

What's your Facility's Value Proposition? Thinking & Planning Strategically

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Strategic Facility Planning Today

Creating Value through Strategic Facilities Planning involves both Planning (What you do) and Strategic Thinking (How you think). In today's environment, Facility Managers (FM's) must develop multiple scenarios of the future, determine appropriate facility responses (using strategic thinking), perform analysis and develop a "straw man" executive presentation. During the course of plan development, they should uncover their facilities' Value Proposition (or lack thereof). This is a prerequisite to beginning an executive-level conversation about facilities. Then, when things change, FM's can quickly adapt the most appropriate scenario to support fact-based decision-making.

The product of a Strategic Facility Plan is both a short term and long term Capital Spending Plan, encompassing the entire portfolio of owned and/or leased space, that ensures that facilities will support the organization's strategic objectives. Strategic Facility Planning has traditionally been driven by staff growth. Information is "handed down" to Facility Managers to develop a facility growth or re-stacking plan. In today's environment most companies have vacant space and many Facility Managers labor under the mistaken notion that they don't need a strategic facilities plan. They are wrong. All Facility Managers need, at the very least, a plan to address Facility Renewal needs (roof replacement, mechanical equipment replacement etc.). The plan should also answer "strategic" questions about various financial and real estate aspects of their facilities. These questions are ideally suited to being studied using the process of Strategic Facilities Planning, coupled with "Strategic Thinking." In days gone by, Facility Managers developed plans based on growth projections sent down from HQ. Today, Facility Managers must create a number of hypothetical growth/ contraction scenarios that address an array of possible futures. When things change (merger, new product etc.) they can use the detailed planning data that has already been assembled to revise a limited number of existing scenarios, run the pre-requisite financial analysis and present well thought-out and timely scenarios for executive decision-making.

Strategic Facility Planning and Thinking

The word "strategic" has "gravitas" - that is, it imparts a sense of seriousness, dignity and solemnity. When combined with "facility planning," it brings to mind words like; rational, step-by-step, systematic and logical. Strategic Thinking is associated with the words; creative, innovative and sometimes intuitive. In today's business environment, most Facility Managers are not thinking or planning strategically. The great recession has resulted in a net job loss in the U.S. of more than 3 million jobs since 2008, with a similar trend in Western Europe¹ and Asia, and Facility Managers continue to see vacant office space that is not going away in the short run.² One day the situation will change³. The problem with having vacant

¹ Vacancies in US commercial markets are at 17.1% at the end of 2012, however large blocks of contiguous space are starting to disappear. Office space absorption is growing fastest in the U.S., followed by Western Europe. Supply and demand in Asia and Central/South America are keeping pace, with no change expected in the overall vacancy rate in 2013. Reported by Jones Lang LaSalle's Global Market Perspective – First Quarter 2013 at <http://www.joneslanglasalle.com/gmp/en-gb/pages/global-market-perspective-offices.aspx>

² The author has conducted an informal survey of 10 IFMA chapters in which only 15% (approximate) of Facility Managers have experienced a net growth in seated population in their facilities from 2008-2012.

³ Unemployment changed dramatically in the U.S. during the Great Depression over a very short time - falling from 22 percent to 14 percent in 1936 as a result of a Supreme Court ruling that abolished the National Recovery Administration. This ruling created, temporarily, a pro-business climate and led

space and no plan is that Facility Managers, may be viewed by those at the executive level as a non-value added tactical manager, and their planning prerogative may be usurped by those in the C-Suite with a broader perspective who may ask questions like:

- What if your enterprise adds a product line? What would be the facility impact?
- What if there is a merger, acquisition or divestiture?
- What is the appropriate level of spending for facility renewal?
- Do previous own/ lease decisions still apply today?
- What is the Book Value and Market Value of facilities?
- How does Market Value relate to the original purchase price plus the sum of Facility Renewal expenditures?
- Are facilities in the right locations?
- Are office layouts configured to support the changing mix of office workers (more knowledge workers, fewer clerical)?
- If office density (more people per sq. ft.) is increased, will existing parking support the increase seated population?
- If we increase use of office space with alternative strategies like work from home, how do we accommodate parking or transportation for those times when all employees get together?
- Will there be the right facilities at the right price, at the right location five years from now?
- What is the appropriate level of Sustainability for renovation projects?
- Are there ways of using facilities to support the Balance Sheet and Income Statement that have not been previously considered?

“Strategic Thinking” elevates a Facility Manager’s thinking from the tactical (how can I reduce my budget) to a higher level where the value proposition for facilities can be clearly stated and backed-up by hard data. For example, a Facility Manager in the Public Sector may say “our value proposition is that we can build and run our buildings cheaper than if we leased.” A Private Sector FM may have a more complex value proposition that supports relocation. “We purchased our current building in a deteriorating part of town for \$14 million. The sum of facility renewal investments since purchase, and for the next ten years is \$22 million. If we remain in the current location, we will have to construct an addition with a parking garage and relocate the data center for \$10 million. This will bring our total investment in the existing location to \$46 million and we will have exactly what we have now – an older building located in a deteriorating part of town and even at low staff growth rates, we will run out of space within 10-15 years. If we relocate to a new facility, the total cost will be \$60 million and we will be able to remain there for 20 years. The facility will be exactly what we will need in the future and we can sublease expansion space until we need it. The facility will also function like other financial investments in that it will increase in value and we can convert the investment to cash with a sale-lease back.”

What is different about today’s operating environment is that in the past, Facility Managers received concrete staff projections from their organization and developed a plan to respond while today, Facility Managers need look at alternative scenarios for the future operating environment and plan for a reasonable range of outcomes.

to business investment and hiring . The U.S. government had been in an adversarial relationship with business, which some say led to a prolonged depression, while parts of Europe and other areas of the world were in a long recovery. In January, 1936 the U.S. Supreme Court ruled in favor of the Schechter Brothers who owned a butcher shop in Brooklyn, New York. They were headed to prison because when customers came in their shop, the brothers did not give them the “next chicken in line” but allowed customers to choose which bird they wanted. They were charged with this and 60 other counts of violating the National Recover Act. Reference: Shlaes, Amity, The Forgotten Man, Harper Perennial, New York, NY, 2007.

Strategic Thinking

Strategic Thinking provides insights about the present and foresight about the future, but can't be processed correctly without the laborious data-gathering and analysis associated with Strategic Facility Planning. A model of how Strategic Facility Planning and Strategic Thinking should work together will be presented in this paper along with a process for formulating questions and some advice on developing a team and a team work-environment that will support development of a plan that serves the needs of the enterprise, whether public or private.

If you consider Strategic Facility Planning as the process of continually aligning the facility with organizational and technology needs of the enterprise, then there are many overlooked opportunities to add value. By gathering and analyzing the right facility information, within the context of the Strategic Facility Planning process, then overlaying the process with "Strategic Thinking," Facility Managers can discover a value proposition for how their facilities enhance performance of the enterprise.

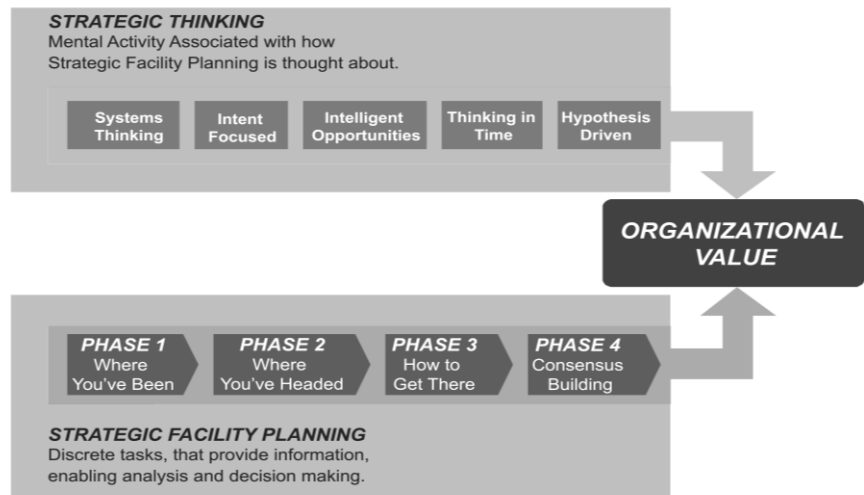


Figure 1 – Strategic Facility Planning and Strategic Thinking

The International Facility Management Association (IFMA) has developed a "white paper"⁴ that is a "how-to" primer for Strategic Facilities Planning. A strategic Facilities Plan links an organization's core business strategy and long-term facility requirements. The product of a plan is both a short-term and long-term Capital Budget that identifies projects that will fill the "Gap" between organizational needs and facility availability. The IFMA process is very similar to the four-step Strategic Facility Planning process of Figure 1.

STRATEGIC FACILITY PLANNING

(What you do)

Phase 1 - Where you have been – Researching and benchmarking existing operating cost and space management can provide insights into how to improve operations now and identify future improvement opportunities.

⁴ "Strategic Facility Planning: A White Paper, developed by the International Facility Management Association and available for download at http://www.ifma.org/docs/knowledge-base/sfp_whitepaper.pdf.

Phase 2 -Where you are headed –

Developing future staff and space needs within the context of various “scenarios” (multiple futures) develops options and focuses evaluation efforts on decision-making. A facility “Vision” and “Guiding Principles” can be developed to aid corporate governance and guide future decision-making.

Phase 3 - How to get there -

Determining the financial impact of scenarios. Analyzing the financial difference between scenarios and identifying potential benefits beyond pure financial impact, help to clarify the best path moving forward. It should be pointed out that in facility planning the difference in Net Present Value between the scenarios is the most important financial factor in evaluating scenarios.

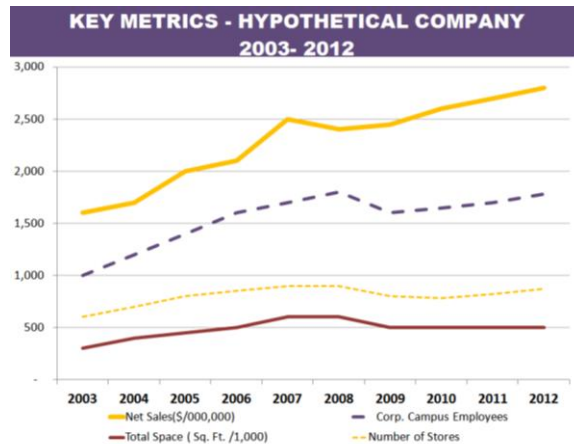


Figure 2 – a “combined graph” showing the relationship in changes in Net Sales, Total Space, Corporate Campus employees and Number of stores. Graphs of this type support “Strategic Thinking.”

Phase 4 - Consensus Building – Soliciting feedback from a diverse set of stakeholders elicits a wide range of questions that come from different perspectives. Answering these questions helps target the best scenario and provides for a stronger business case. After the appropriate amount of “Strategic Thinking,” Facility Managers can develop their Value Proposition.

STRATEGIC THINKING

(How you think – No particular Order)

Systems Thinking – Every Facility Manager operates in a “Facilities” operating environment that is similar to other Facility organizations. Their core business, however operates in an environment that is unique to their industry. Benchmarking facility performance can lead to better performance for the Facilities Department.

Intent Focused – A facilities “Vision” and “Guiding Principles” are examples of tools that organizations employ to systematically shape future decisions in a particular direction. The General Services Administration’s number one Guiding Principle has been “Use what you have first.” This guidance is easily understood and directs facility decision-making, regardless of who is in a position of authority.

Intelligent Opportunism – Traditional lines of thinking reinforce how to make the most out of limited resources and current opportunities. Intelligent Opportunism embraces concepts not at the center of organizational consciousness. Instead of focusing on a five-year struggle to reduce facility operating costs, a Facility Manager may ask “why not move to a lower cost facility?”

Thinking in Time – is a process embedded in the first phase of Strategic Facility Planning process where changes in Key Metrics over time are plotted and evaluated. Understanding the relationship between these metrics (like sales volume to the number of staff at the corporate HQ), coupled with intelligent opportunism and other ways of Strategic Thinking can help identify creative ways of looking at the future that may be of benefit to the organization (see Figure 2).

Hypothesis Driven – Strategic Facilities Planning provides a process for asking the question “what if?” (see Phase 3 – how to get there). By studying the answers to multiple “what if” questions, Facility Managers can understand the financial implications, schedule impacts and intangible aspects of various courses of action.

The Decision Making Process

Decision making is both science and art. Decision making is knowing if to decide, then when and what to decide. It includes understanding the consequences of decisions. Decisions are the means by which the commander (decision-maker) translates his vision of the end state into action.⁵ Facility Managers can take away specific process improvement ideas from the Military Decision Making Process and Agile Software Development Process.

Military Decision Making Process

The military decision-making process is a proven analytical problem-solving process that can be compared (generally) to the Strategic Facility Planning process in that both are analytical processes. The military process relies heavily on quickly incorporating reconnaissance into already developed plans (called courses of action) to deliver “modified” plans (assuming assumptions are still correct). This develop/reuse strategy is essentially what we are proposing for the Strategic Facilities Planning/Strategic Thinking process for today’s unique business environment.

Some of the best practices that can be learned from the Military Decision Making Process include:

- **Plan Assumptions** – List all plan assumptions and where they are used in calculations for each scenario. Identify conditions that are assumed over the course of financial analysis. List conditions that would invalidate the plan or financial analysis.
- **Scenario Analysis** – As mentioned previously, the absolute cost for capital spending should not be the deciding factor when evaluating plans, but the difference in Net Present Value (includes both Capital Investment and Operating Cost) between scenarios should be the major financial analysis criteria. Other best practices for evaluating scenarios include:
 - **Suitability** – as conditions change is the economy, the ability of a scenario to meet original objectives changes. Check to make sure that the assumptions (i.e. discount rate) and business environment have not changed from original plan.
 - **Feasibility** - if, after a period of time, a plan is re-examined, does it still have the ability to meet objectives? The most important change over time is the availability and price of real estate. Make sure previous assumptions have been adapted to the current market.
 - **Acceptability** – when a plan is re-examined, are the magnitude of expenditures and type (capital vs. expense) still within current limits of acceptability?
 - **Distinguishability** – are plans distinguishable from each other with the passage of time?
 - **Completeness** – if previous plans have been adapted, are they complete?
 - **Avoid** – drawing premature conclusions and gathering facts to support such conclusions
 - **Decision Points** – if there are specific time constraints, decision points must be identified and emphasized when presenting to executives.
 - **Brainstorming** – soliciting input from a variety of team members yields the best results when developing and evaluating scenarios.
 - **Decision Matrix** – seeing all the relevant information at one time, in a matrix or “dashboard” format allows the brain to process more complex information, faster.

⁵ U. S. Military Decision-Making Process, reference http://www.au.af.mil/au/awc/awcgate/army/fm101-5_mdmp.pdf

Agile Development

Both Software development and Strategic Facility Plans have traditionally been driven by “top down” instructions. FM’s should learn from the Agile Software Development Process about how to develop and implement a plan that is fluid and which can be quickly changed as the business environment changes.

One of the problems with traditional software development, often called the “heavyweight waterfall method” was that the process was top-down, regimented and micromanaged. Agile Software Development methodology⁶ evolved slowly in the last half of the twentieth century as a better way to work. A compilation of major aspects of the approach was released in the “Agile Manifest” in 2001, which included the following: *We have come to value: individuals and interactions over processes and tools; working software over comprehensive documentation; customer collaboration over contract negotiation; responding to change over following a plan.*

There are many characteristics of Agile Development that can be applied to the Strategic Facility Planning Process because they both embrace a process, and set forth ways of working in a rapidly-changing business environment. Specifically some of the ways both processes add value is through the interaction of people through processes (ref. Figure 3), customer collaboration (i.e. reference emerging role of “occupier advocate”⁷ – someone who is more concerned with the people rather than the building), and responding to change instead of blindly following “the plan.”



Figure 3 – War Room facilitates the art of Colocation (placing multiple entities in a single location) – Strategic Facility Planners, Facility Managers, Project Managers, Furniture Managers, Financial Analysts and Real Estate professionals work together to develop an adaptable plan.

Conclusion

In today’s business environment Facility Managers are faced with a significant degree of uncertainty. While many FM’s have vacant space, the most likely scenario for filling the space or needing extra space will not come from incremental headcount growth, but from a merger or acquisition – a “wildcard” if you will. By developing an adaptable Strategic Facilities Plan, employing “Strategic Thinking” and embracing the collaborative characteristics of Agile Development, Facility Managers can rest assured that they will be able to identify their value proposition and quickly adapt the plan to changing circumstances.

Strategic Facility Planning is a knowledge management and analysis process that supports Strategic Thinking. **With the right steps in Strategic Facility Planning, Strategic Thinking will flow as a natural result. They support each other.** Strategic Thinking identifies a gap between the present and potential better futures. Strategic Facility Planning provides a process and framework for analysis that opens the mindset in an organization, and this in turn creates value in the core business, whether in the Public or Private sector.

⁶ Agile Software Development – reference Wikipedia.org, http://en.wikipedia.org/wiki/Agile_software_development

⁷ Occupiers Journal publication “Work&Place is available at – www.occupiersjournal.com