

**An Examination of the UK Real Estate and Facilities Management
Sector: Financial Performance and the Role of Skills Shortage**

Dissertation Proposal

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1.1. Introduction

In the current economic climate, organisational measures to reduce HRD related initiatives have resulted in an increase in employee turnover and availability of skilled labour (Edwards, 2010). A survey on global talent shortage in 2012 identified that 12% of UK employers are finding it difficult to recruit and retain, which is a 1% rise over the previous year (Manpower Group, 2012). These figures indicate that, in a post recession economy, organisations face problems with employee retention. The Real Estate and Facilities Management (REFM) sector is found to account for a total Gross Value Added contribution of £303,179 million in the UK, with a total of 149,325 REFM units being present across the UK (KPMG, 2012).

The UK real estate sector is primarily made up of micro businesses with 62% of the organisations employing fewer than four employees (UKCES, 2012). The skills shortage in a number of SMEs is related to the lack of awareness of business owners, lack of time and problems associated with a high percentage of part time labour (Edwards, 2010). The real estate sector has 35% of the workforce employed on a part-time basis, which may contribute to the lack of skills and the need to look for alternative recruitment. With this background, the following research proposal identifies the current shortage of skills in the real estate sector and the alternatives to recruitment in the UK REFM sector.

1.2. Research Question and Objectives

The following objectives are proposed:

1. To assess the financial performance of chosen case study companies (Berkley Plc and Barrat Plc) by examining their profitability, liquidity, efficiency, investment and per employee ratios.
2. To identify the company performance based on current environment opportunities and threats.
3. To assess the skills shortage in the REFM sector and its impact on organisational performance, and to identify the role of alternative recruitment in solving the problem.

The following research questions are proposed:

- What is the prospect for the chosen case study organisations in the current environment?
- What is the impact of employee productivity on organisational financial performance?
- What are the reasons for skills shortage in the REFM sector and will alternative recruitment solve this issue?

1.3. Literature Review

1.3.1. Role of Financial Ratios in Determining Organisational Performance

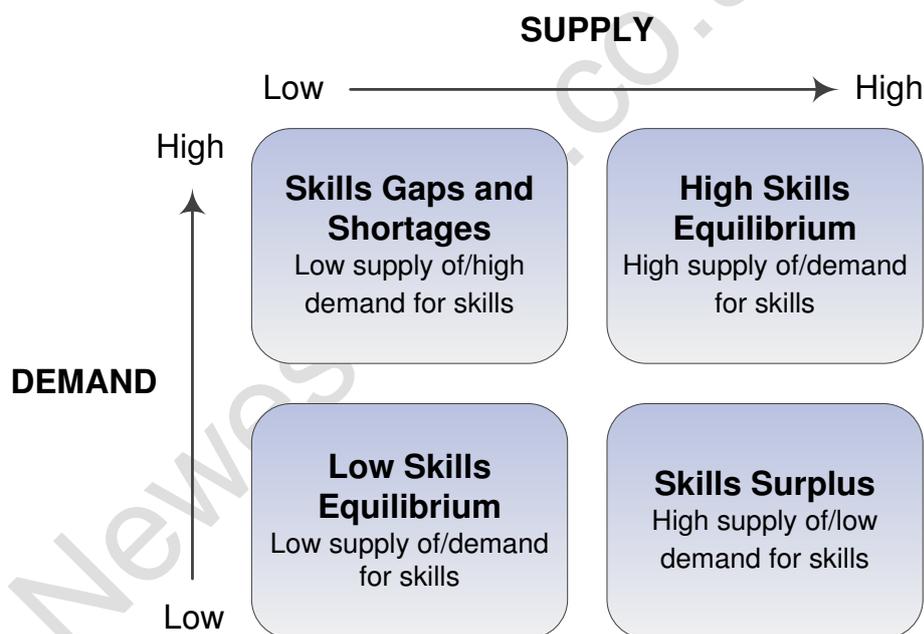
According to Penman (2010) financial ratios are vital factors contributing to the organisational performance. Saleem and Rehman (2011) define financial ratios as measures comparing the magnitude of two statistical values obtained from financial statements of a company. According to Oluwo (2007), the primary role of financial ratios is to quantify business performance and hence they should be considered as an integral part of the financial statement analysis of an organisation.

A number of reasons are attributed to the failure of a business in a marketplace, including financial liquidation, economic downfall or acquisition (Hill et al., 2011). Oluwo (2007) identified that various stakeholders (employees, creditors and stockholders) contribute to the organisational growth or failure. Given that an organisational business failure can lead to loss, it is important to predict the financial performance. It was established by Huselid (1995) that the employee skill and productivity is a vital factor which contributes to the organisational financial performance. Belorgey et al. (2006) remarked that calculation of per employee ratios provides insight into the contribution of the employee to the financial performance of the organisation. In the current study the per employee ratios of the chosen companies can shed light on the labour quality and its direct impact on organisational performance.

1.3.2. The Skills Debate

The nature of skills and their relationship to demand has been summarised by Green (2012). He presented a 2x2 matrix (Figure 1) whose quadrants identify the presence and absence of skills. The skills gap is identified in the first quadrant. It is related to high wages, low educational attainment, high vacancy rates and the high share of skilled employees needed. The application of this matrix in the participant organisations will help identify the potential problems associated with the supply and demand for skills in the REFM sector.

Figure 1: Skills Matrix (Source: Green et al., 2012)



According to Jones et al. (2013), the skills gap is strongly felt in the UK SME sector. This is attributed to the inability of the organisations to promote both talent management and training and development, which results in a loss of strategic

capabilities as well as internal expertise of the organisation. The existence of a skills shortage results in short term impacts in terms of output and productivity (Felstead et al., 2011) as well as long term consequences like generation of competitive edge and innovation (Abreu et al., 2010). This study will identify the need for a skills agenda and thereby establish the skills shortage in the UK REFM sector.

1.3.3. Empirical Studies in the REFM Sector

The UKCES (2012) report identifies the current skills level in the UK REFM sector. The report identified that 19% of vacancies are hard to fill with 14% of them being considered as containing a skills shortage. It is also identified that the current skills shortage is associated with globalisation, increased demand for skilled labour and a high degree of skills mismatch. The report concluded that there is a need to encourage professionalism and upskilling and to adopt technological advances in training and development. Apart from this report, no other study in the last five years could be identified as being specific to the REFM sector.

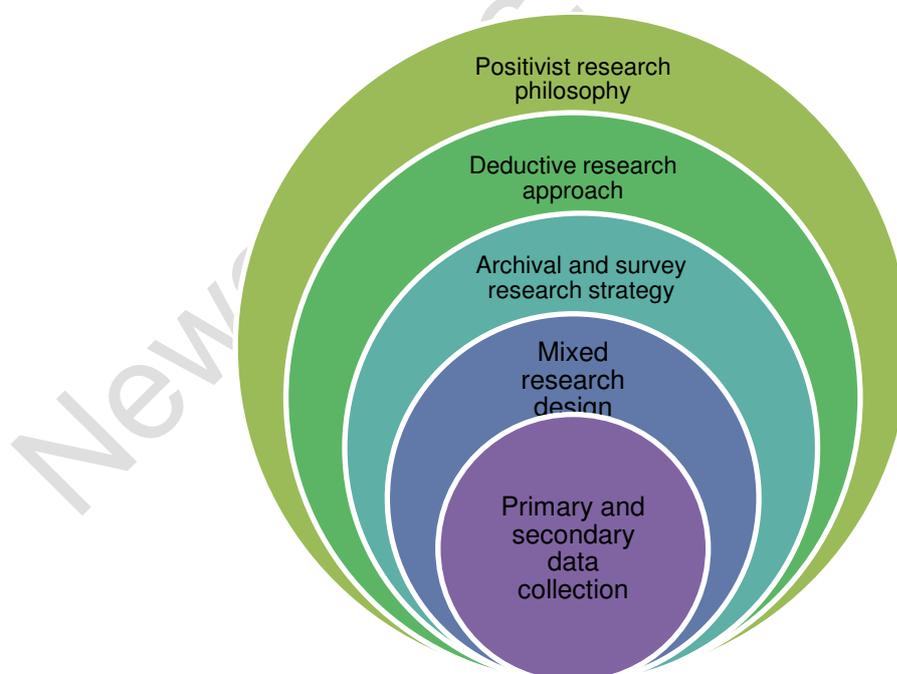
1.3.4. Research Gap

Based on the above literature review, it can be summarised that, apart from the UKCES report, there has been limited literature documenting the role of skills shortage in the UK REFM sector. It is also seen that there is a direct relationship between the productivity and performance of an employee and the overall financial performance of the company which is less examined.

1.4. Methodology

This research proposes to adopt the research onion method of Saunders et al. (2009) (Figure 2). This method presents a step by step approach to the proposed research methodology. This research adopts a positivist philosophy where data interpretation is promoted from an objective view point (Creswell et al., 2003). In this study the aim is to identify the current financial strength of the case study companies, identify their related skills shortage and identify the employee contribution to financial health. The best research approach which supports a positivist philosophy is a deductive approach wherein previously established theories are tested using empirical data (financial data gathered from annual reports).

Figure 2: Research Methodology (Adopted from Saunders et al., 2009)



The research adopts a sequential mixed research design collection involving quantitative and qualitative data, where the priority is given to the quantitative data

analysis. The quantitative data which is collected by an archival research strategy helps identify the financial strength of the company. The advantage of a quantitative data is to arrive at conclusions to the given research problem by making use of numerical data (Bryman and Cramer, 2011). The qualitative data is collected in the form of interview data using the survey method. This research approach involves examining words and themes to add weight to the quantitative results (Creswell, 2012).

The secondary data collected in this study is in the form of annual reports collected from the chosen company websites. The adoption of this secondary data collection approach is useful in that it allows acquisition of large volumes of data in a short period of time (Bryman and Bell, 2007). The primary data collected in this report is in the form of interview data collected from the HR employees of the chosen companies. This data helps in adding weight to the role of employee skills and productivity in contributing to the financial performance of an organisation.

1.5. Ethical Implications

This study adopts a combination of a primary and a secondary data collection approach. This research will follow the ethical guidelines set by Saunders et al. (2009). The participants of the study will be promised anonymity and no personally identifiable information will be collected. The researcher will also ensure that the purpose of the study and the voluntary nature of participation are clearly explained to the participants. The researcher will ensure that the company records (annual reports) are represented as such without misrepresentation.

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