

Mind the Gap

Critical Facilities
Site Management Survey 2016



Coromatic

Critical Facilities Site Management Survey 2016



In a world in which everything and everyone is connected, operations cannot work as separate entities anymore.

Operations need to run 24/7, and management teams need to have access to the right information anywhere at any time.

In March 2016, Coromatic concluded its annual Critical Facilities Site Manager Survey. More than 330 site managers from organizations in 24 different countries responded to questions about the maturity of their organizations' approach to Critical Facilities site operations.

The questions spanned the areas of business dependency on sites, business demand on sites, Capex and Opex development over time and current market impact.

The largest part of respondents came from the Industrial Production (23%) IT & Technology (18%) and Government & Public Sectors (15%). The represented organizations were of varying size with 23% of respondents working for enterprises that employ more than 10,000 people.

The purpose of the survey was to understand how site management is evolving over time and how mature enterprises are in their strategic approach to site management.

Companies should ask themselves

- Is it considered a strategic task to manage critical sites,
- what trends are visible in planning for and financing site strategy and development and,
- is there a gap between managements perception and the actual state of site services?

● A mission-critical facilities investment is becoming an increasingly complex, strategic issue

Critical Facilities and Site Management - what is it?

The emergence of the Internet of Things (IoT) is already established across different industries and is becoming more ubiquitous every day. This makes the critical facilities that support communication and IT processing more important than ever before.

Let us therefore start by properly defining the term Critical Facilities (CF). CF refers to technical installations with varying degrees of mission criticality and required continuous operations during certain periods.

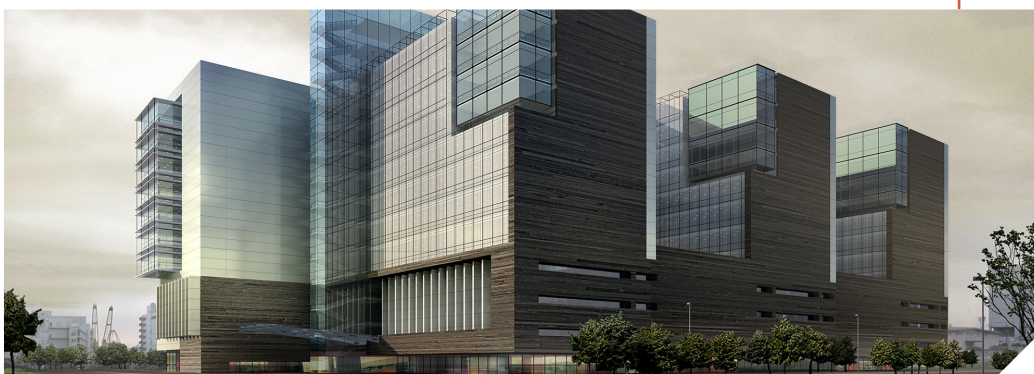
A critical facility can be a complete building or facility, e.g. a datacenter or a mobile base station. It may also be a combination of technical supply systems providing Mission Critical Functions (MCF) within a larger facility, such as a hospital, office or power plant to mention a few examples. A requirement for a critical facility is that an unavailability of its function will have an adverse effect on:

- revenues,
- corporate image,
- regulatory compliance,
- safety, or
- any other mission critical objective as defined by the company

Both Critical Facilities and Site management are areas of responsibility that do not have an obvious place within an organization like accounting (Finance) or personnel (HR). Site management contains elements that could fall under the responsibilities of IT as well as Real Estate or Facility Management (RE/FM).

This fact is reflected by the survey respondents, where IT (45%) and RE/FM (37%) dominate over other organizational functions (18%). Site portfolios could also be managed geographically, as part of a business unit, or by one or more outsourcing partners. To gain a complete view of a company's critical facilities and

Site Management could fall under the responsibility of IT as well as Real Estate or Facility Management



how they should be managed to follow enterprise strategy, management might need to consult with several departments and business areas within the company. With this in mind, what is it management needs to address, to avoid any gaps between perceived and actual level of site operations?

Let us look to the survey results to find out.

Identifying the gap - Key survey findings

In response to what the business impact would be if managed sites become unavailable, 70% of respondents stated that it would have a large impact on their organization or that the overall business would be at risk. This number supports the view that site management is becoming increasingly critical and that the management of sites, connecting IT strategy and RE/FM policies with third party strategies, should be treated as an integral part of the overall company agenda.

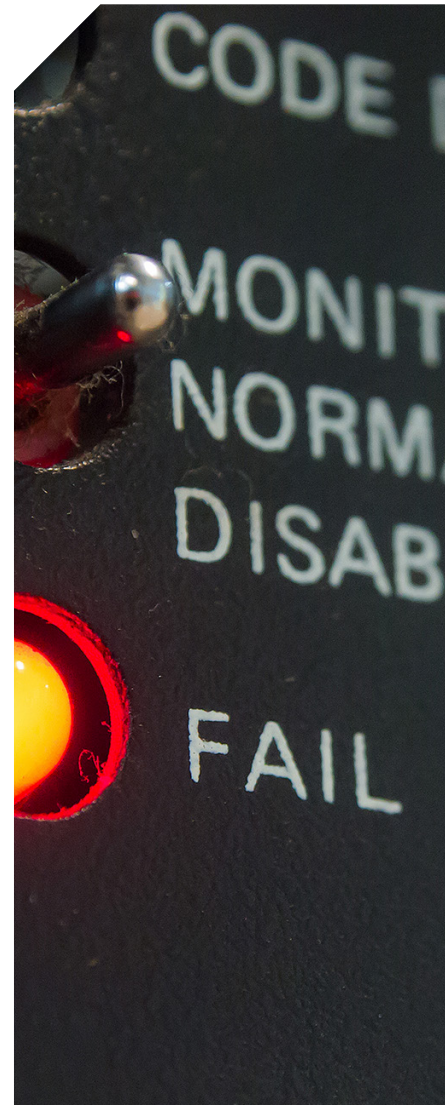
Strategic site planning

Just like the rest of the enterprise, effective site operations must strive towards clear and well-defined business leadership demands. One way of measuring how well sites meet these demands is through Service Level Agreements (SLAs).

The survey shows that for the past two years, 45% of respondents have been operating their sites without any business review or updates of Service Level Agreement (SLA). Bearing in mind that 70% of respondents stated that the site they manage is critical; this response should open up for immediate discussions on management level regarding the clarity of business demands on sites.

The level of criticality perceived by the respondents is hard to parse with management awareness, considering 49% of respondents have not performed a business impact analysis (BIA) during the last two years – or at all.

A BIA is an essential component of an organization's business continuity plan; it includes identifying vulnerabilities and planning for minimizing risks for the entity it evaluates. Risks than can then be managed and followed up through appropriate SLA levels and continuous attention to site improvement through structured investments and standardized management processes.



Performance improvement

After performing the BIA and putting the SLAs in place, focus should move to constantly improving site performance in line with business demands. However, 37% of survey respondents have avoided making investments to improving site performance due to business case demands being perceived as too complex.

This increases the risk of critical sites not running at optimal capacity. Depending on the investment need they are at greater risk of disruption due to out of date or inadequate site equipment.

The avoidance of new investments also means enterprises might miss the cost savings that comes with updating and improving the necessary Mechanical & Electrical equipment.

In 2015, the number of respondents that gave business case complexity as a reason for avoiding investment was 33%, making the trend negative.

Current Market Impact

In order to be ahead in site management, companies must also stay abreast of applicable legislation to avoid compliance problems for sites. Some current areas of interest is the EU Energy Efficiency Directive (EED 2012/27/EU) and the now revoked Safe Harbor agreement.

The EED, implemented as local law by EU member states, state that large companies have an obligation to make quality assured energy audits at least every four years, starting in 2015. The energy audit should provide answers to how much energy a business utilizes in total to manage operations. It will also give suggestions on measures to reduce costs, energy consumption and improve energy efficiency.

The Site Management Survey shows that 10% of respondents had confirmed compliance with the directive while 55% had yet to establish if they were in scope for the legislation.

In 2015, the European Court of Justice declared the Safe Harbor data-transfer agreement that enabled European businesses to transfer personal data to US companies, to be invalid. This decision means that all companies and organizations are considered to be acting illegally when using services for which personal data are stored and managed outside an EU country – unless valid exceptions are applied via model clauses or binding corporate rules.

This should open up for immediate discussions on management level regarding clarity of business demands on sites

The court case illustrates the need for strategic control of physical IT environments, which is somewhat overlooked in an increasingly cloud based world. The decision means that even if data is stored in an EU member state, a criminal offense might occur if persons, who are not EU/EEA citizens, process the data.

When asked, only 15% of survey respondents had confirmed compliance with the Safe Harbor ruling while more than half of respondents – 55% - had not yet established if it applied to their critical sites.

Bridging the gap - Key survey conclusions

To be able to determine what actions to take to avoid disruptions to a company's operations and subsequently reputation and brand, management should drive strategy development for the critical sites on which their operations rely. The survey shows us that:

- **Management control of critical facilities is lacking**

Less than one in five respondents has confirmed regulatory compliance regarding privacy and energy efficiency.

- **Targets and agendas for Site Management stakeholders need to be aligned**

Responsibilities are spread over several company functions who need to come together and work towards common goals

- **In the coming two years, there is a strong drive for increasing the spend on performance improvement of critical facilities**

Seven of ten respondents will keep or increase their mission critical spend levels with up to 15%.

- **Despite increased spend, the investment process for Critical Facilities needs to improve**

One in three respondents avoid performance improvement initiatives due to business case complexity.

• Management control of critical facilities is lacking!



Closing the gap

- What top level management must address in 2016

For companies to close the gaps identified in the site management survey, we suggest the following actions built on the Coromatic strategy of analyze, act and sustain:

- **Analyze**

Firstly, enterprises should create an informed management approach by prioritizing their facilities from a business criticality perspective. This is done by performing Business Impact Analyses where company sites and their criticality are assessed.

One of the first questions to ask is what type of disruptions or failures each site can manage without adverse effect on the overall business of the enterprise in question. Matched with management expectations and maturity assessments transform findings into improvement plans to meet expected service levels.

- **Act**

Secondly, measurable cost reduction and potential for performance improvement should be realized. This can be achieved through consolidation of critical sites, energy optimization or transition of services. These initiatives should then serve as the basis for a continuous improvement plan for site management and a discussion on the cost vs the risk of not continuously improving operations.

- **Sustain**

Finally, companies should ensure that sustainable operations are in place over time by operating under management approved governance frameworks and regulatory requirements. Monitoring Key Performance Indicators is considered best practice for keeping track of site efficiency, cost reductions and compliance over time.

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