The maturity of Facility Management in South East Europe

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ABSTRACT

Purpose: In Europe, facilities management (FM) is generally seen as a mature market. However, this is largely the case because of the high level of sophistication of the FM market in central and northern Europe. South East Europe (SEE) however, is less developed and lacks the maturity of many of its European neighbours. To date, little research has been undertaken to really establish why this is the case, and why there are disparities with other parts of Europe. This study aims to gain a qualitative understanding of the complexities of developing a mature FM market across SEE.

Methodology: The purpose of the research is to take an inductive, constructivist approach to gaining knowledge about the maturity of the FM market in SEE. This is because, to date, there is no data that has investigated the state of FM from a qualitative perspective. There is only currently general statistics available to investigate this issue. Data is collected through in-depth, semi-structured interviews. The findings will critically analyse the perceptions of each country located in SEE, regarding their key challenges and opportunities of the business environment; FM organizations; FM supply market; Professional bodies; FM education; and FM research. The interviews enable the critical evaluation of the maturity of the FM market in SEE.

Findings: The qualitative findings provide an alternative perspective to previous studies that look at the FM market in Europe. The findings show that the FM market is very competitive in this region, but at the same time, the market is still undeveloped in some of the countries. The most recognisable and mature FM business is in Bulgaria, in which the maturity of all measured segments were highest.

Impact: FM is a global discipline, recognised in every sector, in every organisation. At a global level, this is a very pertinent topic, as FM is increasingly being standardised and globalised through the generation of a new suite of ISO standards (ISO41000 series), the first of its kind for FM. However, across the globe, especially in Europe, there are varying degrees of maturity of the discipline.

Paper type: Research Paper

Keywords: Facilities Management, Strategy, Maturity, South East Europe

1 INTRODUCTION

The global FM industry is moving at a fast pace, with an estimated market worth of approximately $1.3 trillion (Hodge *et al*, 2014). This economic growth has been progressed through greater integration and sophistication of outsourced services, increased international and professional standards, and wider educational recognition of FM as a career of choice. However, with such growth can also come discrepancy, as it is not easy to simply calibrate all companies, sectors, industries, regions, and countries to the same standards and growth.

This paper makes an intriguing insight into one particular European region: South East Europe (SEE). For the purposes of this paper, SEE is defined as a region in the south eastern part of the European continent, consisting of the following nine countries: Albania, Bosna & Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Romania, Serbia, and Turkey.

The critical question that this research pursued was "what are the current challenges and opportunities for the future, that determine the level of maturity of the FM market in South East Europe?". This was achieved through undertaking a qualitative study of the perceptions from a selection of informed participants in the SEE region. The paper presents some expanded literature on the background and context to FM in SEE, followed by explanation and justification of the research methodology used, and concluded by presenting the key findings and observations from the qualitative data collection.

2 BACKGROUND AND CONTEXT

FM is about the integration and alignment of non-core services, including those relating to premises, required to operate and maintain a business to fully support the core objectives of the organisation (Pitt and Tucker, 2008). This cuts across all companies, industries and regions, as any commercial entity requires (non-core) support mechanisms in order to generate income and profits. As such, the reporting of trends and growth of the FM sector has been a common activity for many years, and there are reports published regularly, usually annually, that forecast and predict the growth and prominence of FM on a global scale. For example, an ISS commissioned report by Hodge *et al* (2014) claim that the growth of the FM outsourcing sector is evident across all markets, from North America and Europe to Latin America and Asia Pacific.

More recent reports on global FM growth include Global FM (2016), which provides quantitative economic data on 33 selected countries, 10 of which are from Europe. Generally, it could be argued that such reports show that the level of outsourced integrated services is a good barometer for understanding the maturity and sophistication of an industry. It is important to emphasise that this observation does not imply that the decision to outsource services is necessarily preferable over in-house provision; it is simply an observation that the extent to which an industry is outsourced is often used as a general economic barometer to the level of maturity of that market.

Such reports are extremely prominent as the global FM industry becomes more standardised. This has culminated recently in the development of international standards in FM, which have taken a major step with the introduction of the first global standards in FM (International Standardization Organisation (ISO) 41011 and 41012) being published 2017.

Reporting on trends and growth of the European FM sector was quite prominent around eight years ago where important studies have emerged to try and map the size and scope of the European industry. For example, reports by Redlein and Poglich (2010) and Teichmann (2009) published quantitative data on European trends and developments in FM, focusing mainly on the size and scope of the industry and the level of outsourcing that exists. Such data was consolidated and reported in 2011 by EuroFM in a market data report which attempted to collect and share European market data. However, more recent studies have been less common which some recognition coming from particular sources, such as the research from Vienna University of Technology who have maintained updates on the size and scope of the European FM sector (Stopajnik and Redlein, 2017).

This study therefore makes a call that more research is needed that explore further dimensions and aspects of the European FM industry. Although previous reports offer interesting insight into the general economic status of FM, they are often difficult to qualitatively understand the reasons behind particular trends and patterns that exist. It could be argued that they allow us to generalise the general state of the FM industry, without fully appreciating the complexities that are really taking place within our global regions.

Tucker and Cannon (2017) attempted to critique some of these challenges by investigating the implications for the growth and standardisation of FM. Other studies, such as Tucker and Roper (2015) argued that there is disparity in educational pathways, practical application and the development of practice across continents and industry bodies. For example, a variety of FM associations and competency frameworks exist across the globe, which gives rise for potential disparity and a possible challenge to standardisation. Tucker and Roper (2015) undertook a qualitative assessment of competency frameworks produced by RICS, IFMA & BIFM. Although many of the competencies were similar in some aspects the weighting and frequency altered greatly at times.

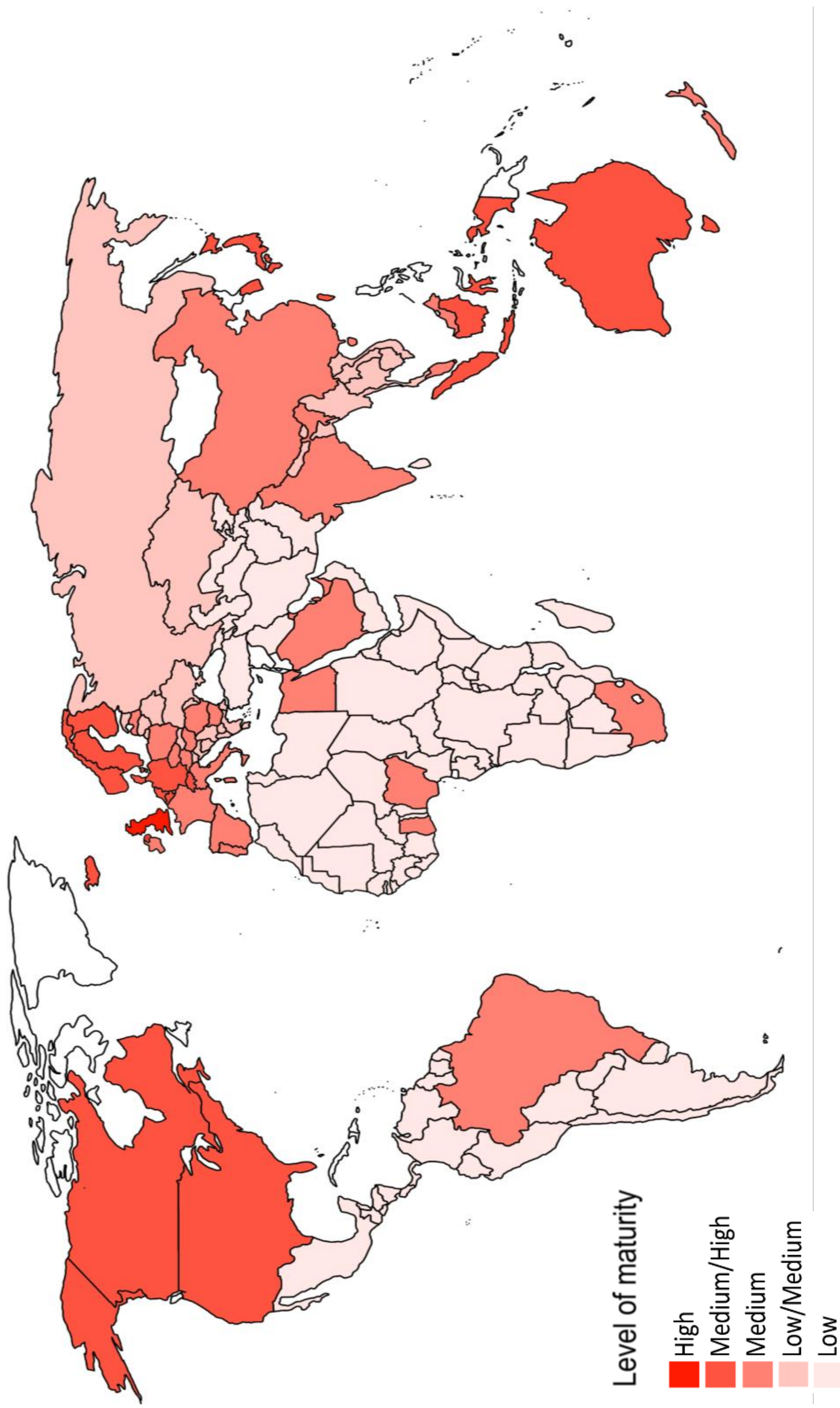
Temeljotov and Ceric (2017) prepared a special edition of Facilities on the topic of ‘FM Status in SEE’, with the aim to highlight the situation in several countries in the region: Albania, Kosovo, Macedonia, Serbia, and Slovenia. They learned that some of the academics partly addresses the research topics from the field of FM, but in general, that FM as a field is recognized in Slovenia and Kosovo, that professional FM associations do not exist in SEE countries (except Slovenia), and that formal education programs are very rare.

The study by Tucker and Cannon (2017) presented a snapshot of the FM associations prevalent in Europe, and illustrated that are many diverse associations all attempting to provide good practice and standards to their FM communities. They emphasise that on a European scale, organisations like EuroFM play an important role in enabling FM associations to network and collaborate to ensure that standards can be communicated consistently. Tucker and Cannon (2017) subsequently mapped the majority of FM associations in Europe (figure 1), and it emphasises the challenges of standardising FM competences in a growing, yet diverse market.

Figure 1 Map of FM associations in Europe (Tucker and Cannon, 2017)

Although the data collection is limited, the research by Tucker and Cannon (2017) is significant as it is one of the only studies that took a qualitative strategy to explore the challenges of growth and standardisation of FM. The output of study was the amalgamation of qualitative interview findings to produce a map of the ‘global FM maturity levels’ (figure 2). The research shows that despite the majority of Europe having a medium to high level of maturity, the southeast region appears to suggest it has a medium to low level of maturity. Coupled with the fact that there are many SEE countries with no visible FM association (figure 1), this makes the SEE region an interesting area to explore further.

Figure 2 Global FM maturity levels (Tucker and Cannon, 2017)



3 METHODOLOGY

From the above described research findings, 12 semi-structured in-depth interviews with key informants in member countries were collected, with a questionnaire based on the findings of Banyiani and Then (2016) and Shallah et al. (2017). Topics cover the key challenges and opportunities of the business environment: FM business environment; FM organization progress; FM supply market; FM Professional bodies; FM education; and FM research. The definition of an informed participant in this instance is someone who would possess some or all of the following attributes, specific to their home country:

- Has expertise of the FM industry through education and/or research
- Has a senior practical industry role that relates to the FM industry
- Has a professional/governance role that relates to the FM industry

For each topic in the interview questionnaire, the main research goal, main question and assessment instruction were prepared. The goal for the Business environment topic was to understand how wealthy is the country for the FM business development, with the main research question: What are the driving factors for FM in the country? The interviewees here describe the current situation through a simple PEST evaluation (Political, Economic, Social, and Technological) and give an assessment of possible future prediction. In the Organisation progress section, the focus is on understanding how active FM business is in practice, on the macro level (country) and capabilities of benchmarking and performance (micro level). The main research questions were if FM business is present in the country and how active it is. In the Supply market topic, the interviews understood FM supply and demand activities in the country, so the description of the current situation with a possible future prediction is discussed. Within the Professional bodies section, information about FM supply and demand activities in the country were given. And from the FM education and FM research section the aim as to hear about the development of education and research in the country. Each of the topic was divided into subtopics, and a set of basic questions or key words are prepared as an interview guidance. This formed the basis to analyse the data thematically using this interview questionnaire structure.

The interviews were conducted via Skype to overcome geographical obstacles. It was planned that two informed participants will be interviewed from each of the nine countries in the SEE region, but so far interviews have been conducted with the following countries: Turkey, Bulgaria, Albania, Croatia, Serbia, and Macedonia (12 in total). So far, at least one informed participant from all the mentioned countries, except Romania have been conducted, but this paper reports on those with at least two participants from each county.

The qualitative methodology chosen for this study is to present an alternative viewpoint to previous quantitative studies on this subject matter. Nevertheless, it is important to identify the limitations with such an approach, mainly that the results are subjective in nature and based on the opinions on the informed participants. This should be taken into account when reviewing the findings.

4 KEY FINDINGS

The main results from the interviews with key findings are presented in tables from 1 to 6, followed by a critical discussion.

Table 1 - Business environment

Country	Political/ Economic/Social/ Technological motivations
Albania	Easy to start a business. FM is not recognized as a profession. No FM standards. Small economic growth, unemployment rate declining. Working environment: 40 hours per week, illegal labour force, working on Saturdays is usually required. Technological motivation is not so strong. Drone are used for promoting purposes.
Bulgaria	Easy to start a business. Shadow economy is present. FM is recognized. Implemented European FM standards. Economic growth, unemployment rate very low; migration out from the country. Working environment: 40 hours per week, form 9-5. It can be divided in 2 shifts 4 hours in the mornings (starting earlier) and 4 in the late afternoons. No flexibility. FM software are used – some international mostly national, custom made. BIM only for planning and design.
Croatia	Complicated to start business, due to the rigid regulation. FM is immature. Huge resistance to outsource. No FM standards Economic growth, unemployment rate declining, youth unemployment rate still high; migration out from the country. Working environment: 40 hours per week, normal to work more than 8 hours per day (not extra paid). Flexibility is not possible. FM software are used – some international mostly national, custom made.
Macedonia	Easy to start a business. FM is not recognized as a profession. No FM standards. Economic growth, unemployment rate declining, youth unemployment rate still very high; migration out from the country. Working environment: 40 hours per week, flexibility is only on the time of arrival and departure. Some FM software are used, not universal. BIM only for planning and design. Government initiates programs for increasing educational level and employment opportunities.
Serbia	Complicated to start business. FM is not enough recognized. Shadow economy is present. No FM standards. Economic growth, unemployment rate declining, youth unemployment rate still high; migration out from the country. Working environment: 40 hours per week, if necessary they work in 2 shifts (not later then 10pm). 24/7 for security workers. FM software are used – some international mostly national, custom made.
Turkey	Easy to start a business. FM is recognized. No FM standards. Economic growth, unemployment rate declining, youth unemployment rate still high; Syrian crisis affected the south part of the country. Working environment: 40 hours per week, if necessary they work in shifts (not later than 10pm). 24/7 for security workers. FM software are used – some international mostly national, custom made. Mobile apps are in use.

Table 2 - Organization progress

Country	Positioning of FM organisations in the country. What kind of services are offered. What kind of model is the most common. Performance measurements. FM competences.
Albania	Small ones. In big companies: different departments covering FM services, but not FM department. No international companies.
Bulgaria	App. 80 FM companies. Offering all kind of services. In-house management, single-contract service is popular. Integrated FM is also in use. Performance measurement: benchmarking and KPI. FM competences high.

Croatia	Different kind of FM companies: bigger, international, which use integrated FM to small single oriented providers (cleaning, security). All type of services. Performance measurement: post occupancy evaluation and KPI. FM competences undeveloped.
Macedonia	Different sectors covers different services. Big companies use in-house management. Few international companies. None of national companies offer total FM. All kind of services. Performance measurement: non info. FM competences: non info
Serbia	Many in-house FM in public sector, rarely outsourcing. Big FM professional companies- up to 7. Small FM companies, single or small scope service providers. Few international companies. In majority in-house management with service contracts; some managing agents; around 5 big companies offering everything (usually merged with international companies). The main model is a management staff and subcontractors. Some FM companies offer services for RE developers. No special performance indicators are required, only for some international companies (KPI). FM competences: no formal education so it is hard to measure. – in-house trainings, open for career development.
Turkey	10-20 big local FM companies, many small family business providers (cleaning, security). Around 10 international companies. Public sector uses in-house model. In residential buildings and shopping mall – integrated FM is used. Performance indicators: benchmarking, for international clients : balanced scores and KPI. FM competences: not known exactly.

Table 3 - Supply market

Country	**How many and what kind of customers. Procurement options. FM market situation.**
Albania	Some hospitals, hotels, residential buildings. Procurement still immature. No info about the FM market.
Bulgaria	Commercial buildings, industry, shopping malls, some condominiums. Started outsourcing in public buildings (cleaning, security). Procurement process average. SLA are in use. Not enough info.
Croatia	Commercial buildings, residential buildings. Large public sector - no outsourcing. Tourism is not using FM. Procurement process is very complicated and sometimes poor. SLA normal. Not enough info.
Macedonia	Not enough. FM is not recognized as a profession. Procurement average. SLA normal. Not many info.
Serbia	Not enough customers. Commercial, residential building, starting with industry. Public sector is rarely outsourcing. Complicated procurement and only cost orientation. SLA is ignored. Enough info.
Turkey	Not enough - big potential, but customers prefer to manage by themselves. Residential places, commercial buildings. A PPP city hospital project. Procurement average. SLA normal. Not enough info.

Table 4 - Professional bodies

Country	**National / International associations. Members. Professional trainings.**
Albania	No. Strong Chamber of Commerce - ‘Economy and Industry’. Not many topics related to FM.
Bulgaria	Yes, BGFMA. EUROFM. 75 partners or individuals. Organizing courses, conferences, events – app 20 per year.
Croatia	No, under establishment IFMA Croatia. There is present ‘Maintenance association’, as a part of Croatia Engineering association.
Macedonia	No. Economic Chamber of Commerce.
Serbia	No, under establishment. Chamber of Commerce - ‘Building managers for residential building’
Turkey	Yes, TRFMA, established in Dec. 2017. 15 founding partners.

Table 5 - Education

Country	Existence of education
Albania	No specific. It is partly taught on RE evaluation program.
Bulgaria	FM master program on 2 universities.
Croatia	No. FM subject will start in 2018/19, on Technical faculty (on maintenance program). Some FM topics are partly covered on University of applied Sciences (Business School)
Macedonia	No. Some topics related to FM are within different subjects on technical or business oriented faculties.
Serbia	No. Some topics related to FM are on faculty of Architecture and Faculty of Civil Engineering.
Turkey	Lessons or courses on University are organised, but not sufficient (Building and Residential Site Management lessons, Facility Management certificate courses)

Table 6 - Research

Country	Existence of research centre. Do FM companies support the centre? Research orientation
Albania	No. Not really. Very rare publications from FM topics
Bulgaria	No special research centre for FM. Research in connection with FM programs. Very rare publications form FM topics.
Croatia	No. Rare publications from FM topics
Macedonia	No. Rare publications from FM topics
Serbia	No. Some publications related to FM from different faculties
Turkey	No special initiative for research.

From the PEST analysis, the political environment is stable in all countries and economic growth is remarkable. In some countries, like Albania, Macedonia and Turkey, it is easy to start new business. Unemployment rates are declining, but still appear high with the youth population (in Macedonia, Serbia, and Croatia), and creates migration between the young, educated population. In Turkey, they see the problems of immigration and fear among the investors to invest in business in regions, close to the Syrian border. The shadow economy has an impact on business in Albania and Serbia.

Regarding the recognition and maturity of FM, there are big differences among the countries. Facility management as a profession is regulated only in Bulgaria, but it is still not recognised in some countries, such as Albania or Macedonia. Even if the regulation in the countries is almost harmonised with EU directives, the FM European standards were implemented only in Bulgaria. Technology solutions are on very high level in all countries, so in FM companies it is usual to use custom-made software.

For interviewees they found it beneficial to implement certain facility management standards. The situation they experience now is a communication problem – there is not a common understanding of the level of services, so the expectations and realization are completely different. With standards, they can get clear overview of activities to satisfy both sides.

From the growth of the FM outsourcing sector, which as stated in the literature review is seen as a good barometer for understanding the maturity and sophistication of an industry, the public sector is unwilling to outsource services, and especially resistance from unions end employees in Croatia. A supply market exists more in the commercial sector, office buildings, some residential buildings (condominiums), partly in hospitals and as a new area in industry complexes (in Serbia and Bulgaria). In Turkey and Albania, there are cases that investment companies start FM businesses after the construction period. The most common outsourcing services are cleaning, security and technical services in Croatia and Serbia. Integrated facility management is find in Bulgaria, Turkey, Serbia and Croatia. Mostly, outsourced services are still not preferable over in-house provision. Only in Bulgaria it is normal to use SLA and performance indicators. In the other countries it depends more on client's demand, what is recognized from the international companies and not from the local ones.

The interviewees see FM business as very new, which have an important potential to grow. A huge potential is seen in outsourcing FM services for the public buildings, but they hope for political changes. In Turkey they see a huge potential due to a highly motivated construction sector and real estate development. In general they want to have a better procurement system and be fit for FM services, with proper SLA's and quality control.

The competences in FM are not perceived as very high, except in Bulgaria. They are almost undeveloped in some countries, especially on the managerial level. The problems they see are not having enough knowledge, skills, responsibilities are not clear enough, facility manager's duties are not clear, competition is tough, fees are not high, salaries are low and employees are somehow squeezed to their limits young, so educated people try to find better working environment outside the country. There is no culture in flexibility regarding benefit for employees, they have to adapt to business needs. In bigger companies they organise some internal courses and take care for personal development. The lack of FM competences in some countries brings the discussion to the level of strengthening the facilities management to increase its quality.

The interviewees in Albania and Macedonia have not known if there are some professional international FM companies in their countries. In Serbia and Croatia they mentioned that some of them tried, but because of specific local markets, with a lack of transparent procurement procedures, rigid regulations, and in Serbia problems of a shadow economy, it was very hard to become competitive. In Bulgaria and Turkey they listed many international companies, some of them merged with local ones.

From a national association role in the countries, it should be mentioned that only in Bulgaria, the FM association is established for a longer period of time. In Turkey it was established late 2017, in Serbia and Croatia, there are imitative boards to establish, and in rest of the countries, there is nothing. The association in Bulgaria is very active and organizes training courses, conferences, events, working on standards, and are connected with companies, education and research institutions. In other countries, the experience with organized courses or conferences was very limited. Euro FM is present in Bulgaria.

The opportunity of establishing FM associations is seen to bring quality: to get standards; to get more professional knowledge and competences in FM; to improve management and management services; to provide solutions to problems related to FM; or, for Serbia to eliminate a 'black market'. In some perspective they miss a promotion of professional companies to do the proper business.

Formal education programs are very rare in the countries interviewed, only in Bulgaria has an FM masters program in two universities. In Turkey lessons or courses on University are organised, but it is not sufficient (Building and Residential Site Management lessons, Facility Management certificate courses). In Croatia, an FM subject will start in 2018/19 on Technical faculty. In Albania FM is mentioned in a real Estate Evaluation course.

5 CONCLUSION

In comparison with Teichmen's (2009) findings, it can be argued that the FM market is more developed, than in 2005. The FM market is very competitive and at the same time, the market is still undeveloped in some of the countries (e.g. FM is not commonly recognized in Albania and Macedonia). The most recognizable and mature FM business is in Bulgaria, in which the maturity of all measured segments were highest. In some countries the FM profession is even not recognized, with a lack of national and international FM associations or companies established or present (Albania, Macedonia). The outsourcing is much more intense from 2005, for example new associations are established (Turkey) or are under establishment (Croatia, Serbia), more integrated FM companies appear (Turkey, Serbia, Croatia), and new education programs are arising. But, in some countries they struggle with unwillingness from the public side to outsource services, not enough defined services, not mature procurement processes and demands, lacking performance measurements, lack of standards, shadow market, cost orientation, low salaries, not understanding the FM competences, lacking knowledge etc. From the other side they see the growth in GDP, bigger real estate market, and more recognition on the local market. It is seen a great progress in some of the countries, and it is expected that FM business is beginning to realize the strategic importance of FM management. FM providers will increasingly adopt a greater role as strategic partners, investors and consultants since the demands of many organizations will further exceed their capacity to deliver in-house.

It is hoped that this study will assist in helping to grow the FM maturity across South East Europe, help establish FM associations and enable networking and collaboration to ensure that standards, knowledge and competences can be further developed.

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