

Managing churn without feeling the burn

How to control costs when it comes to moving employees

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In either a bull or bear real estate market, it's inevitable. In the next one to three years, companies nationwide will churn an average of 44 percent of their staff and an average of 31 percent of their rentable space.

What is "churn?" It is defined as the cost of the inevitable relocation of personnel and equipment, whether it's moving down the hall, to another building, or across town.

Knowing that churn will happen, these numbers alone mandate every company identify the cost of churn for fiscal budgeting. This however, is not an easy task, especially to establish accurate costs. And costs can quickly escalate without a budget or knowing what to expect in a move.

The budget drill usually starts like this: Your company decides to move and expand the accounting department to a new space on the second floor and reconfigure your current space to accommodate the growing marketing department. Now, several floors and numerous employees are thrown into the churn process.

To determine your budget, you call the real estate broker, who makes an educated guess at the rent costs. They tell you that it's time to hire an architect, who provides an estimate for the construction costs.

Now you have estimates for rent and construction, but are left wondering what other costs you will encounter. Phones, data lines and networking, movers, furniture reconfiguration, additional equipment? You call your local vendors and they make an "in our experience" budget guess. To make sure everything is covered, you add a contingency and determine that your budget is completed.

Avoid one-stop shopping

Next, the move coordination project is turned over to your office manager, human resources director, purchasing manager, or some poor soul that is expendable if the move is a disaster. Often times, the people in these positions do not have the time or experience to manage all the details that a move generates. This leaves the project and the budget in precarious positions, and the employee at his or her wit's end.

This sink-or-swim approach to moving cre-

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ates the urge to one-stop shop. That is, hire a firm that manages your move and also physically moves you in. However, there is a problem with this approach. You will not reduce your cost of churn because using a one-stop shop eliminates the vendor's incentive to provide competitive pricing.

Larger companies usually have a facility manager and possibly a staff of project managers that make moves and reconfigurations vastly easier. But by virtue of company size, the sheer number of moves involving one to 500 personnel can become an overwhelming task, especially in the area of budget control and churn management.

Often moves happen so quickly and frequently that it becomes impossible to know how much the move will cost until it is completed. In-house managers often end up relying on their existing vendor structure too much to know if they are receiving fair pricing. In this mode, if moves go wrong, finger pointing becomes a furious activity.

Mistakes and botched moves drive up the cost of churn and drive down employee morale. The horror stories are numerous, but not humorous. Every landlord, real estate broker, and architect will have one to tell you, like the company that failed to order the phone system on time and had to buy everyone cell phones in order to conduct business. Or the mover that blamed the contractor for the damage the mover did. Another story of a move gone wrong left a company without online access for three days.

Obviously, mistakes like these lead to client dissatisfaction and that cost is immeasurable.

Make a database

So, how can your company manage moves and churn costs more effectively? The fact of the matter is that some companies are better at tracking and managing these costs than others. It all boils down to how resources are managed.

The longer a company tracks its moves, the better the database becomes. A multiple linear regression equation is an easily custom-designed graphic tool to better understand your company's per person, per move cost history and the variables that drive cost. By comparing moves involving variable costs (i.e. new construction versus renovation of existing space, relocating furniture versus new furniture, existing leased space versus new leased space), average costs begin to emerge.

If your company doesn't have a record or history of move costs, you won't know your rate or cost of churn. Start tracking it now by making a list of costs related to moving that should be reflected in your cost of churn.

Forecast moves and reconfigurations as far out as you can, use historical data if it exists, plan your moves far in advance, and develop an annual budget.

When planning a move, there are many things to keep in mind. Develop a conceptual approach, estimate the scope of each move, plan and schedule the move(s), develop a phasing plan, solicit vendor bids, verify your budget goals, coordinate vendors and movers, confirm disconnect and reconnect times, and keep your employees informed.

Remember, most moves happen on weekends and holidays. Ask who will be there to represent you. Hire outside consultants to help or handle any aspect of moving that you don't feel comfortable with or that your staff doesn't have time to accomplish.

Moving is inevitable whether you are expanding, consolidating or reconfiguring. Office relocations must be handled smoothly and efficiently with minimal downtime and no mistakes — or you will pay the price.

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