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**Facility Management is an investment,
not a cost**

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Introduction ...

a) This presentation about mindset perspective...

- A change in perspective can change how you view your facilities assets and how they are operated...ie. financial benefits

The key is :

Think about **how facilities provide value** to your organization.



b) Facilities As Financial Assets (have a value):



Balance sheet

- Facility assets are probably one of the biggest /or the biggest items on the (**CAPEX**), And,,
- Most likely, the second largest operating expense after payroll (**OPEX**).

So why not employ a financial mindset on their management?

So, **Important Considerations** of the assets are:

- The Value.
- Current condition.
- A Plan to Manage Investments.

Example (Actual): **Private Palace**

Without Maintenance



With Maintenance



Estimation Costs:

Total cost (construction+systems+Furnitur) is 280,000,000 (SR) or 75 m\$.

- Cost after 8 years is 195,000,000 SR. (Depreciation 5%)- **IF Maintained.**
- Actual estimated cost is 100,000,000 SR- **Bcs Not Maintained.**
- Losses is 95,000,000 SR.
- Cost of maintenance in 8 years is about 6,000,000 SR.

➤ Investment of 6 m SR will cause profit 95 m SR.



Facilities Management as a Profit Center:



Most of the organizations consider FM as : **A cost center** ,

Technically.... **Correct.**

- Strategically.... **wrong** .

(Terms of the attitudes of facilities staff and the perception of the function)

Why:

- The perspective of FM as a profit center can provide **more value & advantages** to your organization.

A Summary of Differences in Perspective :



Cost Center

1. Facilities are an overhead expenses & only needs to meet the budget.
2. Stakeholders consider the costs: can be cut.
3. FM is a support group directed by facility users(O&M manager).
4. Each department controls their own facilities.

Profit Center

1. Provide a significant and valuable contribution to the organization's success.
2. A profit center is intended to show return.
3. Facilities are financial assets & property, to **manage**.
4. A staff looks for valuable opportunities.
5. FM staff is the expert to support facility users & other departments (Facility Manager).

How to Promote to a Profit Center Perspective:

1. Empower your staff to show positive initiatives & Add value to the organization.
2. Ensure the facilities contribute to the success of the organization & Support their **objectives**, through :
 - Operational Advantage.
 - Waste Reduction.
 - Revenue creation.
3. Act as “Owner” of Facility Assets on Behalf of Organization
4. Utilize **efficiently use** of facility assets.
5. Approach for **benchmarking** .
7. **Savings** are the same as “**profit**” .

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To increase value of assets....

Optimization of FM services:



- ✓ Optimization of these services can make a huge impact on a company's financial results & performance.

Cost effectiveness & process optimization.

1. Cost Optimization by :

- **High quality** service delivery at lower cost
- Increase application of **automation technology**.
- **Workforce** Optimization.
- **Outsourcing** for specialized services..
- Utilizing related skills and **expertise**.

Optimization of FM services:

2. **Process optimization by:**

- Asset Management.
- PPM programs through CMMS.
- Predictive Maintenance.
- Implement in HSEQ regulations & requirements.
- Track progress vs. plan through KPIs.
- e-sourcing .



Factors Influencing FM cost / Asset value :

1. Design phase :

- Errors in design.
- Absence of FM in design phase.
- Client requirements.

2. Execution (Construction or FM):

- Materials selection
- Poor quality (construction or FM services).
- Workmanship.
- Utilizing the technology.

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3. Planning & Mobilization:

Lack of :

- Maintenance plan.
- FM database and guideline.
- Trained employees.
- Communication and collaboration skills.

4. Majeure Forces :

- Fund unavailability.
- External factors *exp.* Disease or Weather.



The importance of FM in LCC (life cycle costing):



Managerial decisions related to the investment affected by :

- LCC.
- Facility management costs

So consider:

1. FM be involved in all the phases of the building life cycle because it affects its total cost.
2. The LCC structure is represented by two categories:
Initial : Design and execution phases , and
Operation.; Use and maintenance.
3. .Proper building Maintenance to avoid early deterioration.

Thank you



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