White Paper

Using Operations Data to Highlight Total Facilities Costs

A simple internet search on terms such as "improving facilities performance" will generate a lengthy array of both software companies and professional service providers, all claiming to be experienced and capable of reducing costs. As that story goes, just buy their products, adopt their processes, and engage their staff and costs will come down.

There is some truth in this, of course. Any organization that recognizes its challenges in controlling or managing operations and maintenance costs and then making an investment towards correction will most always achieve some measure of success. However, underlying this result (and making no judgements about its sustainability), there is the inevitable consequence of identifying, quantifying and validating what costs are in the first place. Even though our profession as facility managers is maturing and we are surrounded by proven tools and methods, isn't it curious that we still surprise ourselves as to how little we really understand about the true costs of operating our real property portfolio? Let's back up and take a fresh look.

We have all been (correctly) taught that the combined cost of facilities and infrastructure is the second largest line item on an organization's balance sheet. That paradigm holds up in all but, perhaps, heavy manufacturing. So on the surface of this, we could conjecture that leaders in the C-suites of our organizations are attuned to our challenges. Oddly, that normally isn't the case because our executives come to work each day and the lights are on, the restrooms are clean, air conditioning is working and the roof didn't leak…

Therein lies the latent problem. Deficiencies in facilities go unobserved by most corporate leaders (all facility users) and in that light, reducing costs becomes more of a competitive budgeting exercise. We are always fending off the next round of budget cuts as organizations attempt to achieve better returns for investors, compliance with funding mandates and, in general, the widely held sentiment that the facilities folks are always padding their budget requests, anyway, so nobody will feel the pinch if we trim just a little more. It is a reality that we all have and continue to live with. As professionals, we need to be vigilant in our efforts to articulate salient positions, backed up with quantifiable facts to support facilities operating budget sustainment, if not increases, based on predictable outcomes if operations costs are not funded.

As an example, nowhere is this scenario more visible in consequence than in the military. For decades and looking back beyond the Viet Nam Era, true costs of military facility operations were unappreciated and likely under reported or even unknown. This happened regardless of branch of service.

For Fiscal Year 2015, the Department of Defense published in its Base Structure Report that it occupies 276,770 buildings throughout the world, valued at over $585 billion and comprising over 2.2 billion square feet. Reported by location, branch of service and so on, requirements for operations funding were (and are) consolidated upward until a total budget is presented to Congress. However and at that level, the facilities budget competes with the budgets for personnel, combat operations and new weapons, to mention just a few. Because “the lights are on” the facilities budget most always get cut, sometimes by a little and sometimes severely.

Each year, the unfunded work value gets added to the prior year’s amount and it all escalates. But after many years of doing this and now at hundreds of billions of dollars, this total unfunded requirement for facilities sustainment, termed the backlog of maintenance and repair, has become so large that it is all but impossible for Congress to understand, appreciate or correct through incremental budget increases. And, while the military is working to capture and substantiate better budgetary data on operating costs, any improvement will be decades in the making, confounded during unfavorable budgetary environments for all of government. In short, it is a mess and with no quick fix in sight.

Hopefully, our work in organizations is not as financially encumbered. Yet, we all see that unfunded requirements for operating costs tied to facilities sustainment drag on delivered quality, flexibility and, if left unmanaged, could cause mission failure for the organization, itself. While perhaps a somewhat contrarian view, a little scare tactic goes a long way and we need to be ruthless in fighting for the attention of our corporate controllers and other C-level officers, helping them understand the significance of funding (or underfunding) facilities operations. There are lessons to be learned and a few practical accomplishments we can make in six steps.

1. **Capture Total Costs.** We all know this, but there is lots more to operating facilities than paying the lease, utilities, maintenance and occasional repair. Whether it is the costs of moves and relocations, lost efficiency and productive effort due to workspace affinity relationships, managing space utilization (and so on), the shared picture of total costs needs to be exhaustively complete, looking not only at those cost items in the facilities budget but throughout the organization. Contemporary enterprise facility management software will have data structures that support all of this.

2. **Validate the Data.** There is no mystery, but once loaded into any database, good and bad data look the same. It is critical that data quality be validated, not just once but as part of ongoing and recurring work. If there is any truism it is that data not required to support business-essential critical processes will not be maintained. So besides collecting data, we need to make sure that quality will be sustained over time because each data element is tied to and critical for other work.

3. **Don’t Overpromise.** If these first two points sound like a lot of work, it is because they are. Many data-intensive programs (in facilities and elsewhere) stumble because staff are unprepared for the organizational impacts of rapidly changing tools (software), work procedures and data standards. It is far better to stage changes in facilities operations and data capture over several years. Organizations (personnel) never adapt as rapidly as we initially think and there will be setbacks. We should plan for that and advocate for slow steady improvement that can be measured in increments versus any single “big bang” result.

4. **Test Results.** It is important that we interrogate data as we can anticipate and even expect that our leaders will demand. Never assume that the data reports and query results on your screen are giving you an accurate or sufficient answer. Verify results and do not release a capability

until reporting results are consistently accurate and demonstrably improved over whatever information the organization was basing decisions on, previously.

5. **Quantify and Prioritize Recommendations.** Said another way, be prepared to negotiate a compromise in how much and how fast improvements in facility operations are made. Our colleagues in software support and implementation services will tell us to work hard to generate quick, measurable and sustainable success. That's good advice. If a multi-year implementation of improved operating controls is planned, it should be front-loaded with capability and data that will demonstrate a sizeable return with the least possible cost and organizational disruption. Besides the obvious benefit of a technical success, this builds organizational bonafides that ultimately support continuing improvements over time.

6. **Explain Probable Impacts.** Another area where the military's experience might be instructive is that for each project or program budget request, there is an explanation of that will happen if funding is not provided. Nobody reviewing our proposals wants to hear that the lights will go off, that energy costs will continue to rise, that the restrooms won't be cleaned as frequently and that the facilities lived and worked in will not best represent the ideals or mission of the organization. Facility performance ties to mission performance and without grandstanding, our message to the budgeteers needs to be one of measurable funded benefit versus measurable unfunded decay.

Of course, this all sounds easy, almost formulaic. We know better and are all experienced enough to understand that there is a ton of hard work ahead in improving operations and management across our portfolios.

However, tying plans, actions and achieved results to measurable dollar benefit and to the bottom line works. It will always be the quickest path to achieving recognition and support in any organization. Even in the most bureaucratic or politically charged environments, contributions to the bottom line of an organization's balance sheet will always draw positive attention and program support. Done right, operating and maintenance budgets will increase over time, in effectiveness if not in real growth.

If we do this, we best serve our stakeholders, our employers and the mission of the organization, whether for profit, non-profit, government or academic. In the end, that is our professional obligation. Through a well-planned approach to managing operating costs, it is also our greatest opportunity as professional facility managers.

About EIPCI

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