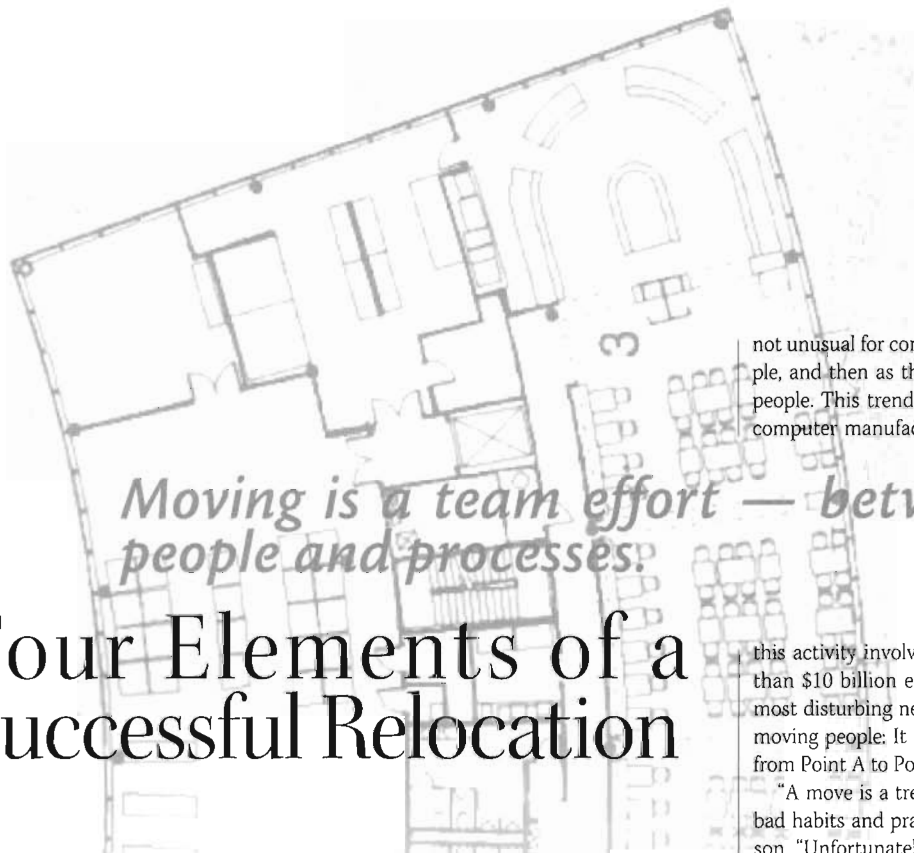
Smart Moves: Doing the Right Thing

Relocating employees requires careful planning and a sense of humor.



FLOOR PLAN: GSI ARCHITECTS INC.

Moving is a team effort — between people and processes.

Four Elements of a Successful Relocation

By Glenn Fischer

One constant seems evident today. American businesses are changing at an ever-increasing rate. Churn rates of 55 to 60 percent are now common compared to 25 to 30 percent just a few years ago.

And churn rates of 100 percent are no longer shocking. A Texas computer manufacturer reports moving more than 12,000 people in one city over a one-year period to accommodate a one-third growth in employment and a 100-percent churn rate. An energy company moves more than 800 people, 40 percent of its employees, over a four-month period.

One driving force behind increased churn is rapid expansion, particularly, among high-tech firms that must ramp-up overnight to bring new products to market quickly. Another is the wave of mergers in industries, such as utilities, accounting, and telecommunications. People are also conducting business differently, according to Alan Whitson, RPA, Newport Beach, CA, a leading expert on business relocation and corporate real estate.

"A trend to work in teams has taken hold," says Whitson. It's not unusual for companies to form teams involving up to 300 people, and then as the project nears completion, ramp-down to 20 people. This trend is particularly prevalent among software and computer manufacturers. "Project cycles are short in high tech," he adds. "People are continuously being moved from one floor to another or one building to another."

Most of the churn is confined to moves within existing facilities. About 15 percent of this activity involves moves into new facilities, consuming more than $10 billion each year in goods and services to do so. The most disturbing news, though, is for all the time and effort spent moving people: It too often yields little reward other than to get from Point A to Point B.

"A move is a tremendous opportunity for a company to shake bad habits and practices that are no longer effective," says Whitson. "Unfortunately, most companies take outdated technology, ineffective work practices, and inefficient workplace design and put them in a new building; then wonder why they continue to have the same problems."

Many problems can be attributed to myopia. "Many approach relocation as a series of step-by-step activities — site selection, design, construction, build-out, commissioning of the facility, move in, and occupancy — all carried out in sequence. Your options to improve efficiencies progressively diminish under this approach," says Whitson.

A better way? Yes, says Whitson, who speaks up to 40 times a year as part of the Smart Moves Seminar series, NeoCon, Alt.Office, and other programs. "Before site selection, you need to step back and look at the big picture and analyze how each step impacts the other. The location of the site will ultimately affect the caliber of employees you can attract. Build in flexibility to accommodate a beneficial change that might not surface until later in the process," he says.

Whitson frequently sees a new option identified during the move planning that could have reduced construction costs or created an opportunity for major improvements in productivity; yet, the project is so far down the road that it makes the changes impractical or politically unacceptable.

Listening to facility executives and move managers, Whitson has identified four elements for successful relocation projects:

- Time.
- Budget.
- Objectives.
- Organization.

These four elements become the cornerstones of a project and underscore principles taught at the Smart Moves Seminar. Guests at the seminar learn how to carry out a process.

Time

When do you start planning and how much planning time is enough? Ideally, when the project is conceived. Early involvement gives you the biggest impact on improving workplace productivity and controlling costs. Projects less than 50,000 square feet usually require six months of planning, while projects over 50,000 square feet often will require a year. Highly complex projects, like R&D facilities, hospitals, data centers, and other special-use facilities, can easily consume 18 to 24 months of planning.

Objectives

Very often, according to Whitson, when someone is placed in charge of a relocation, he or she focuses singularly on the logistics of the move. Yet, a relocation is a window of opportunity for a company to make quantum leaps in productivity and in controlling operating costs.

· *Improve Productivity:* Mundane functions like records management and electronic document storage can have a significant impact upon a facility. A major New York City financial services firm discovered it could reduce the square footage in its new headquarters by 10 percent just by updating its file retention procedures. Conversion from paper and file cabinets to electronic document storage knocked down the square footage another 12 percent. In total, this cut its space requirements by 112,000 square feet at the new facility, an annual savings of more than $3.5 million at today's average rental rates in Manhattan.

When technologies are interconnected, such as electronic document storage and print on-demand, wondrous things begin to happen. Five hundred-page technical manuals are printed only when a customer needs one. No longer are boxes of out-of-date technical manuals consuming valuable real estate. Printing and real estate costs are contained. Client service improves as customers no longer have to deal with outdated technical manuals and missing technical updates.

Combining work process redesign and a workplace that supports workers in doing their job can have bottom-line results. When a major insurance company redesigned workstations to support the introduction of a new work process, productivity was 53 percent higher than in groups where only the new work process was implemented.

· *Reduce Operating Costs:* A relocation also gives a company a fresh canvas for developing and implementing strategies that control or reduce operating costs. Alternative facility strategies, such as telecommuting, hoteling, and videoconferencing, can be integrated into the new facility.

Other options abound during a relocation. Companies can analyze the effect of the size and shape of floorplates on space efficiencies, and select the space that is the most cost-effective based on costs per employee rather than the traditional cost per square foot.

The ability to adapt to change quickly and in a cost-effective manner is another window of opportunity that a relocation opens. Companies are adapting and changing at a faster pace than ever before. Projects and work teams are assembled, completed, and reassigned in days and weeks rather than months and years. When product life-cycles may be 12 to 18 months long, companies want facilities that can be changed overnight or, at worst, over the weekend. Universal floor plans, spline walls, furniture on wheels, movable partitions, raised floors, and zone cabling systems are some tactics astute facilities managers are using to control the cost of change.

Budget

Senior management is often incredulous when told the final cost of a relocation. Even the seasoned executives of one of the world's leading design-build firms gulped when recently told the ▶

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costs of moving to a new facility in Southern California.

One way to make sure you stay on budget is to base costs on the master action plan for the project. This is a zero-based budgeting approach. By identifying every action needed to complete the move, one has identified when and where money will be spent to complete the move. To make the process easier, Whitson suggests breaking the action plan into smaller task groups, such as: construction, movers, consultants, furniture, telephones, computers, employee communications, records management, security, office equipment, and stationery and forms, to list a few.

One area many companies fail to analyze when planning moves is downtime. Disaster lurks here. "Downtime is the cost or the opportunity cost of a business not being up and running," says Whitson. Downtime is an expense few companies are willing to absorb due to the 24-hour, seven-day operating world we live in. "Knowing that number allows a company to weigh risks, costs, and benefits," says Whitson.

Simply stated, downtime is the profit not earned plus the expenses incurred during the period the business is not operating. While profits are relatively easy to figure out, the expense side is a little more complex. Items include salaries and benefits for salaried employees, taxes, insurance, depreciation, and other types of fixed expenses. For Monday through Friday types of operation, divide that number by 240 (the average number of working days in a year). This gives you the downtime cost per day.

Even for a 9-to-5 operation, downtime can be costly. One Los Angeles-based insurance company was shocked to find out that being out of operation just one day would cost $1 million. This information made it easy for the facilities manager to justify buying new systems furniture. The $35,000 premium for the new systems furniture far offset the risks associated with moving the existing workstations, and paying overtime to get them wired into telephone and computer systems over a weekend.

Calculating Down Time

Lost Profits

(Sales – Expenses) / 240 Days = $

Redundant Expenses

Expenses / 240 Days = $

Down Time Costs per Day

Lost Profits + Redundant Expenses = $

Organization

Moving is a team effort for two basic reasons. One, it's not humanly possible for one person to do all the work necessary to plan and execute a move in the time allowed. Second, nobody has all the answers or knows every question that needs to be answered to successfully execute a relocation.

Organizationally, a move team has three parts:

- The Move Committee.
- The Department Move Coordinators.
- Vendors and Consultants.

The Move Committee deals with the company's own organization and interfaces with the vendors and consultants used to execute the move. The committee's role is to define critical issues, get information, set priorities, identify schedule conflicts, provide solutions, communicate information among the company's departments, and share the workload.

To be effective, the committee should not only have a representative from such departments as finance, human resources, manufacturing, telecommunications, and information systems, but the other departments that make a company operate. Whitson suggests the Move Committee be a cross-section of a company. Don't forget departments responsible for shipping and receiving, reprographics, and records management. If a company outsources some of its functions, such as document storage, a representative for that function should also be on the team.

Often not given the credit they deserve, department coordinators are critical to every successful relocation. While the Move Committee deals with the company's organization, the department coordinators deal with its employees. Their job is three-fold. First, they act as the information conduit between employees and the Move Committee. Second, they supervise the purging, packing, and unpacking within their assigned area. Finally, they coordinate the post-move punch list and post-occupancy evaluation.

Vendors and move management consultants also have a big role in successful relocation projects. Besides the obvious — providing goods and services to the company — they provide technical expertise, offer alternative solutions, identify cost savings, act as an information conduit to the outside world, and share in the workload. Think of them not as vendors, but as specialized experts who aren't afraid to ask tough questions that may seem stupid, but are really quite important. Take full advantage of their experience.

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Organization ... It's a Team Effort