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Financing high-functioning workspaces for a hybrid workforce

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By Kathryn Vassilissin, Sales Manager, Vendor Finance, Siemens Financial Services UK

"If occupancy at a workplace has dropped 50%, shouldn't FM costs fall by a similar amount?" Many in the industry will be asking the same question as this commentator, writing on the evolution of facilities management in the workplace.

Though some businesses are upping their office days, 60% of employees said they had flexible working arrangements in 2023, a jump from 51% in the previous year. This change in working habits has forced a revaluation of the responsibilities of a facilities management (FM) company. Operating a hybrid working environment means providing high-functioning, flexible office premises, that make greater use of technology to adapt to usage. This is necessary to be able to react to current market trends and remain competitive.

Hybrid working – here to stay?

Some remain unconvinced by the longevity of hybrid working or may be hesitant to commit to a costly restructuring of facilities, but it would be a mistake to dismiss it as a fleeting trend. One study has found that over three-quarters of employees would actively look for a new job, or be willing to consider one, if their company's flexible work policies were to be reversed. It is not just staff who feel this way. Businesses know that offering flexible working attracts talent and helps to address skill or labour shortages.

Adapting to hybrid working is therefore an imperative, but what does this mean in practice? It could entail upgrading equipment, connectivity and security systems or changing the structure of how a workplace operates. For example, it may be more efficient to introduce self-service catering, such as a vending mini market, rather than having a manned catering service that is unused or underused at certain times of the week. Office usage could be better anticipated and managed by introducing smart technology that registers when people come onsite, how they use the premises, and at what times. However, implementing these new measures comes with a cost and this may be a prohibiting factor – especially in today's uncertain economic conditions.

Obstacles to agility

The immediate cost of doing business has gone up due to rising inflationary pressures. The cumulative total of operational costs and staff costs, as well as the cost of maintaining and replacing assets and equipment, represents a significant financial challenge for businesses in a period where their money is worth less. Hybrid working can introduce new cost and complexity, where employers are providing screens or other necessary equipment both in the office and for the home, as well as ensuring sufficient cybersecurity and connectivity speeds at both locations.

Subsequently, companies are finding themselves less agile and less willing to use their own capital to invest in depreciating equipment. The cost of upgrading facilities to meet hybrid working demands is therefore a struggle for many facilities management companies, despite the commercial and competitive advantages to be gained from doing so. This is where finance from specialist financiers can help to make investment affordable.

A choice of flexible financing options

When businesses are hesitant to tie up cash in depreciating equipment and technology, leasing arrangements can present a powerful financial solution. Payments are structured across an agreed period and aligned to match a business' cash flow. Spreading the cost of investment means that the FM provider avoids a heavy upfront cost and instead retains free capital for liquidity or use in other parts of the business, e.g. strengthening the salesforce.

Financing can take a variety of forms, from basic leasing and hire purchase agreements to master leases with an agreed line of credit. This is useful for FM companies that want to acquire large equipment volumes quickly, as required, without having to go through laborious financing applications for each asset.

A further option is a managed service agreement. This solution guarantees the uptime and capability of an agreed service level at a fixed monthly cost. This can embrace sub-components such as fire protection, security, ventilation or energy efficiency. Under such an agreement, the costs of the equipment, delivery, installation, maintenance, insurance etc., are all incorporated into the contract.

Streamlined, specialist finance

With a multitude of financing options available, the question facing FM providers becomes less about how to invest, but rather, how much can be consolidated with financing from a single source? It can be a time-consuming and meticulous process to administer many small agreements for separate items, and it is not as straightforward to negotiate a favourable deal compared to negotiating for a whole package.

Specialist financing partners (like Siemens Financial Services), for instance, have a deep knowledge and understanding of workplace technology and equipment, which means they can fund the wide range of assets required in an office environment under one single package.

Such an arrangement could cover, for example, door entry systems, 24-hour CCTV, vending machines, IT hardware/software, photocopiers or smartphones. Certain industries will require more specific equipment too, such as telematics systems integrated with company delivery vehicles for accurate location sharing.

Today’s workplaces are striving to be more sustainable (thereby running more cheaply), and so modern requirements could also include solar panels for self-sufficient energy generation, or digital sensors that reduce energy wastage by triggering temperature and lighting controls when they detect people leaving and entering rooms.

Scaling to requirements

This brings us back to the original question. As office occupancy fluctuates, the FM sector must be able to flex operations according to usage and need – and technology is pivotal to this aim. Integrated equipment and finance solutions enable upgrades and service modernisation, so that businesses can stay ahead of market trends while protecting cash flow.