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# Facilities Won't Count

And other predictions of how change that has already occurred will impact your enterprise, facilities and career

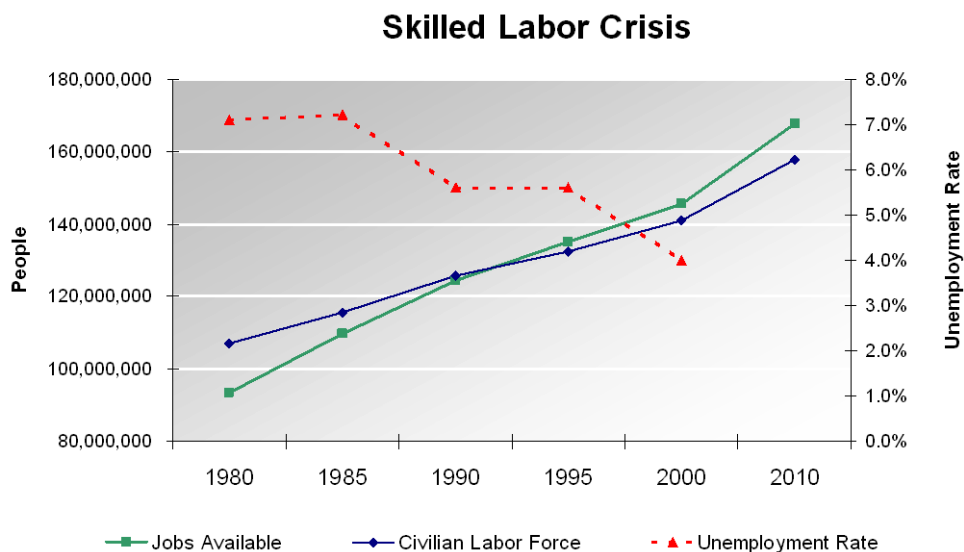
Sunlight filtered through the swaying canopy of trees and danced on the grass like specs of light on a babbling brook. Dew glistened on the ice-filled tea glasses as children frolicked in the yard. The whoosh of the breeze and children's voices faded as Uncle Nat, the family's foremost storyteller, beckoned the adults around for a family lesson. The topic was change. The setting was Baltimore in the early nineteen fifties. "I was the luckiest guy alive. I had it made. Before the War, even though I had a degree, I worked in the ship yards in the hardest and lowest paying jobs as a day laborer. I still thought of myself as a football player and sailor, yet there I was, a decade later, selling steel to the largest corporations in the world. You have to realize that in those days the water front wasn't like it is today. It was absolutely teeming with people. The streets were constantly jammed with traffic and you had to walk great distances from your car to your next appointment. One day I stopped in one of those classic stainless steel diners for what we called fast food. I sat down at the counter and the ceiling fan sure made it feel like I was in an oasis. Then, just like it happens in the movies, the guy sitting next to me at the lunch counter says "Psst.... Hey buddy, ya wanna tip? Uncle Sam's gonna build these superhighways everywhere!" Uncle Nat replied, "maybe that will relieve some of the congestion around here!" "No, No No" replied the tipster. "Ya gotta look to the future and see what dat impact will have on businesses, then invest your money in the firms that will benefit – oil companies, the new type of hotel they call a motel!" My Uncle said that was very interesting and continued to work on his hand shaped, hot-off-the-grill hamburger. "My point is that if I had really paid attention to what the tipster said my life could have been radically different. I might have invested in oil stocks. I might have changed jobs to a industry that would experience dramatic growth. Who knows, if I paid attention, we might be sitting at my house on the beach that I don't have. Things are changing faster now and you kids (meaning us adults) can't afford to make the mistakes I made because your career could be over before you know it." Everyone was subdued after his story because everyone knew what he was talking about and was deeply involved in a world of perplexing, often unpredictable change.

After our family get-together, I didn't ponder the future or even think about it too much – times were good - it was the nineties. Then, when preparing for a recent strategic planning retreat, I came upon an old article written by Peter Drucker called "The Future has Already Happened,"<sup>1</sup> where he persuasively argues that the declining birthrate of western industrial nations is something that has already happened, is being ignored by government and business leaders and will shape the future, much like the baby boom set the tone in the post World War II era. A recent read and current business best-seller, Impending Crisis – Too Many Jobs –

Too Few People,<sup>2</sup> reinforced Drucker's hypothesis (see graph 1). Co-author Roger Herman explains:<sup>3</sup>

Employers in the United States are in trouble and few realize it. They continue to aid and abet corporate homicide by supporting outdated systems and philosophies that inhibit organizational stability and potential. Consider, for example, an executive compensation system that rewards temporary, short term stock price spikes with stock options. CEO's win kudos and huge rewards for cutting costs and labor. Cutting people can destroy the essence of a corporate community. Unfortunately too many business leaders do not realize – or chose to ignore - that in the long run, employers that take care of their people are the most profitable.

The climate for business is changing. Merely paying attention to the day's weather obscures the view of the climate. Leaders need to move to a higher level of perception, where they appreciate the importance of human capital. Until the mid-1990's, there were always more people than jobs. The labor shortage of the late 1990's gave employers a taste of what is coming over the next few years. This decade will be even more challenging; every type of enterprise will face a critical shortage of skilled workers.



**Graph 1** – Source: Impending Crisis – Too Many Jobs – Too Few People (used with permission). This graph illustrates the changing balance between jobs and skilled workers in the U.S. In 1980, there were 7.6 million more people than jobs, while the U.S. Bureau of Labor Statistics predicts there will be 10 million more jobs than people at the end of this decade.

“Fair enough.” So what's the impact on facilities management? Plenty. The intersection of the “People” “Place” and “Process” circles (see Figure 1), that define facility management are a good starting point for looking at how the

world has changed. In the 1990's "Place" increasingly held prominence (see Figure 2) as standards, efficiency and vast arrays of "cubicles" came to define the workplace that was mocked in the comic "Dilbert." Technology automated many FM tasks from maintenance management to strategic planning and superceded "process" as a leg of the stool. Technology continued to increase in workplace importance throughout the nineties with the growth of the connected workplace and implementation of numerous Y2K technology initiatives (see Figure 3). As this decade progresses, the importance of "Place" and "Technology" will diminish as corporations, governmental agencies and non-profits begin to focus attention on "People" and become aware of the challenges they will face in developing their human capital.

### The future enterprise

Some might question the continued validity of the job growth projections but another trend<sup>4</sup> all but ensures continued economic growth for at least the rest of this decade. It seems that Americans spend the most when they reach age 49, and the sheer number of Baby Boomers that are passing through this age bracket was a driver for the economic growth that started in the early nineties and is a force that will drive continued growth. This confluence of two enormous trends (demographics and spending) is unprecedented and will shape the future enterprise.

Corporations are starting to take a longer term earnings focus in the wake of recent scandals. Changes in corporate governance, executive compensation and dividend tax law changes will strengthen this emergent trend, which will have a tremendous impact on facility managers. FM's will have to gain new skills and competencies to transform their strategic facilities plan from space forecasts to strategic documents that are physical roadmaps, showing how people, place and process will support the enterprise (use of the word enterprise includes for profit, not-for-profit and governmental organizations).

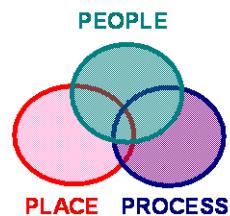


Figure 1 - Traditional FM Model

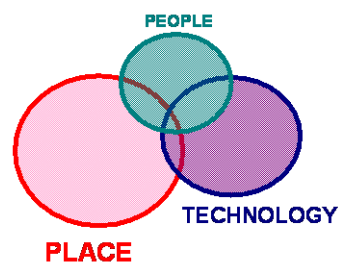


Figure 2 - FM in the 1990's

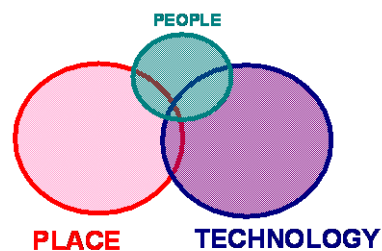


Figure 3 - FM Y2K

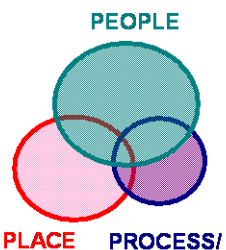
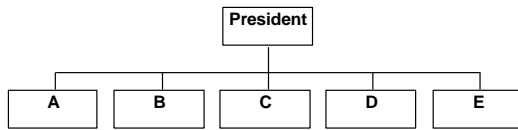


Figure 4 - FM 2003 - 2010

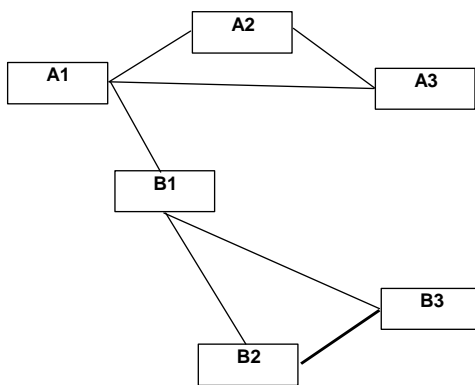
The organization of the future won't look like past models or even like today's "flat" enterprise. The organizational chart, a fundamental tool used by facility managers and designer in developing projects, reflects the industrial age approach to command and control management where information flows in one direction (See Figure 5).



**Fig. 5 – Industrial Era Org Chart**

In the future, knowledge will provide the enterprise with a competitive advantage. While data is found in computers, knowledge is found in individuals and communities of practice.<sup>5</sup>

Knowledge flows through a vast array of information channels. Organizational success will come by improving the relationships between the business and the marketplace, and between employees and internal groups. Use of sophisticated tools like Organizational Network Analysis will begin to complement "adjacency diagrams" and other tools of today. Valdis Krebs, president of OrgNet, explains; " Organizational Analysis (ONA) uses rigorous systems analysis to reveal behavior in the organization. ONA tells you how things get done and executives can consult these charts in the same way a doctor uses X-rays to see what is normally invisible. Organizational Network Analysis can



**Fig. 6. Organizational Communication Network** – This chart shows communication between individuals in two groups. In this diagram, the boxes represent people and the lines represent communication links. There are three individuals in Group A and three in Group B. Note that all inter-group communication (lines) occurs between persons A1 and B1, which may be good or bad depending upon needs. This is an oversimplified representation of Organizational Mapping, which is used in Organizational Network Analysis. This type of analysis can elevate architectural programming to a new level if used properly.

show many of the things that are critical in today's connected economy: the location of core competencies; key business relationships that connect the business to the marketplace, experts and influencers and the diffusion on innovation and new ideas."<sup>6</sup> Today's focus of the Organizational chart is the

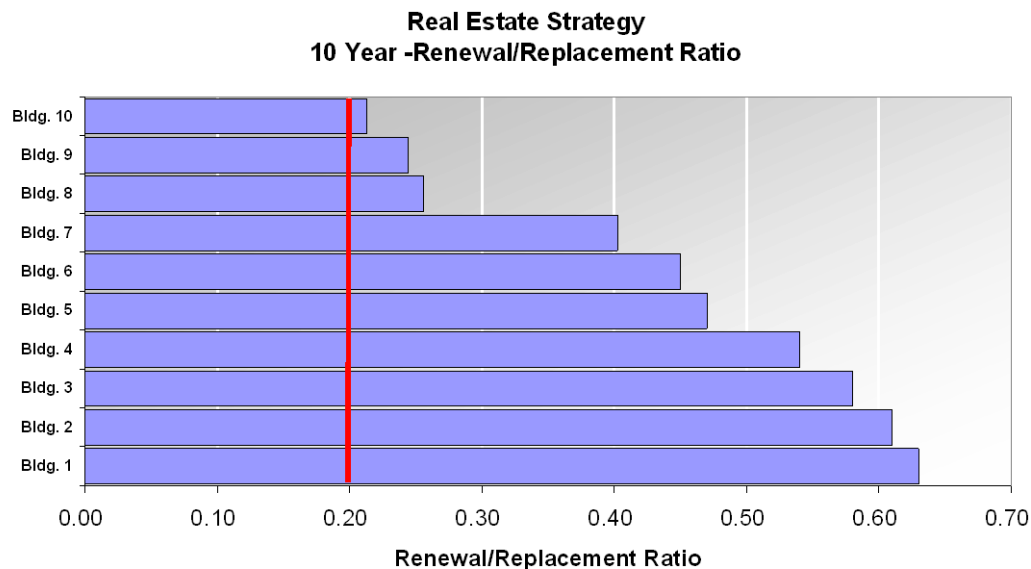
boxes. Tomorrow, enterprises will focus on improving the performance of the links between the boxes.

### **The facility management future**

The implications of the present on the future of Facility Management are staggering. Not only will FM's have to support an enterprise struggling to re-invent itself, but their own department will be a microcosm of the economy, complete with labor shortages, new waves of radically different employees and changing customer expectations. Architect Robbie Cook<sup>7</sup> thinks the only way facility managers and architects will be able to cope with the disorienting effects of the accelerating rate of change is to have a clear vision of long term purpose and direction and a total change in problem solving approach. I agree.

The task of re-inventing the workplace to support the newly re-invented organization will be daunting, simply because most facility managers already occupy most of the space they will have at the end of the decade. Winston Churchill once said, "We shape our buildings and thereafter they shape us." FM's manage an incredible infrastructure investment that shapes the enterprise and it must to change to support unknown future demands. Sounds like an impossible task – but its not. Consider the use of two major FM planning tools to help the transformation – the strategic facilities plan and the facility renewal budget. To fully support the "people" side of change, these documents, and their corresponding processes, must be taken to a higher level of performance, much like the elevation in complexity when moving from a game of checkers to chess.

Take the facility renewal plan<sup>8</sup> as an example of transforming a tactical document to the strategic perspective. There's nothing strategic about a list of maintenance or renewal projects for the coming year. However, it is possible to make-over the process. By developing a ten-year plan (system life cycles are readily available), then dividing renewal needs by replacement value, a ratio for each facility can be developed. Ratios can be compared with a benchmark renewal level. Higher ratios indicate a backlog of renewal work or the need for a major renovation.



This graph shows how the ratio of renewal cost to replacement value varies by building. Ten-year capital renewal needs were divided by the facility replacement value to determine a ratio for each building. The 10-year benchmark ratio is .25, which works out to an average ratio of 2.5% per year. The 2.5% benchmark represents the annual portion of the building that is “consumed” or “depreciated” in each of the projected 40 years of useful building life. Capital spending for buildings that exceed the ten-year benchmark ratio should be studied carefully to determine whether future investment is justified. For example, Building 2, has had little investment over the past 24 years and many systems are approaching the end of their useful life. The 0.60 ratio is justified in the case of this building, which is the corporate headquarters. Building 1 also has an approximate 0.60 ratio, however, continued investment in this building may not be justified due to its size, location lack of parking and other negative features that might lead to a “dispose” strategy.

If the primary focus of your strategic facilities plan is to forecast space needs, you might consider making it more robust by including “people” and “process” issues in your next update. What if you recommend a new facility in a certain location, and five years from now you find that you can’t support additional growth at that site because the labor market in the area has dried up? What if your existing facilities are in the wrong town, that can no longer attract the best and brightest professional and knowledge workers (note: younger workers pick a place to live, then a job)?<sup>9</sup> These and other questions can be incorporated in scenarios where they are evaluated with discounted cash flow models for executive review. Developing a more comprehensive strategy tool kit<sup>10</sup> is yet another way to take your competencies to the next highest level.

The convergence of trends will impact your department. If the need for new facilities slows or stops, and your bread and butter has been expansion, shouldn’t you evaluate new competencies that you need to plan and execute renovation projects that will support development of human capital as well as facility renewal? The Bliss-Gately<sup>11</sup> tool, for example can help facility managers answer

questions like “does the true cost of employee turnover at this location warrant some type of facility intervention?” Look for future efforts to improve the effectiveness of the individual and organization to integrate a cast of specialists who have operated independently, but who will soon have to work together; CEO, human resources head, organizational designers, network mappers, resource planners, change planners, human resource consultants, facility managers and designers.

### The future workplace

Enterprises will most likely favor one of four approaches to dealing with the impending labor shortage:

- **Place** – Physical location will become increasingly important in recruiting and retention.<sup>12</sup> Younger, more highly skilled workers value a community more than an employer. It's no secret that the Boulder, Colorado region was a big winner in the last economic growth spurt as high tech companies purposefully relocated to that region to attract the best and brightest next generation hi-tech workers. Some employers will help revive a second generation “dot com” look as a part of facility renewal, but research shows that only 21% of employees consider the physical workplace at the top of their mind in deciding to accept or reject a job offer, and only 41% listed “physical workplace” having any impact on their decision.<sup>13</sup> For some people, facilities don't count.
- **Technology** – in the core business, some companies may chose to supplant human work with technology. The classic example is the dwindling number of bank tellers who are being replaced by cash machines; however this trend will extend into the office workplace. From a FM's standpoint, this is the easiest strategy to support.
- **People** – Some companies may actually decide to gear up investment in human capital and support learning, training communication and change. What changes to your workplace will support efforts to build Human Capital? What changes to your workplace can you anticipate if you get a new CEO who want to transform the company by walking around and being a “jazz instructor” versus his predecessor's role as a “symphony conductor” Regardless of whether a company adopts a people-oriented future, you will most likely see a gradual move away from the “cube farms” of the comic strip Dilbert towards a more flexible workplace that can be personalized (within bounds).
- **Wait and See** - It takes 18-60 months for an enterprise to develop a workplace that uses human capital as a strategic advantage.<sup>14</sup> Author Roger Herman sees enterprises that wait as the big losers in the war for talent, because it's not possible to play catch up or significantly accelerate the process of developing human capital.

**Do facilities count? The following table illustrates opportunities for leveraging facilities to support enterprise-wide objectives:**

When Facilities Count	When Facilities Don't Count
Merger/ Acquisition	Business as usual
Implementing a "new culture"	Mature or static industry
Significant change in the business (i.e. growing from a "small bank" to a medium sized bank)	When facilities far exceed industry standards
Reorganization for downsizing with consolidation	
Employee recruitment	
Creating a new image	
New work processes	
New human resource practices	

### Developing an action plan

Developing your human capital requires a different process than a typical, technical facility project. "Soft skills" like reading, discussing and strategizing will be critical in developing your department's human capital and supporting efforts of the enterprise and of your contractors. Steps could include:

- **Disseminate** – share this article and the publications mentioned in the end notes with key members of your organization
- **Integrate** – comments from your key organizational members into an assessment of where you stand now and where you will be in the future.
- **Communicate** – more widely within your department and with your contractors and clients the key issues that will be impacting your organization's future
- **Evaluate** – the gap between your desired state and the path you are on. Identify what you need to do differently, and what resources you will need to accomplish your mission in the future. For example, how will you successfully make the transition from cost control to supporting the development of human capital? What resources, education or training do your employees need?
- **Elevate** – to your executives your vision, goals and needs. Discuss not only your organization's needs but those of the enterprise and how you can help.

Facility Managers can show leadership with respect to developing human capital by developing a plan for their organization and relating their plan to future initiatives of the enterprise.

### Conclusion

Executive involvement in shaping the enterprise of the future will differ from the past where many decisions involved "big bet" capital expenditures like new manufacturing lines or office buildings where implementation was handed off to facility managers. Decisions were made after levels of uncertainty about competitor's plans, the market place and regulatory threats had been

addressed. This pattern will change for enterprises that begin to recognize and invest in their human capital. A comprehensive plan for building the best workforce will be needed because unlike fixed assets, people can walk out the door and never return. Executive leadership will be crucial to transforming organizations and executives will transition from the role of a conductor, standing on a pedestal, away from the orchestra, to that of a coach or teacher working in the midst of an improvisational jazz workshop.

The title of this article is "Facilities Won't Count." It's a bold statement, but for many enterprises, it will be true. Consider the tale of two hospitals.<sup>15</sup> Let's call one "The Coolest" and the other "Old Reliable." "The Coolest" was located in the best part of town next to the interstate with an adjacent parking garage, a luxurious executive suite and outstanding curb appeal. "Old Reliable" was a bit worn, located in transition area away from the interstate and employees had to park in the surrounding neighborhood and walk to work. The CEO's office was located near the front door and had glass windows so you could see what he was doing when he wasn't out walking around. You would expect "The Coolest" to have no problem attracting and retaining employees, in the competitive nursing market but that was not the case. So they instituted a program that included monetary rewards for new hires and for those current nurses who recruited new employees. To make a long story short, "The Coolest" still came up short, and "Old Reliable" still was fully staffed. The difference was the transformed culture at "Old Reliable." Their motto was "No secrets, no excuses." They measured performance, distributed daily performance reports to all employees and had superb lines of communication between employees and management. They valued and developed their human capital. For "Old Reliable," the competitive position of their facilities versus their competitor did not matter. The people, culture, leadership and management mattered and provided a competitive edge.

As this decade progresses, organizations in both the public and private sector will respond to demographic changes with the three different strategies mentioned above (people, place and technology). As a facility manager, you can provide leadership to your organization through your strategic facilities planning process and by transforming your annual operating plan to a strategic document. The future has already happened. You know what will happen. You can wait and see what happens in your organization or provide leadership by sharing this article and publications in the bibliography with your team members to begin an internal discussion of the future relevance of your facilities organization, your job and your workplace.

A recent survey<sup>16</sup> found that only 23 out of every 100 people know what they want out of life, only 10 know how to get it, and a mere 2 are willing to pay the price. Will you embark on a journey to find out what you need to do to succeed, or will you wait until you are told what to do? Think about it. You know what the future will bring. You have an idea of how it will impact you and your job. Choosing to do nothing could be the greatest risk of all. What will you do?

### About the Author

Barry Lynch, CFM, AIA helps companies improve both their time to market and facilities performance so that they become more competitive and profitable. By providing strategic facilities planning and management consulting services, he helps leaders of various types of enterprises develop fact-based facility plans, reduce cost, and free up their time so they can focus on their core business. He can be reached at [lynchb@acninc.net](mailto:lynchb@acninc.net)

### End Notes

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<sup>1</sup> Drucker, Peter, "The Future has Already Happened," *Harvard Business Review*, September-October, 1997, pp 20-24.

<sup>2</sup> Herman, Roger, Olivo, Tom, and Joyce Gioia, *Impending Crisis – Too Many Jobs – Too Few People*, Oakhill Press, Winchester, VA, 2003.

<sup>3</sup> *Impending Crisis* co-author Roger Herman was interviewed by Barry Lynch for this article. Roger can be reached at The Herman Group in Greensboro, North Carolina or via e-mail at [Roger@herman.net](mailto:Roger@herman.net)

<sup>4</sup> Dent, Harr, *The Great Boom Ahead*, Hyperion, N.Y., 1993.

<sup>5</sup> A community of practice is a group of individuals that share information in an informal manner. They develop organically, change without guidance and can morph into something different. No one is the leader. IFMA is not a community of practice. A group participating in an IFMA benchmarking project is not a community of practice. A community of practice would be several IFMA members in a chapter, who manage R&D facilities, and who help each other out via e-mail and get together for lunch to discuss business issues. There will be an increased corporate emphasis on communities of practice with the impending labor shortage. Companies will start looking beyond, lets say, the executives in sales and marketing who come up with "the big idea." They will seek to identify and support the community of practice from sales, marketing, distribution, accounting and manufacturing who actually make "the big idea" happen.

<sup>6</sup> Valdis Krebs is president of Org Net and can be reached at [valdis@orgnet.com](mailto:valdis@orgnet.com)

<sup>7</sup> Cook, Robbie, "Facilities Management and Design for the 21st Century," *Site Selection*, March 1999, p. 232.

<sup>8</sup> Facility Renewal is the replacement of building and site systems that wear out over time. New carpet, chiller replacement and modernization of interiors all are part of renewal, while upgrades to systems like improved HVAC controls are not renewal. Facility renewal plans serve as the building block for future capital budgets.

<sup>9</sup> "Talent Capitals: the emerging battleground in the war for talent," white paper available on the Next Generation Consulting web site at [www.hotjobs-coolcommunities.com](http://www.hotjobs-coolcommunities.com)

<sup>10</sup> In the *Harvard Business Review* Article "Strategy under Uncertainty" authors Hugh Courtney, Jane Kirkland and Patrick Viguerie argue that a corporations need to muscle-build their strategy tool kit. Recommended reads include; Paul Schoemaker, "Scenario Planning: A New Tool for Strategic Thinking," *Sloan Management Review*, Winter, 1995; Avinash Dixit and Robert Pindyck, "The Options Approach to Capital Investment," *Harvard Business Review*, May-June 1995; and Arie de Geus, "Planning as Learning," *Harvard Business Review*, March-April, 1988.

<sup>11</sup> The Bilss-Gatley tool calculates the full cost of employee turnover, which is typically 150% or more than base salary. For a discussion of this tool refer to *Impending Crisis*, Appendix B. Available for purchase at [www.hermangroup.com/store/software.html](http://www.hermangroup.com/store/software.html)

<sup>12</sup> "Talent Capitals: the emerging battleground in the war for talent," white paper available on the Next Generation Consulting web site at [www.hotjobs-coolcommunities.com](http://www.hotjobs-coolcommunities.com)

<sup>13</sup> "Why employees stay or go" *Facilities Design and Management*, October, 2000, pp. 46-49.

<sup>14</sup> *Impending Crisis*, p. 274

<sup>15</sup> The story of two hospitals was told by Roger Herman and Joyce Gioia at a book signing in Greensboro, NC on February 11, 2003 and in *Impending Crisis* pp. 209-215.

<sup>16</sup> Meekins, Kay, "No Pain - No Gain," *Bizlife*, March 2003, p. 4.