

Comparative Analysis of Asset vs. Facility Management – Contemporary Roles and Functions

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Asset Management has many roles and faces today. In modern business world, some are fascinated by its proliferation and complexity, similar to the admiration of a multitalented artist, who is all-in-one screenwriter, director and producer of the latest blockbuster. There are also others who view modern Asset Management as the mythical Hydra that has spread all over and hijacked various management disciplines. Then, there are the Users and Clients who are ... confused.

The evolution of Asset Management (AM), [Facility Management \(FM\)](#) and [Property Management \(PM\)](#) throughout the past three decades has led to significant convergence and integration of their professional functions and business concepts. A concise comparison of AM vs. FM current identity will be useful to clients or users of asset management services, as well as to professionals managing multiple physical assets and focused on integrating the built environment, real estate, infrastructure, technology and people.

Three major factors determine the differences between AM and FM:

- ✚ The asset types to be managed;
- ✚ The organizational/corporate goals of the asset's Owner/Investor;
- ✚ The scope of responsibility

First, let's highlight, that this analysis does not explore financial sector's wealth management; management of financial assets, cash and investments instruments on behalf of their owner.

Second, non-financial assets in any enterprise could be classified in two major categories according to their purpose of use:

- A. Assets that are used to carry out **primary business functions** (real estate, production machinery and equipment, plant facilities, tools, etc.) They are within the scope of responsibility of AM.
- B. Assets that are used in **support business functions** (buildings, transportation vehicles, workplace facilities, mobile devices, IT equipment etc.) They are within the scope of responsibility of AM and FM.

Third, physical/property assets are divided into two major types in accordance to their essential characteristic and function:

1. Immovable assets

- Vertical real estate (buildings) – office, retail, industrial, logistic, residential, public, educational, health care, recreational, sports, multifunctional etc.
- Horizontal real estate (facilities) – urban parks, playgrounds, sport facilities, recreation facilities, cemeteries, lakes etc.
- Infrastructure networks – power, water, sewer, transport, communication, irrigation, defense etc. ([D. Albrice](#))

2. Movable assets

Physical assets, which are not permanently attached to the immovable assets – plant machinery, equipment, tools & instruments, vehicles, furnishings, electronics, IT devices etc.

Once the playground is set up, let us focus at the concise comparison between AM and PM. **Table #1** exhibits the differences and common features of these management disciplines:

Table #1 Asset Management vs. Facility Management

	Asset Management	Facility Management
Level	<ul style="list-style-type: none"> Strategic, tactical and operational 	<ul style="list-style-type: none"> Strategic, tactical and operational
Content	<ul style="list-style-type: none"> Aligning asset strategy to business strategy Development and implementation of asset management strategy (plan) Development and implementation of maintenance management plan 	<ul style="list-style-type: none"> Aligning business and asset strategy with productivity and workplace strategy Implementation of asset strategy and productivity strategy Operation and maintenance of built environment
Scope	<ul style="list-style-type: none"> All assets of an organization/company 	<ul style="list-style-type: none"> All buildings, facilities, infrastructure, which support the primary business
Perspective	<ul style="list-style-type: none"> Investment perspective and Production perspective Built environment as capital asset Focus on Investor priorities 	<ul style="list-style-type: none"> Production perspective Built environment as instrument for service provision Focus on End User and Occupier needs and priorities
Impact	<ul style="list-style-type: none"> Portfolio / international / regional 	<ul style="list-style-type: none"> Individual objects, portfolio, international, regional
Sector	<ul style="list-style-type: none"> Public sector– central, regional (state) and local government Private sector 	<ul style="list-style-type: none"> Public sector– central, regional (state) and local government Private sector

Objectives	<ul style="list-style-type: none"> Realize asset value, increase profit; cost, risk and performance management of both primary business and support business assets 	<ul style="list-style-type: none"> Continuous and cost effective supply of optimized workplace environment in order to improve productivity and effectiveness of the primary business
Performance Indicators	<ul style="list-style-type: none"> Financial indicators, qualitative indicators, environmental indicators, normative indicators, performance indicators, technical indicators Target indicators - Replacement Asset Value, Asset Criticality Index, Mean Time Between Failures 	<ul style="list-style-type: none"> Financial indicators, qualitative indicators, environmental indicators, normative indicators, performance indicators, productivity indicators, technical indicators Target indicators - TCO, Service Cost/Quality, User Satisfaction Level, End User Complaints
Horizon	<ul style="list-style-type: none"> Asset's business lifecycle planning and maintenance 	<ul style="list-style-type: none"> Planning, operation and maintenance of assets throughout the whole lifecycle

Differences

Asset Manager (Physical Assets)

- For the Asset Manager the leading objective is maximum Return on Assets and Asset Utilization (rate)
- Asset Manager's scope of work are all assets utilized by both primary business and support business functions of company/organization
- Asset Manager's priority is to improve maintenance productivity and optimise equipment reliability as per Investor's production/primary business targets
- Asset Manager is focused on achieving Investor's profitability objectives while minimising assets' capital expenditures (CAPEX)
- Corporate social responsibility activities are out of AM's scope of work

Facility Manager

- For the Facility Manager the leading objective is optimal work environment
- Facility Manager's scope of work are all assets which support the primary business of a company/organization
- Facility Manager's priority is to improve the User's primary business productivity and effectiveness
- Facility Manager is focused on End User/Occupier workplace needs and demands while optimising operational (OPEX) and capital expenditures (CAPEX).
- Over 90% of corporate social responsibility initiatives are managed by FM

The hierarchy of objectives and tasks is one of the major differentiators between AM and FM.

A. Real Estate Asset Management

There is a field of AM, which is identical with Strategic Property Management (PM), similar to Corporate Real Estate Management and to Strategic FM. Real Estate AM is a field that is actually property management of owner's real estate at investment level. Executed on strategic level, AM focuses on proactive, long-term financial planning, which includes investment analysis, operation analysis and the positioning of a property or portfolio of properties in the marketplace in accordance with market trends, conditions and investor profitability targets. [\(BOMA\)](#)

When the primary business of given company is real estate investment and management, AM is actually Strategic PM. It very important to underline that the investor/shareholder guiding principle is maximum ROI from a property or portfolio of properties from acquisition to disposition. In real estate business, the investor's horizon **is not the whole asset lifecycle, but the predefined business lifecycle**, which differs from whole lifecycle and includes profitable exit from the investment. Very often this business lifecycle is lease determined. In practice, Real Estate AM does not encompass operational responsibilities, like maintenance management or reliability engineering. **Example:** Occupant relations management and property operation are the core responsibility of Property Manager and/or Facility Manager. They are explored in depth in ["Facility and Property Management – Find the Differences or the Points of Convergence."](#)

B. Client's Agenda and Priorities

The differences between the roles of AM and FM derive from the varying agendas of Investor/Owner and End User/Occupier, respectively their priorities.

Asset Investors prioritize their goals as follows:

1. Value – minimize Replacement Asset Value ratio (RAV), thus maximize Return on Net Assets (RONA)
2. Capital spending – achieve optimal Capital Expenditure level while balancing Risk and Performance
3. Operations & Maintenance – target optimal MTBF (mean time between failures) and maximize primary business process reliability
4. End user/Occupant – maintain effective User feedback in order to achieve the first three objectives.

Users prioritize their agenda in a significantly different order as compared to Investor:

1. End user/Occupant – ensure that FM services are optimal cost/quality ratio and directed to supporting high productivity of primary business processes and end users
2. Operations & Maintenance – operate and maintain the property/asset in support of the Occupier's core business activities and end users demand for continuous, effective and efficient workplace environment
3. Value – preserve and maintain the value of the asset/property based on whole lifecycle
4. Capital spending – secure optimal level of capital spending in order to achieve the first three goals

The hierarchy of objectives and tasks is the major differentiator between AM and FM.

In private sector, Asset Managers work for investors who own or lease real estate and assets for the cash flow from operating income and for the gain in value during their ownership term. Investors may consist of individuals, entrepreneurs, corporations, investment funds or a variety of trusts. In AM, the Client is the Investor, the User is the individual/organizational unit that utilizes the asset to perform primary or support business function.

Facility Managers work for the Occupants or Owners of real estate who own or lease their assets. They consist of private sector companies and individuals, public sector entities, central and local governments, NGOs. In FM, the Client is the C-suite (strategic level); the Customer is the corporate/organization unit that specifies and orders the facility services (tactical level); End User is the individual receiving facility services -employee or visitor of buildings/facilities (operational level).

C. Operations

On operational level, Asset Managers prime interest on a daily basis is in enhancing effectiveness and efficiency of assets performance and production processes, by systematic maintenance management and reliability engineering of physical assets. In AM, the complex equation of *“realizing value from assets” while balancing “their associated performance, risks and expenditures over their life cycles”* ([J. Woodhouse](#)), does not include management of services directed to the Employee, End User, Customer, Occupier.

Unlike Asset Managers, Facility Managers provide on a daily basis multiple services to the employees working in their sites and to visitors (or customers). On operational level FMs manage ever-growing support services in the areas of hospitality, accommodation, workplace, logistics, business services etc. I would point just few FM services that serve the employees, users and visitors: secretarial and reception services; help desk services; catering and vending; event management, provision of work wear, occupational health services, workplace design and ergonomics, office supplies and reprographics, travel and fleet management, the full spectrum of business support services – marketing, legal, professional real estate services, accounting and many others. In other words, FM is directed to improving End User/Occupier productivity and provide adaptive workplace environment in order to meet the changes in competitive marketplace and stakeholders demands. Any visitor of a property/facility is considered as ***end user of facility services***.

At the end, on strategic level, both AM and FM target improving return on capital. AM’s priority platform for achieving it is asset maintenance & reliability management; FM’s priority vehicle for accomplishing it is facility & end user service management.

D. Investor vs. User/Occupant Perspective

The popular understanding of AM responsibilities perceived as monitoring of fixed assets - buildings, fixtures and equipment, by using asset tags (bar codes, RFIP, NFC) which are tracked through serial numbers/bar codes, for effective organization, serving for accounting, inventory, maintenance, user availability and theft deterrence. This is the look at the surface.

Fundamentally, assets are platforms that enable and facilitate product production and service delivery. In its content, AM is the planned alignment of physical assets with the product/service demand and business profitability targets.

First, from an Investors point of view, the leading objective is getting the most out of the asset while minimizing costs and ensuring competitive advantage over any market rivals. Achieving the best possible match of assets and service/product delivery strategies is crucial, starts with ensuring that the assets under use correspond the needs of the owner or investor. Optimizing the costs of assets through effective life cycle costing techniques is also an imperative from an investor point of view, where bottom-line is the leading criteria. AM ensure that assets deliver the value that was intended when invested in.

Second, another Investor's objective is to reduce the demand for new assets by adopting strategies that result in non-asset solutions i.e.: pursuing all available avenues before financing new assets and thus minimizing costs. The need to maximize the service potential of existing assets is crucial if investors are to minimize costs of existing assets and guarantee that service potential is reached. AM ensures that the correct assets are in use and that their maintenance is adequate to the specific business sector/segment.

Third, the goal of all public or private companies is to enrich their investors/owners. Profitability is the requirement to increasing shareholder wealth.

Profitability is the return on investment. Measurements of return include cash flow and net income while measurements of investment include operating assets, total assets and equity. Typical measures that affect Senior Management bonuses are Return on Net Assets (RONA), Economic Value Add (EVA), and Earnings per Share (EPS), etc. Each of these can be directly correlated to **Asset Utilization, which is the effective measure of any Strategic Asset Management Plan.**

FM often represent the user/occupier who would most likely be concerned with the utility and benefits that can be derived from using an asset. Boardrooms and shareholders meetings are at first place, mostly interested in the bottom line objectives and then in the commitment to end users' needs for optimal workplace and productivity gains.

E. Decision Making in AM and FM

The systematic management of all decision making processes taken throughout the whole lifecycle of any asset is the cornerstone of AM. **AM Decision Making** consists of:

- Cost-based Decision Making
- Risk-based Decision Making
- Performance-based Decision Making

Balancing the trade-offs among Cost/Risk/Performance within the whole asset lifecycle lies in the core of AM. (And FM)

Actually, this is the fundament of **any sustainable decision making on management level** – regardless the industry or sector. The decision making process in FM adds one more decisive component to the matrix – *End User Service-based Decision Making.*

F. Minimalist vs. Maximalist Approach

There are two modern approaches to AM ([F. Schrodinger](#)).

The minimalist concept views AM as a management tool enabling any business to plan for the replacement of its assets prior to them becoming obsolete or failing to adequately perform their functions. It is based on the capital maintenance of assets and reliability engineering.

The maximalist approach is encompassing, systematic and overreaching. It considers assets in systems. And it is not limited to physical assets. People, information & data, finances, technologies, intellectual rights are all various asset types. They are highly interconnected and inter-dependent, so the optimal management of assets requires systematic integration. That is why the international ISO 55000 (0-2) Standards for Asset Management are positioned alongside a Quality Management System (ISO 9000), Environmental Management System (ISO 14000), Risk Management (ISO 31000) and OHSAS 18000 for Occupational Health and Safety. Would it be good practice to apply the asset management concept to any system in an organization – for example, to Human Resources? According to ISO 55000 the answer is yes, after all, personnel is an asset and HR management is a system. It will be interesting to observe how HR manager utilizes the whole lifecycle costing method and applies RAV to employees.

If you compare the European Standards for Facility Management EN 15221 (1-7), developed and published by CEN (2009-2013) to Asset Management Standards ISO 55000 (0-2), developed and published by ISO (2005-2014) it is clear that ***AM and FM functions, professional responsibilities and methods are comparable and similar to a high degree.*** The difference is in the scope of application – Asset Management is applied to both primary and support business processes, while FM is focused on support business processes.

The Common Ground

As management disciplines AM and FM have common fundament – ***the concepts of whole asset lifecycle and total cost of ownership.*** Asset Managers align assets with the primary production/service processes and set up return on assets targets for the whole organization/company. Facility Managers develop and implement the asset management strategy in all support processes to the primary business/organization activity.

The daily operations and responsibilities in FM and AM are alike to significant extent. On operational level FM and AM manage number of services in the areas of maintenance, operations, safety, logistics, and technical infrastructure. Both Asset and Facility Managers use shared management concepts like Asset Utilization Rate, Asset Replacement Value, Total Cost of Ownership, Criticality Condition Index; they utilize similar analytical techniques, methods, procedures, IT solutions. AM and FM perform corresponding management functions as strategic planning, risk management, service management, financial planning and control, performance management, quality management, change management, project management, energy management, outsourcing, benchmarking etc.

“If the only tool you have is a hammer, all problems look like nails.”

This brilliant thought by Ab. Maslow describes that status, which every manager would like to avoid. If we continue Maslow’s metaphor, decades ago, professionals dealing with physical assets and the built environment had one heavy toolbox with instruments for problem solving and decision making. Nowadays,

Asset Managers and Facility Managers use impressive, modern laboratory building of management, where everyone have to share versatile, but common tools, instruments and means. Differences arise from differing agendas and goals of the various stakeholders or the actual shareholders.

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