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Facilities management overview

Facilities management (FM) is a term that encompasses a wide range of activities involved in the effective management of built assets. It involves the total management of all services that support the core business of the organisation. The existence of active FM may help to identify potential problems with maintenance and running costs before they result in component breakdown and even temporary shutdown of buildings. It can provide a disciplined framework for the examination of many of the relationships between decisions and the satisfaction of the end user of the property, whether in economic or environmental terms. It also provides a framework for the review of user satisfaction as business and other circumstances change.

It is clear that FM is an umbrella term under which a wide range of property and user related functions may be brought together for the benefit of the organisation and its employees as a whole. Therefore, the aim of FM should be not just to optimise running costs of buildings, but to raise the efficiency and suitability of the management of space and other related assets for people and processes, in order that the mission and goals of the organisation may be achieved at the best combination of efficiency, cost and quality. FM has the potential to contribute significantly and it is important to identify and measure the extent that it supports, or can be adapted to, the changing needs of organisations, and contribute to productivity, profitability, service and quality. For FM to grow as a discipline, a paradigm shift is required from focusing purely on premises costs to looking at holistic business performance (Oseland and Wills, 1999).

Assessment of facilities management performance

Performance, in business terms, means the manner or quality of functioning (B.W. Associates, 1994). This implies that management performance is concerned with

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Keywords

Facilities management, Performance measurement, Balanced scorecard

Abstract

Facilities management operates on the premises that the efficiency of any organisation is linked to the physical environment in which it operates and that the environment can be improved to increase its efficiency. This has increasingly become an important function of the built environment. This paper looks at performance measurement of facilities management practices and argues that the future of performance assessment of facilities management will have to shift in emphasis towards a measurement and management system. It further discusses the potential for the application of such a management system, the balanced scorecard, through which facilities management performance assessment may be explored.

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the manner or quality of managing. Looking at the need for assessment of work performance generally, self-assessment of work performance will have existed throughout man’s history. In modern times, beginning with Taylor around the turn of the twentieth century with his measurement of productivity (cited in Cole, 1993), interest in the assessment of performance has shown accelerating growth up to the present day.

Why should an organisation want to measure performance? From a classical management perspective there is a need to assess performance in order to guide management decision making as in Fayol’s defining activities of planning, organising, commanding, co-ordinating and controlling (cited in Cole, 1993). The need for performance assessment can also be found in the international quality assurance standard, ISO 9001 (Clause 4.10).

The above stated broad management need for performance measurement applies to management in a FM context. FM is a subset of general management. The definition of FM by Becker (1990) presents a picture of this function:

FM is responsible for co-ordinating all efforts related to planning, designing and managing buildings and their systems, equipment and furniture to enhance the organisation’s ability to compete successfully in a rapidly changing world.

There has been a growing interest in performance measurement throughout FM. One of the most common claims of FM relates to performance, that it is of crucial importance and makes a proactive contribution to business (Nutt, 1999). RICS (1998) stated that clear attention must be paid to both the effective maintenance of support systems and the culture of the FM organisation. FM performance can be assessed in relation to its contribution, or not, to the core business of an organisation and its level of support to business operations and productivity. Allied to this has been a more widespread desire for a value-for-money working environment. The potential purchasing power of FM is enormous and this suggests great scope for efficiency gains. Even more important than this is the effect that the facilities services have on building occupiers (Varcoe, 1996). The FM budget of an organisation can often require 30 to 40 per cent of the outlay, second only in cost to payroll; therefore, high performance is essential.

Tranfield and Akhlaghi (1995) suggested performance measures for facilities should relate to the main business indicators of the core business. Performance measurement systems used for FM, therefore, should reflect the power of the various stakeholders in the organisation, and reflect the balance of various goals being pursued by the senior management. For facilities professionals to be successful leaders in their organisations in the next millennium and beyond, they must have a broader knowledge of performance measurement than ever before (Tuveson, 1998). The facilities manager’s role, as an enabler and catalyst of change, must focus on how the strategy and service mechanisms for support services can assist the business to optimise its performance.

The importance of performance assessment of facilities should also be looked at as part of a broader perspective of job satisfaction issues and with particular regard to theories of motivation. Herzberg et al. (1959) identified working conditions as one of the factors that most often contribute to employee dissatisfaction at work. Whenever this variable was thought to be unsatisfactory, employee dissatisfaction usually resulted, leading to less productivity at work. Gruenburg (1980) and Seybolt (1976) suggested that working conditions play a critical role in determining job satisfaction. Oshagbemi (1999) conducted research to investigate the factors that contribute to satisfaction and dissatisfaction in higher education and to outline the implications of the findings in the context of the two-factor theory and the situational occurrence theory of job satisfaction. He found that physical conditions and facilities were critical elements in this respect. It was also interesting to observe that considerations such as co-workers’ behaviour and working facilities formed close to 20 per cent of the workers’ satisfaction (Oshagbemi, 1997). Leaman (1995) dealt with the question of whether occupants of office buildings who were dissatisfied with indoor environmental conditions were less productive in their work and whether it would lead to findings which point to an individual’s perception that comfortable working conditions affect their productivity.
“If you cannot measure it, how can you improve it”, argued Hayward (1998). Performance measurement is really at the heart of good FM practice. Within the framework of facilities strategy, which identifies and translates an organisation’s objectives and requirements into the optimum form to meet current and future FM needs, the organisation may seek to maximise the performance of its facilities, balancing business needs with cost. Alexander (1996) identified measurement of performance as one of “three essential issues for the effective implementation of a facilities strategy”. There is a wide range of choices in measuring facilities management performance reflecting the varied nature of the field. Benchmarking, or post-occupancy evaluation could be identified as examples (Kincaid, 1994).

Organisations have traditionally measured facilities performance by financial indicators alone and there has been a tendency to record unit costs in many areas of FM (Tranfield and Akhlaghi, 1995). These may have been appropriate in the past, but in the information era there is a growing consensus that financial indicators on their own, however conclusive they may seem in their air of numerical precision, are neither an adequate measure of competitiveness nor a guide to future facilities performance.

The use of performance management systems is further emphasised by the Procurement Executives’ Association (1998), as helping to set agreed-on performance goals, allocating and prioritising resources, informing managers to either confirm or change current policy or programme directions to meet those goals, and sharing results of performance in pursuing those goals.

In today’s business environment it is an accepted reality that work is changing, influenced greatly by employee behaviour and expectations, new work processes, and dominated by technology as business becomes increasingly dependent on information exchange and knowledge sharing (Reeves, 1999). If FM is to successfully contribute to this work and arena of change, and be indispensable to business in the future, it must reposition and focus strongly on understanding and supporting core work processes as well as continuing efficiency in supporting people and activities in buildings. To respond to the challenge of these changes in the work culture, FM must be ready and willing to embark on a new learning experience with the main focus on management and performance disciplines, developing both a perspective and an understanding of business imperatives. With stronger management skills and reinforcement in special areas such as performance measurement, FM will have the best opportunity to establish a new value added relationship with its customer business.

**Need for a performance management system for facilities management**

One important aspect of FM performance measurement is the comparison of costs and techniques with those of similar businesses. But these techniques can also offer the realisation that better ways of doing things do exist, and that the employment of new techniques can make a huge difference to the effectiveness of the organisation. To be confident that value for money is being achieved, the FM performance plan should describe how to meet business needs and how optimising cost may be measured. Hinks (1999) argues that the success criteria for FM are more likely to be associated with innovation. He further suggests that predominant features of good FM in the future may major on value, adaptability, novelty, support for new processes, and timelines, and herein lies the performance assessment challenge for FM.

To achieve the ideal balance requires an integrated approach as the balance of facility cost and service quality is crucial to any organisation’s effectiveness. “Balance” is necessary for efficient and effective movement, for the achievement of its rich sound, and for assisting in reaching its fullest potential. In the same way performance measurement systems must achieve a balance which supports progress against pre-determined objectives without sub-optimisation.

A continually changing facilities environment has created the need to pursue new ways to meet future demands for organisations. As a new millennium begins so unique challenges are likely to emerge (Procurement Executives’ Association, 1998):

- technology advances beyond our wildest imaginings;
resources becoming more scarce;
- higher efficiency of operations demanded by customers;
- discretion rather than rules dominating; and
- outcomes/results-oriented management flourishing.

To respond to these demands FM organisations may seek to create an efficient and effective performance management system to:
- translate the FM vision into clear measurable outcomes that define success, and which are shared throughout the FM organisation and with customers and stakeholders;
- provide a tool for assessing, managing, and improving the overall health and success of FM systems;
- continue to shift from perspective, audit- and compliance-based over-sight to ongoing, forward-looking strategic partnerships;
- include measures of quality, cost, speed, customer service, and employee alignment, motivation, and skills to provide an in-depth, predictive performance management system; and
- replace existing assessment models with a consistent approach to performance.

Hinks (1999) suggests that there is currently a mismatch between the performance indicators preferred by the FM industry – which tend to be reductive databases used for the quantitative comparison of the facilities-oriented aspect of FM – and those performance indicators which the core business is interested in and which tend to correspond to more synergistic and business-outcome oriented issues. The key performance indicators for FM of the future may have to be directed more towards business outcomes, and could converge with core business performance indicators such as agility, flexibility, business continuity and transition management. The challenge of the future of FM performance assessment may also be that it will have to involve the measurement of the whole rather than merely summing the parts.

Is there scope to assess FM performance using an alternative approach, while still preserving the insights into the integrative value of FM? The remainder of this paper seeks to offer one means of satisfying this requirement.

Perhaps there is scope to assess FM performance using an alternative approach, while still preserving the insights into the integrative value of FM? One solution is what has become known generally as the balanced scorecard (BSC). The BSC concept (Kaplan and Norton, 1996a) recognised the incompleteness of many business measurement processes due to an over reliance on financial measures. Models that would be suitable for assessing the business utility of FM may usefully be developed on techniques such as the BSC.

### The balanced scorecard – a new approach to measurement and management

Organisations are in the midst of a revolutionary transformation, which has seen the emergence of the information era. This new environment for both manufacturing and service organisations requires new capabilities for competitive success. The ability of an organisation to mobilise and exploit its intangible or invisible assets has become far more decisive than investing and managing physical, tangible assets. Therefore, today’s business environment requires a better understanding of customers and their needs, streamlined internal business processes and highly skilled staff who are expert in problem solving. In order to achieve this organisations have attempted to transform themselves by turning to a variety of improvement initiatives such as total quality management, activity based costing and process re-engineering.

The traditional means of measuring results has been through financial reporting using accounting models. Unfortunately, these models do not incorporate the valuation of an organisation’s intangible and intellectual assets, such as high quality products and services, motivated and skilled employees, responsive and robust internal processes, and satisfied and loyal customers. Yet these assets are more critical to the long-term future of the organisation than traditional physical and tangible assets. Business performance needs to be measured through two broadly based perspectives: financial and operational (non-financial). Financial measures provide the results of actions already taken and
operational measures complement the financial measures and drive future financial performance. In combination, these measures provide a “balanced” view of overall business performance and bring together, in a single report, many of the seemingly disparate elements of an organisation’s competitive agenda.

The BSC attempts to overcome the deficiencies of existing measurement systems—it is used to measure performance and develop strategies by analysing results across a range of activities (Sanger, 1998). Kaplan and Norton (1992) themselves stated that:

the BSC translates an organisation’s mission and strategy into a comprehensive set of measures and provides the framework for strategic measurement and management.

The BSC complements financial measures of past performance with measures of the drivers of future performance. While many organisations already have performance measurement systems that incorporate financial and non-financial measures, they are often only used for control and feedback of short-term operations at a corporate level. The BSC emphasises that financial and non-financial measures must be part of the information system for employees at all levels of the organisation. Also it is balanced between objective, easily quantified, outcome measures and subjective, somewhat judgmental, performance drivers of the outcome measures.

The BSC is a tool that motivates staff to make the organisation’s vision happen. It does more than just measure performance. It is a management system that focuses the efforts of people, throughout the organisation, towards achieving strategic objectives and converts the organisation’s vision and strategy into a comprehensive set of performance and action measures that provides the basis for a strategic measurement and management system.

So what’s new?
The concept of BSC came out of the realisation that no single performance indicator can capture the full complexity of an organisation’s performance. The BSC translates the organisation’s vision into a set of performance indicators distributed among the following four perspectives:

1. **Customer**: how must we look to our customers?
2. **Internal processes**: what internal processes must we excel at?
3. **Financial**: how will we look to the shareholders?
4. **Innovation**: how can the organisation learn and improve?

The perspective represents three of the major stakeholders of the business (shareholders, customers and employees), thereby ensuring that a holistic view of the organisation is used for strategic reflection and implementation. Further, this well-rounded assessment provides management with a “balanced” view of the business. The importance with each of these perspectives is that the perspectives themselves and the measures chosen are consistent with the corporate strategy.

Figure 1 visually depicts the global BSC framework. Through the BSC, the organisation monitors both its current performance (finances, customer satisfaction, and business process results) and its efforts to improve processes, motivate and educate employees, and enhance information systems—it’s ability to learn and improve. It does still include the hard financial indicators but it balances these with other, so-called “soft” measures, such as customer satisfaction and organisational learning.

**Customer perspective**
How do customers see us? Many organisations today have a corporate mission which focuses on the customer. How an organisation is performing through the eyes of its customers has therefore become a priority issue for business managers and this perspective captures the ability of the organisation to provide quality goods and services, and achieve overall customer satisfaction. It will include several standard measures such as customer satisfaction,

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**Figure 1** The perspectives of the balanced scorecard

![Balanced Scorecard Diagram](image-url)
though in each case these should be tailored to meet the organisational requirements. It places importance on the organisation’s ability to achieve its vision, and how it wants to be seen by its customers.

**Internal processes perspective**
The emphasis in this perspective is to identify and measure the processes that organisations must excel at to achieve their financial and customer strategic goals. To meet organisational objectives and customers’ expectations organisations must identify the key business processes at which they must excel. Key processes are monitored to ensure that outcomes will be satisfactory. These are the mechanisms through which performance expectations are achieved. The critical internal business processes enable the business unit to deliver on the value propositions of customers and satisfy shareholder expectations of excellent financial returns (Kaplan and Norton, 1996b). It is further argued that this perspective reveals two fundamental differences between the traditional and BSC approach to performance measurement. While traditional approaches attempt to monitor and improve existing business processes, the BSC approach identifies entirely new processes at which the organisation must excel to meet customer and financial objectives.

The BSC approach, however, will usually identify entirely new processes at which an organisation must excel to meet customer and financial objectives. The second difference is to incorporate innovation processes, often these may result in the development of new products or services.

**Financial perspective**
The financial performance measures define the long-run objectives of the business unit and indicate whether the strategy, implementation and execution are contributing to bottom-line improvement (Kaplan and Norton, 1992). Many have criticised financial measures because of their inability to reflect contemporary value-creating actions. Some critics go much further in their indictment of financial measures. They argue that the terms of competition have changed over time and that traditional financial measures do not improve customer satisfaction, quality, time lines and employee motivation. In their view, financial performance is the result of operational actions, and financial success should be the logical consequence of doing the fundamentals well. In other words they are saying that organisations should stop navigating by financial measures – by making improvements in the operational areas, the financial numbers will take care of themselves. While most businesses will emphasise profitability objectives, other financial objectives are also possible. A well-designed financial control system can actually enhance an organisation’s management system.

**Learning and growth perspective**
The learning and growth perspective of the BSC identifies the infrastructure that the organisation must build to create long-term growth and improvement. The predominant element within this perspective is whether organisations can continue to improve and create future value for its stakeholders. This perspective looks at the ability of employees, the quality of information systems, and the effects of organisational alignment in supporting accomplishment of organisational goals. The financial, customer and internal process objectives of the BSC will often reveal gaps between the existing capabilities of people, systems and procedures and what will be required to achieve them. To close these gaps, organisations will have to invest in reskilling employees, enhancing information technology and systems, and aligning organisational procedures and routines. Once organisations have established their strategic objectives they need to identify the performance measures required to promote continuous organisational, divisional, and group learning and growth.

**Deliverables of BSC**
BSC provides a strategic management system to accomplish critical management processes:
• clarify and gain consensus about vision and strategy;
• communicate strategic objectives, performance measures and drivers at all levels;
• link strategic objectives to targets and annual budgets;
• identify and launch strategic initiatives;
• enhance periodic systematic strategic reviews; and
• obtain feedback to learn about the improved strategy, thereby to test, gain feedback on, and update the organisation’s strategy.

The BSC fills the void that exists in most management systems – the lack of a systematic process to implement and obtain feedback about the organisation’s strategy. The organisation can become aligned and focused by using the BSC to implement the long-term strategy. This way the BSC forms the basis for managing information age organisations. Balanced measures are well suited to the organisation of the future. They put strategy and vision, not control, at the centre. They establish goals but assume that people will adopt whatever behaviour and take whatever actions are necessary to meet those goals. This new approach to performance measurement is consistent with the initiatives under way in many organisations; cross-functional integration, customer-supplier partnerships, continuous improvement, team accountability etc.

Cause-and-effect relationships

Identifiable cause-and-effect relationships are an important aspect of the BSC when choosing the appropriate indicators. It enables the translation of a financial aim into operational factors which will lead to that aim. Therefore, by evaluating the relevant factors in each segment of the BSC which may have an impact on a financial aim the appropriate measures can be identified and the alignment of actions to the strategic goals be facilitated. Outcome measures need performance drivers to indicate how the outcomes are to be achieved. The BSC should have an appropriate mix of outcomes and performance drivers of the business unit’s strategy. This should also be a balanced mix across the four perspectives. If improved operational performance fails to improve financial performance this indicates that the chain of cause and effect has not been established correctly and the organisation’s strategy implementation plans need to be revised. Figure 2 demonstrates how the financial aim of operating expenses was translated into operational factors for each of the BSC segments.

Setting up a balanced scorecard

The first task is to translate the organisation’s strategy into objectives and measures for each of the four perspectives. These should be specific to the organisation’s strategy. Naming conventions may differ, but the design structure of the BSC applications may include the following: (adapted from Kaplan and Norton, 1996a).

• **Objectives** – this states how a strategy will be made operational. Generally, the objectives form the building blocks for the overall strategy of the organisation.

• **Measures** – a measure is a performance metric that will reflect progress against an objective. A measure must be quantifiable. The measures communicate the specific behaviour required to achieve the objective and become the actionable statement of how the strategic objective will be accomplished.

• **Targets** – a target is a quantifiable goal for each measure. The set of targets found on the BSC becomes the overall goals of the organisation. Targets create opportunity to succeed, help the organisation monitor progress towards strategic goals, and communicate expectations.

• **Cause-and-effect linkages** – objectives are related to one another through cause-and-effect relationships.

• **Strategy initiatives** – strategic initiatives are those action programmes that drive strategic performance. These are the activities that will be focused on to ensure attainment of strategic results. All initiatives under way in an organisation should be aligned with the strategy in the BSC.

Empirical evidence: a question of theory and application

The BSC has been applied successfully across many diverse industries (Hepworth, 1998),
and these were all reported in a positive manner, and no failures of the concept were identified.

Executives of Bell Emergis have focused on measuring information technology (IT) performance against corporate objectives, and a new crop of business performance management techniques have emerged, the most evident being a form of a BSC:

It helps IT organisations determine what their contribution is to the company’s bottom-line, it helps (IT groups) justify their existence (Gaiss, 1998).

This approach to BSC is to provide four IT cornerstones, namely: adequate viewer technology so that staff can access data by whatever means they choose; a data warehouse to collate information across different platforms; online analytical processing tools to drill down into indices; and data analysis software to detect patterns and suggest what questions an organisation should be raising about its own performance.

Evidence of performance measurement suggests a need for a BSC which adequately reflects the characteristic goals and critical success factors of the hotel sector (Brown and McDonnel, 1995). The vision and objectives were identified, critical success factors and appropriate measures were then determined and developed for each of the four linked perspectives comprising a BSC.

A global engineering and construction company, with its senior management team, developed a vision and a strategy to implement the vision, and transformed the vision and strategy into the BSC’s four sets of performance measures (Kaplan and Norton, 1993). The BSC has helped the company’s management emphasise a process view of operations, motivate its employees, and incorporate client feedback into its operations.

MC, a company engaged in the development, production and distribution of building chemicals, Rexam Custom Europe, a precision coater, laminator and converter of flexible material to orders, and AT&T, a world leading communications services company adopted a BSC which envisaged that the identification of key performance measures would form a prerequisite to developing the BSC and an initiative process which would take place before the scorecard (Letza, 1996). By focusing on the aspects of the business which created value for customers, and by carefully re-appraising the organisational philosophy and incorporating this into the performance measurement system, these companies were able to build a BSC which acts as an effective means of communicating the strategy of the company throughout the whole organisation.

In 1997, a study was undertaken to identify the performance measures used by New Zealand registered banks in their commercial lending processes and to determine whether these measures could be integrated into the BSC model of performance measurement (Beechey and Garlick, 1997). The BSC provided a flexible strategic framework that will aid the transition of a bank from average to exceptional.

The body of evidence supports the theory that the BSC offers a medium to deliver strategic vision while providing an evaluation system. These many case studies provide physical proof to support this theory. In addition, the concept has been approached from many different management discipline perspectives. The accountancy aspect of the BSC’s utility has been considered widely (Booth, 1996; Hussain, 1996). The BSC’s performance measurement capability has received much interest and attention (Birchard, 1995; Lingle and Schiemann, 1996).

The BSC is able to provide utility at all management levels if managers have an understanding of the mechanisms of the concept. Awareness of how the four perspectives are interrelated and interdependent, and that they should not be considered in isolation is necessary to ensure the maximum benefit is obtained. It is also critical that managers should be empowered to utilise the information to support decisions at their level.

It was emphasised that the application of the BSC is far from simple and requires a comprehensive understanding of the principles involved and significant commitment towards accepting the new philosophy and implementing the necessary change. The question, however, still remains; why is so much theory widely available yet the concept remains largely untouched in FM? How do you draw up a BSC for FM? Is it possible? How can further developments be made to the approach? These questions are worth a detailed understanding of the applicability of the concept to FM.
For example, customer satisfaction on service quality, customer complaints, range of services offered, and reaction to customers’ needs could be considered as factors under customer perspective, while service excellence, technology capability, understanding of customers, employee competence, process efficiency and staff development might form the internal processes perspective of the FM balanced scorecard. Issues such as management expectations, financial growth, cost reduction/productivity improvement, asset utilisation and management of working capital will highlight the financial perspective while learning and growth perspective will comprise technology leadership, continuous service improvement and upgrade of staff competencies.

Forward view

The BSC is best defined for strategic business units similar to FM that conduct activities through the full value chain from innovation, operations, marketing, distribution through to selling and service. Typically this unit will have its own products and production facilities, services and supply mechanisms, customers, distribution channels and, of course, its own defined strategy.

Once the BSC has been established for the FM business unit it then becomes the basis for departments and functional units within the business unit. Managers within these departments and functional units can then create their own scorecards that will be consistent with the business unit’s scorecard and strategy. In this way, the BSC is cascaded down through the organisation.

Even though the BSC is able to provide utility at all management levels if managers have an understanding of the mechanics of the concept, there is no clear agreement among experts about whether the scorecard technique is appropriate for assessing facilities management performance as a function isolated from the rest of the organisation. Therefore, it is important to look at the practical opportunities for collaboration between FM and the BSC. It will provide a framework for mapping the development in performance assessment in FM, through which the future of FM assessment may be explored and tested.

BSC has a proven track record and is now being delivered to an international audience, on a multi-disciplinary front. It is being taken seriously by manufacturing, accountancy and management specialists alike; therefore, it must offer significant potential for such agreement to be evident. Perhaps it is currently more acceptable within the manufacturing and management culture than FM? The question of it being employed to secure a competitive advantage in FM remains to be answered.

Conclusion

This paper has speculated on the future of FM performance assessment in the context of new applications. In competitive circumstances relative business advantage will be derived from the strategic applications of FM in a customised manner, wherein the business support service is designed and assessed according to the strategic needs of the changing business. Accordingly, this paper speculated that in the increasingly globalised business environment the utility value of integrated FM performance assessment is enormous.

The BSC concept suggests that the success and the state of an organisation can be best assessed by taking a “balanced” view across a range of performance measures. There is no doubt that the concept of BSC has derived a totally new and radical approach to business management. The literature concerning the application of the concept is favourable, constructive and, in most cases, revealing. Furthermore, the potentially complicated approach to “soft” issues might alert those who seek to manage issues by seeking simple answers or by employing traditional solutions. This theory is now widely available; perhaps if its deployment in the manufacturing is successful, it might be applied more widely in FM.

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