

WELCOME TO THE YEAR OF THE ROOSTER

The Chinese New Year holidays now seem like a long time ago and everyone is now probably back in to the swing of things following what is usually a fairly quiet period between Christmas and the Lunar New Year.

In last month's Chapter Bulletin, I asked a question why there was a police presence at an IFMA cocktail party in Houston, Texas. No correct answer was received, so I shall enlighten *y'all*. Under IFMA's lease at Greenway Plaza, in the event alcoholic beverages being served on the premises, the tenant is required to station a police officer at the exit to the tenant's demise to ensure no-one leaves the premises in a drunken condition. There is a potential liability on the landlord should this person suffer an accident on the landlord's property. The police are there to ensure this doesn't happen and I am pleased to say I was allowed to leave!

Enjoy this month's Bulletin.

Brian Crockford, Vice President
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REQUEST FOR HELP : FACILITY MANAGEMENT INTERNSHIP

We have received an enquiry from an FM student at the University of Applied Sciences in Kufstein, Austria. Andrea Moritz has been studying FM for 3 years and would like to gain some work experience in Hong Kong for a period of 5 months from September, 2005. Andrea has already gained some European FM work experience and actively participates in the European FM community.

If you think your company might be able to help, please contact Andrea via e-mail to andrea.moritz@gmx.at

EVENTS

EVENING COCKTAIL SEMINAR

CHALLENGE THE PARADIGMS , EXPLORE REAL PARTNERING

Bryan Clifford, Managing Director, John Carlisle Partnership

Thursday 10th March, 2005 : 6:00pm – 8:00pm

Royal Hong Kong Yacht Club, Kellett Island, Hong Kong

Bryan has championed the cause of Partnering in Hong Kong construction for more than 6 years as Managing Director of John Carlisle Partnerships (SEA) and as leader of the Partnering Specific Interest Group for the Association for Project Management. He is skilled and developed by JCP Consultancy Ltd in over 20 years of changing attitudes and behaviours and developing new and dramatically more efficient ways of working in UK construction.

Bryan considers that there is considerable waste in the way that we procure and maintain most new facilities in Hong Kong - probably around 30% but in order to realize the potential gains we need to make radical changes in the way the industry operates and this can only happen if we are prepared to challenge our own mindset. This talk will be about exploring the 'limiting beliefs' that we have and how we can dramatically improve performance with cooperation across the entire supply chain.

Date & time: Thursday 10th March, 2005 : 6:00pm – 8:00pm

Cost: HK Chapter Members HK\$120.00

Non-Chapter Members HK\$180.00

Prices includes canapes, soft and alcoholic drinks

Venue: Royal Hong Kong Yacht Club, Kellett Island, Hong Kong

Enquiry & Tine Yang

Registration: Tele: (+852) 2888 6345 / Email: admin@ifma.org.hk

**Guangzhou International Lighting Exhibition
+ Electrical Building Technology China 2005**

8 - 11 June 2005, Guangzhou International Convention & Exhibition Centre. Guangdong, China

The Lighting Fair in Guangzhou has run annually for over a decade, and is well known within the international lighting industry. The addition of the electrical building sector will bring real benefits to the visitors, especially architects, engineers, contractors, and installers who wish to see a wider range of products relating to their business in one venue. With specialist sections covering lighting, electrical installations, building automation, communication systems, air-conditioning and ventilation systems, facility management, solar energy technology and elevator systems, the integrated Guangzhou fair is now better positioned to serve the design and building industry, and more convenient than smaller shows held on different occasions. Visit the website for further details www.messefrankfurt.com.hk



**GUEST ARTICLE
PUTTING THE M INTO FM
PART 3 – FINANCIAL LITERACY**

By Martin Pickard, CFM & President of the UK Chapter of IFMA



In facilities management today technical abilities are not enough to guarantee success.

In the third of a specially reproduced series of articles originally published in PFM Magazine, the UK's leading FM Magazine (www.pfmonthenet.net), Martin draws upon his personal experience of a 33 year career in Facilities Management to explore the behavioural side of FM from a practitioners perspective.

Financial literacy

Finance counts so facility managers must be smart when it comes to the numbers game. We all know that property and facilities costs are among the top two or three expenses for any organisation. That's why finance departments pay the facilities function so much attention. But the successful facility manager cannot afford to leave financial matters to the accountants on their own. The ability to interpret and present financial data, an understanding of the impact of the facility budget on corporate accounts and a familiarity with the language and techniques of the finance professional are all invaluable skills for a career in facilities management.

A technically excellent facilities operation with a people focussed service team establishes a solid platform for success but all businesses and operations revolve around money. How much have we got, what are we going to do with it, where can we get some more? The same questions that are asked when managing your own domestic finances are relevant at work. The language, tools and techniques used by accountants are simply addressing these fundamental management areas. Sadly many facility managers struggle in this department. This may be through ignorance, apathy, fear or simply a lack of adequate training but it is a problem that should not be left unresolved.

Most finance people would love to work with more financially literate customers and would be delighted to provide training or guidance not only in the financial basics but also in the peculiarities that inevitably exist within the accounting practices of all organisations. There are also many training providers who run "Finance for Managers" type courses although these rarely make the content directly relevant to facility managers.

As always the responsibility for seeking out learning opportunities and taking them on board lies in the hands of the facility manager themselves.

The Problems

When facility managers fail to grasp the financial nettle they leave themselves open to all kinds of problems. Many of the stories that I hear of people battling with unsupportive finance departments, failing to get business cases approved or struggling with inadequate budget provision are a direct result of a deficiency in this vital competency area.

- Facility Manager A submits budget requests far in excess of need in order to hedge against future cost cutting initiatives. This reduces funds available for vital investments elsewhere in the organisation.
- Finance Director A would have no problem justifying a capital replacement programme for older plant in exchange for a lower annual maintenance cost but the facility manager has never suggested this.
- Facility Manager B always finds themselves under budget half way through the year and overspent by the end. A poorly planned budget and a lack of commitment monitoring are to blame.
- Finance Director B has a constant battle to ensure sufficient cash is available at month end, the facility manager could solve this by renegotiating payment terms with service contractors.
- Facility Manager C makes no effort to ensure the accuracy of monthly financial reports. This leads to important decisions being taken within the finance department based on inaccurate data.
- Finance Director C has a store of useful information about the performance and risks faced by companies in the FM supply chain. This would greatly enhance the facility managers position at the negotiating table if shared.

A plan

A personal development plan for financial literacy in facilities management should cover the following five key areas:

Financial terms – The ability to read a Profit & Loss Account, a Balance Sheet and a Cash Flow Statement. An understanding of key measures like the Current Ratio, the Quick Ratio, Interest Cover, Collection Periods, Debtor days, Gross and Net Margins and ROCE or Return on Capital Employed.

For a facility manager this is the area that can be most daunting. The technical jargon used by accountants to describe and manage corporate finance presents a formidable barrier to the initiated. However without becoming an expert the facility manager who learns a little of the basic concepts soon finds the language to be less confusing. As Cato the Elder said “Grasp the subject and the words will follow”

Financial Accounting – Essentially the record keeping system that all organisations employ to satisfy statutory requirements and to ensure that funds are properly managed, assets carefully stewarded and management information produced.

The maintenance of consistent records of facilities expenditure is a vital process that supports the finance departments corporate reporting obligations. However the same process provides the valuable information on trends, opportunities and issues that the facility manager needs to inform effective decision making and to justify future actions.

Management Accounting – The methods used to help forecast future performance through reference to past performance. This is the critical

area of accounting practice for supporting managers in planning and decision making.

Accurate forecasting is seriously important to facility managers. Fixed costs like rent and rates coupled with large forward commitments to service contractors and the like can significantly erode the funds available for discretionary expenditure. A failure to understand such issues can lead to big problems when organisations are looking to cut costs.

Budgets and Budgetary control – The monetary manifestation of operational plans and the control device for measuring actual results. Budgets have to be “balanced” to enable the success of the enterprise as a whole.

A really thorough budgeting exercise, preferably starting from a zero baseline provides a really strong framework for your operational plans. This makes the inevitable iterations of the budgeting process much easier to manage as all costs are related to clearly defined activities. Those facility managers who treat the budget round as some kind of game that they play against the finance department inevitably make themselves the target of closer scrutiny and arbitrary cost cutting mandates.

Cash Flow – This is the critical mechanism for monitoring the flow of income and expenditure. With the enormous scale of much facilities expenditure this is an aspect that should greatly interest and concern facility managers.

The timing of payments to service contractors can be of crucial importance not only to the corporate treasury function but also to the smooth and effective operation of the suppliers themselves. With facilities being such a people intensive business the timely payment of wages and

salaries becomes a critical operation. A good understanding of these drivers can give the smart facility manager a competitive edge in contract negotiations and can be used to reduce corporate reliance upon costly overdraft arrangements.

The Benefits

The facility manager who has mastered these key areas of financial literacy has a number of advantages over their less able compatriots. For example:

- The ability to present more compelling arguments for adequate budget provision
- The chance to demonstrate quantifiable contribution to corporate objectives
- Less likelihood of suffering from indiscriminate budget cuts
- The tools for more effective decision making
- Less interference and more support from corporate finance departments

Facility managers can only truly succeed in facilities management when they take a holistic view of our profession as a comprehensive management discipline. Financial competencies are central to this achievement.

Next Month – Business understanding

Martin Pickard is a Certified Facility Manager and the current President of the IFMA UK Chapter. He is also a Fellow of the BIFM, an Associate of the Institute of Training and Occupational Learning and a Member of the Institute of Customer Service. For more information see his personal pages at www.dentonhouse.com or Martin can be contacted on martin@fmguru.co.uk

For more information on **PFM Magazine** see www.pfmonthenet.net