

SPECIAL REPORT

Elevating to the Top of the Building: The Role of Digital in Facility Services



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Elevating to the Top of the Building: The Role of Digital in Facility Services

Commercial facility services, which include building services such as occupancy management, maintenance, and monitoring and range from “hard” maintenance services (e.g., HVAC, elevators) to “soft” services (e.g., security, janitorial), are vital for maintaining and improving commercial properties. Commercial facility services providers are frequently branch-based and use truck rolls to dispatch technicians and/or skilled staff who perform both defined and nonstandardized services, whether they be routine and recurring (e.g., snow clearance) or episodic (e.g., a repair or replacement project).

The demand for services comes from the existing—and growing—installed base of commercial facilities. These structures have a cycle of recurring needs over time, as materials wear, dirt gathers, etc., but also needs relating to sustainability and energy efficiency trends, which enhance the demand for resource optimization and environmentally conscious services.

It is this recurring (and somewhat predictable) demand and a desire for productivity/service efficiencies and improvements, combined with the emergence of aggregators that seek to build consolidation platforms, that have created the ideal conditions for digitalization.

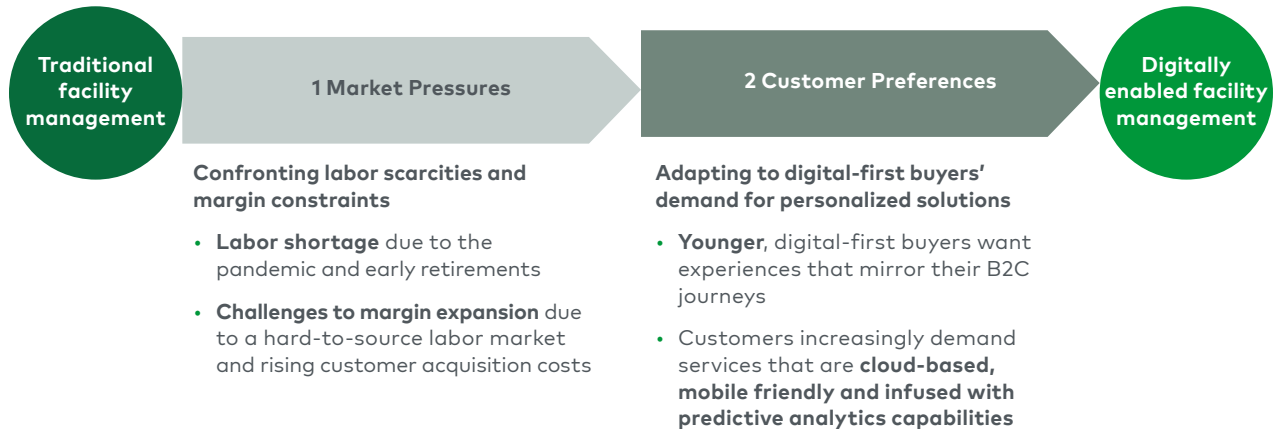
Companies are leveraging digital tools for streamlined operations and enhanced customer experiences. Meanwhile, digital tools used for automated scheduling, customer portals, billing, and communication are becoming industry standards, while advanced applications such as predictive maintenance, data-driven insights, and energy management tools are being embraced by early adopters. Going forward, we can expect—and indeed are already seeing—innovations from these leaders extending into a wider competitive set.

In this evolving landscape, the integration of facility services with digital innovations not only boosts operational excellence but also enhances both customer experiences and sustainability efforts. Indeed, as the facility services sector continues to evolve, facility services providers that embrace agility and innovation as they navigate their digital transformations will become the leaders that shape its future trajectory.

Why Digital Transformation Isn't a Nice-to-Have, but a Necessity

Whether commercial facility services providers are looking to mitigate labor shortages, loosen margin constraints or satisfy their digital-first customers' desire for personalized solutions, their needs can be facilitated through digital transformation (see Figure 1).

Figure 1
Why Digital Transformation Is Not a Choice, but a Necessity



Note: B2C=business to consumer.
Sources: L.E.K. research and analysis.

A Lack of Labor: Facilities management teams, which were hit hard by a combination of COVID-19 and early retirements, face the continuing exodus of aging managers and a dearth of new entrants to the field. Between the summers of 2021 and 2022, 66% of facilities managers and their staff had left or considered leaving their jobs, and 54% of corporate leaders said they expected to have open facilities management-related positions at all levels of their organizations.⁽¹⁾

In the meantime, such labor shortages have cast a spotlight on the software and technologies that the industry has sometimes been slow to adopt—86% of facility managers' employers said there was a gap between their teams' current knowledge and skills and what they needed in order to excel⁽¹⁾—software and technologies that will be essential for meeting demand as work order volumes continue to return to pre-pandemic levels.

Challenges to Margin Expansion: A fragmented competitive landscape, a hard-to-source labor market, and rising customer acquisition costs point to the need for highly productive workers and efficient operations to ensure favorable margins. It's why

technology that can improve worker efficiency in the office or the field (e.g., mobile work management software, Internet of Things sensors, and building automation), enhance operational planning (e.g., route optimization), and facilitate service delivery (e.g., International Service System) is becoming more and more critical for providers of facility services.

The better that facility services providers can leverage digital tools to more cost-effectively acquire customers and labor, the more they can differentiate themselves in the market, creating an edge over companies that lag when it comes to embracing new digital capabilities. For example, rather than “automating” service, sensors are more likely to identify issues that service providers can address.

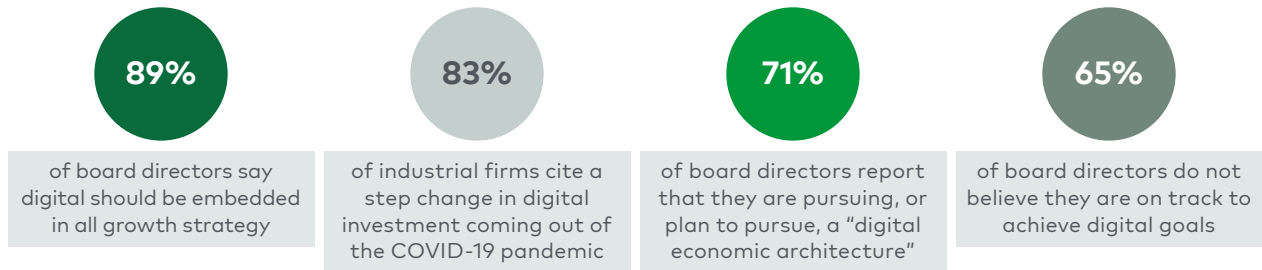
Demand for Personalized Solutions: Millennials and Gen Zs are now dominant in B2B buying committees; 59% of B2B buyers are between the ages of 26 and 40.⁽²⁾ These young, digital-first buyers don’t just want experiences that mirror their own B2C journeys. They expect to manage those journeys on their own terms, so they prioritize vendors that are easy to engage with.

These buyers are increasingly demanding facility management solutions that are cloud-based, mobile-friendly, and infused with predictive analytics capabilities from leveraging sensors and other hardware.⁽³⁾ Marketers will need to provide interactions that meet these buyers’ high expectations.

To meet the growing demand for these technologies from buyers, some 54% of B2B marketers in 2022 were spending more on digital technologies than in the previous year.⁽²⁾ Their customers want to make purchases digitally, preferably online via self-service for the most basic transactions. In fact, roughly 30% of B2B buyers make their initial purchases through a digital channel—a trend that is only expected to grow over time and is itself a leading indicator of expectations for more digitalization in services. So is the fact that some 90% of B2B buyers would change suppliers for a better e-commerce experience.

Digital’s importance is recognized by customers, executives, and boards; avoiding the adoption of digital solutions will enable competitors and digital leaders to continue to increase their lead advantages (see Figure 2).

Figure 2
Why Go Digital?

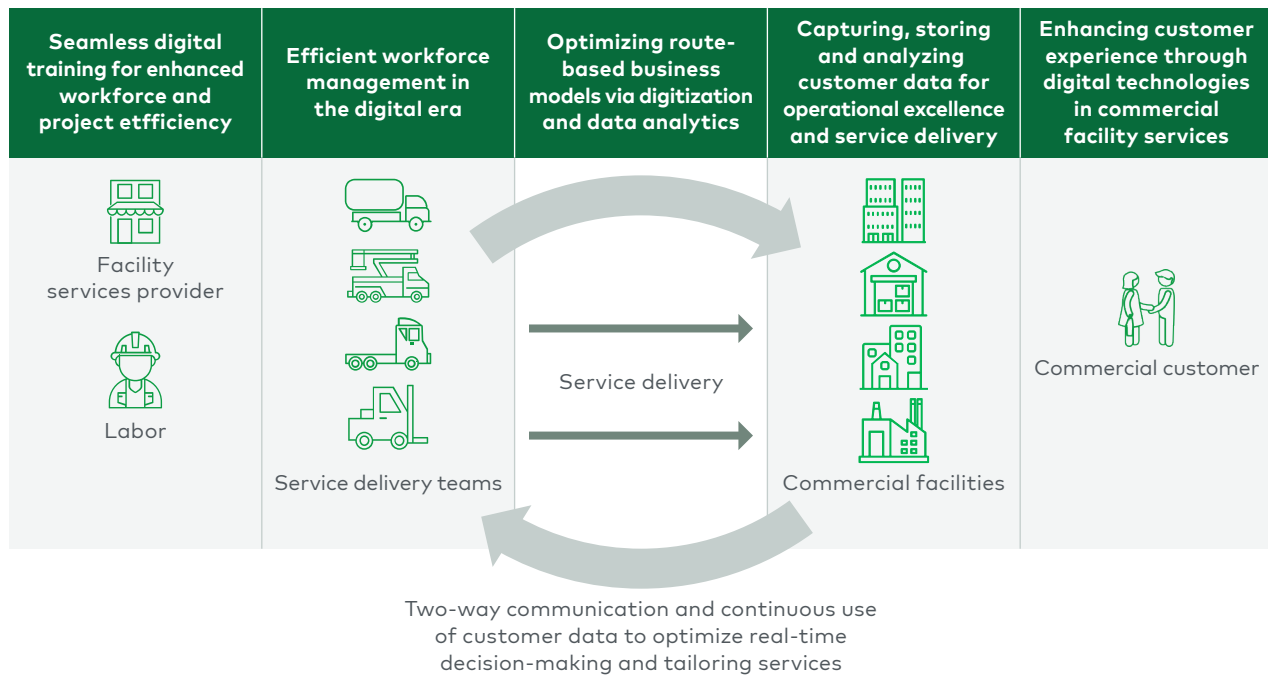


Sources: Gartner (October 2022); L.E.K. Industrials Survey (May 2020).

The Operational Benefits of Digital Transformation

There are a host of operational benefits for commercial facility services providers that can result from digital transformation, from seamless digital training that yields increased workforce and project efficiency to an enhanced customer experience (see Figure 3).

Figure 3
Applications of Digital Solutions



Sources: L.E.K. research and analysis.

Seamless Digital Training for Enhanced Workforce and Project Efficiency

Workforce training using digital tools refers to the practice of educating and developing employees through the utilization of technology-driven solutions. Instead of relying solely on traditional training methods, such as in-person sessions and printed materials, this approach leverages digital platforms and tools to deliver training content, enhance skills, and improve the efficiency and effectiveness of the workforce.

- **Value Creation/Benefits:** Using digital tools for workforce training within the facility services management industry generates substantial value by optimizing training efficiency, standardizing knowledge dissemination, and improving overall service quality. It also expands the reach of such training and ensures its consistency. Such tools allow employees to access training materials remotely, enabling flexible learning that fits individual schedules. The consistency ensured by digital training guarantees that all employees receive uniform instruction, leading to standardized service delivery across various locations.

The data-driven insights provided by digital platforms further enhance training effectiveness by identifying areas for improvement (e.g., pinpointing modules with lower completion rates, highlighting specific assessment questions that employees struggle with, and indicating patterns of misunderstanding in certain training topics). This results in streamlined operations, reduced costs, and a skilled workforce better equipped to provide high-quality facility services while adhering to safety and compliance standards. Digital tools also facilitate the accurate collection of data, especially for the purposes of insurance, as well as its storage across multiple operations and departments.

- **Digital as an Enabler:** Digital tools facilitate workforce training for enhanced efficiency through tools such as:
 - **E-learning Platforms:** Online learning platforms provide a centralized hub for training materials including videos, documents, and quizzes. Employees can access these resources from anywhere using an internet connection.
 - **Interactive Modules:** Digital training can include interactive elements such as simulations, quizzes, and virtual reality scenarios. These engaging components enhance the learning experience and the retention of information.
 - **Certification and Tracking:** Digital training platforms can provide certificates upon the completion of courses, and the tracking features allow employers to monitor the progress and achievements of their workforce.

- **Learning Management Systems (LMS):** LMS platforms offer digital training and development resources. They enable businesses to create, deliver, and track training modules, ensuring consistent and efficient employee learning.

By enabling virtual on-site training, a provider of immersive learning solutions enhanced the skills of facility services technicians through virtual reality (VR) and augmented reality (AR) experiences. Doing so empowered the technicians with the skills they need in order to provide precise and efficient customer service, which ultimately elevates the customer experience.

Efficient Digital Workforce Management

Optimizing workforce management processes in facility services operations involves leveraging digital solutions for scheduling, resource allocation, communication, and productivity enhancement.

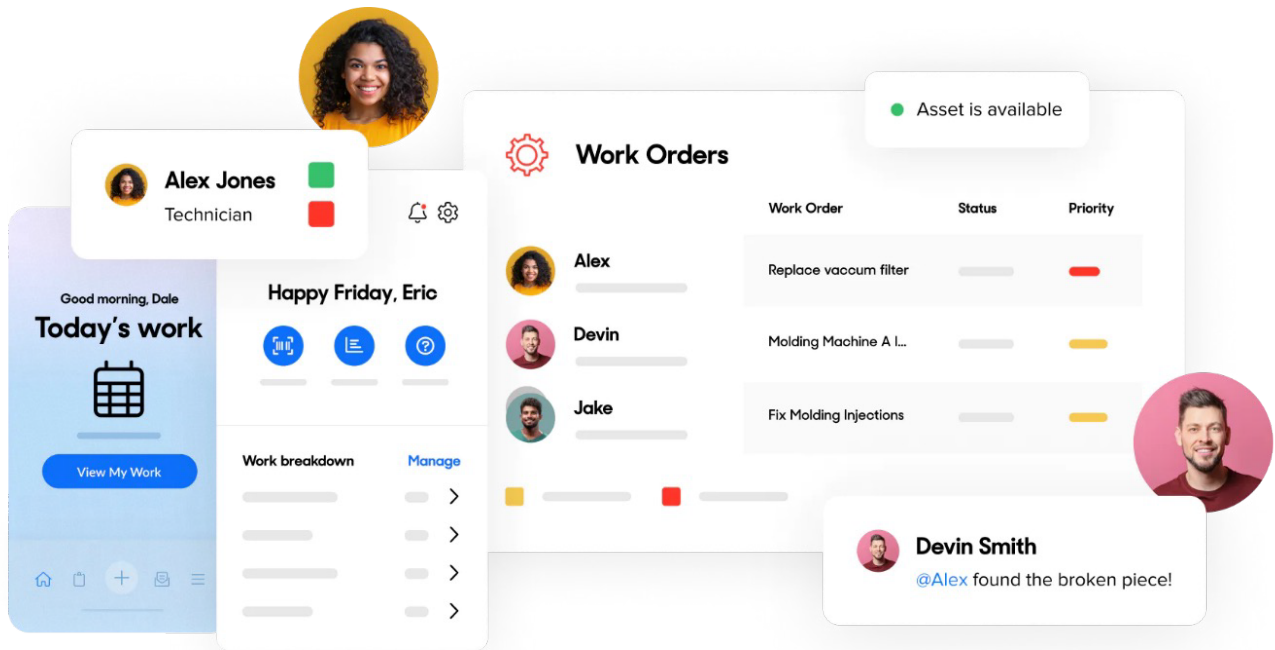
- **Value Creation/Benefits:** Streamlined labor management boosts operational efficiency, reduces costs, and maximizes workforce productivity, resulting in increased profitability and higher rates of customer satisfaction.
- **Digital as an Enabler:** Digital tools enable facility services providers to streamline their management of labor through real-time scheduling platforms, automated task assignment systems, performance tracking software, communication devices, and data-driven analytics (employee task performance effectiveness, resource utilization, maintenance trends, overall costs, etc.). Examples of such tools include:
 - **Workforce Management Software:** These platforms help optimize scheduling, time tracking, and employee attendance. They can automatically generate schedules based on demand, availability, and labor laws, reducing both over- and understaffing.
 - **On-the-Go Collaboration Software:** Mobile apps enable field workers to receive work orders, update the status of individual jobs, and access relevant information on the go. Digital tools also enable quick connections through messaging, document collaboration and video chats, which create opportunities to receive critical updates from team leaders and gain insights from peers and experts on demand. This is particularly useful for industries with remote or mobile workforces.

By way of example, a steel erection and mechanical work industry leader adopted construction productivity software, which led to quantifiable reductions in working hours. Transitioning from paper blueprints to this digital solution enabled real-

time collaboration through shared documents with instant updates, streamlined communication through mobile access, digital issue-tracking capabilities, and attachment sharing, which also improved project output. It also eliminated the need to spend hours locating updated drawings and reissuing paper copies whenever those drawings were revised.

In another example, a facility management provider integrated cloud-based facility management software that improved its work order efficiency, resource utilization, the speed of equipment repairs, and the amount of equipment downtime. Real-time tracking allowed its technicians to be allocated instantly for urgent tasks, automated preventive maintenance scheduling, and minimized critical equipment downtime through timely checkups, while mobile accessibility streamlined both its on-site communication and task updates. A screenshot of UpKeep, a facility maintenance software provider, demonstrates what such a digital workforce management tool looks like in action (see Figure 4).

Figure 4
Mobile Facility Maintenance Solutions Ensure Efficient Workforce Management



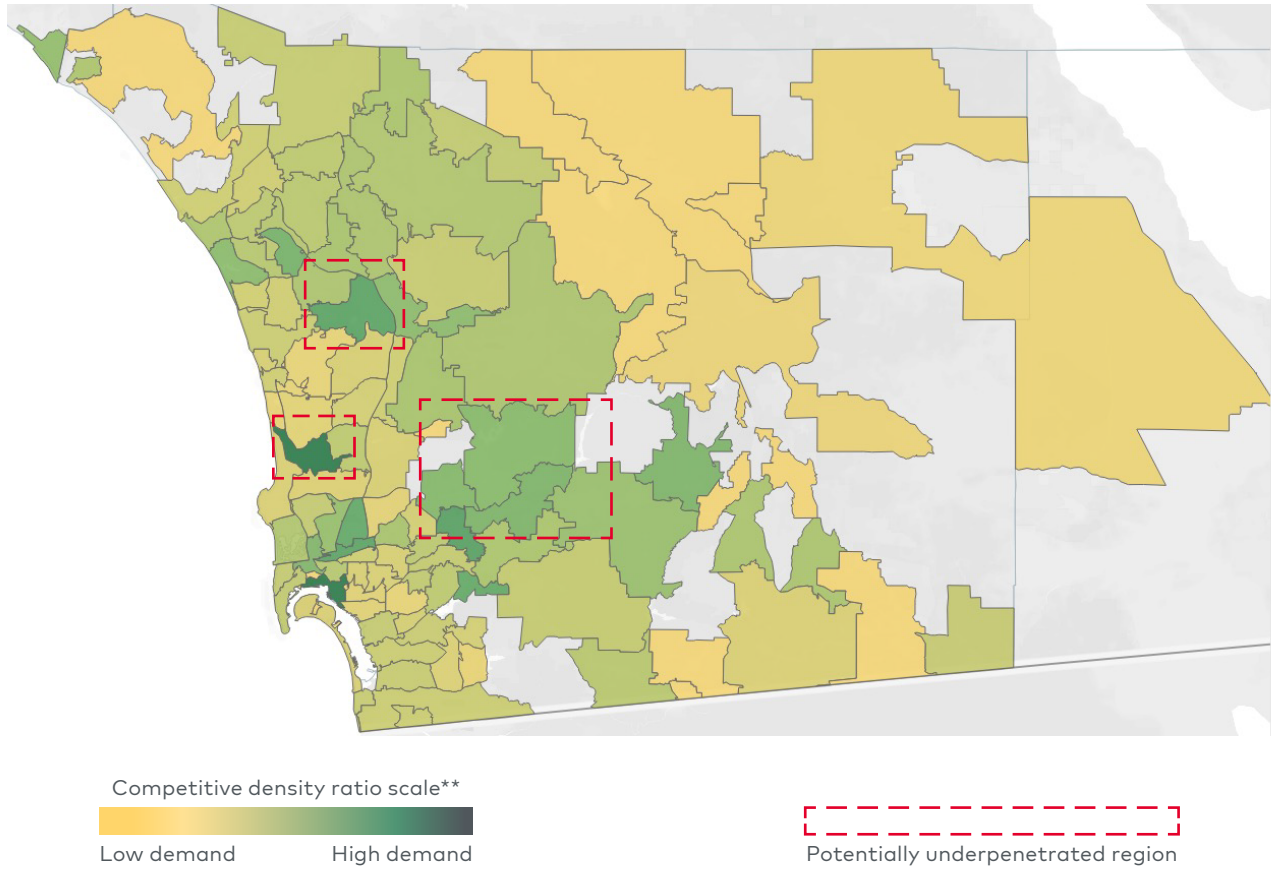
Source: [UpKeep company website](#).

Optimized Route-Based Business Models

Real-time route optimization, asset tracking, and advanced analytics are used to determine new branch locations, while digital tools and data analytics are leveraged to greatly enhance efficiency, customer experience, overall operations, and any decision-making needed for route-based businesses. Branches can use these tools to plan their routes, customers can see when trucks are coming, and service companies can determine—based on data sets—where to expand next.

- **Value Creation/Benefits:** Focusing on geographic optimization allows facility services providers to maximize their operational reach, minimize travel times, and ensure that their services are well distributed across diverse locations. It also enables the efficient use of resources and creates opportunities for growth by surfacing previously untapped or underserved markets, as geospatial mapping uses information such as drive times, population density, service provider availability, and customer inquiries to identify regions with higher demand than available service providers. After considering multiple factors, service providers can choose locations that will increase market reach, enhance customer accessibility, and capitalize on local demand so as to solidify their market standing and, in the process, increase revenue (see Figure 5).⁽⁴⁾

Figure 5
Market Demand and Competitive Intensity Map*



*Market demand per competitor established by ZIP code using the number of competitors per 100K housing stock .

**National total divided by the total number of MSAs.

Notes: MSAs=metropolitan statistical areas; FRED=federal reserve economic data; NAICs=North American classification systems; EIA=U.S. energy information administration.

Sources: FRED, Census; NAICs; EIA: Experian; L.E.K. interviews, research, and analysis.

- Digital as an Enabler:** Route density is critical in facility services, as denser routes allow for greater efficiencies in a provider’s ability to serve customers from adjoining facilities. Demand will vary from branch to branch, and in the same way different branches can encounter supply chain or labor constraints, greater proximity between branches (i.e., higher density) allows providers to better manage changes to supply and demand. Customers also value proximity and are more likely to consider companies that can meet their needs in a timely manner. Hence, tools that enhance branch density are especially valuable. Such tools and technologies include geospatial analytics for visualizing service areas and gaps, route optimization software for streamlined field operations, geographic information system (GIS) platforms for analyzing geographic data and identifying

optimal service locations, and demographic analysis tools for identifying high-demand regions to which providers can provide tailored offerings. Examples of such tools include:

- **Route Optimization:** Algorithms that optimize service routes and schedules by considering traffic conditions, distance/location, and demand density.
- **Geospatial Tools:** Analysis tools that utilize public data to assess ZIP-code-level demand, labor supply, competitive intensity, and other demographic inputs critical for evaluating new branch opening opportunities.
- **Asset Tracking:** Software that enables the real-time tracking of equipment and assets across different locations for better inventory management.

Example: A facility services provider used a GIS to glean spatial insights for its strategic expansion and acquisition decisions through precise mapping, analytics, and visualization. To effectively predict property market success and identify promising investment opportunities, it used the technology to analyze and evaluate localized property data, demographic information, economic indicators, and developmental trends. By breaking down markets into submarkets and extracting insights from the data collected by the GIS solution, the provider was able to rank and prioritize markets, which ultimately enabled it to expand its footprint in a way that was both strategic and informed.

Operational Excellence and Service Delivery

Facility services providers use the systematic collection, secure storage, and insightful analysis of customer data (e.g., location, services, schedule, client base) to gain valuable insights into those customers' behaviors and preferences. This process doesn't just drive strategic decision-making and operational improvements; it also ensures providers manage their facilities and resources more efficiently and sustainably.

- **Value Creation/Benefits:** By analyzing customer data, providers can tailor their products, services, and communications to individual preferences, leading to improved customer satisfaction and increased loyalty. Access to real-time customer data, meanwhile, empowers their employees to make informed decisions on the spot, which leads to more effective—and efficient—operations. Insights from customer data also enable providers to create targeted and relevant recommendations that can improve

the quality of their commercial property based on location, client types, and more, maximizing the effectiveness of their marketing efforts.

- **Digital as an Enabler:** Digital tools that capture customer data facilitate real-time monitoring, automation, predictive maintenance, data analytics, and streamlined workflows, allowing facility services providers to identify bottlenecks, proactively address issues, effectively allocate resources, and continuously optimize operations for peak efficiency. Examples of these tools include:
 - **Customer Relationship Management (CRM) Software:** CRM platforms like Salesforce, HubSpot, and Zoho allow businesses to capture and store customer data in a centralized database. They also provide tools for analyzing interactions, tracking sales, and managing customer relationships.
 - **Data Analytics Platforms:** Tools like Google Analytics, Mixpanel, and Tableau enable businesses to analyze customer data in order to uncover trends, patterns, and insights that can be used to inform data-driven decisions.
 - **AI-Powered Analytics:** Advanced tools that utilize artificial intelligence (AI), such as IBM Watson Analytics and Microsoft Power BI, provide deep insights from customer data, enabling predictive and prescriptive analytics. For example, in facility management, AI-powered analytics tools can process historical maintenance data, predicting potential equipment failures and suggesting optimized maintenance schedules, thus enhancing operational efficiency and reducing downtime.

Example: A technology company used sensors to better track office space usage, which allowed its clients to make more informed investment decisions, drive cost savings, and create better employee experiences. Occupancy sensors provided real-time data on space usage, helping optimize office layouts and identify underutilized areas. This saved costs by avoiding unnecessary expansions and enabled the effective A/B testing of workplace changes for enhanced utilization. The company's clients leveraged the data to identify which areas were heavily used as well as what types of spaces they needed more of in order to reduce so-called "ghost meetings" and improve overall office efficiency.

Enhanced Customer Experience

Digital technologies reshape the way commercial facility services providers engage with customers, deliver services, and create memorable experiences. They use AR, VR, digital twins, building information management (BIM), virtual property visualization and tours, and construction site monitoring to significantly elevate customer experience and satisfaction.

- **Value Creation/Benefits:** Embracing these digital advancements brings a host of benefits to both customers and the service providers themselves. Clients gain the ability to interact with spaces and properties in innovative ways, leading to improved decision-making. Such immersive experiences also reduce the need for physical visits, ultimately saving time and resources. Moreover, they enhance customer satisfaction, loyalty, and advocacy, which drive business growth through referrals and repeat business. For facility services providers, investing in these technologies showcases a commitment to innovation, which differentiates them in a competitive market.
- **Digital as an Enabler:** The integration of AR, VR, digital twins, BIM, virtual property visualization, and construction site monitoring requires a digital infrastructure, which in turn supports immersive and real-life experiences, that can enable real-time monitoring, predictive maintenance, streamlined communication, and prompt issue resolution. Such tools enable smoother service delivery, more informed decision-making, and enhanced customer satisfaction, and their use demonstrates the service provider's readiness to leverage technology for the benefit of its clients.
 - **AR and VR:** AR and VR technologies allow customers to experience spaces remotely, facilitating virtual property tours and 3D visualizations. This immersive interaction enables potential tenants, buyers, and clients to explore properties from the comfort of their location. In the process, it saves time and resources, enhances engagement through realistic experiences and empowers informed decision-making.
 - **Virtual Property Visualization and Tours:** By leveraging technologies like AR, VR, and BIM, commercial facility services providers can create immersive virtual property tours that reduce the need for physical visits. These tours and tools allow potential tenants, buyers, and clients to explore properties remotely and to understand their layouts and features with a high degree of accuracy, boosting customer engagement.
 - **BIM:** BIM technologies provide detailed and accurate digital representations of buildings, facilities, and assets. This allows customers to virtually navigate and understand spaces before physical implementation and to collaborate on design and development more effectively. Customers gain insights into the design, functionality, and aesthetics of spaces, resulting in more confident decision-making.
 - **Digital Twins:** Digital twins offer prospective clients immersive virtual experiences of properties. Through accurate simulations, clients can visualize layouts, configurations, and potential customization options, significantly reducing

decision-making time, enhancing engagement, and increasing the likelihood of successful customer acquisition.

- **Construction Site Monitoring:** Real-time monitoring solutions such as cameras, drones, and sensor networks provide live feeds and data on construction progress. Clients can remotely monitor site activities, material deliveries, and safety compliance efforts. This transparency enhances the customer experience by providing timely issue resolution, data-driven decision-making, safety assurance, and quality control.
- **Asset Management Solutions:** Asset management solutions can store data/information, such as comprehensive records of property-specific photos and previous work/maintenance done, to provide facilities managers with quick access to crucial information, enabling more efficient issue resolution.

For example, a firm that oversees multiple high-rise office buildings can use digital tools to monitor which amenities are most often used or which maintenance services are most frequently requested by its high-value tenants. This data can be presented in centralized dashboards that are accessible to stakeholders, affording a high level of visibility that builds trust and drives investment. The detailed analysis can also guide the firm in customizing its services, increasing tenant satisfaction and, by extension, retention rates. As a result, the firm solidifies its existing revenue streams while also creating avenues for additional services and new revenue channels.

In another example, a facility management and commercial real estate company adopted digital twins and spatial data insights for virtual property tours. Giving customers the ability to virtually tour properties and make informed decisions remotely resulted in greater convenience and expedited transactions, as well as substantial reductions in costs and environmental impact (i.e., less travel needed for in-person visits). The result was an average customer satisfaction score of 8.5/10, 85% faster transactions, zero-touch interactions, and notable reductions in costs, time, and carbon dioxide emissions.

Digital Beyond Tactical to Enterprise Value

Numerous examples of the tactical execution and subsequent benefits of digital transformation exist, but when looking at the overall transformation effort, significant value comes from the collective efforts at the enterprise level. The effectiveness of a facility service provider's operational digitization directly impacts its enterprise value. By leveraging data to streamline operations, providers can significantly enhance their efficiency in serving customers, making themselves more attractive to potential investors. Operational efficiency translates into cost savings, which boosts the

provider's bottom line. Businesses demonstrating proficiency in leveraging digital tools are perceived as forward-looking and better prepared for future challenges and growth opportunities. The enterprise value of a services company is also significantly amplified by operational digitization. The company becomes a more appealing investment not merely because it operates more efficiently, but because it is better equipped to adapt, scale, and navigate future complexities. The result is a business that is not only operationally robust but also strategically poised for sustainable growth, making it a highly attractive proposition for potential investors.

Data Visibility for Investors

In an investment landscape with risk-averse investors, the importance of data-driven insights cannot be overstated. Indeed, stakeholders are increasingly demanding clear, measurable metrics upon which they can base their investment decisions. Enhanced visibility into operational data doesn't just allow stakeholders to understand the real-time and historical performance of facilities; it enables them to predict trends and gauge potential risks. This heightened level of insight builds trust between facility managers and investors, further stabilizing the investment environment.

A Risk Mitigation Tool

One of the most significant advantages of operational digitization is its potential to proactively identify and mitigate risks, thus acting as a safeguard for investments. Digital systems equipped with predictive analytics can forewarn when equipment might be on the brink of failure (e.g., rotating equipment vibrates before failing), identify inefficiencies, and even highlight opportunities for cost savings. These proactive insights allow investors and managers to take corrective action before facing unexpected costs and operational disruptions. Predictive maintenance tools can also analyze the performance of critical equipment and flag components that may be nearing the end of their operational lifespan. Facility managers can then preemptively replace or repair these components, avoiding costly breakdowns and downtime.

A Component of M&A Strategy

Given the importance of digital in business operations, digital can also be a key component in M&A strategy. Service companies that are relatively strong in digital (e.g., in digital marketing) can create value when they apply their capabilities to acquisitions with fewer digital strengths. In some circumstances, the level of digital capabilities could be a factor in the selection and prioritization of targets. Service companies with digital gaps may also want to prioritize targets that help address some of these gaps.

Newfound Growth Opportunities

In today's increasingly data-driven environment, the ability to leverage digital tools is becoming a critical driver of enterprise value, particularly in the commercial facility services market. One of the most impactful ways that operational digitization drives enterprise value is through accelerated returns generated by digitally mining and expanding high-value customer networks.

This is a transformative step beyond operational efficiency and cost savings; it opens doors for groundbreaking growth opportunities that were not previously accessible. In traditional commercial facility management, CRM, and network expansion were often manual, time-consuming processes. Decision-making was largely based on intuition and grounded in sporadic communication, which rendered scalability a daunting challenge. The digitization of operations can turn this paradigm on its head. Advanced digital CRM systems can automatically analyze customer data, track interaction history, and identify high-value accounts, allowing businesses to focus their marketing and customer service efforts precisely where they will generate the highest return on investment.

These high-value customer networks are not just treasure troves for immediate revenue; they can also be a source of actionable insights and future growth opportunities. By analyzing trends within this high-value group, facilities can identify the services and features that are most sought after, which informs the direction of future operational improvements while allowing for the predictive analytics that contribute to risk mitigation. A provider that understands what its most valuable customers want can adapt before the market changes, preemptively mitigating the risk of revenue loss.

Operational digitization offers scalability that is imperative for growth. Automated digital processes can be expanded to incorporate new facilities or more complex operations. In terms of customer networks, this scalability means that high-value relationships can be efficiently replicated across different geographies or market segments. Once a successful model has been established, the speed at which a provider can scale becomes a compelling value proposition for investors, further driving enterprise value.

Operational digitization offers far more than just incremental improvements in efficiency and cost reductions, however. It provides companies with the tools to tap into and capitalize on high-value customer networks, which provides a powerful mechanism for immediate revenue growth and forms the basis for risk mitigation and future scalability. In a world where data visibility is key to attracting investor interest,

the ability to demonstrate rapid, scalable growth makes operational digitization an invaluable asset in driving enterprise value to new levels.

Amped-Up M&A

Operational digitization is not just a transformative force in day-to-day management; it has far-reaching implications in higher-stakes scenarios such as mergers and acquisitions. When executed effectively, digital operations can support accelerated timelines for buyers and encourage a more competitive M&A process. The advantages here stem from the capacity for efficient data access and delivery, which echoes the previously discussed broader themes of data visibility, risk mitigation, and scalability.

Careful upfront preparation is pivotal to a smooth M&A process and offers substantial flexibility when navigating complex transactions. The cornerstone of this preparation is deep, clean operational data that can be quickly and easily accessed. Operational digitization makes this data readily available, serving as an invaluable asset during accelerated buyer due diligence. When potential investors can quickly validate the financial trends and operational metrics of a business, their confidence increases dramatically. This can support their willingness to be more aggressive in their bidding, thereby maximizing value for the seller.

This data-driven approach also aligns with the increasing importance of data visibility for stakeholders. Investment bankers can proactively identify, analyze, and position trends to potential buyers. By relying on digitized systems that deliver real-time operational insights, bankers can draw stronger correlations between operational data and financial performance. By providing a compelling data-driven story, not only is it a snapshot of the business presented, but also a roadmap for future growth and efficiency is also included, which effectively enhances the company's value proposition in a competitive M&A process.

The benefits of operational digitization also extend to management's efficiency. Clean and organized operational data saves time and resources, as management doesn't need to scramble to prepare extensive materials for due diligence. In many cases, the supporting analyses needed for M&A discussions—whether they concern market trends, customer behaviors, or internal efficiencies—are already being generated as part of the ongoing digitized operations. This level of preparedness can significantly accelerate the M&A timeline, maintaining momentum and interest among potential buyers.

A digitally adept company is better positioned to engage multiple bidders simultaneously. Running several bidders toward a transaction close requires meticulous organization and

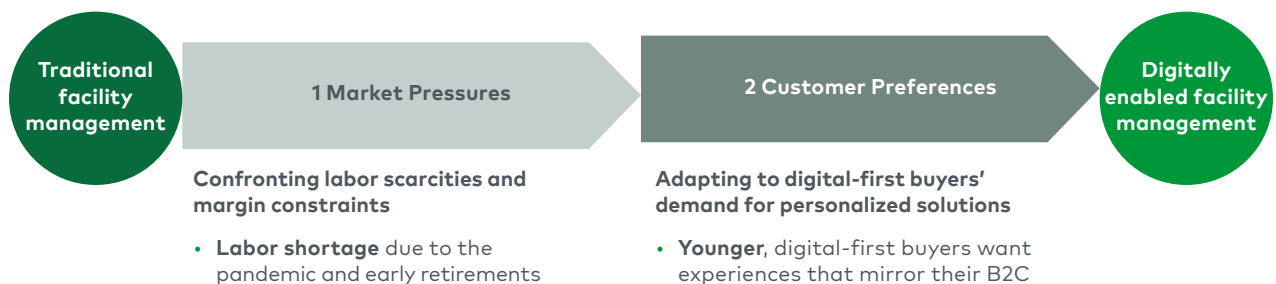
proper preparation. Operational digitization lays the necessary groundwork by ensuring that all necessary data is not just available but is also structured in a way that can be rapidly and transparently shared with multiple parties. This digital readiness thus becomes a force multiplier in generating competitive tension among bidders, which can often lead to better transaction outcomes.

Operational digitization’s role in driving enterprise value extends well into the realm of M&A activities. By offering clean, deep, and readily accessible operational data, digital operations facilitate quicker and more confident decision-making among potential buyers. This both accelerates the M&A process and fosters a competitive environment that maximizes transaction value. Given the increasingly data-centric nature of the investment landscape, the advantages of operational digitization in M&A scenarios cannot be ignored; they need to be fully integrated into any forward-looking strategy in the commercial facility services market.

The Road Ahead: Actionable Strategies for Successful Digital Transformation

In the pursuit of successful digital transformation, facility services providers must navigate a multifaceted journey that reshapes their operations, culture, and technology landscape. This transformation aims to harness the power of digital technologies to enhance efficiency, customer experience, and overall competitiveness. Paramount to achieving digital success is overcoming various execution challenges, from aligning digital with the organization’s business growth

Figure 6
Key Challenges to the Success of Digital Execution



Sources: L.E.K. research and analysis.

strategies and organizational model to acquiring and integrating digital capabilities (see Figure 6).

Align Digitalization With Growth Strategies and the Organizational Model

Start by aligning the organization's digital transformation initiatives with its overarching growth strategies and objectives, including the degree to which the organization has adopted centralized versus decentralized approaches to management. This alignment ensures that digital efforts are seamlessly integrated into existing business goals and the organizational model (e.g., digital investment and transformation will be needed for an organization that has decided to centralize marketing). Be sure to conduct a comprehensive analysis of the industry landscape/analog, customer preferences, and emerging trends in order to uncover opportunities for digital innovation that align precisely with the organization's growth plans. M&A screening will ensure that all digital capabilities—and alignment with an acquirer's existing digital strategy—are incorporated into any screening process. Take a customer-centric approach. Prioritize understanding customer needs and preferences and employ digital solutions to elevate customer experiences, ultimately driving growth by cultivating customer loyalty and attracting new clients.

Identify Any Needed Digital Capabilities

Perform a skills assessment. Evaluate the current skills and expertise within the organization, identify any skill gaps related to digital transformation, and prioritize upskilling or recruitment accordingly. Then align all digital technologies and tools with the company's growth strategies. Be sure to prioritize solutions that can introduce new revenue streams, optimize operations, or elevate customer engagement. Finally, create an innovation ecosystem. Nurture an environment of innovation and experimentation, and encourage employees to actively identify and propose novel digital capabilities that have the potential to fuel business growth.

Understand Current Capabilities and Gaps

Do a digital audit. Conduct a thorough assessment of the organization's existing digital capabilities: Evaluate technology infrastructure, data management practices, and the proficiency of the workforce. Then perform a strengths, weaknesses, opportunities, and threats analysis to understand any internal strengths—and weaknesses—related to digital readiness. Identify potential threats and opportunities in the market as well.

Engage employees across different levels to gather insights into current challenges, pain points, and areas where digital capabilities could bridge gaps and contribute to growth.

Acquire and Integrate Capabilities

Determine whether to develop digital capabilities internally or acquire them through partnerships, collaborations, or acquisitions. Be sure to consider factors such as time to market and available expertise. To accelerate the integration process, form strategic partnerships with technology vendors, startups, or other companies that possess the required digital capabilities. Recruit individuals with the necessary skills and expertise to drive digital transformation and onboard that new talent. For any gaps, engage consultants who can facilitate the development and integration of digital capabilities. Craft a comprehensive change management plan to seamlessly integrate new digital capabilities into the existing organizational structure, processes, and culture.

A unique set of capabilities separates digital leaders from everybody else.⁽⁵⁾ Promoting a "commercial-digital" mindset enables those leaders to understand customer needs while recognizing the economic value of digital initiatives, and embracing digital business models allows them to efficiently integrate internal and external data to fuel innovation and decision-making. Embedding organizational agility and a "fail fast" mentality allows them to develop a project evaluation process that accommodates pilots and tests for agile experimentation.

Finally, focusing on a small set of digital performance metrics gives companies the tools to implement and concentrate on a concise set of digitally appropriate key performance indicators such as customer satisfaction, customer churn rate, average response/handling time, self-service utilization, and more.

As the world increasingly leans toward data-driven practices, operational digitization is evolving from a nice-to-have feature into a core essential for business success. For the commercial facility services market, embracing this digital transformation can serve as a key differentiator, setting companies apart in a competitive landscape. Enterprises operating within this market should actively seek to understand and implement digital solutions tailored to their operational needs. Investors should likewise prioritize investing in providers with digitized operations, as this decreases risks and increases the value of their investment. Visibility is power, and operational digitization provides the transparency and data-driven insights that investors crave.

For more information, contact Industrials@LEK.com.

Endnotes

⁽¹⁾2022 FM Training Outlook Survey by ProFMI, an industry certification sponsor.

⁽²⁾B2B Marketing Trends to Watch for 2023, eMarketer

⁽³⁾CD_Facilities Management Software Creds_Oct2019

⁽⁴⁾L.E.K. Consulting presentation, "Selected value levers in residential and commercial services."

⁽⁵⁾Industrial Digital Success Factors Insight Pack_MASTER_June2020

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