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A Strategic Facilities Approach for Mid-Size Organizations

The approach outlined here can be used by any organization to take a strategic (business-like) approach to how they plan and manage their facilities (real estate property).



Overview

Facilities (buildings and grounds) are a large part of the fixed overhead costs for any organization. Many mid-size organizations have multiple facilities, often of different types, but do not have a single function (or partner) devoted to planning and managing them. This can result in poor alignment with the organization's goals, limited financial management of these significant capital assets, uncoordinated decisions on investments, operational inefficiencies, and high operating costs.

Because decisions and costs associated with facilities are typically split among several different departments, coordination and visibility is difficult. In addition, facilities are rarely viewed as either a "profit center" or strategic business assets, so they may not get the same management discipline that goes into other parts of the operation.

This is both potentially wasteful for the organization and easy to correct. Your facilities need to be viewed by key decision makers as business assets, and leveraged for maximum value rather than just a necessary overhead cost. This will be particularly true as technology continues to displace and change the need for and nature of physical space.

Approach

Here is a simple strategic (business-like) approach you can use.

Understand Your Strategic Business Priorities

It is an often overlooked premise that the only reason you have facilities at all is to help the organization accomplish some business objective. Your facility planning and management should start from the same set of objectives and constraints as every other part of the operation.

- Are you in a growth mode? If so, will a shortage of facilities hamper the ability for your organization to hire or produce?
- What are the key challenges and opportunities for your organization? How and where do (can) facilities provide a competitive edge in these areas?
- How dynamic is your industry/market going to be over the next several years?
- Do you need to focus on operational efficiency to minimize overhead costs?
- Are you capital constrained?
- Does your organization have specific sustainability goals?

Understand Your Situation

The place to start is to explicitly document where you stand today, in terms of your existing facilities, known needs, and associated resources.

- What facilities do you have (control = lease or own) and where?
- What is the “total cost of ownership” and the asset values for each?
- What type, size, and condition are they?
- How are they currently utilized?
- How well do they meet current and projected facility needs?
- What is the ongoing operating (expense) budget for all related activities?
- What degree of capital funding is available, and when?
- What staff and supplier expertise is available?
- How well defined are facilities-related business processes?
- What data sources and systems are currently used?
- What are the known problems in resources, process, and data?

Identify and Evaluate Potential Alternatives

All planning is an exercise in identifying alternatives and selecting the one(s) that provide the best combination of risk and reward. Here is a list of six types of alternatives that we suggest you explore.

- Start with “do nothing” or “stay the course” as your baseline.
- Identify options for incremental improvement.
- Identify options to mitigate risk.
- Identify options where your facilities provide competitive value for the organization (location, space, image, efficiency, etc.).
- Identify options to address space needs.
- Identify options to address financial needs (capital and operating costs).
- Identify data and processes that enable efficient and effective facility operations.

Develop (and Implement) an Action Plan

You can identify a set of actions to get from where you are today to the selected alternative “target state” for both your facility assets and facility operation. Some of these are bound to be no cost/low cost things that you can start right away. Others are likely to be difficult or expensive, so require some planning and scheduling.

Like all action plans, the single most important benefit of having a plan for your facilities is to coordinate various investments and activities towards a common “target state.” Then things that come up outside the plan can easily be seen and added to the plan in the appropriate sequence. In any event, the action plan needs to be revisited on a regular basis as both your situation and business priorities evolve.

Guiding Principles

Here are some principles used by many organizations for effective facility management.

Prioritize: Split your needs/portfolio into two groups: business critical and commodity.

The business critical stuff includes things so important that if you didn't have it the very integrity of your organization would be in question, as well as things so specific to your needs that you cannot readily find a similar replacement elsewhere. The “commodity” stuff includes anything that if lost just costs money to replace (does not matter if important – executive offices are commodity space) and things that are readily available in the market. Have all appropriate risk management and contingency plans for critical items.

Minimize: Have what you need, but just what you need.

You need adequate facilities based on your organization priorities, but consider a rolling 5 year time frame. Most of the time you want to own just enough property for right now, and use leases for space that will grow or shrink over time so your organization can be as nimble as possible.

Conserve: Maintain assets to preserve their value, their function, and sustainability.

A common mistake is using a “run-to-fail” approach unconsciously. Property assets typically have much longer physical lives than functional ones, so well-maintained properties usually hold their financial value and can support evolving uses over time with prudent investment. Proper maintenance is especially important for sustainable facilities.

Systematize: Establish and communicate processes for facility operation and changes.

The facilities support/providers and facility users/occupants should have a common understanding of their respective responsibilities and expected service levels for day-to-day activities. Similarly, a formal process for changes to the facility are important to avoid unwise and uncoordinated investments.

Be Smart Enough: Adopt suitable technology for situational awareness and operational efficiency.

There is an ever increasing amount of data and technology available to help you understand the condition of your assets and operate them efficiently and effectively. Use as much as possible provided there is a positive ROI and it makes things simpler.