

The Impact of Churn

Managing Workplace Assets



Since the beginning of white-collar work, organizations have moved their people and furnishings around within facilities and from one location to another. Back in 1988 the International Facility Management Association (IFMA) found that its members had an average churn rate of 30 percent. IFMA defines churn rate as the number of office moves during a given year, expressed as a percentage of the total number of offices occupied.¹

By 1997 the churn rate had jumped to 44 percent.² Five years later, IFMA members are reporting a decline in churn rates, to a mean of 41 percent.³ Was churn a blip on the facility management radar screen? Are predictions that churn rates would drop by half between 1997 and 2007 coming true? Is churn becoming an insignificant concept?

The answers depend on the nature of an organization's business, the way its culture defines work styles, and the extent to which it adopts technology. One thing is certain, however: Churn will always be a fact of business life even as organizations find new ways to deal with it and embrace new ways of working that lessen its impact.

The business realities behind churn

Research that looked at the best facility management practices of more than 60 large companies identified 3 primary sources or levels of churn within an organization⁴

- 1 Companywide restructuring, as a result of mergers, downsizing, and total quality management-based consolidations
- 2 Ongoing employee moves (co-locations) to assure greater efficiencies within and between operations and departments
- 3 Ongoing formation and operation of project teams

Moves that constitute churn occur at various levels of intensity, as well. Box moves, where employees move to existing workspaces, involve relocating files and supplies, not furniture or power and data cabling. Furniture moves represent a higher level of complexity, with reconfiguration of existing furniture or addition of new furnishings, although minimal changes to cabling. The most complex classification, construction moves, include new walls, additional wiring for power and data, as well as new or additional furnishings.⁵

Costs associated with the three major elements involved in these moves—furniture, cabling, and walls—vary depending on a number of factors. These include prevailing labor rates, materials used (Category 5e versus fiber optic cabling), and the technology support required (low for an insurance claims processor, for example, compared to that needed for a CAD engineer).

IFMA-member companies reported that box moves average \$160, whereas furniture moves averaged \$729 per move, excluding power and cabling changes.⁶ An earlier study found that companies move freestanding furniture most frequently—daily to monthly—and is easier and less costly to move than systems furniture. Systems components are moved, on average, four to five times a year, while systems panels are moved one to two times a year.⁷

Moves that include changes to power and cabling range from \$200 for simple changes or additions to \$600 for extra circuits and receptacles. Perhaps even more significant are the “soft costs” associated with downtime (lost productivity because workers have no access to networks) and the additional costs of reconfiguring after hours or on weekends when premium labor rates are in effect. Typically, the costs per drop (bringing two or three cables into a single workstation) are an additional \$300 to \$450, and this is only for data cabling; electrical is additional.⁸

Systems panels that are perpendicular to spine walls and form office spaces are moved, on average, once a year, while movable walls that enclose team rooms or departments are moved once every one or two years. Full-height drywall construction for team space perimeters, spine walls, and team/department enclosing walls is changed once every two to three years. Drywall changes take the most time to accomplish, and while those changes are made least often, they are the most costly—\$100 to \$200 per finished linear foot with cable installed.⁹

Planning for churn

Given the significant costs associated with moving people and their offices, organizations are asking some very hard questions about churn.

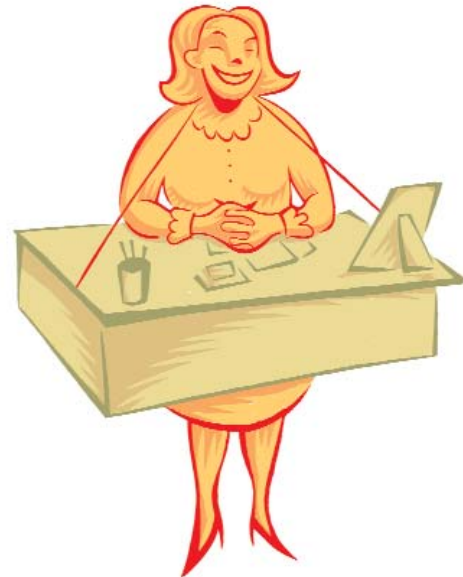
- Do changes in the structure of the business due to a merger or acquisition, a downsizing of the work force, or a reshuffling of staff to exploit a new market opportunity necessitate churn?

- Inter- and intra-departmental adjacencies can improve work flow and increase productivity but do e-mail and cell phones redefine what it means to be “close” to colleagues?
- Is it true that at distances beyond 90 feet communication with coworkers drops off significantly?
- Is the urge to move fueled by quantifiable benefits or simply a knee-jerk reaction to combining departments or forming an ad hoc team?

Historical figures suggest that some industries may find it difficult to avoid churn, simply because of the nature of their businesses. For example, institutions (education, governmental, religious) report a relatively low 25 percent churn rate, about the same as they reported in 1997. By comparison, services (financial, energy, telecommunications) report a 44 percent churn rate, only slightly lower than the 48 percent they reported in 1997. Churn rates also vary according to facility use, with offices in headquarters facilities experiencing the highest rate of churn (45 percent) and education/training facilities experiencing the lowest rate of churn (11 percent).¹⁰

For these companies, developing strategies to manage churn-related facility costs and to minimize disruptions and downtime to company operations and departments is essential. According to the Jon Ryburg of Facility Performance Group, a research, consulting, and education firm, “An ability to accurately forecast the long-range (typically two to three years for most facility departments; three to five years in others) and near-term (one-year) facility requirements, particularly building capacity and location needs, does more to reduce churn rates and related costs following companywide restructuring than any other single method. As much as 50 percent of all churn occurring after such restructuring can be attributed to poor facility solutions provided at the time of restructuring.”¹¹

Facility managers and corporate real estate executives are becoming involved in the business plans of their organizations to set or influence strategic and tactical facility plans. These activities include interpreting the overall business goals and corporate strategies as well as developing, maintaining, and evaluating long-term, interim, and short-term facility plans. A recent survey of corporate real estate practices indicates that organizations use a long-term planning time horizon



of 3.7 years. Respondents also indicate that the most crucial skill required for corporate real estate management is strategic planning.¹²

While facility managers and corporate real estate executives are making inroads in strategic planning, they have further to go. Seventy-four percent report that they either meet with senior executives about their organization's strategic business plan or supply information that others use in the planning process, but only 54 percent say they have a written, current strategic facilities plan.¹³

Dealing with churn

Whether facility managers and corporate real estate executives get the chance to plan for churn, they are likely to use some combination of these tactics to deal with it.

Universal planning, or one of its variants, uses a generic one-size-fits-all office space for employees and reduces facilities churn by moving people rather than offices. It also reduces occupancy costs, because it does not require entire workstation clusters to be reconfigured to accommodate change and because furniture components come from a common kit of parts, which also reduces inventory-management costs.

Free-address, or unassigned, offices are another variant of the "move people, not facilities" approach to managing churn. This strategy works well for companies whose employees work in several cross-functional teams at the same time. Because employees spend most of their time working and moving between team spaces, they do not have permanently assigned offices. Workers use both portable and team-space technologies to maintain communication links. The spaces often need to be large and contain a range of support amenities, provide more privacy, and include adjustable furniture that team members can easily move around to meet changing requirements.

Fixed, or semi-permanent, spine walls often play a role in universal-plan solutions. These walls become the primary conduit for power and data cabling. Movable (perpendicular) panels can be adjusted along the length of the spine wall without dismantling more than the power and data connections to the individual workstations. Offices can be configured on either side of the spine wall, which may also function as a boundary or fence between departments.

Raised floors/plenum spaces provide another approach to managing churn that has been adopted by a few restructuring companies, particularly those which construct totally new buildings that support moving everything—furniture, walls, power, and cabling. This strategy works well for companies that anticipate frequent reconfigurations of team spaces and that want to be able to make changes as quickly (and as cheaply) as possible. The buildings have open and unencumbered floors (floors that do not have central structural or utility cores; those are located elsewhere in the building), raised access floors, or stand-up plenum spaces. Floor layouts can be changed quickly, because power and cabling can be quickly relocated, assuming that the furniture used in the space can either be easily moved or is high enough off the floor to allow access.

Flexible furnishings give many restructuring companies the flexibility and adaptability they need to solve their facility requirements and to manage churn. Some facility managers have decided to circumvent the need to change furniture and panels by using universal templates or off-module furniture products or by increasing the use of freestanding elements such as tables, storage units, and privacy screens, which are easy for end users to reposition. To accommodate new conditions and adapt to new requirements, this furniture must allow higher-density planning and smaller individual office spaces, flexible work support, and the ability for end users to adjust visual and acoustical privacy.

Zone distribution is an approach to data cabling that replaces multiple, "home run" data cables with one fiber optic cable running from the main telecommunications closet to a distribution hub in the furniture. These distribution points, which house patch panels and active devices (switches, hubs, and routers), fit in the interior of systems furniture walls, separate cabinets, the ceiling plenum, or under a raised floor. From the hub, copper cables deliver data drops to each workstation. Rearranging those workstations, especially if the furniture has cable lay-in capability, involves replacing only short lengths of copper cable. This approach saves on materials and installation labor and improves overall network performance because extending the Gigabit fiber optic "backbone" deeper into the facility provides more bandwidth and faster data transmission speeds.



Voice over Internet Protocol (VoIP) integrates voice and data over Internet Protocol (IP) networks to eliminate the phone cable so there is one less cable to deal with during reconfigurations. VoIP uses an electronic board added to a standard PBX to convert voice traffic to a digital form that a LAN system can carry. All communications travel over the data network connected to each user's telephone and from it through a patch cord to that user's personal computer. An Internet protocol (IP) address, instead of a number, identifies the phone. Changing a person's phone is as simple as directing the network to send information for a particular IP address to another location.

Pursuing alternatives that make churn irrelevant

While not practical for all workers in every industry, alternative workplace strategies do provide a way to avoid the issue of churn altogether. Advances in technology and changes in attitudes about how and where people work have allowed some organizations to pursue alternatives to traditional workspaces that make churn irrelevant.

A study of International Facility Management Association members found that the most commonly used alternative workplace strategy is the "team environment," a flexible work area designed to support the work of groups whose composition can change over time. Approximately 42 percent of the respondents reported using some form of team environment.¹⁴

However, building new facilities or renovating existing buildings to house cross-functional teams and relocating people can be extremely expensive. In certain areas of the United States, building ordinances, air pollution, population density, and traffic congestion may make it impossible. When team members are located throughout the world, the issue of co-locating team members is a moot point. As a result, many facility managers and information technology managers are connecting team members electronically, enabling workers from around the globe to share information without having to physically relocate. That means that existing team sites are not growing, reducing future facility churn.

Some companies have adopted Wireless Local Area Networks (WLAN) for co-located workers who are particularly mobile in order to have the freedom to rearrange furniture without a thought to the

network. WLAN saw initial use in historical buildings, buildings with asbestos or other hazardous materials in the walls, and in temporary spaces like trade shows—places where wholesale rewiring is either impossible or doesn't make economic sense. Use has expanded to public spaces, such as airports, train stations, and coffee shops, where mobile access is key.

According to Jon Ryburg of Facility Performance Group, corporate goals for increasing productivity among team members and mobile workers are fueling the drive toward wireless, particularly in new construction and renovations. "Where five or six years ago the critical issue was controlling churn, today the pressing questions are how to accommodate the mobile worker and what implications does this have for furnishings and space."¹⁵

In many cases, organizations have taken the electronic linking of employees to its logical conclusion and sent workers home. According to the International Telework Association & Council (ITAC), about one-fifth of the adult work force 18 years of age and older, or about 28 million people, engaged in some type of telework during 2001, including working at home, at a telework center or satellite office, on the road, or some combination of these. Teleworking is not for all types of workers, however. The ITAC study found that compared to non-teleworkers, teleworkers are significantly more likely to be from the Northeast and West, male, have higher education and income, work in professional/managerial occupations, and be employed in smaller and larger organizations.¹⁶

Of the facility managers who are now using at least one of these alternative workplace strategies regularly, 40 percent reported a decline in the square footage per worker as a result. However, only 20 percent of the respondents reported a reduction in the total amount of space because the amount of shared or nondedicated space in these companies has risen. Most (71 percent) have yet to experience significant net savings. While rent or other property occupancy charges have decreased, the larger investment in technology required for alternative workplace strategies has offset these savings.¹⁷

Whether an organization chooses to deal with churn or avoid it, its most effective method for managing change remains strategic planning. When facility departments, information technology groups, and corporate

planners work hand in hand to develop both long- and short-term strategic goals, organizations can envision market and business changes and assess how change will affect the profitability and revenues of the business. With changes to the structure of the business tied into a strategic facility plan, facility spaces and services can support the business strategy, match the work processes and individual work styles of employees, and respond and adapt easily to change.

Notes

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- 4 Ryburg, Jon, New Churn Rates: People, Walls, and Furniture in Restructuring Companies, Facility Performance Group, Inc., 1996
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