be accommodated.

SAFMA's industry definition

Facilities Management is an enabler of sustainable enterprise performance through the whole life management of productive workplaces and effective business support services.

The 2020 Survey definition

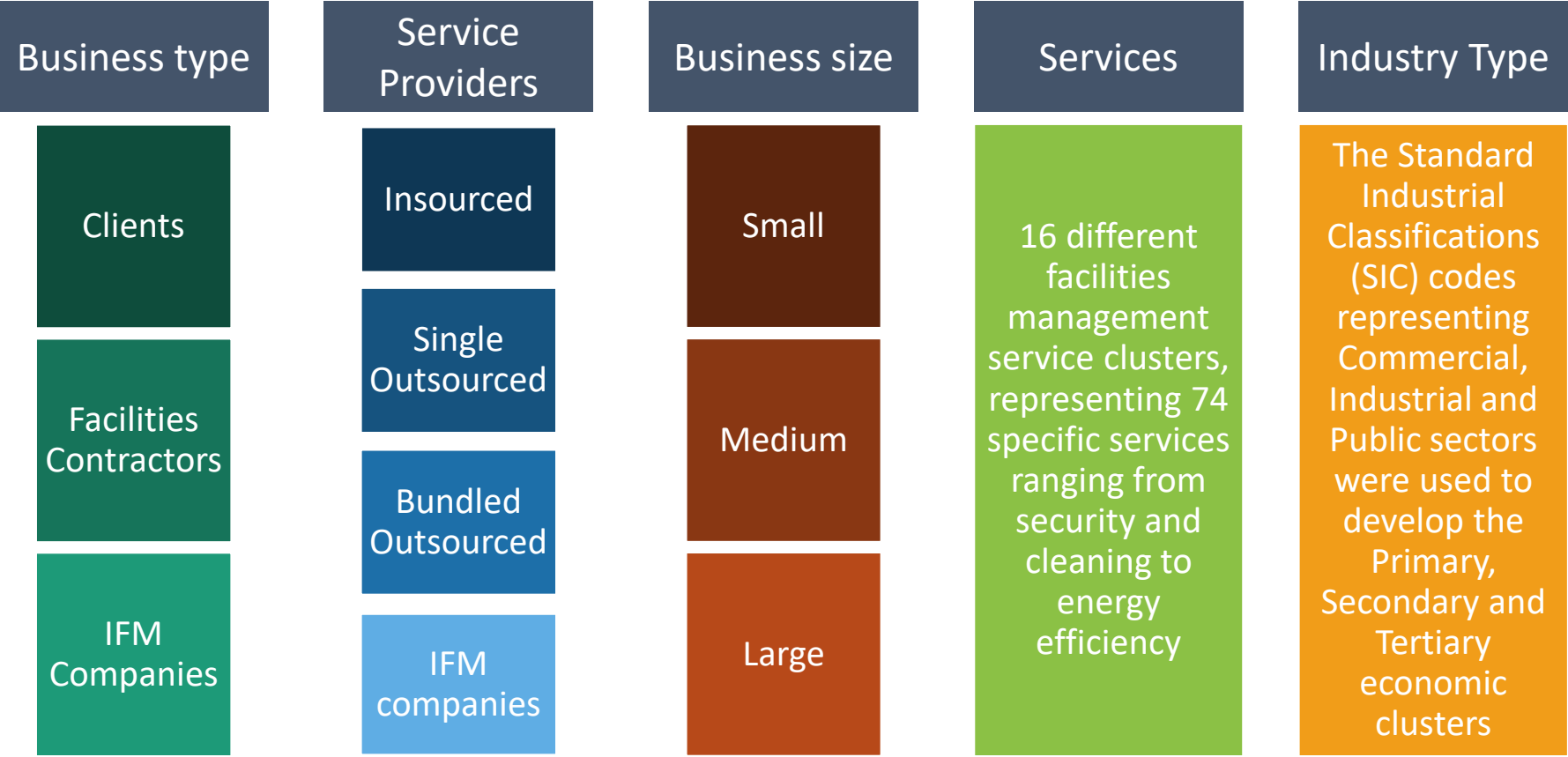
The integrated management of the work environment and supporting services of an organisation that organise, control and coordinate the management of facilities to provide an environment that enables the business to achieve its primary objective.

The ISO 41001:2008 definition

Facility management (FM) integrates multiple disciplines in order to have an influence on the efficiency and productivity of economies of societies, communities and organisations, as well as the manner in which individuals interact with the built environment. FM affects the health, well-being and quality of life of much off the world's societies and population through the services it manages and delivers.

Industry structures accounted for in the research design

For the purpose of simplifying the industry, multiple layers of industry operations were identified and accounted for in the design, implementation and sample structure of the survey. These are illustrated below and are not inter-locked layers (two-dimensional) but multi-dimensional points of view to gain deeper insights into the market dynamics.



The Facilities Management Industry framework

Although there is very little agreement about the classification of services, the following framework was developed with SAFMA and used successfully in both surveys. It accounts for 74 functions classified into 16 operational categories.

#	CATEGORIES OF SERVICES OFFERED
1	Administration / Office management: <i>Including all clerical functions such as courier, filing, mailroom, reception and stationary</i>
2	Building installations & maintenance: <i>Including system control, air-conditioning (ducting & ventilation), water (drainage and plumbing), electricity, energy (generators), gas, flooring, lifts & escalators</i>
3	Cleaning and purification: <i>Including all cleaning services, pest control, waste treatment, disposal and management</i>
4	Event Management: <i>Including audio-visual maintenance and servicing, as well as conference and event management</i>
5	Fire protection services: <i>Including alarms, equipment maintenance and safety protection</i>
6	Health and safety: <i>Including regulatory compliance, hygiene, workwear and chemical supply and maintenance.</i>
7	Hospitality: <i>Including catering, kitchens and vending machines operation and maintenance</i>
8	HR and Procurement: <i>Including personnel management and outsourcing (excl. labour broking, not a FM function)</i>

#	CATEGORIES OF SERVICES OFFERED
9	Interior and exterior landscaping: <i>Including supply and maintenance of plants, office renovations, parking management and workplace and space planning</i>
10	Project management: <i>Including general project management services related to any task or project</i>
11	Real estate: <i>Including operations, secondary sites, lease administration, selection and purchasing as well as relocation and churn management</i>
12	Regulatory / Compliance: <i>Including ISO, inspections, audits and advisory</i>
13	Security: <i>Including access control, armed and non-armed guarding, CCTV, car parks, fixed and roaming guards</i>
14	Strategic management: <i>Including budgeting and financial management, portfolio management and strategic services</i>
15	Travel: <i>Including fleet, shuttles and transport management</i>
16	Utility and sustainability services / Special projects: <i>Bio-energy, renewable energy, energy saving, etc.</i>

Standard Industrial Classifications (SIC)

The South African economy is broadly defined into 18 operational functions or structures which were netted into macro-economic clusters, illustrated below:

Standard Industrial Classification	Macro economy
A - Agriculture, forestry and fishing	Primary
B - Mining and quarrying	
C - Manufacturing	
D - Electricity, gas, steam and air conditioning supply	Secondary
E - Water supply; sewerage, waste management and remediation	
F - Construction	
G - Wholesale & retail trade; repair of motor vehicles & motorcycles	
I - Accommodation and food service activities	
H - Transportation and storage	
J - Information and communication	Tertiary
K - Financial and insurance activities	
L - Real estate activities	
M - Professional, scientific and technical activities	
N - Administrative and support activities	
P – Education	
Q - Human health and social work activities	
R - Arts, entertainment and recreation	
S - Other service activities	

A well executed sample complements the survey findings

The below sample was supported by a rich and diverse database of businesses sourced nationwide. The sample frame was skewed towards large and medium sized businesses, weighted proportionately during analysis.

Province	FM Service Providers			Facilities Contractors			Clients			TOTAL		
	Database	Sample	Realised	Database	Sample	Realised	Database	Sample	Realised	Database	Sample	Realised
Eastern Cape	2	1	1	20	3	3	121	12	10	143	16	14
Free State	0	0	0	4	3	0	38	5	5	42	8	5
Gauteng	39	16	16	567	24	27	1 987	171	183	2 593	211	226
KwaZulu-Natal	2	2	2	97	7	11	289	27	27	388	36	40
Limpopo	0	0	0	4	2	1	32	4	5	36	6	6
Mpumalanga	0	0	0	11	3	3	73	8	6	84	11	9
North West	0	0	0	8	5	4	41	5	8	49	10	12
Northern Cape	0	0	0	1	1	1	13	3	5	14	4	6
Western Cape	10	6	6	258	12	13	871	80	79	1 139	98	98
OVERALL	53	25	25	970	60	63	3 465	315	328	4 488	400	416

Survey participation and cooperation

Positive reputation of the SAFMA report

As with any business-to-business research, the cooperation of business representatives are critical. The SAFMA industry survey has gained momentum since the initial 2017 assessment and participants were more willing to share their information, thoughts and perspectives.

This is a very positive outcome and an illustration of the value of the survey to the facilities management fraternity.

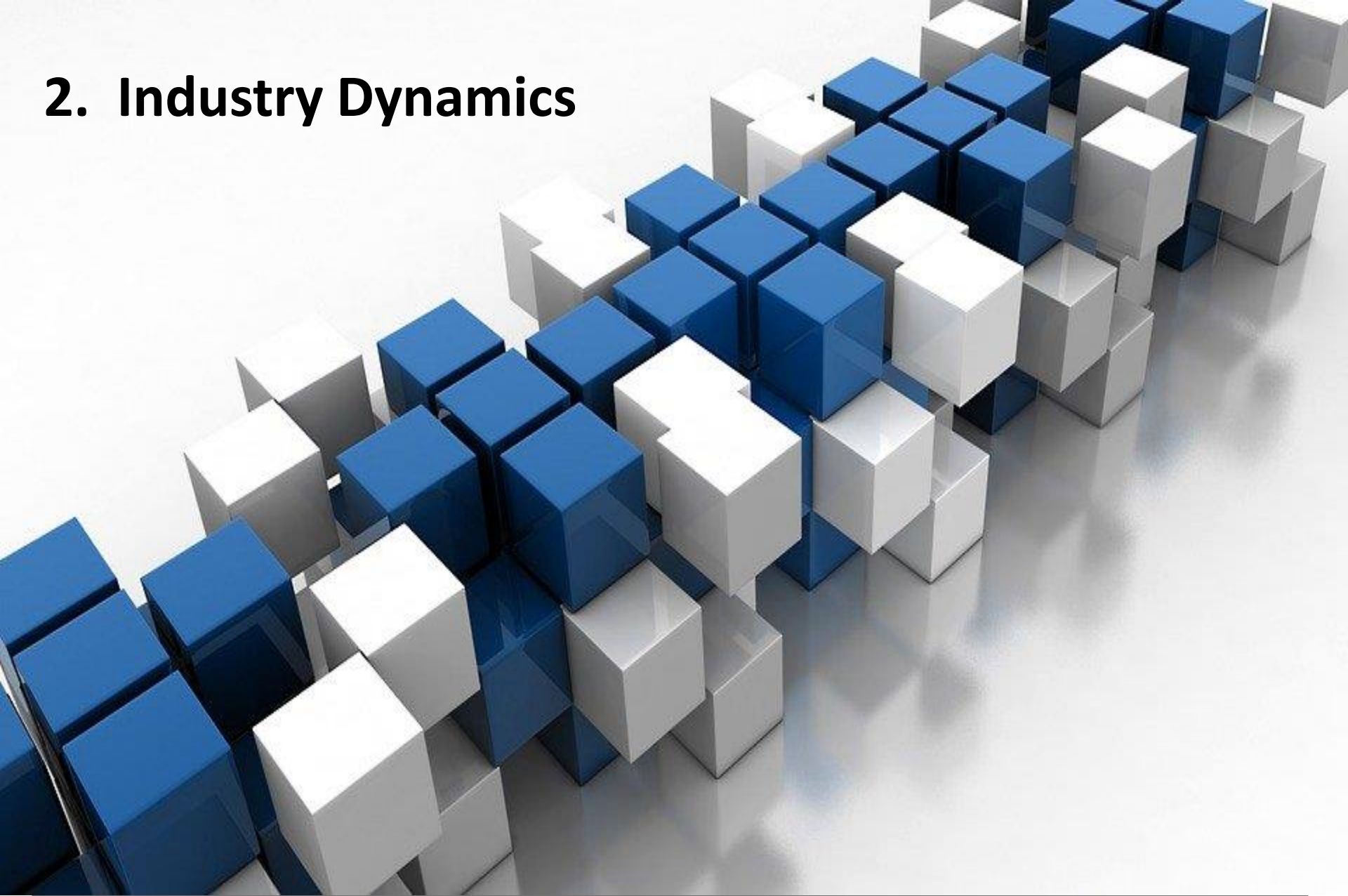
In most cases, finding the right person to speak with went well, in rare instances were two representatives for the same business interviewed to gain full perspective.

The SAFMA Conference, as a platform to share the results also had a positive effect on participation and some requested more details about the conference and a willingness to engage further with the industry and SAFMA specifically.

Representatives were well informed about the technical detail in the business and could also provide insightful feedback and why the decision to insource or outsource certain functions were preferred.



2. Industry Dynamics



A range of industry voices

In this year's analysis, a range of aspects about the industry were tested to better understand the motivations, sentiments and reservations. Included were tactical, strategic, employment and transformation drivers to develop the "voices" or dynamics of the industry.

For SAFMA, as the industry regulatory and advocacy organisation, these dynamics are important to consider in the development of strategies to address concerns and motivate industry representation. This industry, like any other, does not speak in one voice about their concerns and although it is evident that many aspects improved since the 2017 survey, it is necessary to understand these contexts.

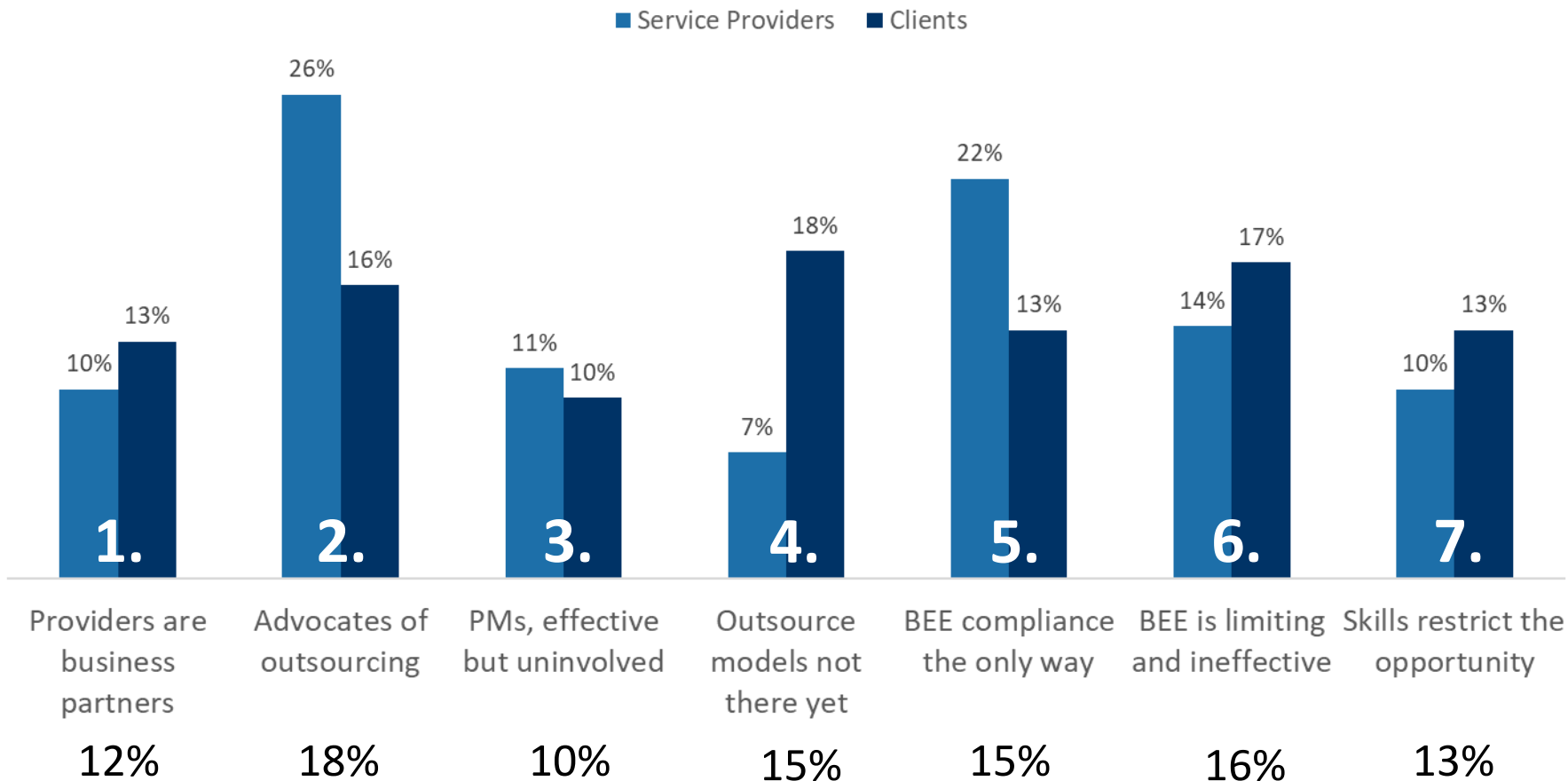
The following analysis was based on segmentation modelling, an iterative process through which the various motivations and pressure points group or cluster the sentiments. Seven groups were identified and although some speak about the same issue (such as transformation or skills) the sentiments are very different and the iterative process were largely devoted to find the best balance between these points of view.

In the 2017 analysis, which mainly focussed on the tactical aspects of the industry, six groups were identified. These raised issues around costs, the importance of reputation, service, the long-term nature of the industry, structure and a broad range of challenges.

With a broad scope of measurements in 2020, seven groups were identified and are illustrated in the subsequent slides. The group descriptions are condensed narratives about specific behavioural anchor points that motivate industry participation or possible changes that may develop over time. It is exactly these motivations or anchor points that should inform the SAFMA strategy going forward.

Representing the groups across clients and service providers

As expected, not all groups are equally represented between service providers and clients. Neither are the groups the same size, although all are well represented with no dominant or negligibly small group noted. Groups two, four and five have particularly strong focus points either towards service providers or clients.



Group summaries

The seven groups with netted descriptive sentences are shown below. From the titles the focus points can be deduced but broader descriptions are given in subsequent slides. Although there are areas of overlap, each group has a central theme and a key driver or motivator that determines thought, behaviour and context about what the industry is about and what are the important focus points.



Segments of the market

1. Providers are business partners

The core focus of this group is to have a strong and well entrenched strategy to do business. It is about the business identity. The services offered are there to solve problems for the client. The tactical and operational detail are supportive but not the core focus of the business. The strategic imperative is to be a business partner.

This is the second smallest group at 12% of the market and has a slightly higher client support base (13%) than service providers (10%). This group straddles the large, medium and small business sectors almost equally and therefore has no tier relevance. The group is well-balanced across all industries in line with the FM core focus areas.

There are very few operational indicators that distinguishes this group from the broader FM market and with the strategic focus, that is understood and accepted. A slightly higher than average percentage of services are self-provided.

The group has a tempered optimism about business growth over the next three years and with a slightly higher self-provided percentage and thereby retaining a little more of the revenue rather than using sub-contractors. This approach on the one hand means better control and alignment over the services provided but also requires a strong business base to maintain internally provided services.

Although the group appreciates the importance of training and the quality of training providers there seems to be little need for additional training initiatives.

The sentiment of the group is slightly contra intuitive, legislation requirements are not an obstacle, big businesses are agile and responsive, companies will always have a balanced approach to insourcing and outsourcing and it is not necessarily cheaper, in the long run, to outsource.

Segments of the market

1. Providers are business partners

Transformation is a necessity and an accepted approach to operating a business. It is about building a sustainable business platform for years to come while retaining the client base through dedicated and efficient solutions that solve problems.

This group's key characteristics lie in its strategic mandate. While the business has a strong focus on monitoring business performance measures its unique and distinguishing characteristics from all other groups are:

- To contribute to the operational effectiveness of its own and client businesses
- To constantly assess the quality of services provided to maintain high standards
- Ensuring that the services or solutions to problems support the strategic goals
- Offer innovative solutions that meet the demands of a clients business
- To improve the performance of staff in the workplace whilst underpinning the values and culture of that business
- As a business partner, the aim is to reinforce marketing and brand strategies, thereby adding real value
- Lastly, to manage the financial aspects and budgets well

For most businesses these are standard measures and business practices, but the unique feature of this group is that both from a service provider and client point of view, these businesses are known for practicing these. That is a positive and reinforcing position.

Segments of the market

2. Advocates of outsourcing

The core focus of this group is to convince or motivate clients to outsource their services. The business approach is largely about offering a service to clients. The services offered are there to maintain the facilities for a client and that it is a more cost-effective solution than insourcing the capacity. There is limited focus on the tactical and operational detail, overshadowed by the need to get more clients to service.

This is the largest group at 18% of the market and dominated by service providers (26%) against only 16% clients. The group is also skewed towards medium and smaller service providers so a lighter presence of large businesses are noted and therefore likely to be contract suppliers rather than integrated facilities management firms. This group is weakest in the manufacturing industry and slightly more common in government and professional services industries.

With that profile in mind, procurement and financial management practices are lower down the priority order dominated by people and project management principles as well as client service. A good track record is critical. The group has a strong focus on outsourcing. This is likely smaller operators offering a bundled service but not having the in-house capability or capacity.

The group is reservedly optimistic about growth prospects over the next three years. With a stronger focus on outsourcing and dominated by the small business group, training is not an important focus point. The group is reliant on the current education and training system to provide skills but not invested in upskilling staff. In fact this group rates the importance of training as the lowest of all groups. The focus seems to be strongly motivated by the individual or business owners and building a track record based on that.

The sentiment of the group is mostly tactical and focussed on the outsourcing business model. These businesses feel a little vulnerable amongst many other service providers and acknowledge that the industry is fragmented with few BEE partners to work with (a strong motivation considering the higher than normal outsource business model).

Segments of the market

3. Project managers, effective but uninvolved

The core focus of this group is to manage the process. The business approach is largely based on a system of delivering a service. The systems approach to doing business is supported by a strategic focus but unlike the business partner approach, this group is largely focussed on the system of delivery. Client service is equal to a good project management system, therefore project management and procurement are strong tools when looking after facilities.

This is the smallest group at 10% of the market with an equal split between clients (10%) and service providers (11%). The group is mainly skewed towards large businesses and therefore likely to be integrated facilities management firms and large client businesses. The group is strongest in the professional services economic sector but weaker in transport and distribution.

This group is the most convinced that it supports the industry mandate and does that by saving costs for the client and using the latest technology to track performance and intervene where necessary. These two are more important business development tools than a good track record. This group is somewhat optimistic about growth prospects this year but has a concern about the next two years where expectations are below par.

Based on the project management approach, outsourcing will decline slightly in years to come and there are indicators that the service providers will continue to focus their attention on specific services that are best managed by the project management approach. Services requiring a stronger and more dedicated skills-set will probably be downscaled or dropped all together.

As a consequence, training needs are more focussed on soft skills and mentoring or coaching programmes than practical skills, although still relevant. The quality and relevance of training providers are acknowledged but there is little motivation towards the skills transfer drive or to increase the skills of the industry. The group has a higher focus on gender representation and to promote the number of females in the industry, more so than any other group.

Segments of the market

3. Project managers, effective but uninvolved

The different approach to managing facilities by using a strong and focussed system of delivery creates a unique space for these service providers. There is little concern about government regulation, a fragmented industry, client communication and a different business approach. BEE compliance is important but not considered a compliance exercise, rather it is considered a good measure to improve the quality of transformation.

Based on the strong system of delivery business model, it is expected that the following attributes will be important:

- The ability to apply best practice principles including policies that protect the environment
- Be able to quickly adjust to fast-changing organisational priorities that promotes a safe and healthy working environment
- To continuously monitor and use data and information to improve services that complies with key legislations and minimises risk to optimally manage and maintain property and assets
- The system of delivery contributes to operational effectiveness with a strong focus on managing budgets

The downside of this approach is it may result in a sentiment of being uninvolved with the client. The technologically driven approach provides all the necessary information for clients and service providers to keep track of performance but seems to miss the human element.

Segments of the market

4. Outsource models not there yet

This is mainly a client group holding the opinion that the industry is not performing optimally and not meeting needs adequately. The main concern is levelled at the available skills in the industry, a core focus of the group. The group has a slightly higher presence of medium sized businesses although large businesses are also present. The group is critical of the industry and there is a real sense of frustration about service delivery, quality and project management skills with an eventual impact on finances, probably resulting in insource vs outsource discussions.

The group is medium sized at 15% of the market. Quality is less important than financial management for this group, so even though quality is a concern the financial implications of poor service delivery becomes, relatively, a greater focus point. The group is least convinced that the FM industry fulfils its mandate. The manufacturing industry is well represented in this group, most likely serving a diverse range of needs in a manufacturing context.

The result of these pressure points is a greater focus on the tactical aspects. The group is convinced that the starting point is to upskill staff. The least important aspect for this group is to be a strategic partner, there is a sense that as long as the basics are not in place, a strategic partnership is not even considered. Despite these sentiments, most likely driven by business operations, there is a need to increase outsourcing over the next three years.

In terms of transformation, the sentiment is strongly focussed on the need to improve skills, much more important than economic growth or ownership profiles. With no positive strategic sentiments, the focus is largely tactical and mainly based on skills, which seem hard to find and in an industry that is fragmented with limited BEE service providers resulting in poor and inefficient communication between clients and service providers.

Key aspects for this group to address are the ability to adjust to the changing needs of a business, monitor quality and improve delivery as a result of lessons learnt. As a consequence of these issues, the group fails to see the value facilities management bring to the business.

Segments of the market

5. BEE compliance the only way

This is the second largest facilities management representation group. The group is characterised by its motivation to improve skills and drive the transformation narrative. The group has a higher than average focus on improving the skills in the industry and particularly for BEE service providers. The group is complimentary about the training material, quality and relevance that is available. Transformation is mainly driven by a stronger racial representation, more so than gender, ownership or competence.

The group is medium sized at 15% of the market with an almost equal distribution between large, medium and small businesses but with a service provider focus. In most aspects the group scores are on par with the average in terms of the industry mandate, important aspects to maintain facilities and the requirements to win new business. The group has a strong internal focus, internal on its own business and the industry with the least frequent client visits of all groups. The group is well balanced across all industries but slightly better represented in the professional services industry.

Although reasonably optimistic about growth prospects, most seem to come from outsourcing models to offer single services. There is a strong sentiment of a network of single service businesses operating to deliver a range of services to clients and in the process drive the skills and transformation narrative. The network of service providers model seems to be supported by clients as there is little evidence of a fragmented industry perception.

The group is most supportive of BEE as a measure to improve the quality of transformation, believes that the industry is well monitored and strongly committed to the transformation drive in accordance with government strategy.

There is little evidence of strong strategic drivers, the identity of the group is focussed on itself, clients seem to provide the opportunity to strengthen compliance. It is therefore expected that most contracts with a higher or more detailed focus on BEE will be of particular interest to this group.

Segments of the market

6. BEE is limiting and ineffective

At the other end of the transformation spectrum is a group that feels limited by BEE and the transformation narrative. This group is mainly focussed on keeping things close. The expectation is to meet regularly, discuss and agree on ways to move forward but guided by a strong motivation to insource the services required with the highest and growing insource potential over the next three years.

The group is also medium sized at 16% of the market with slightly higher client proportion (17%) to service providers (14%) and more dominant in the large firm category. This group is likely the biggest threat to the large facilities management industry service providers. The group is slightly better represented in the financial industry.

In terms of the transformation drive, race representation is least important and least supported in this group. More important are ownership and economic growth, supporting the notion of keeping things close. Further support for this is found in the tactical aspects where the group strongly disagrees that more and more businesses prefer a single supplier to look after all their facilities and criticize the FM industry on not having the ability to quickly adapt to business needs. The group strongly disagrees that the industry is fragmented, suggesting that their experience has been with a few suppliers that they'll likely reduce in years to come.

There are signs of vulnerability, believing that the BEE scorecard is only a compliance exercise and at the same time strongly believing that BEE is not a good indicator of transformation with the government being duplicitous in enforcing the BEE code. The group believes that a proven track record, adequate skills and professionalism are more important than a BEE scorecard.

The group has limited association to the strategic imperatives of the industry and not convinced either way that it is fulfilling its mandate to look after the facilities of an organisation, mainly because it plans to manage it internally.

Segments of the market

7. Skills restrict the opportunity

This group, the last, is characterised by a positive sentiment towards the industry but limited by the available skills. As a consequence, the financial implications of the facilities management industry is countered with a stronger sentiment to insource some of the capabilities, especially project management.

The group is relatively small at 13% with an almost equal share between service providers and clients as well as between small, medium and large firms. The group feels slightly stuck between the drive to insource in an attempt to improve the financial return but struggling to get the right talent on the one hand and on the other the lack of skilled staff noted in the FM industry. The group is well represented in the manufacturing industry and weakest in the professional services segment.

Over the next three years the group will aim to insource more although not to full capacity. The need is there to address the skills shortage through mainly technical and coaching or mentoring training. Soft skills are less important to this group. In light of this the sentiment that the large service providers struggle to adapt quickly to business needs is most likely attributed to the softer skills need of how to manage the process.

The drive towards insourcing is different to the previous group as it is not motivated by keeping things close but rather an attempt to be more effective and efficient in managing facilities. The greatest threat to the insourcing drive is finding the right talent or at least a competent and skilled service provider. Compared to the other groups, these latter two aspects are proportionately critical or entry level service issues for this group.

The sentiment that more companies are looking to outsource to one provider to look after all facilities, is supported and therein lies the opportunity, although the available skills and expertise limits that potential and the group seems to be running out of patience and consequently looking at insourcing, although this also seems to be met with challenges.

3. Market Assessment



THE SIZE OF THE INDUSTRY



Economic trends in the facilities management market

The SAFMA 2017 report predicted that the FM market will be just over R50bn in 2019 based on economic and industry performance measurements. That prediction was correct, the FM market is estimated at R51.47bn.

However, there are a few sign-posts on the economic road that should be heeded. The projected GDP growth for 2020 was initially positive, albeit small. But, with COVID-19 (Coronavirus), sluggish growth for a number of years in the European and other developed economies since the global financial crises in 2008 as well as local economic growth challenges, the predicted GDP growth for 2020 is likely to be negative.

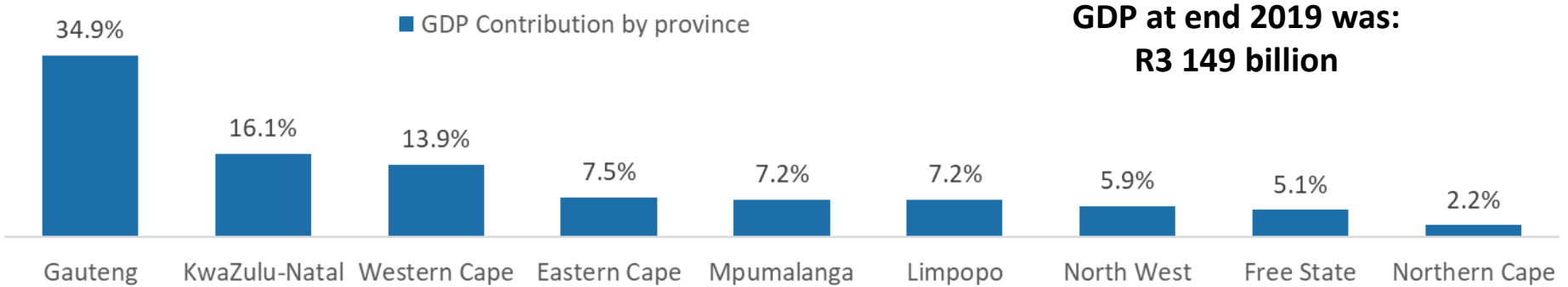
The composition of the South African economy in terms of small, medium and large businesses clearly indicates a limited middle-sized business group, therefore the FM services and particularly IFM, will remain concentrated in the large business group and consequently competition will continue and most likely intensify.

Furthermore, the latest survey results suggests that even though the market has grown, the annual turnover of FM businesses showed better growth than the growth in properties the industry manage. In 2017, the turnover of FM businesses was just over 30% of the value of the properties that were managed, in this survey it is just over 34%. This means that existing clients received more services rather than growing the number of properties that are managed. A further reason to consider the intensity of competition as limited economic growth prospects seem to narrow the pool of the property market.

The market share of the FM industry compared to the overall management of facilities, including those that insource, is estimated at just over 17%. In a considered scenario where economic conditions are favourable and businesses expand their operations and service, that percentage may have been higher this year.

Provincial and business size distribution

Gauteng contributes just over a third to South Africa’s economy. KwaZulu-Natal and Western Cape collectively almost the second third. The balance of the provinces’ performance is closely linked to population numbers, Northern Cape with a low population density consequently contributes less to GDP.

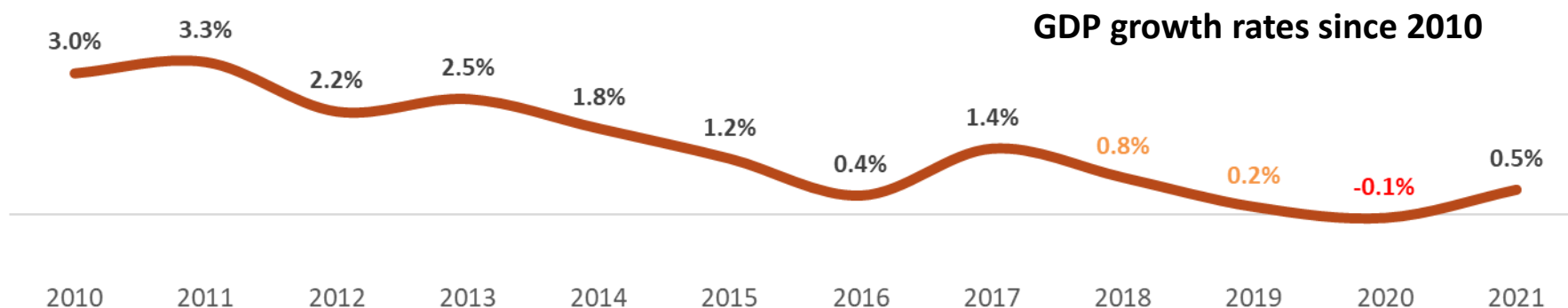


The South African economy has been noted to have a “missing middle” business cluster. The medium sized businesses in the economy is relatively small to the outer-ends. This is sometimes characterised by the polarisation effect of developing countries in a global economic trade environment. These trends remained largely the same since 2017.

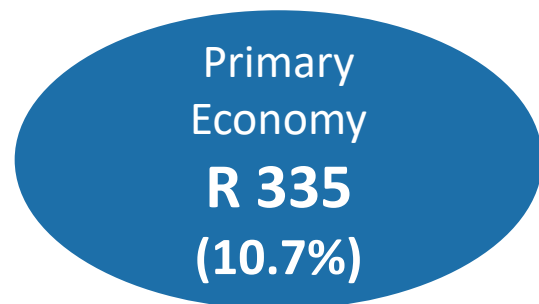


GDP growth and Economic Sector distribution

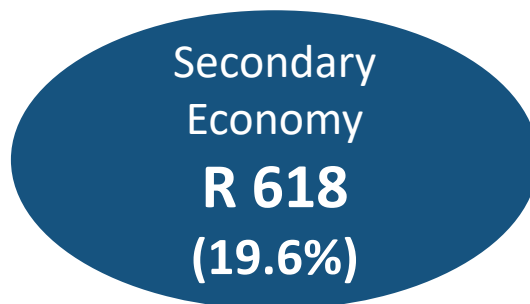
Since 2010 the South African economy has continued to decline. The effect of COVID-19 (Coronavirus) is still unknown but economists predict a negative growth year for 2020. The expected recovery in 2021 is largely based on a global effort to stimulate economic recovery, but this is speculative as similar talks are equally persuasive that the next global recession is imminent.



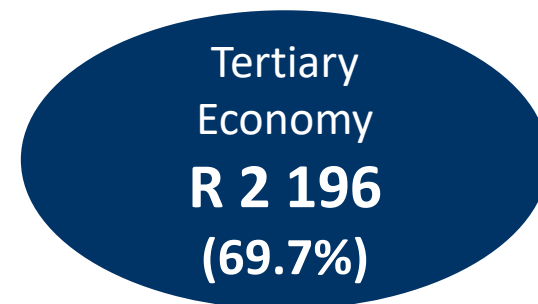
The Primary and Secondary economy contributes just under a third to GDP. The Tertiary economy, by far the dominant sector is also where the FM industry is most dominant.



i.e. Agriculture and Mining



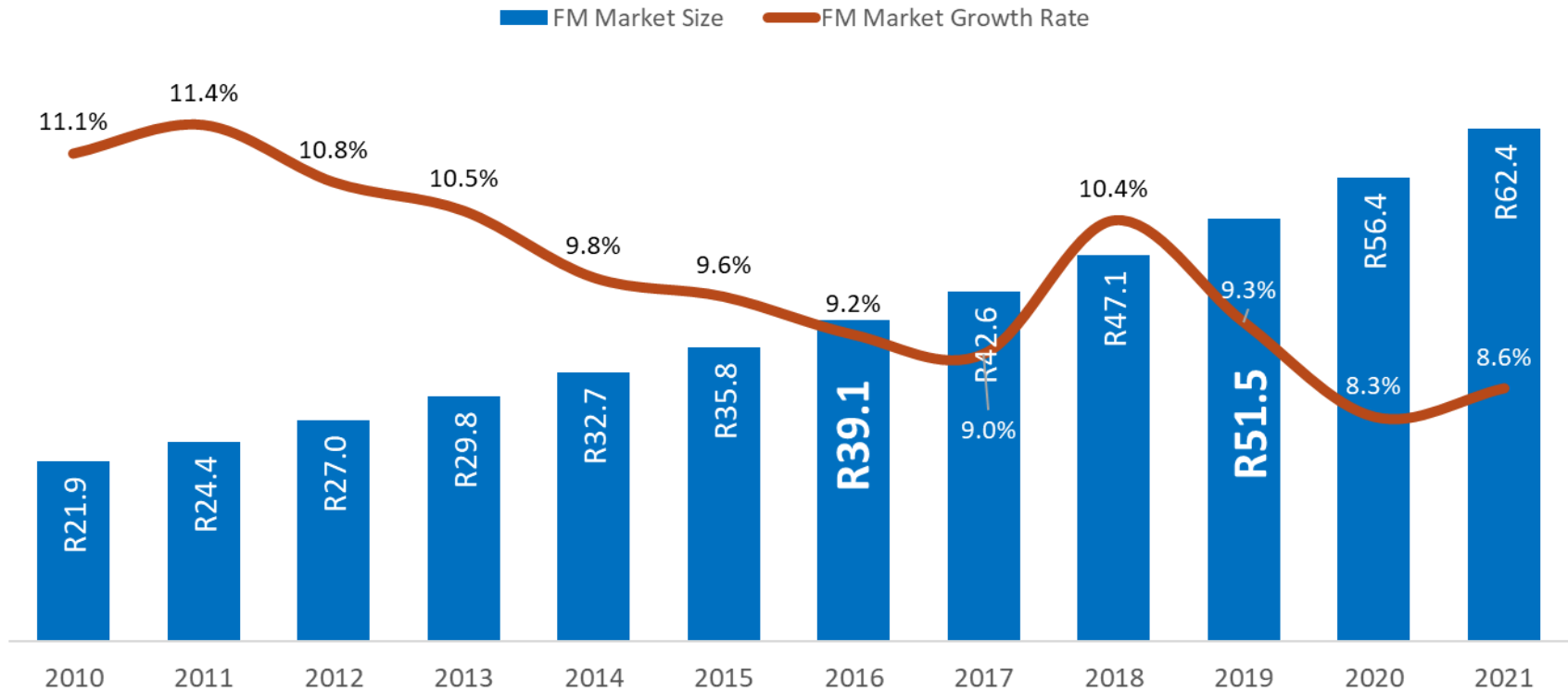
i.e. Manufacturing and Construction



i.e. Retail, Business services, Transport

Facilities Management market growth trend

Over the past decade, the FM market has grown by R34bn. The peak in 2018 growth is off the back of GDP growth in 2017 of 1.4%. The FM industry is therefore reactive to economic climate, in other words, the market performs well when client businesses have done well for some time and consequently expand or diversify business operations. The 2020 and 2021 growth rates were adjusted in accordance with economic forecasts. It should be noted that this survey was conducted prior to the global awareness and consequence of the COVID-19 virus of which the full impact is not yet known at the time this report was finalised. The 2021 growth should be considered carefully considering the reactive nature of the industry to economic performance.



The Facilities Management market in context

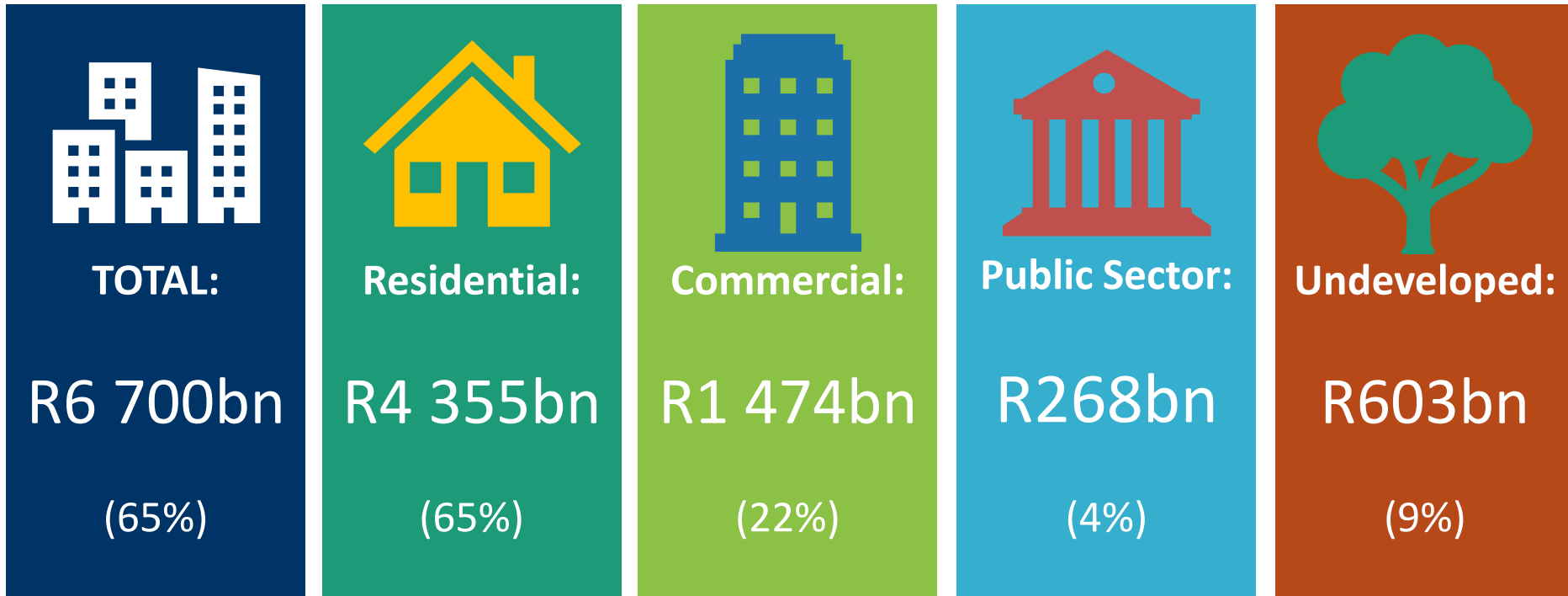
The FM market is estimated at R51.5bn. This is the scope of services and reach of the industry in looking after the facilities of the business fraternity. The FM companies generate R17.7bn in turnover through the services that they provide.

With 74 different services offered, classified into sixteen operational areas, the impact this industry has on maintaining the value of properties and to secure a healthy and professional working environment to employees and employers alike, cannot be underestimated.



The value of the built environment in South Africa

The built environment is estimated at R6.7tn, almost double the size of GDP. The majority is domestic or residential properties (65%) of which some parts such as flats and complexes will be part of the FM market but the main interest is in the commercial and public sector buildings collectively representing 26% or R1.7tn. Without considering the residential market and considering the R51.5bn FM industry, that equates to 2.95% of the built environment is spent on maintaining it. That percentage, compared to global standards, should be about 5%. Therefore, in the current South African market, properties are not maintained as they should be to retain its value through its lifecycle of twenty years or more.

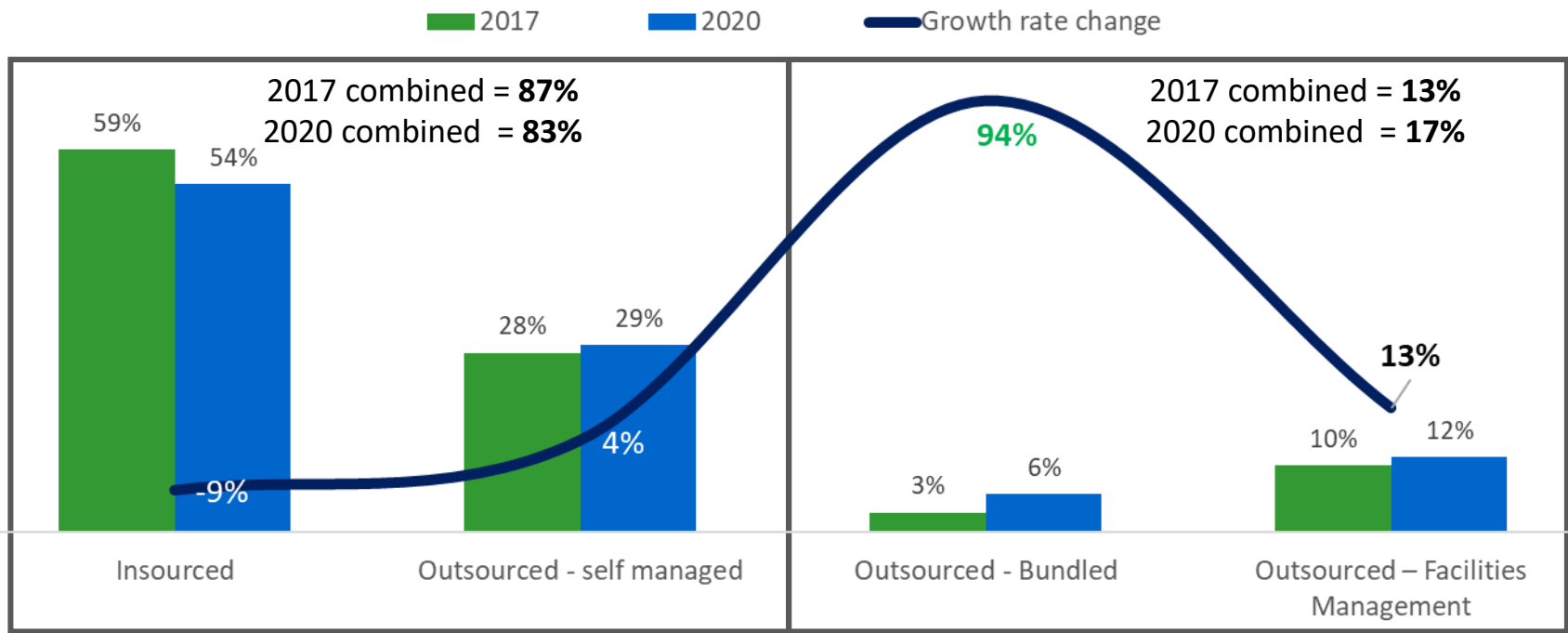


How facilities are managed by clients

Clients manage facilities in four ways:

- Insourced – Facilities are managed with own staff
- Outsourced: Self Managed – Staff manage the process and a contractor fixes problems when they occur
- Outsourced: Bundled – A contractor provides a range of services to manage a select set of facilities
- Outsourced: Facilities Management – An IFM services all facilities, integrated management approach

Insourced management approach declined slightly whereas outsourcing increased across all three practices. Although off a low base, Bundled services increased significantly. There is evidence that this growth is largely driven by landlords offering a wider range of services for a fee included in the rent.

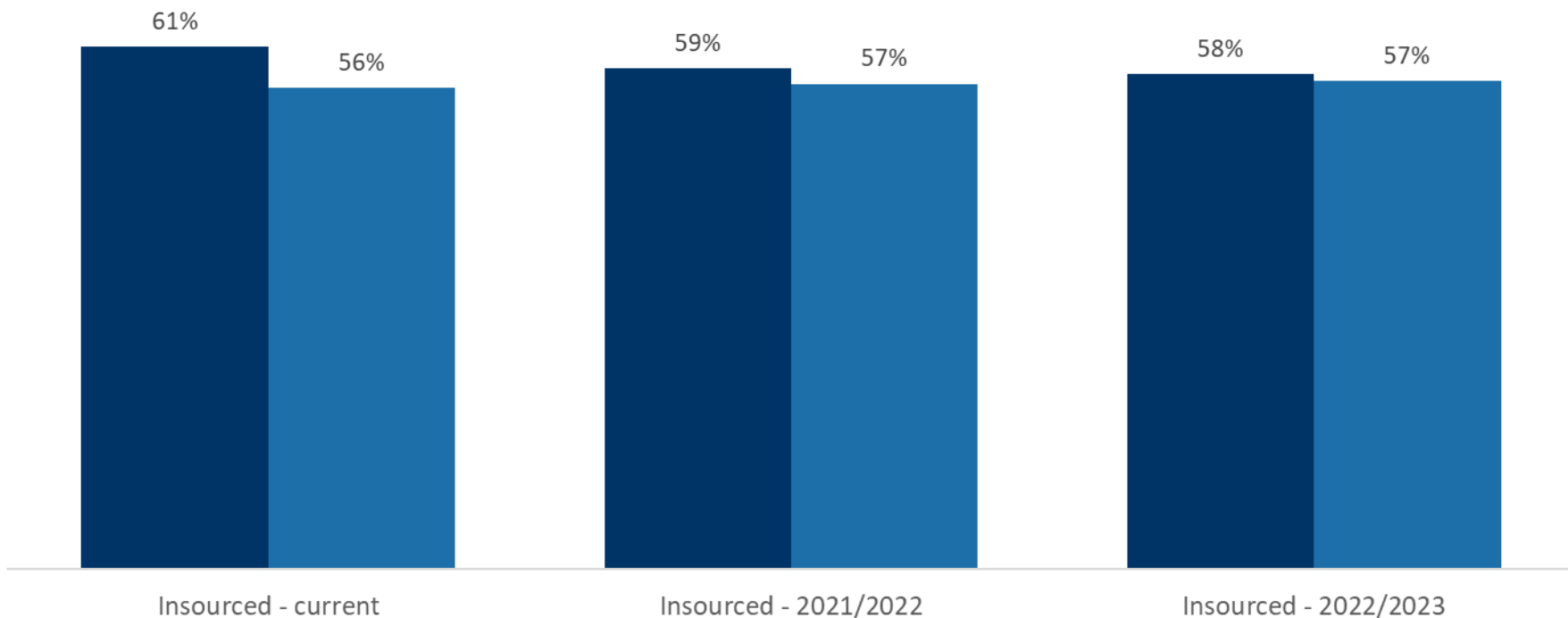


Perceptions about insourcing and outsourcing trends

Based on the perceptions from both clients and service providers as to what percentage of their facilities management work is insourced, the findings support the insourced percentage found in actual behaviour for each of the 16 categories. The outsource proportion is then split into three, i.e. self-managed, bundled or IFM.

The future expectations for both clients and service providers are that insourcing will decline in years to come, although marginally.

■ Clients ■ Service Providers

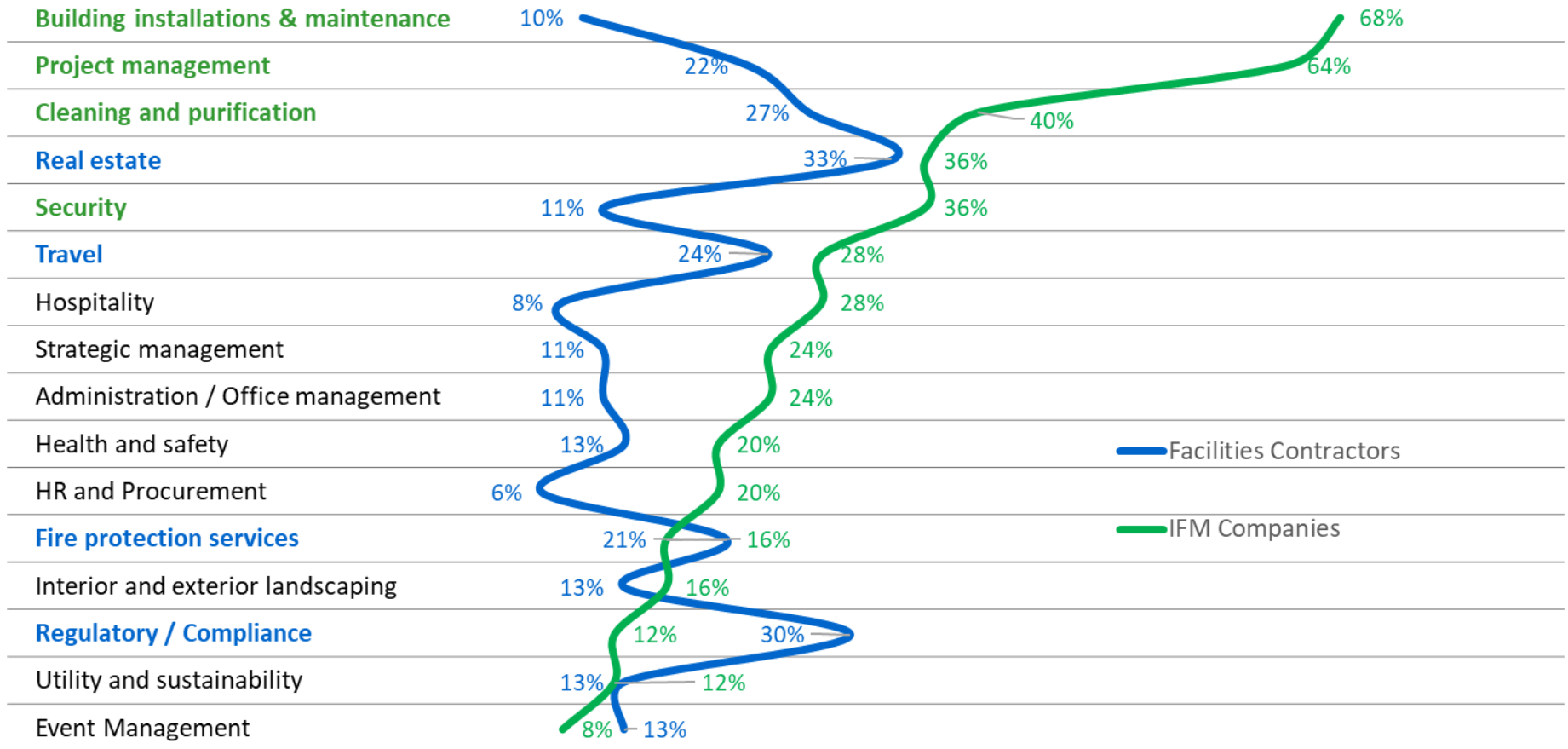


OVERALL VIEW OF THE INDUSTRY



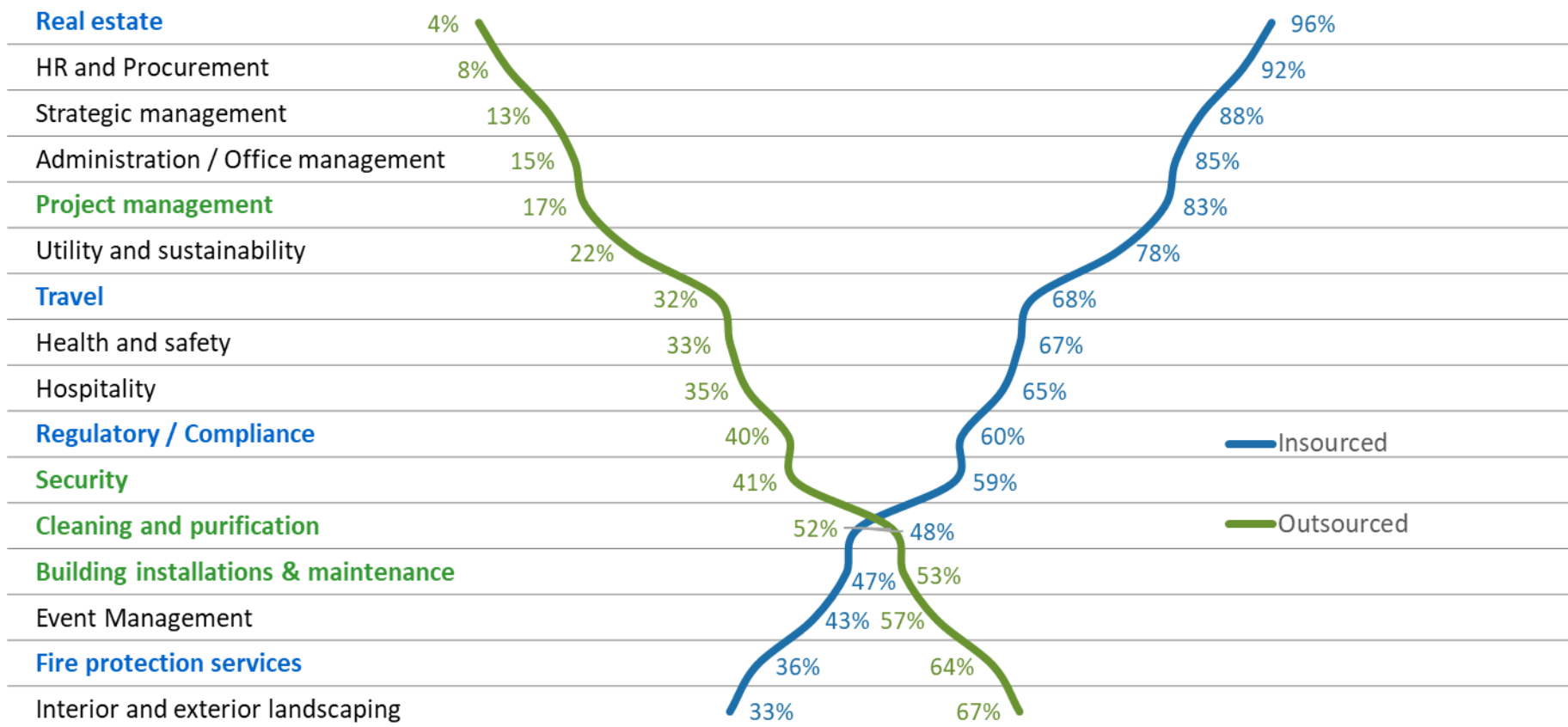
Service providers complement or bottleneck each other

The IFM service providers have a stronghold on building installations and maintenance as well as project management and to some extent cleaning, purification and security. Through these services a host of other services are provided to clients. On the other hand, facilities contractors are strongly positioned in real estate (mainly landlords), travel, fire protection and regulatory or compliance services. Real estate, especially, is where both service provider groups contest for opportunities.



Service providers' insource vs self-provide profiles

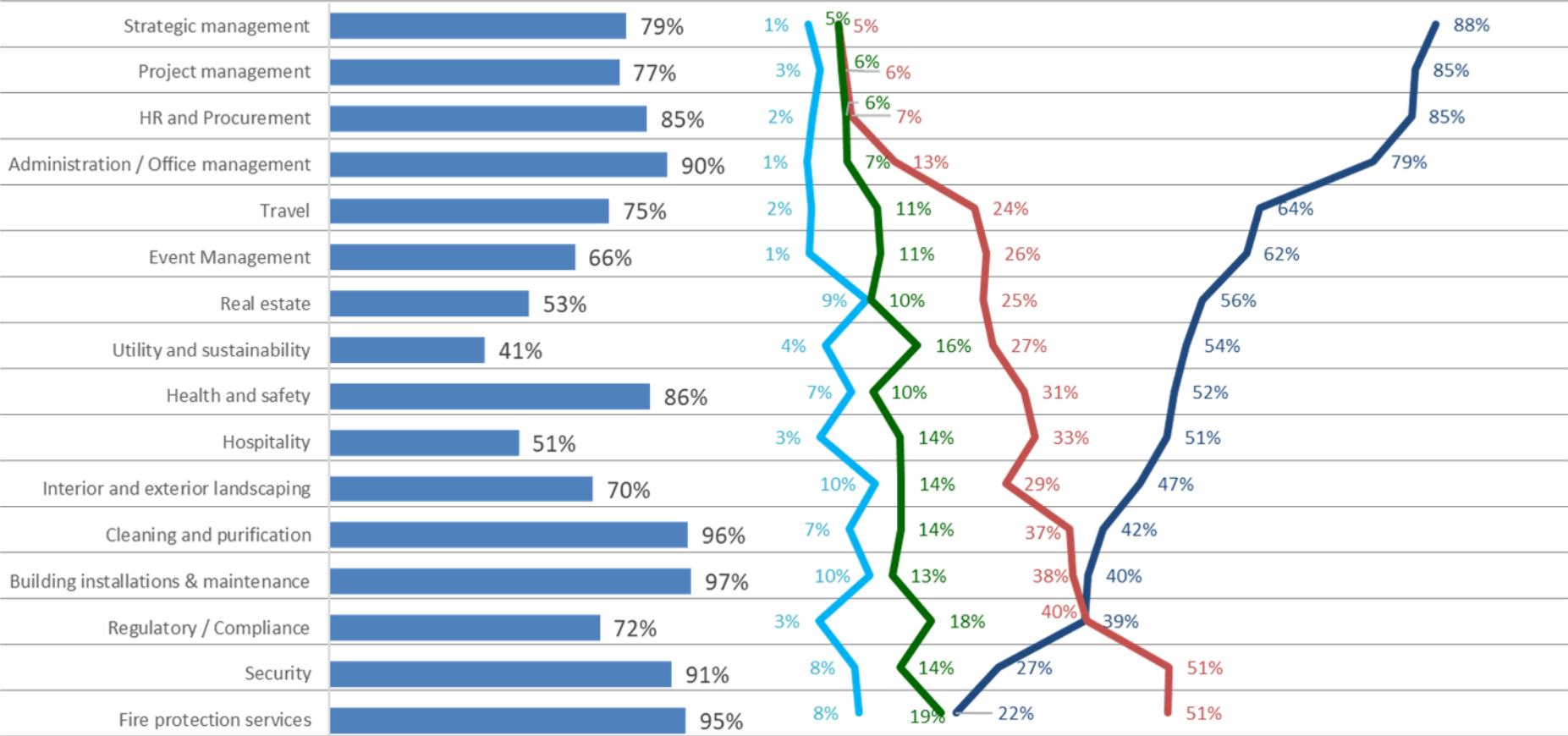
Service providers, by-and-large, insource or self-provide most of their services. However, the IFM suppliers almost equally insource or outsource their strong anchor points or entry points in the services they provide to clients. Although this is the business model of IFM service providers, it creates a weakness and a potential leaking of revenue. This is a difficult position as labour intensive services such as security and cleaning are difficult to change to an insourced model if it has been outsourced. As a final note, almost all service providers have no intention of expanding their services over the next few years, an indication of the limited growth opportunities in the market.



Client demand against insource or outsource practices

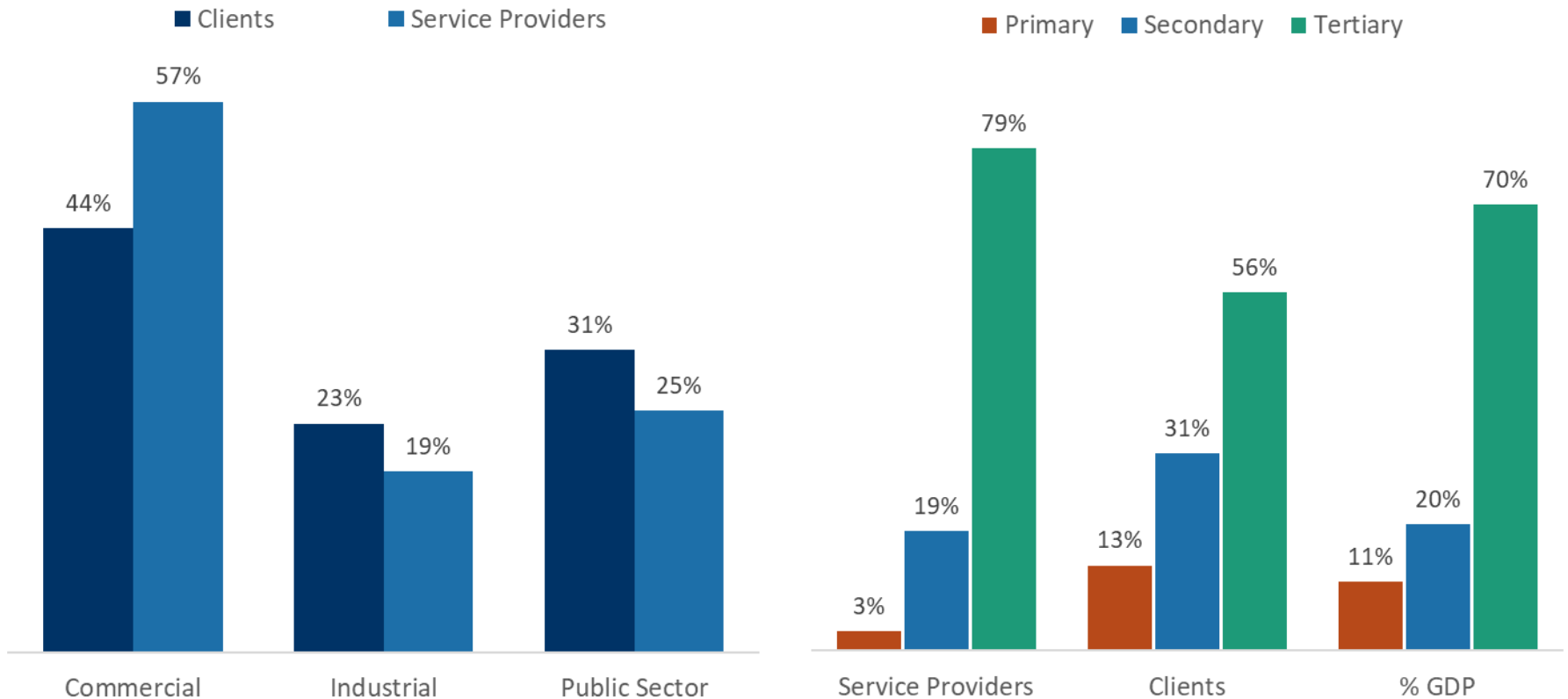
Most clients manage required services internally with dedicated or complementary job descriptions. Where services are outsourced, the self-managed contractor remains in a dominant role.

- █ Insourced – Managed with own staff
- █ Outsourced: Self Managed – Staff manage a contractor when required
- █ Outsourced: Bundled – A contractor services a select set of facilities
- █ Outsourced: Integrated Facilities Management of all facilities



Business cluster and economic sector focus areas

The commercial sector, mostly based on tertiary economic activities, dominate the focus of service providers. This is where competition between single, bundled and IFM services are concentrated. Interesting to note that very few clients mentioned costs as a concern whereas in the 2017 survey, it was a dominant discussion point. Whether that is due to tougher competition or if the industry has responded to the cost concern is unknown, but clearly costs are less of a concern this year than in 2017.

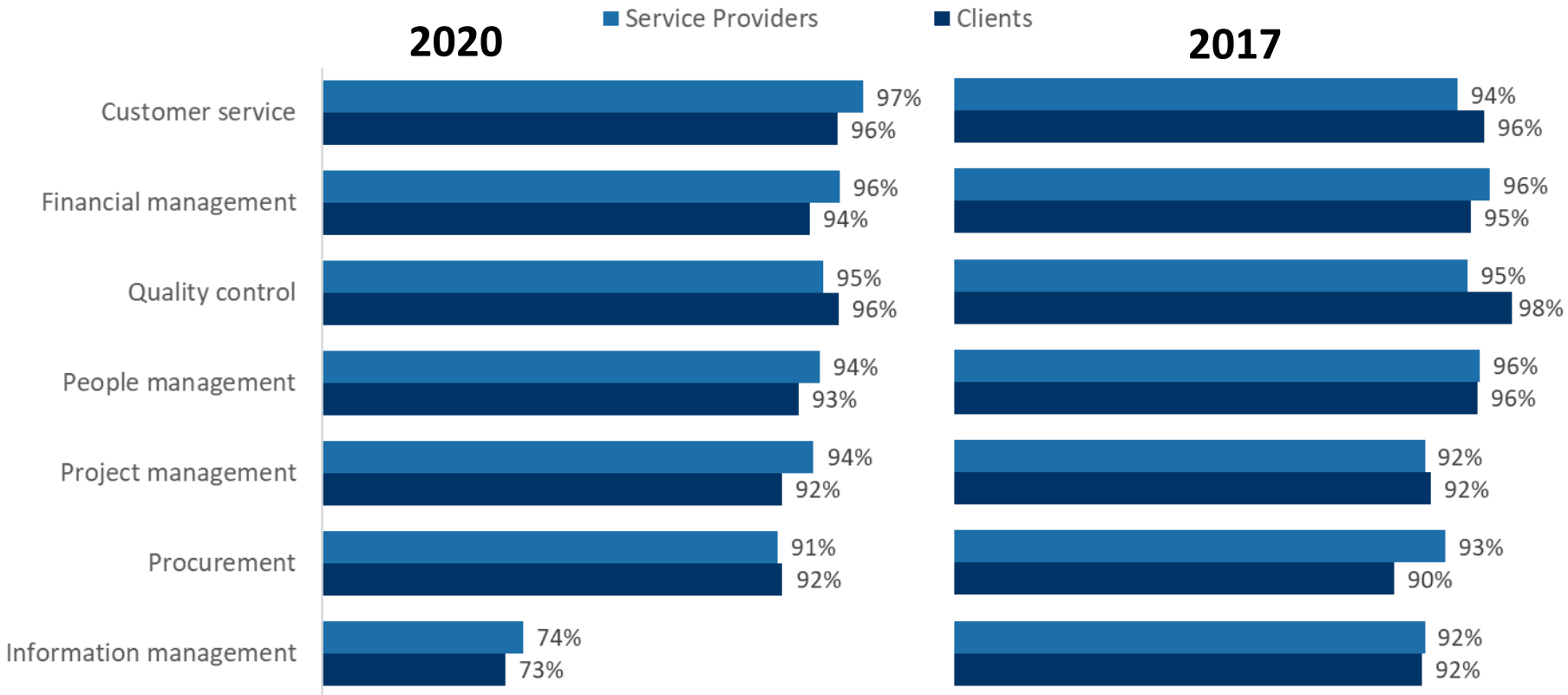


CLIENT ENGAGEMENT



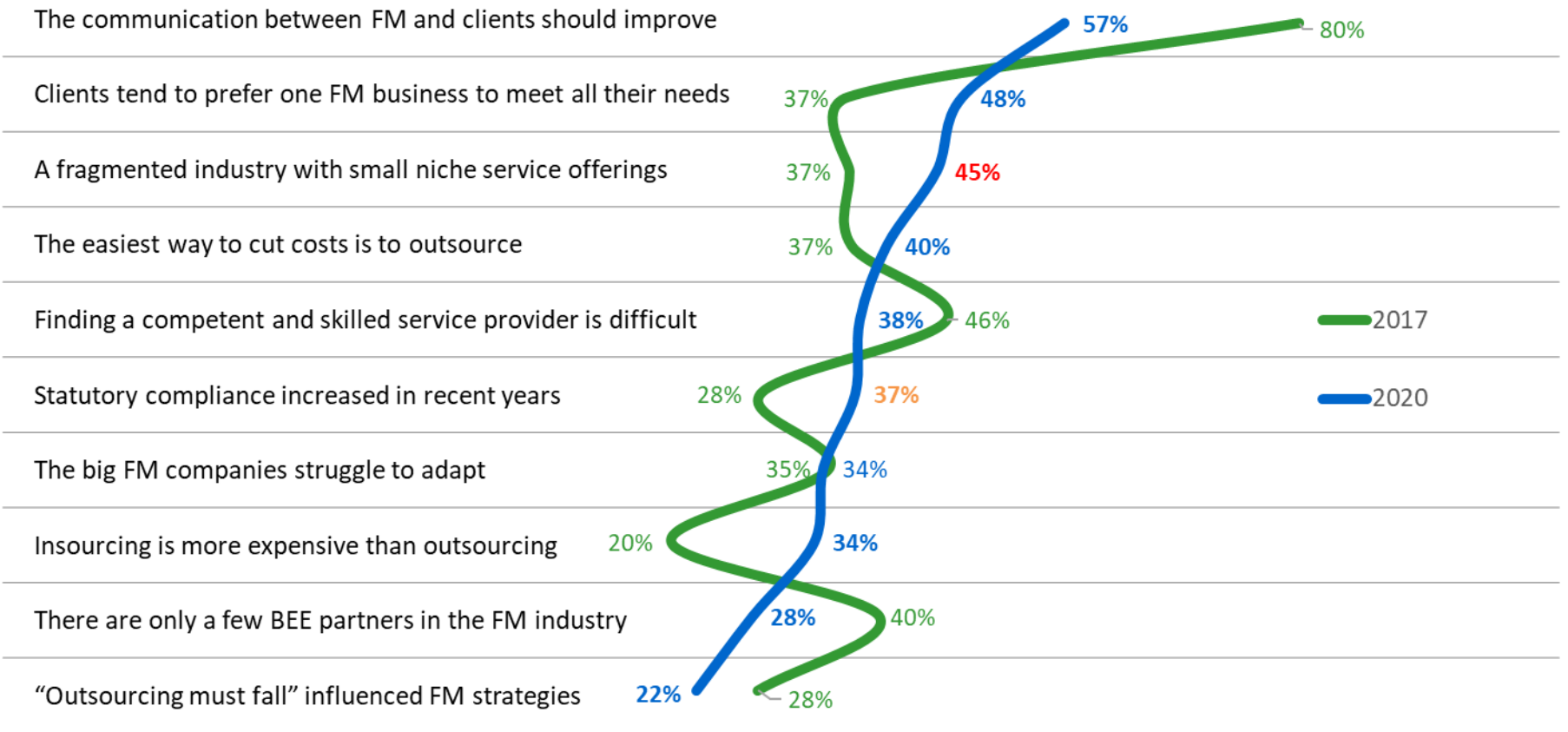
Important drivers of engagement

Compared to the 2017 survey, the clients and service providers are more aligned in their thinking about the important drivers of facilities management. Client service has moved to first place with financial management retaining its second-place position. Quality control moved up one and shifted project management down to fourth place which means the industry has shifted away, albeit slightly, from an internally focused approach to a more client centric approach. The information management declined substantially for both following the reduced focus on the Big Data hype.



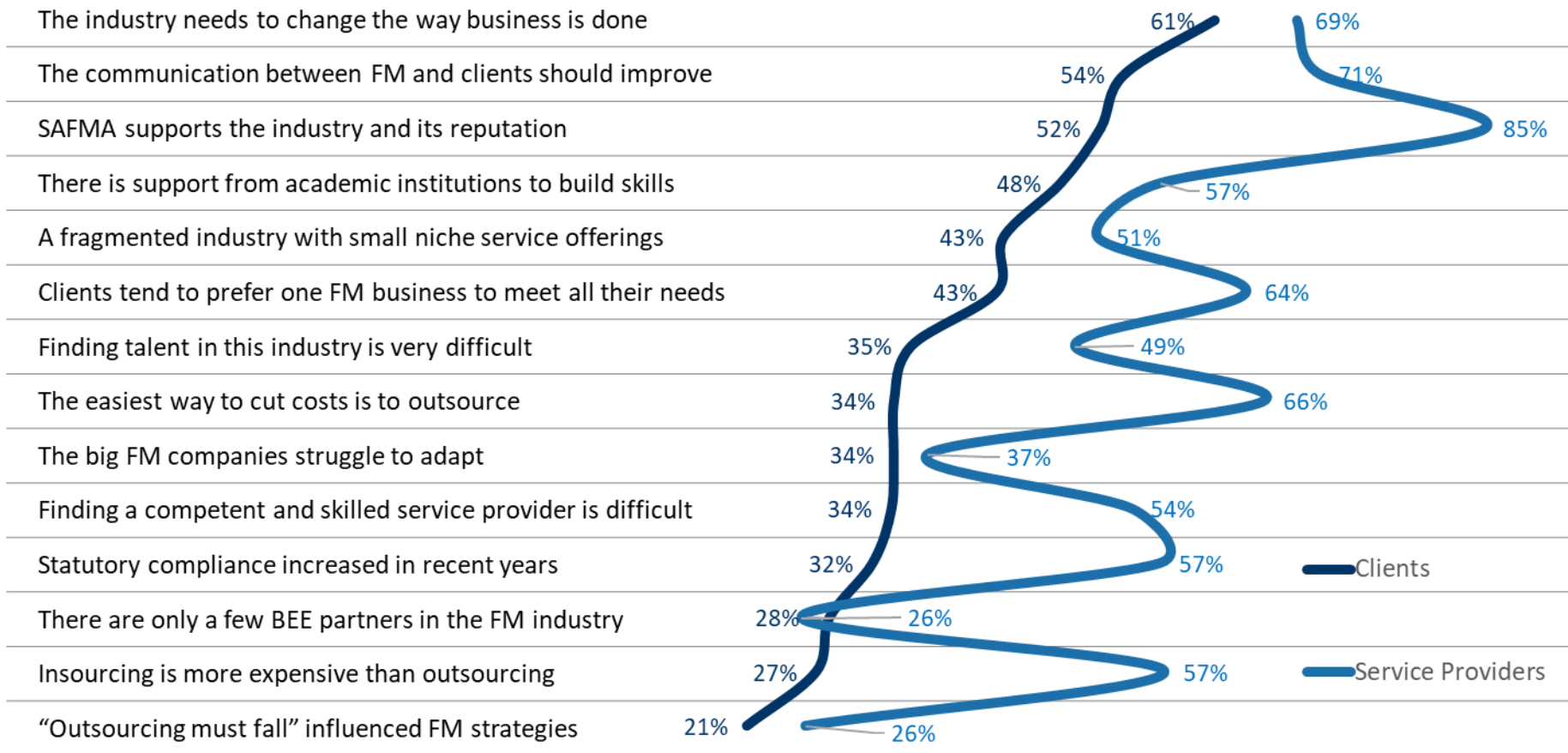
A tactical comparison between surveys

The set of directly comparable survey statements show an improved industry. Apart from the perception that the industry is fragmented, all indicators showed positive improvements. The statutory compliance increased, making trade more complex but on the positive side the “Outsourcing must fall” campaign had less of a long-term effect than it even had in 2017, at the time of the campaign. These are very positive trends in the industry.



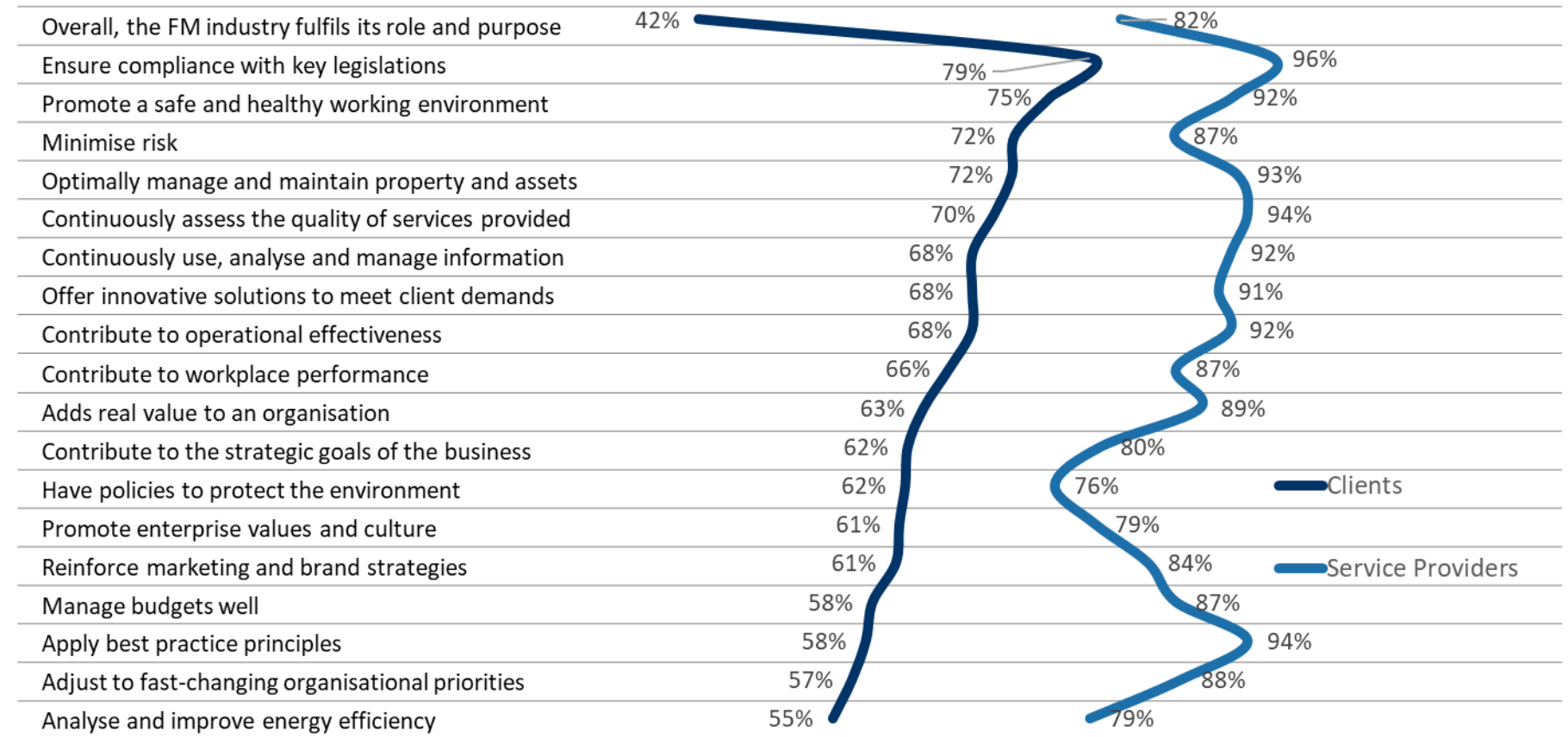
2020 comparison between clients and service providers

Service providers have, as expected, a more positive perception about the industry than clients. Although as seen on the previous page, many clients remain unconvinced that outsourcing is the easiest way to cut costs, even though there was slight improvement in the perception. SAFMA has a very good reputation among service providers but will need to extend the value it offers to the clients of the industry as well.



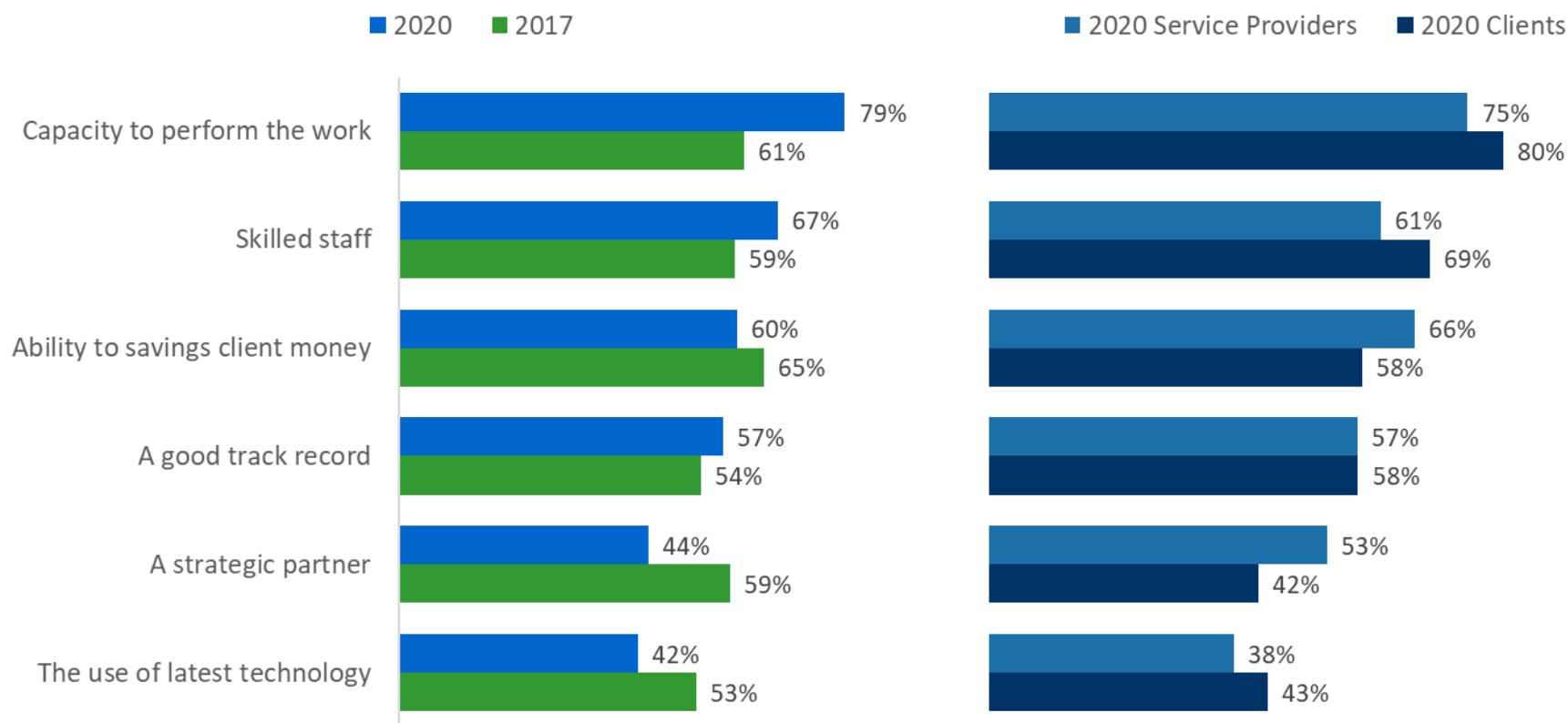
Fulfilling its mandate

From a strategic point of view, there is better alignment between service providers and clients. Clients especially appreciate the minimizing of risk and operational effectiveness as strategic imperatives. The first statement was the overall assessment and not blended in the ranking with all other statements. Clients tend to be more sceptical about the overall strategy but once questioned about each aspect of it there is greater appreciation, that is a perception issue, not based on actual experience and should be addressed.



Important aspects when selecting a service provider

Compared to 2017, the most important aspect to selecting a service provider was based on the potential cost saving. This year, cost drivers are less important and the focus has shifted to the ability to perform the work. In third place, up from second last, having skilled staff to support the ability to perform the work. Both clear indicators that competence is critical. In line with previous findings in this report, the use of latest technology has slipped into last place. The technology reference was also seen in the project manager voice of the industry group where the ability to manage the process of facilities management was praised but the human element was lacking.



Frequency of assessing business needs of clients

Clients prefer to be visited, on average, every 9 to 10 months. Service providers tend to visit clients, on average, once a year. Looking at service providers split between IFM companies and single or bundled service providers, the IFM companies visit their clients far less frequently (once every 18 months) compared to their service provider counterparts. All businesses have different rhythms, needs and requirements, these averages should be considered based on the profile of clients in hand.

Service providers assess needs	Clients expect to be assessed
1.0 Once per annum	<u>1.3</u> Once every 9.5 months per annum



IFM Companies	Facilities Contractors
0.7 Once every 18 months	<u>1.3</u> Once every 9 months



STAFF PROFILES AND EMPLOYMENT CONTRIBUTION



Defining the staff base and composition

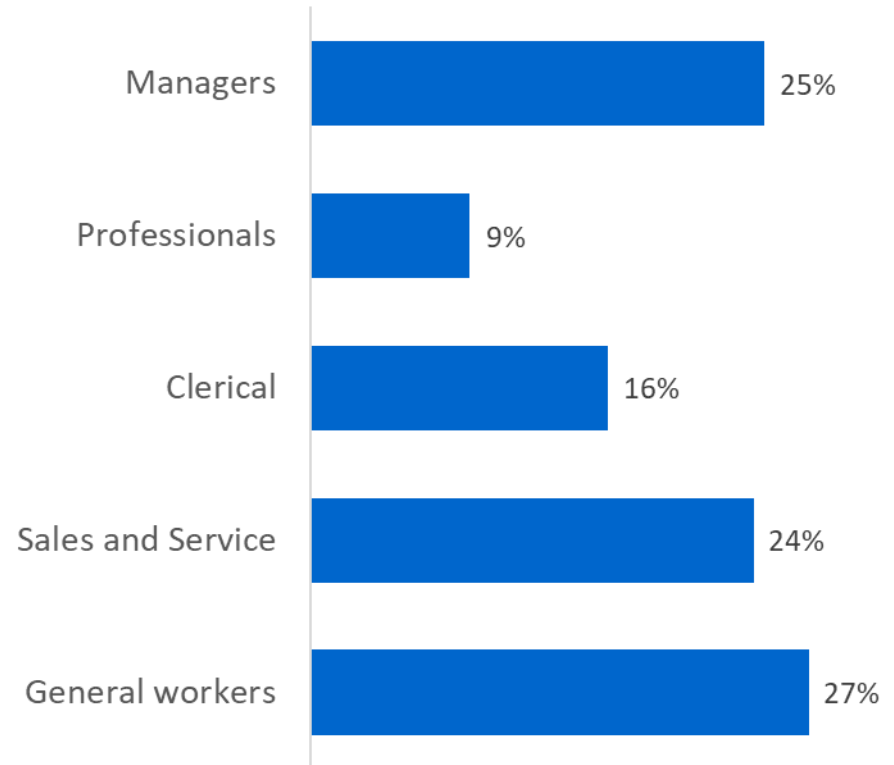
According to Statistics South Africa's Labour Force Survey, there are just over 10 million people employed in the formal sector of which 10% are part-time employed (defined as working less than 40 hours a week). This figure excludes elementary and domestic workers, almost an additional 4 million people. The graph below only looks at the 10 million group.

Included in the 10 million are the following: Managers, Technicians, Professionals, Clerks, Sales and Services, Skilled agriculture, Crafts and related trade as well as Plant and machine operators.

It is understood that certain economic sectors generate a higher income per staff member than others. For instance, staff members in industries with a high labour demand would, on average, generate less income per staff member than for instance a medical private practice or a law firm would generate per staff member.

The FM industry is classified as a tertiary economy contributor falling under professional services. It is therefore expected that the turnover generated per staff member per year will be higher than the national average.

Using these indicators, it is possible to determine the number of people involved in the industry.



Number of staff involved in the FM industry

In 2017, the number of employees working for a FM business, including facilities contractors or IFM's were estimated at 25 000 people. In 2020, that number increased to almost 28 000.

However, as was seen, the FM industry also outsource certain functions to other industry players such as security and cleaning contractors. Using the total industry value as an indicator, the number of people involved in the delivery of services that are not directly employed by the FM industry is estimated at between 85 000 and 90 000.

Therefore, the FM industry either directly or indirectly employs between 113 000 and 118 000 people, or 1.1% of the total number of employed people.

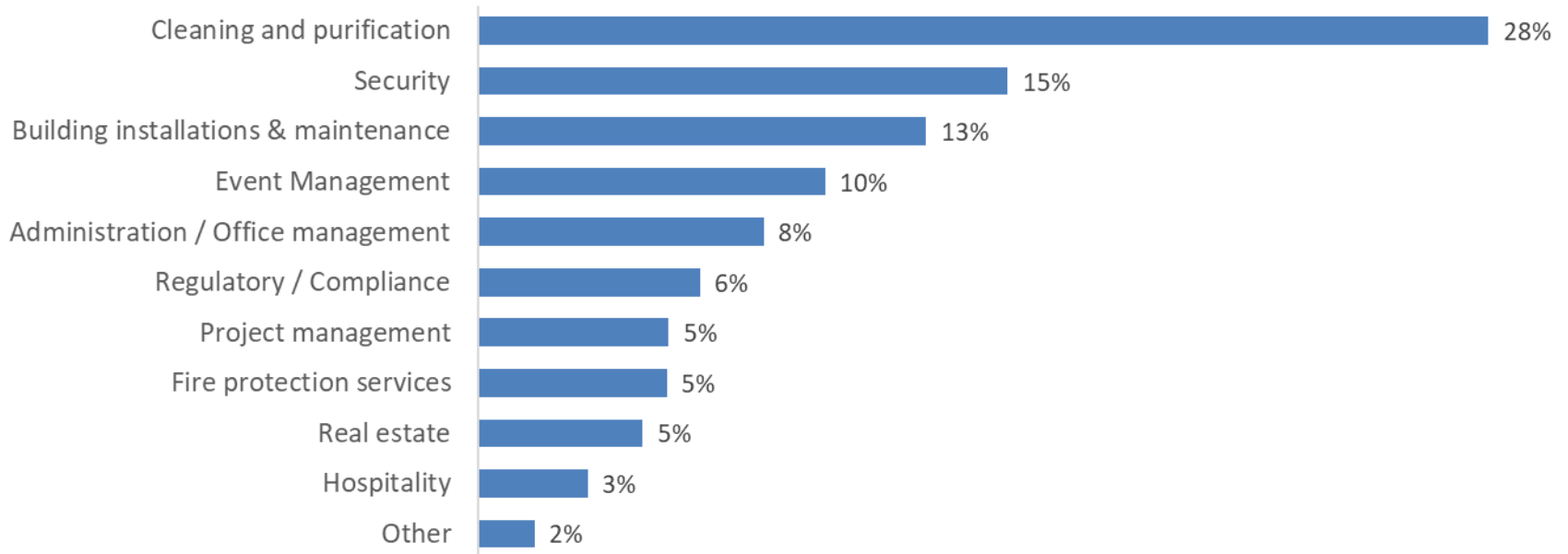


Profile of industries associated with the FM industry

In the 2020 survey, facilities contractors were asked to indicate what percentage of work they do is dedicated to the FM industry. Using this as an indicator by industry type, the following profile was developed.

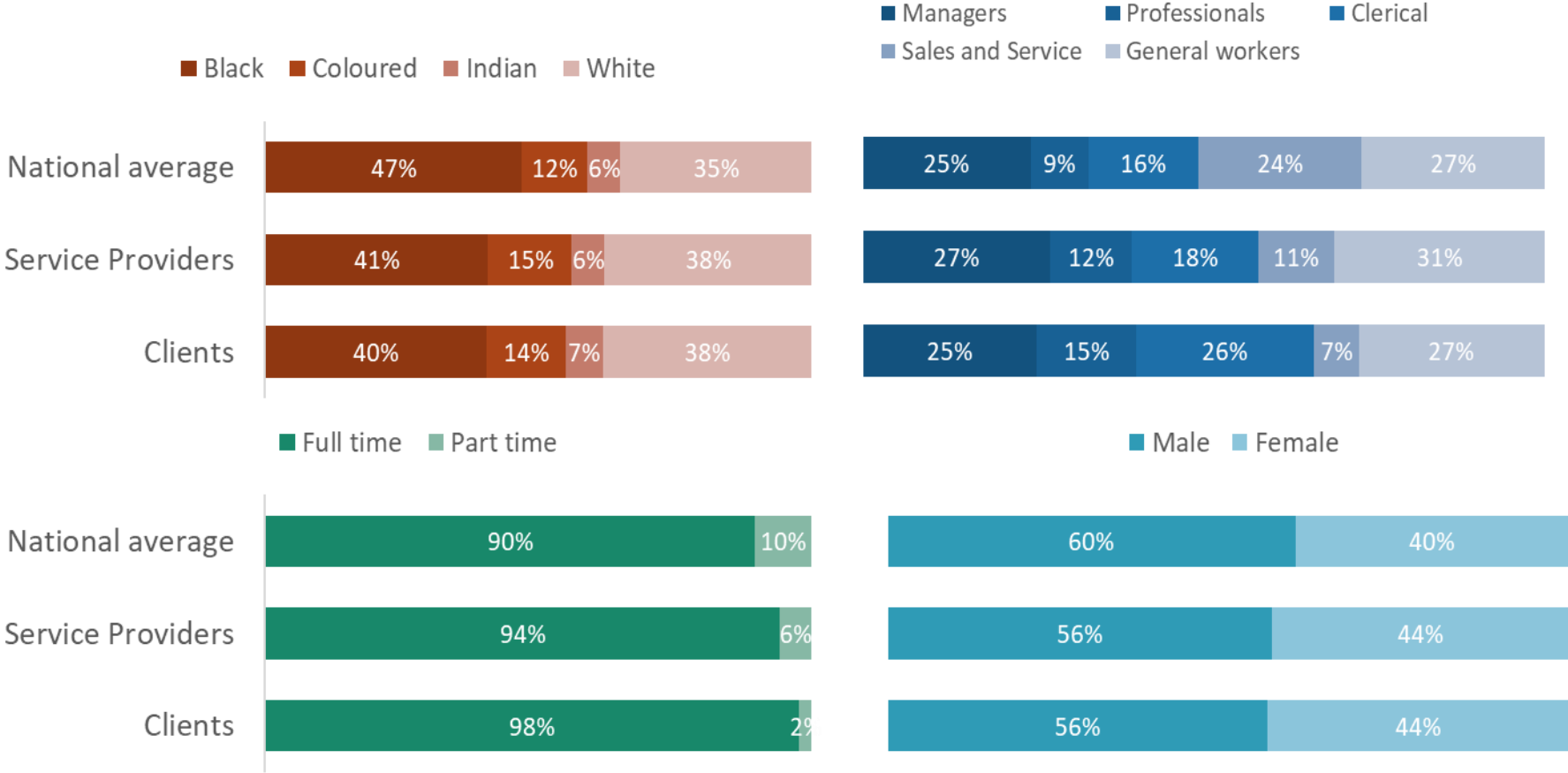
In the case of the cleaning and purification industry, it is estimated that the industry employs 138 000 people (2019). Proportionately that equates to almost 25 000 employees who work for the FM industry. The security industry had 534 000 active security staff in 2019. Proportionately that equates to 13 000 security staff doing work for the FM industry.

The other economic clusters are almost impossible to quantify as building installation and maintenance could include plumbers, electricians, air-conditioners and a host of other professionals.



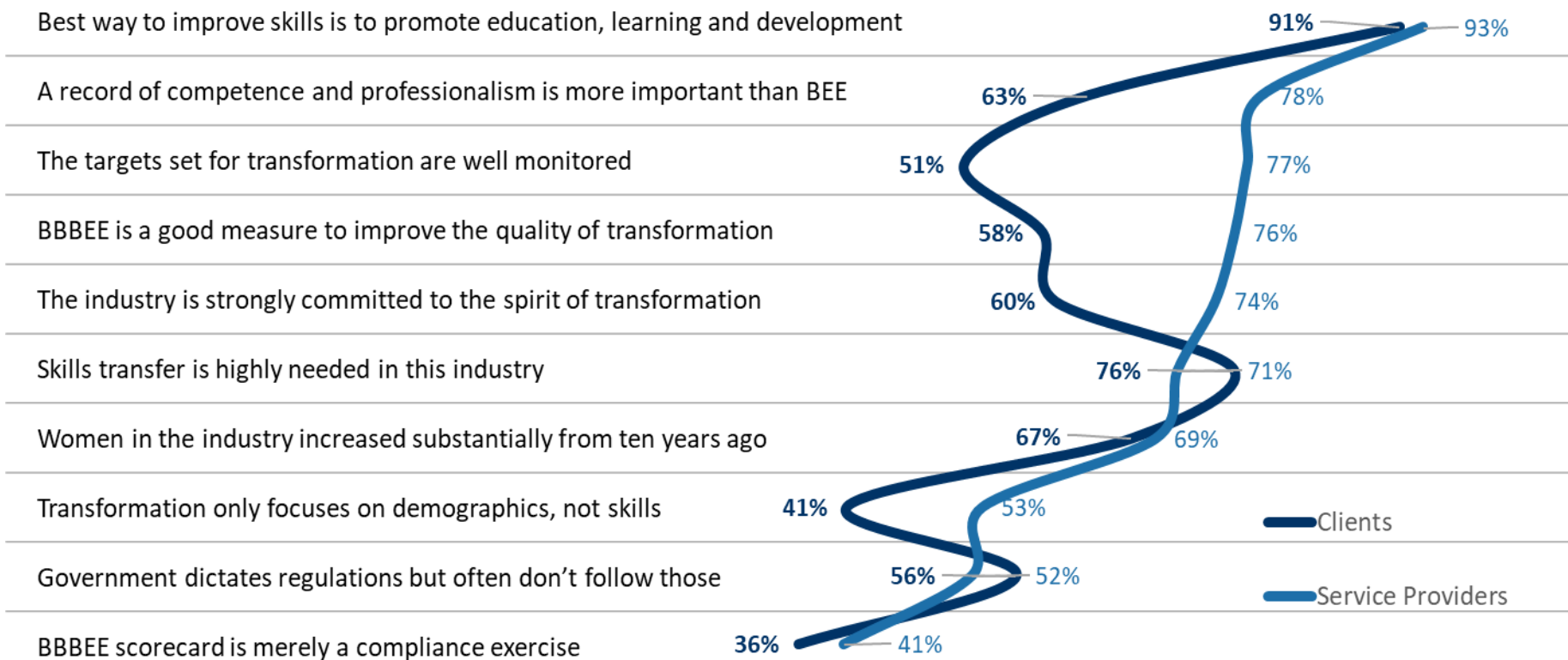
Comparative analysis of staff profiles

In terms of staff profiles, the client base compared to the FM industry and national average align well. It is understood that the sales and service cluster may include some of the general workers category for the service providers compared to the national average.



Transformation sentiment comparison

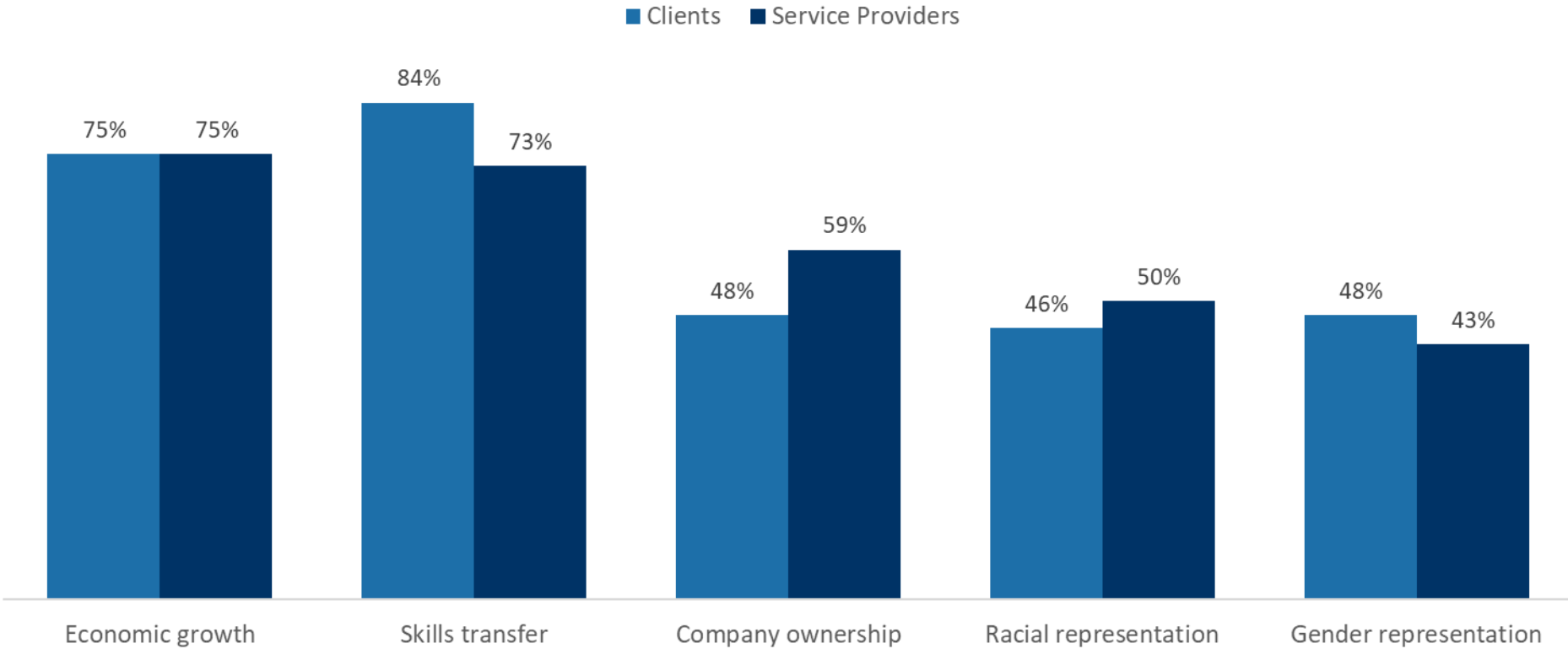
The FM industry seems more committed to the transformation drive than their clients. Although this is based on averages, most agree that the best way to drive transformation is through skills development. There seems to be less faith in the transformation targets or BEE scorecard initiatives. The skills development approach to transformation through training provides an objective and measurable indicator.



Priorities to drive the transformation narrative

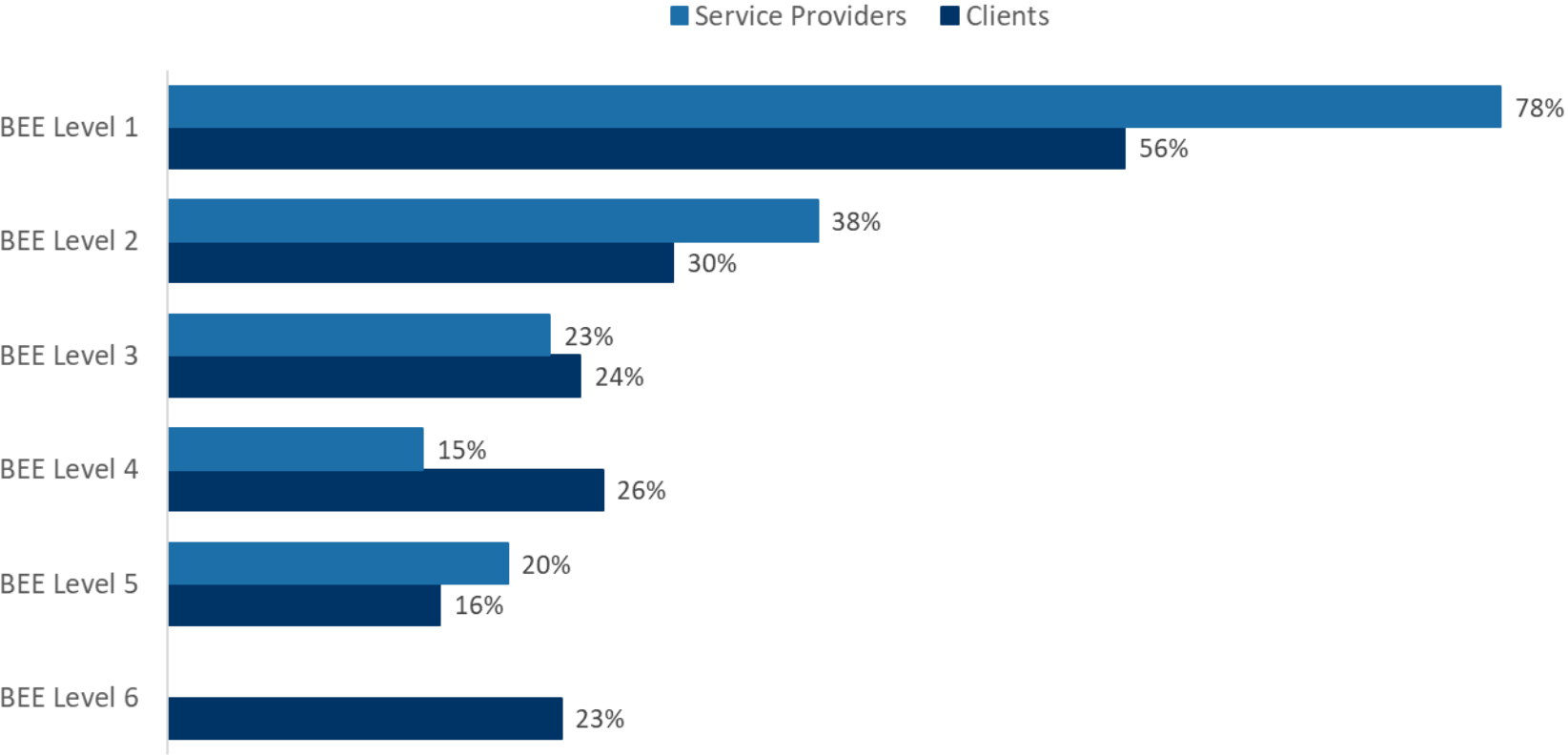
In terms of the transformation narrative, gender and race representation are lower priorities than economic growth or skills transfer. For the FM industry, company ownership seems more important than for clients.

The skills transfer narrative has a strong synergy with the rest of the industry and will be a good indicator of development initiatives to bring more players on board.



Preferred BEE status of outsourcing partners

Service providers are more committed to using BEE Level 1 suppliers compared to clients. Although multiple use is possible across the procurement process, most of the FM industry employs level 1 or 2 industry operators to outsource work to. The level 6 for clients are usually consultants or specialists that operate small businesses or sole proprietors, the question did not equate usage with value of contracts but the expectation is that the level 6 contracts are smaller in value.

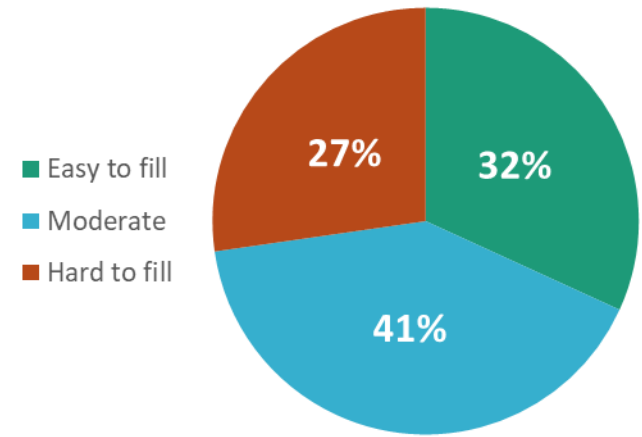


Recruitment initiatives and difficulty

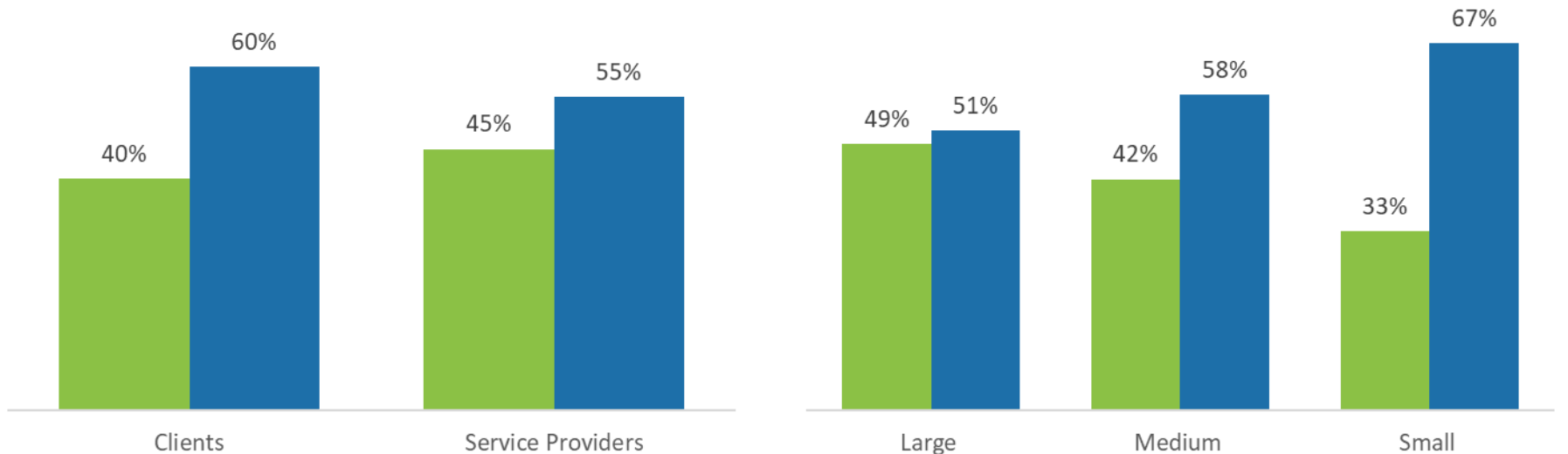
Many businesses do not have a recruitment programme to monitor transformation in the business, be it at gender or race levels.

However, despite the sentiments that it is hard to find skilled staff, 73% of recruitment requests are perceived easy or moderately easy to fill.

In this survey, very few businesses had vacancies to fill. It may therefore be a general perception and not necessarily or strictly based on FM industry vacancies.



■ Yes, have a programme in place ■ No, do not have a programme in place



TRAINING AND SKILLS DEVELOPMENT PERCEPTIONS



Training initiatives and the need for skills development

The most concise way to explain the training provided to the industry is “It is there, but just not there”. What this means is that the training is provided and there are many examples of training providers, colleges, international distance learning courses and so forth. However, although the industry service providers and clients appreciate the training initiatives and support the efforts to increase the standards in the industry, most feel that the training provided often falls short of the specific business needs as a service provider or a client.

Stated differently, the training provided will take a trainee up to perhaps 70% or even 80% of a what is considered a fully skilled employee. The last 20% to 30% is up to the employer to refine to the required standards in line with business operations and quality standards. There is thus a need for a “finishing” course or a “refinement” course that takes into consideration the specific needs and quality standards of a client or service provider in line with specific business operations.

In asking participants what could be done to improve the quality or standards of training, more than 80% of those who answered refer to the same issue as above. Collectively, “Focus on skills development, practical skills, not just certificates”, “Improve quality of training, specific to needs, fit for purpose”, “Be pro-active, conduct skills audits, accredit training, networking opportunities” and “Bring training in-house (real-time situations). Learnerships customised to business” represent these concerns with specific verbatim responses at the end of the section shedding more light on the training concern.

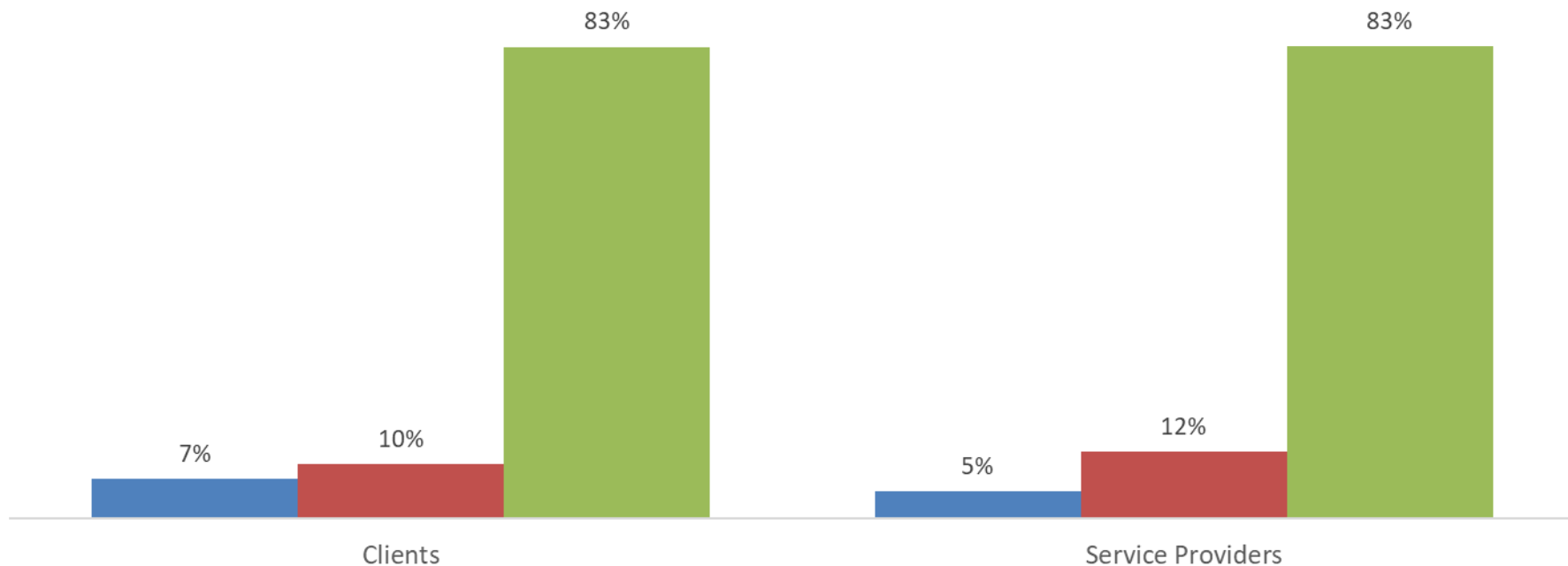
The seven industry voices generally also support this although there are slight differences to take note of. For instances the project management oriented group (group 3) are more supportive of this which is to be expected as the group seems more focused on technology to aid the project management approach. Also interesting that the two groups concerned with BEE seem more satisfied with the current training provided.

Competent and skilled employees

The majority of employees in both service provider and client businesses are considered fully skilled and competent at all levels. Similarly, those that are skilled but require further or specialised training is about 1 in 10 of all employees with a smaller proportion in need of training.

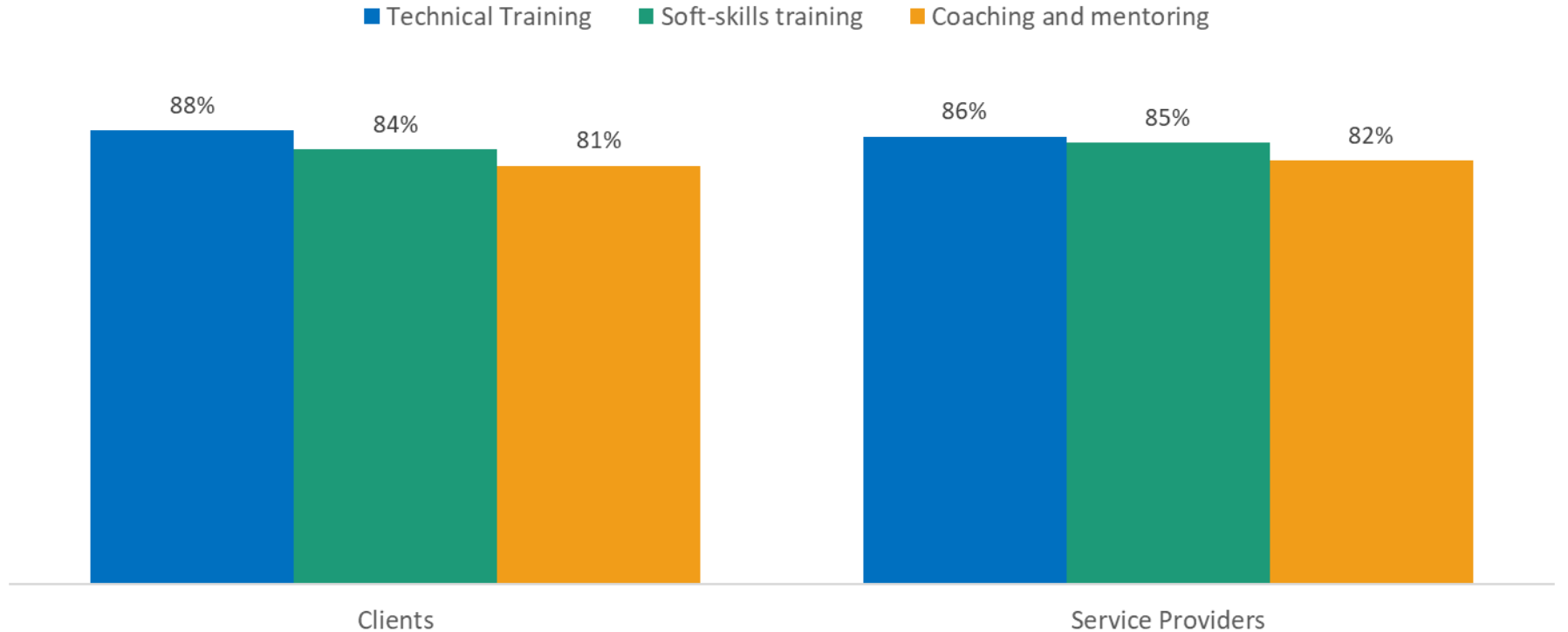
However, being skilled is not a static status. Business development, refinement of service quality, meeting business needs and other dynamics constantly demand improvements on the current skillset in the business. It is therefore important to keep the level of skilled or competent staff at the highest possible level.

■ Training is required ■ Skilled but further specialised training required ■ Fully skilled and competent at all levels



The importance of training on a variety of skills

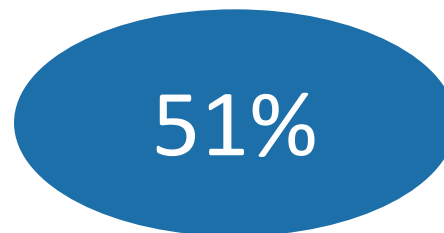
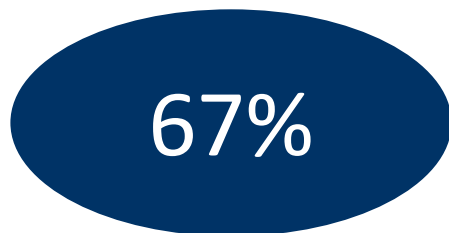
Although technical training enjoys a slight advantage over other forms of training, both clients and service providers agree that soft-skills training and coaching and mentoring are equally important. One would expect that not all staff will require soft-skill training or coaching and mentoring but that does not mean these are less important. Employees in management positions may benefit equally from the latter two training programmes as those receiving technical training only.



Training employees and how training was provided

Just over two-thirds of client business facilities management employees were trained in the last 12 months and just over half on the service provider side of the industry. Service providers tend to train their staff on-the-job a little more than on client side whereas client businesses tend to make more use of external service providers or training colleges than service providers do. Although this looks like service providers do not train their staff as often as client businesses do, the reasons may be more nuanced than the percentages indicate below.

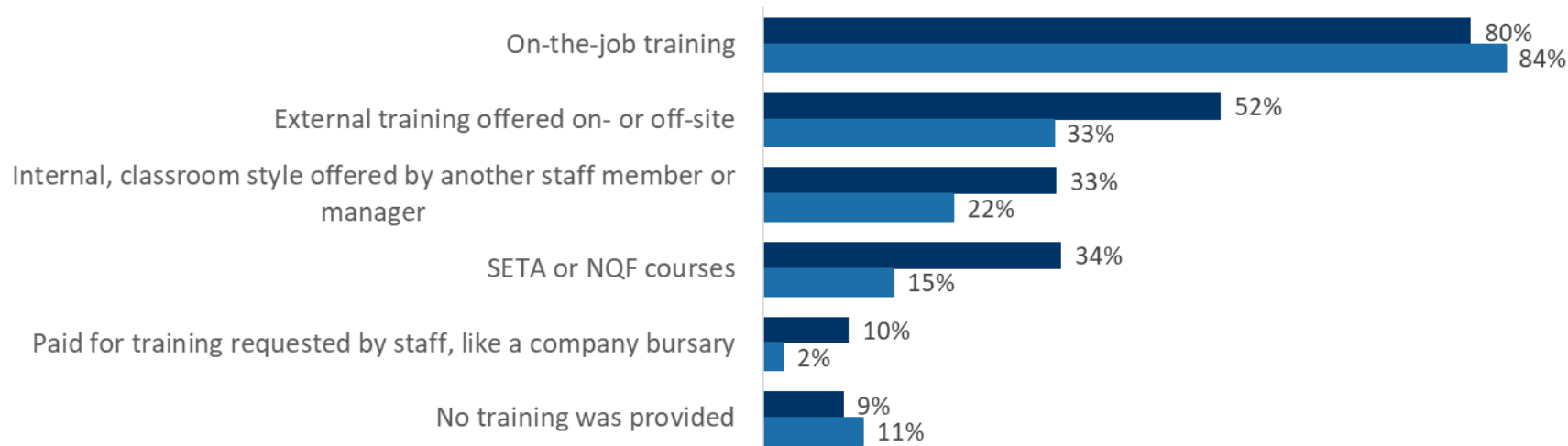
Percentage of staff trained in the last 12 months



■ Clients

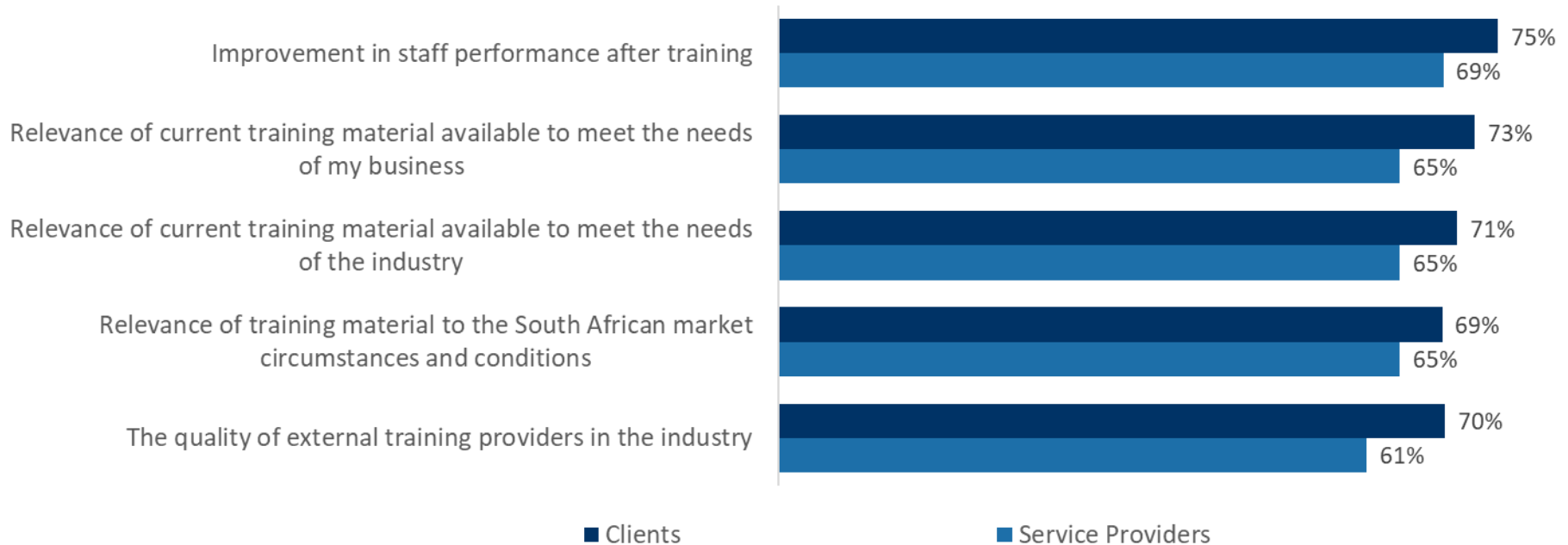
■ Service Providers

How they were trained...



Perceived benefit of training and quality of training material

The ratings across service providers and client businesses are very consistent across the indicators. Service providers are less optimistic about the training outcomes in general than clients, perhaps the reason why on-the-job training is preferred. Despite these findings, service providers are slightly more positive about the quality of training provided by educational institutions. There seems to be a disconnect between the high rating by service providers on the one hand but the limited use of these services on the other. Perhaps “quality” needs to be defined further.



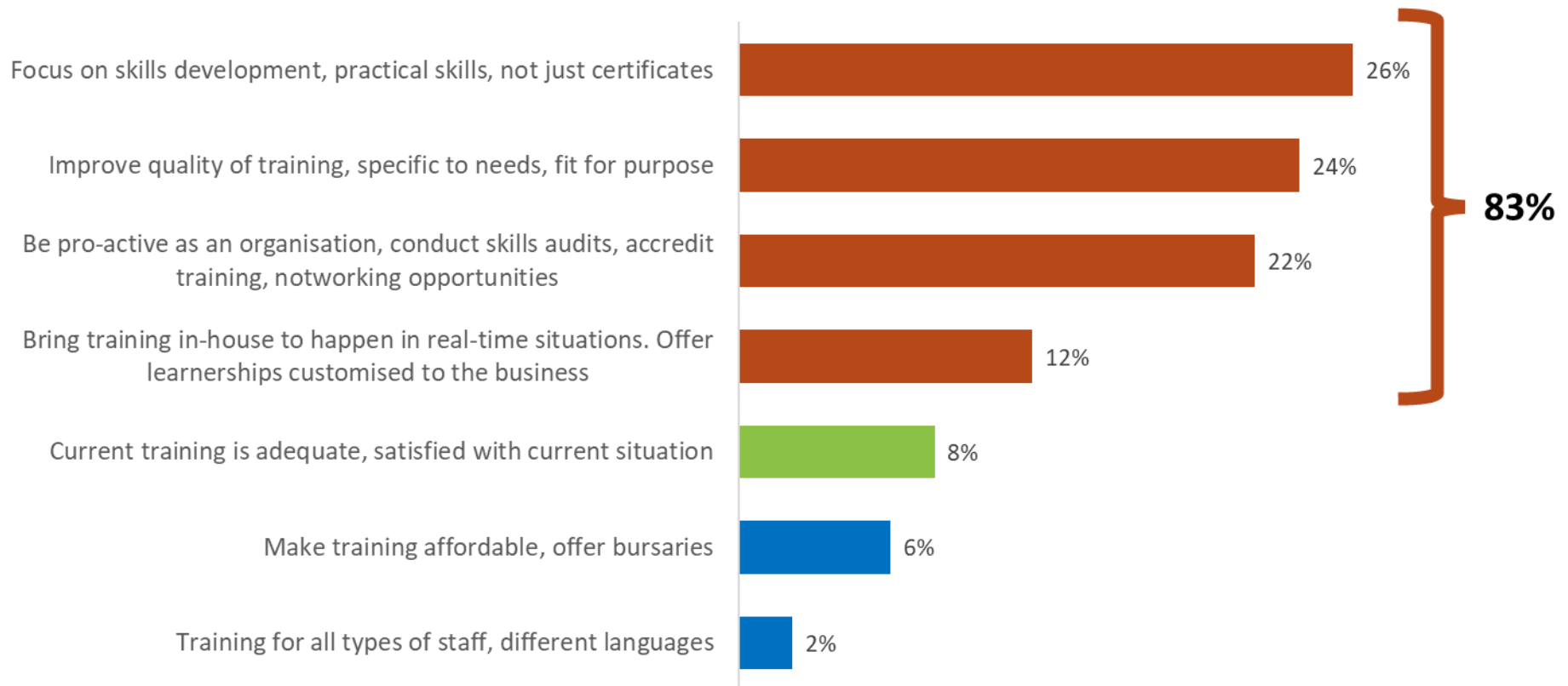
Quality of training provided by educational institutions

84%

88%

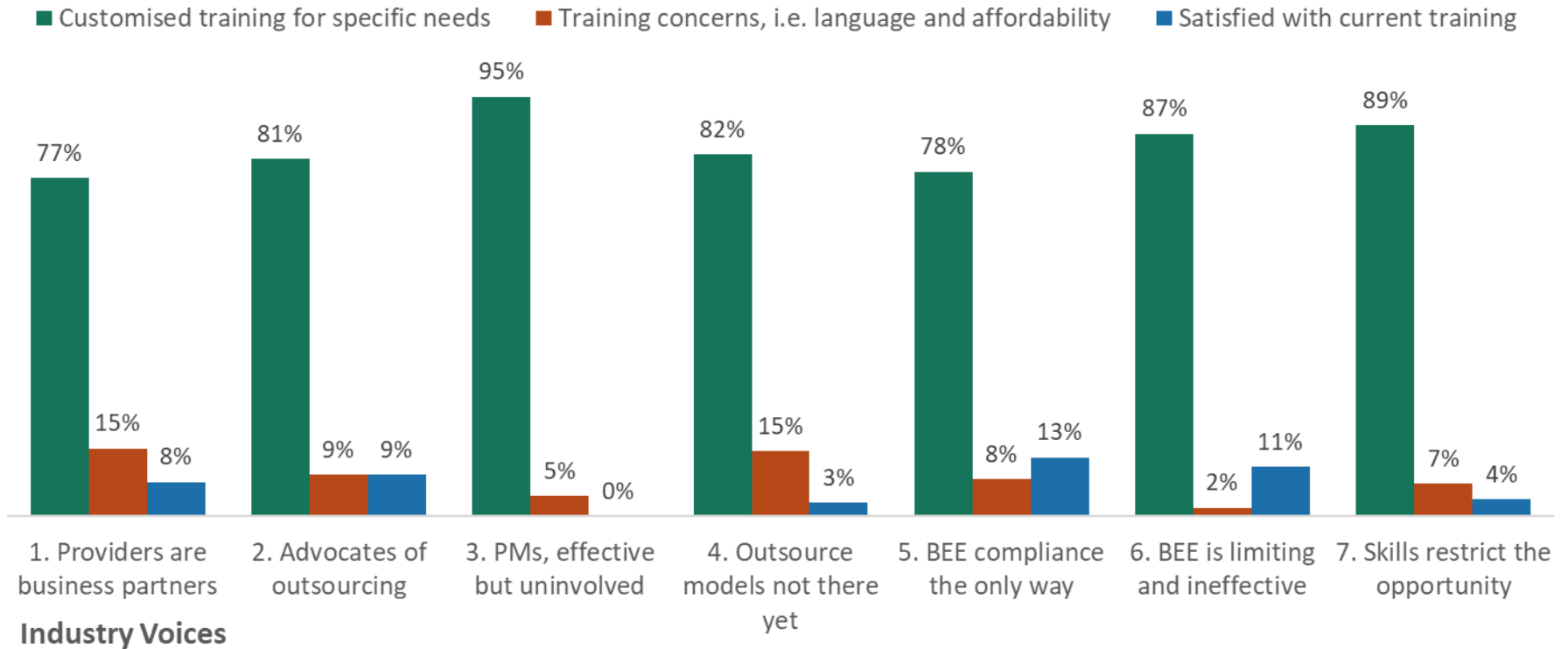
Refining skills development and insights on “quality”

The top four categories of skills development needs confirm that although the current training programmes support the basic needs of the industry and enjoys an overall high rating, it is necessary to refine training material to specific business needs and expectations. The need for specialised skills will only increase as the facilities management industry adopt and change to meet business needs. Many clients call for business agility, but being agile is not just measured in response time, but also in having the appropriate skills to respond appropriately.



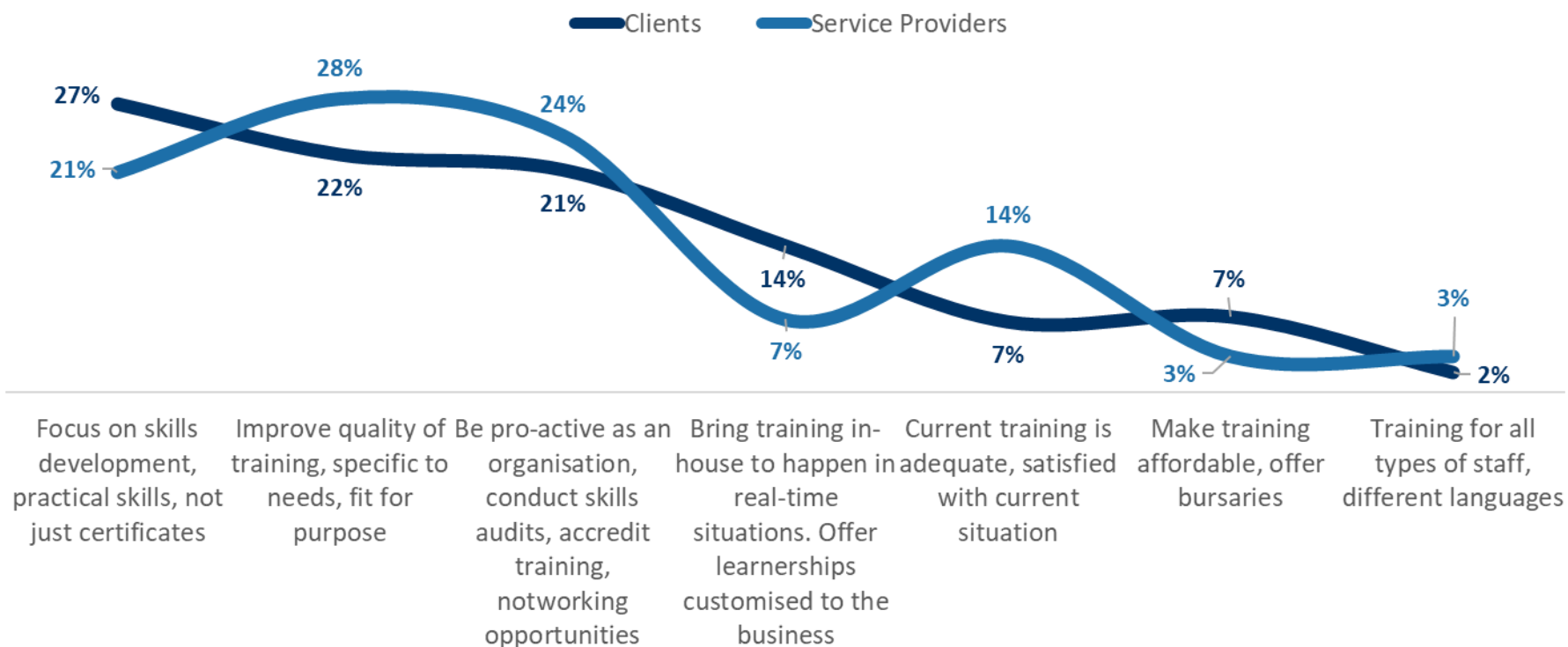
Industry voice groups confirm the same needs

The seven industry voice groups collectively share the need for specific training that addresses business expectations. Training providers are to complement the current training programmes with bespoke skills and refinement sessions within the context of both service provider and client businesses. Some of the industry groups share greater concern and have a higher expectation of what these specialisation courses should be about or address. This is where skills audits and industry assessments are required to understand what these needs are. In this assessment, the need is confirmed, the detail should now be defined and addressed with SAFMA as a registered AQP, the infrastructure seems to be in place.



Clients and service providers have different needs

Service providers and clients share similar thought patterns although based on different needs. The "bulk" training practices where a group of people are trained and given a certificate seem to be a slightly bigger problem for clients than service providers. Most likely that the recruitment processes are more refined in service provider businesses. However, service providers seem to have more specific needs and expectations of what training programmes should address. Lastly, some service providers seem more satisfied with the current training provided than their client counterparts.



Examples of the need to improve skills

- As skills training is essential to improve, be serious in promoting programmes to improve skills and competence
- We suggest that quality and quantity of skills be improved
- Increase training budgets. One of the last to be increased in response to growth and one of the first to be cut
- Training challenges include geographic limitations, costs, language barriers and online training
- Encourage businesses to have their own training academies where they can provide product related training, in-house training is essential
- Conduct a training needs analysis to determine who should be trained and to what extent to achieve a workforce equipped with the necessary skills and knowledge. Share these findings with training institutions
- A development program brings all employees to a higher level, so they all have similar skills and knowledge. This helps to strengthen the weaker links in the industry and one can optimize services rendered to customers
- I think they have improved in recent years. They have a more practical approach which is great
- In the light of transformation, it is important to concentrate on improving skills of the new generation
- In-house training is very important - support in-house training programmes for skills development
- It is important to identify the desired outcomes when planning training. Focus on immediate goals
- Job creation on all levels, basic training for workers not just for qualified people with degrees
- Make training compulsory and focus on practical training. People develop skills quickly with a practical approach
- Many training programs are too generic for specific roles or skills. Make essential training compulsory
- Provide bursaries to individuals in need of financial assistance and to those who require practical experience
- More opportunities for new business entrepreneurs

Examples of the need to improve skills

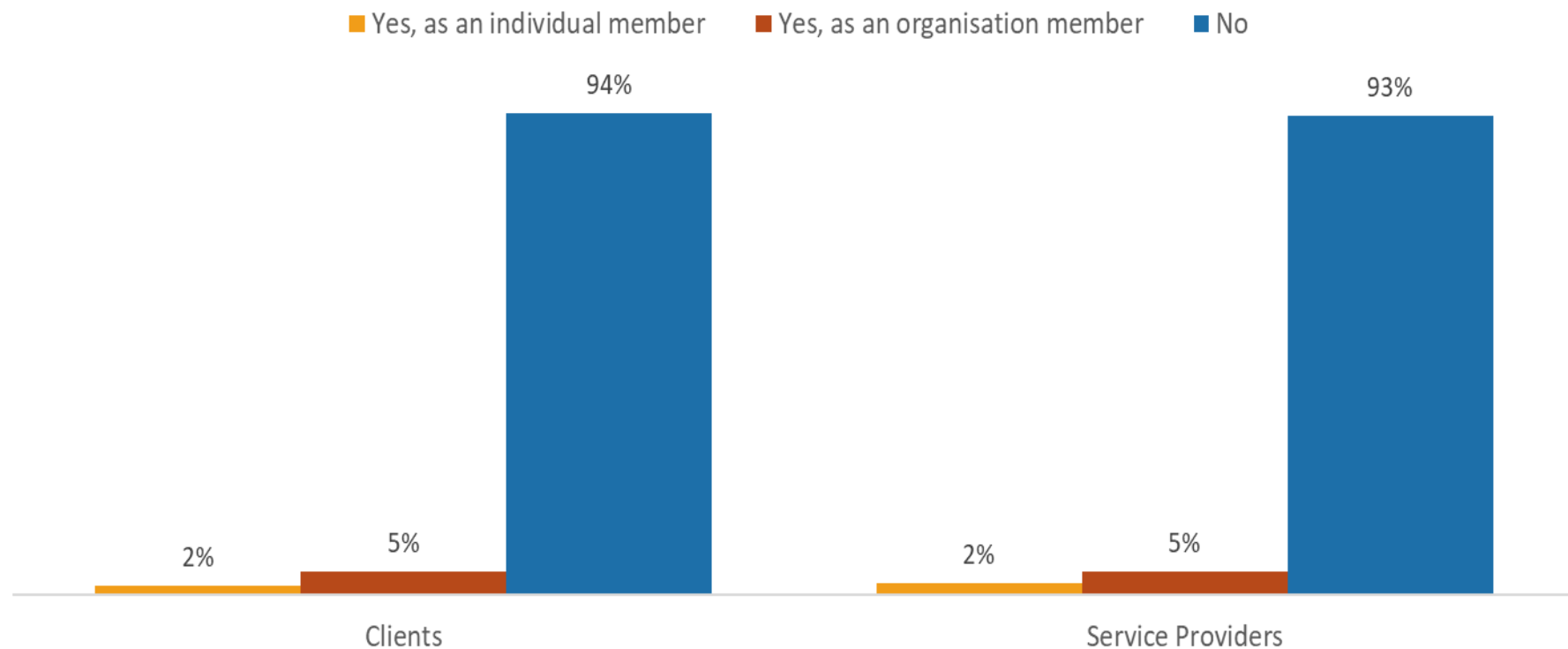
- Ongoing skills development and training should be a business imperative. In-house training allows one to stay abreast of a constantly changing market
- Specialised staff training courses are outsourced to reputable and appropriately registered service providers
- Businesses should develop skills and talent from within the ranks of its own employees, striving to develop the industry leaders of the future
- Every industry body and company should aim to invest in their staff
- Outsourcing is a big industry, there will always be opportunities, just have the correct skills
- Productivity needs to be improved which is only possible by better skills in quality and quantity
- Regular assessment of needs
- The demand is on the increase and I do not really know what to suggest, accept that they must work together
- The industry is in need of highly skilled and competent workers, which is a very big challenge
- The industry must control, somehow, that the level of skilled workers is up to standard
- Most important is that training must be intensified as the need for highly trained people will only increase
- The quality of training is very important, more so than quantity
- The quality of workmanship must be improved through training
- Training - especially mechanical skills not available
- Training must be directed at improving skills, not only technically but also in use of technology
- We only employ staff with university degrees, they don't need more training

THE ROLE OF SAFMA



SAFMA membership profile

An equal percentage of clients are members of SAFMA as are industry service providers. However, the membership percentages for service providers are low. Clients that are SAFMA members include businesses from the financial, automotive, mining, manufacturing, agriculture, fast-moving consumer goods, pharmaceutical and education sectors. SAFMA, as the industry representative body has an important role especially with maintaining and promoting standards and good quality facilities management practices. It is important to extend the reach of SAFMA if the influence of a refined training approach is to have any impact.

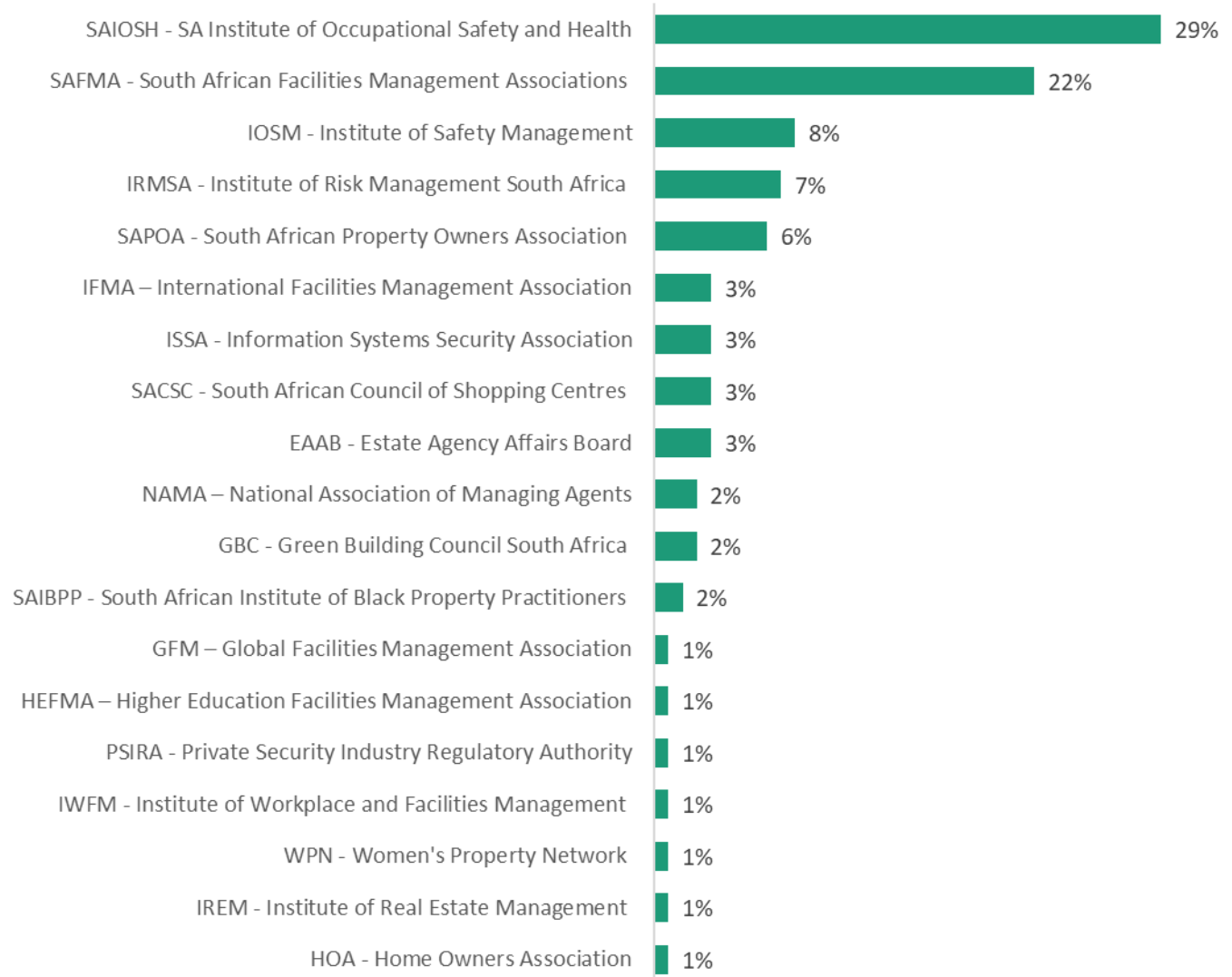


Membership profile relevant to the FM industry

The two largest represented industry bodies are SAIOSH and SAFMA.

The balance of the industry organisations, each with its own specialist contribution to the broader facilities management industry as property managers, green energy, female business owners, and so forth contribute to the industry in various ways.

Collaboration between SAFMA and these organisations should be encouraged to promote the improvement of standards in the facilities management market.

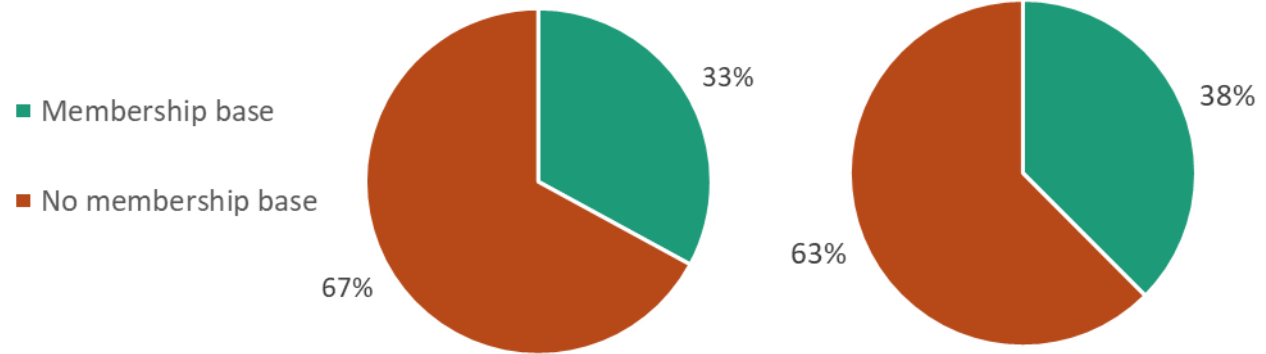


Membership profiles

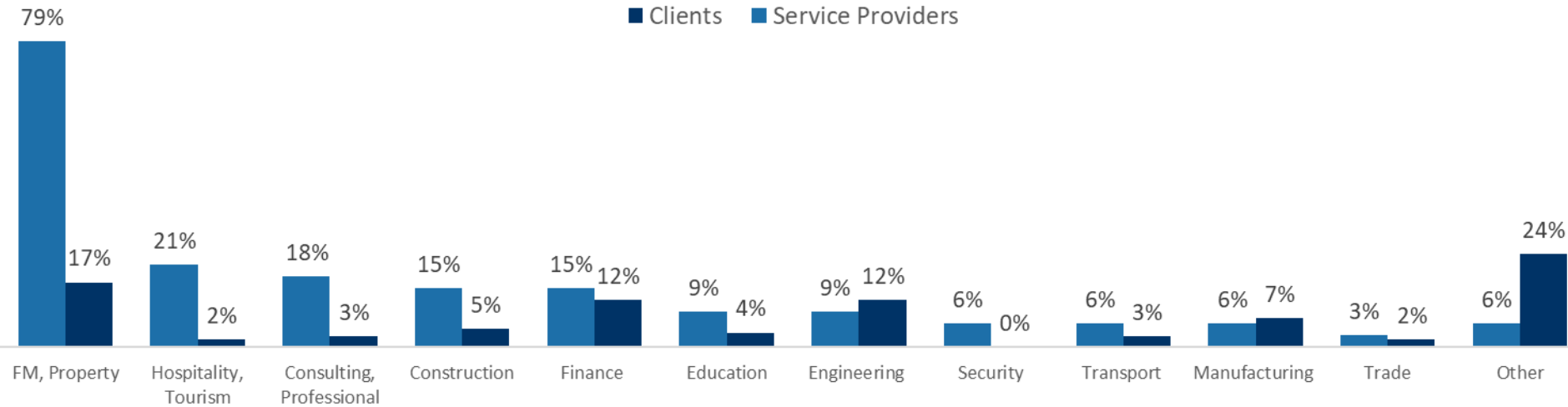
About two-thirds of both clients and service providers do not belong to a industry association or organisation.

Of those that do belong, the majority of service providers belong to property associations and/or SAFMA (79%). However, a host of other industry bodies are also included in the portfolio, perhaps linking with the industries of clients.

Membership base...



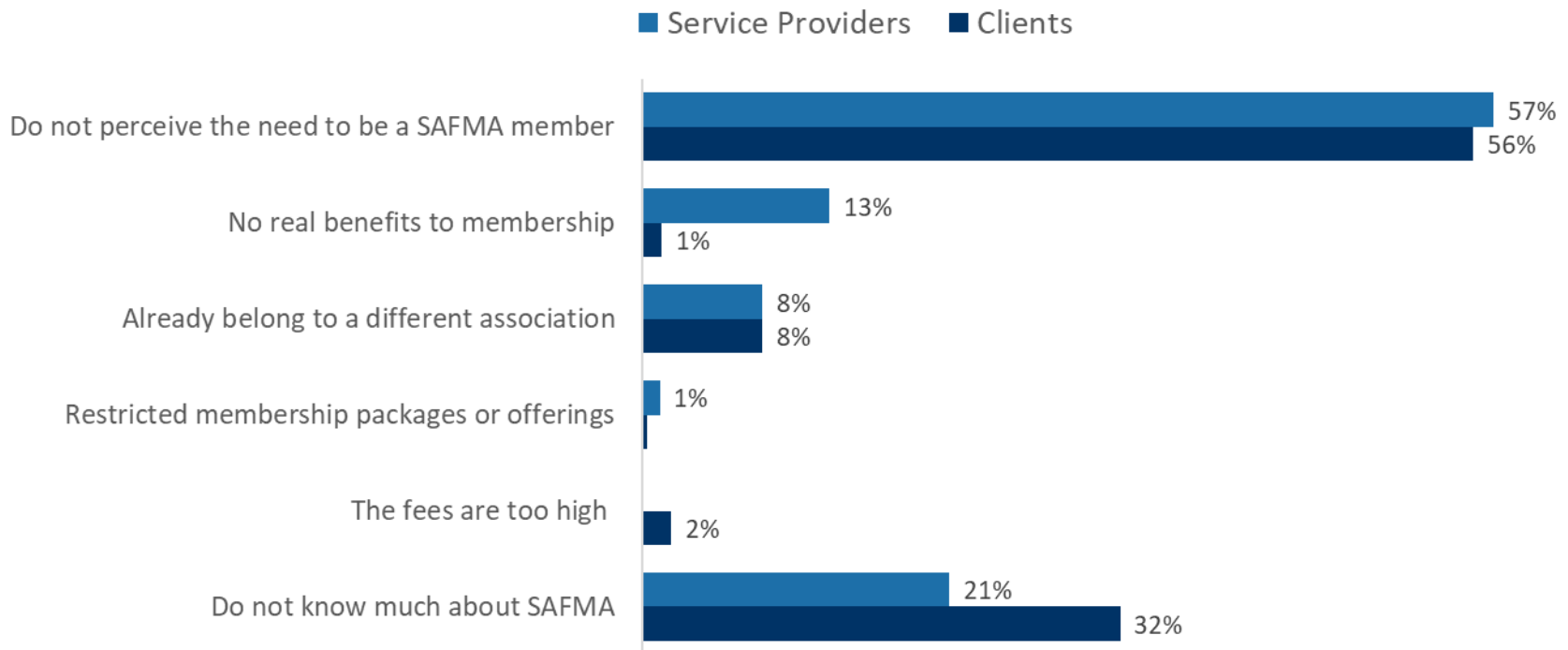
Membership portfolio...



SAFMA membership restrictions

With some variation noted, the pattern between clients and service providers are very similar. Service providers question SAFMA's benefits which is a concern and especially considering the large potential client base to explore with the planned training initiatives. On the positive side, SAFMA's fees are not a major concern.

SAFMA is now a registered Assessment Quality Partner (AQP) as delegated by the Quality Council For Trades & Occupations (QCTO) to manage and coordinate the external training providers offering National Qualifications Framework (NQF) registered training courses. This will imply an extended influence and add additional benefits to SAFMA membership.



ACKNOWLEDGEMENTS



Acknowledgements

African Response would like to thank the SAFMA office and particularly Cliff Hocking, Andrew Mason, David Pierre-Eugene and Marianne Botes for their continued support and insights about the industry.



This survey was commissioned by SAFMA. African Response is a BEE Level 1, black female-owned and independent marketing research firm.

THANK YOU

Report written by:
African Response (Pty) Ltd

Contact: Jan Wegelin
Head of Research
Jan.Wegelin@africanresponse.co.za