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10 Questions to Identify How Well Your Facilities Support Your Business

Buildings are the largest capital investment for many organizations and one of the largest annual expenses as well. How well do your buildings support your business objectives?



Introduction

Many organizations do not approach the management of their buildings as an integrated part of their overall business. Sometimes property decisions are made in isolation; other times property is just taken for granted until a problem becomes too big to ignore. A lot of the advice available from consultants is based upon one dimension of a facility – as a real estate asset, architectural building, or property to maintain. While these are valuable perspectives to incorporate, but the first and most important perspective to take is that of your facility as a business enabler.

This whitepaper will walk you through a sequence of questions that lets you evaluate your facilities from a business perspective.

First, a definition of how we use these terms in this whitepaper:

“Facility” means one or more buildings, sites or other property used for business purposes.

“Business” means any organization such as for-profit company, not-for-profit organization, government agency, or educational institution. Business purposes are those activities that advance the organization’s objectives.

The Questions

1. Is This Facility What You Need?

This is the first and most important question. If you don’t need the benefits provided by the facility, it doesn’t matter how nice it is, how valuable it is, or how well it’s run. You are better off “cashing it in” for something that is more useful to your business.

So having a clear understanding of your facility needs is the first and most important step you should take. Typically, facilities provide spaces needed by an organization for their workers to work, to store their materials and equipment, or to provide a service. Reducing your facilities to just what is needed is the overall best way to reduce cost.

You can do a Facility Needs Assessment to identify your space needs. Consider how these needs will evolve with likely changes in work practices and technology.

2. Is This Facility Strategically Located?

Like the first question, if the answer to this one is not “yes” then chances are you need to relocate regardless of the specifics of the facility itself. Some types of facilities are not very sensitive to location while it can provide significant value or challenges for other business operations.

The key issue of concern is whether there is some business value related to location: market exposure for retail sites, efficient transportation access for manufacturing sites, specialized labor markets for R&D facilities, etc.

Geographic analysis is more available than ever before and location analysis can often identify substantial potential savings opportunities.

3. How Does This Facility Fit Within Your Overall Business Plan?

The next question to ask is one about direction – the “big picture” of this specific facility? Do you expect it to remain relatively stable for many years or will it be subject to major changes due to a foreseeable shift of program, product line, market transition or other business cycle? Should it remain in prime condition or will it still be useful if you let it degrade? Does it need to have a high service level (repairs and cleaning)?

There is no inherently right or wrong answers to these questions – they depend entirely upon how this facility fits with your business objectives. However, if you (and your staff, and your budget people) are not clear about these criteria, you will have to manage ongoing conflicts between competing projects and budget requests.

4. How Critical is This Facility to Your Daily Business Operations?

Now that you know how this facility fits into your plan, it is time to address tactical issues. How critical is this facility to your business –what happens if it is unexpectedly unavailable? If you determine that the loss of this facility presents a major disruption to the organization, it is worth doing a risk assessment and some contingency planning.

Risk assessment looks at the potential causes of building failure (or damage) and identifies measures to lower their probability or mitigate the impact. Contingency planning identifies timely alternative or “backup” measures that you can use in the event of a facility failure. Both of these measures can be viewed as a type of “insurance” and should be consistent with your other risk management programs.

5. What is the Condition of This Facility?

There are many dimensions of a facility, all of which can be assessed depending upon your needs and available resources. As a practical matter, preliminary level audits are recommended to identify “order of magnitude” with more detailed assessments as required.

Condition assessments often include:

- Code compliance and life/safety measures (fire, storm, seismic...),
- Building structure/system capacity & efficiency,
- Building structure/system age & projected lifespan,
- Energy usage & efficiency,
- Space utilization & efficiency,
- Sustainability related measures and practices.

The condition of a building impacts your use of it whether you own it or not. System failures can disrupt your operations. Other problems such as inefficient space utilization and poor energy efficiency will increase your costs and lower your business productivity.

6. What is the Appropriate Investment Plan for This Facility?

Based upon the long term direction (question 3), the criticality (question 4), and the known condition of the facility (question 5), you can now determine the appropriate investment plan for the facility over its anticipated life. Critical facilities with condition issues may need immediate investment; less critical facilities in good condition might need attention later.

Rarely does a zero investment plan for a facility makes sense for more than a year or two, but many organizations defer spending when budgets are tight. As an ongoing practice, deferred investment typically results in overall higher costs since emergency repairs cost significantly more than the same repair on a planned basis.

When you have a facility that will require major investment, you should always consider the option of relocation. It may not make sense to invest more into a building that it is worth (as a real estate asset). Often it costs less and is less disruptive to business operations to relocate instead of renovating around day-to-day operations.



7. Are Improvement Projects Consistent with the Plan?

Large building project typically have enough visibility to be aligned with the business need. However, in some organizations small projects may or may not be coordinated, reviewed, and managed. Projects as “simple” as adding walls may not be consistent with the building strategy and can lead to inefficient HVAC system operation and disjointed building configurations.

Equally problematic can be a lack of proactive improvement projects when warranted. One-for-one replacements of failed building equipment are often done on an “emergency” basis with little or no review of what size equipment is really needed. This frequently results in the wrong equipment with corresponding wasted cost for construction and/or operation. Efforts to plan and coordinate minor projects can provide synergistic value from modest investments already in your budget.

8. Are The Facility Operations As Planned?

It is easy to think of facility operations as just the annual expenses or number of problems and complaints. However, facility operations impact two of your largest expense items - employees and energy - underlining the need for proper performance.

The best run facilities have more than half of the O&M on planned/preventive work (vs. reactive) and regular commissioning to confirm that the systems are operating properly to provide productive and energy-efficient work environments. This is even more important for sustainable buildings.

Your strategic plan for this facility (question 3) identified the appropriate service level – this should apply to cleaning, maintenance, repairs, and other building-related services.

9. Can You Easily Track and Monitor Facility Status and Activities?

There are lots of facilities software systems that provide valuable data and process automation, including:

- Building system controls and energy management systems provide “real time” information from sensors and meters. More advanced systems now are network based and send notifications for items needing immediate attention.
- Various CMMS, CAFM, IWMS systems can route service requests and track work completion and space utilization within your facility. More advanced systems include asset condition and capital planning capabilities.
- General business systems that track schedule & budget for project work and general operations can provide regular variance reporting for course correction.

Your organization probably already has these systems and should make the key performance indicators available to the right people for timely action.

Tracking measures allow comparative review of your facilities performance across a number of dimensions: service levels, operating cost, space utilization, facility condition, energy consumption, water usage, and waste stream volume. Formal benchmarking is easier than ever and lets you identify potential action areas.

10. Is This Facility Aligned with Your Sustainability Goals?

Sustainability goals can easily be incorporated into the other 9 questions, but is added here since sustainability programs in many organizations are outside of facilities management.

In fact, the organization's culture has a huge impact on the successfulness of any "green building" program. Many aspects such as energy conservation, water conservation, and recycling depend upon the behavior of building occupants and are not directly part of facility operation. Travel to/from a building can also be substantial if your business has a significant field force and a location analysis can identify substantial reduction opportunities.

"Green buildings" can be a significant part of an organization's sustainability program. Efficiency often has both a financial and sustainability payback. Still, ongoing effort and executive support are required to maintain these benefits.

Conclusion

Some of these questions may seem obvious; often that is the value they offer. They are also broadly stated here so you will need to tailor them to your situation. Regularly considering questions like these will help keep your facilities in better alignment with your organization's need. As simple as these questions are, they help you better understand your facilities assets and operations, and identify areas that may need more attention.

RAL Location Strategies helps organizations understand the value of their facilities to their core operations. We can help you take a strategic perspective of these assets, identify opportunities, and develop specific initiatives to get the best value from your property portfolio and facility operations. Contact us at 800.362-3708 or visit our website (<https://ralstrategies.com/articles/>) for more free tips and resources.