Churn Reconsidered

Since the beginning of white-collar work, organizations have moved their people and furnishings around within facilities and from one location to another, and still do so regularly: Fully 96 percent of respondents to the latest International Facility Management Association (IFMA) survey said they've relocated personnel within the past year.[1] To better understand and manage these changes, companies track them in the form of "churn," or the number of office moves during a given year, expressed as a percentage of the total number of offices occupied.[2]

Because it has been associated with inefficiency and downsizing, churn is often considered a necessary evil. But Shari Epstein, associate director of research at IFMA, says it can also be a sign of vitality and life in an organization. "It is a cost of doing business," she says, "but if managed correctly, churn is a reflection of trying to get the right people next to each other. Some organizations may have higher churn rates because they are working on innovating more quickly and frequently reconfiguring teams."[3]

It's not necessarily better to have a lower churn rate, she says. It all depends on an organization's strategic goals. Herman Miller has a churn rate of about 48 percent. While the company is always working to reduce inefficiencies, it also recognizes that a certain amount of churn is necessary to achieve its goal of creating original designs that solve real problems. It believes that physical proximity leads to collaboration, better adjacencies increase innovation, and people learn skills and norms better from each other when they are near each other.[4]

HermanMiller

The State of Churn

While churn is a fact of life for any company, the churn rate has been decreasing overall, according to members of IFMA. In 2007, IFMA members averaged a 36 percent churn rate, down from 44 percent in 1997 and 41 percent in 2002.

Possible reasons are the rise of remote work for individuals and teams (members of teams that work virtually don't need to be physically co-located), the use of "war rooms" (rooms that are assigned to teams for the lifespan of a project and then assigned to new teams, so teams come to permanent team space rather than space constantly being converted to accommodate teams), and the increasing use of universal offices or "kit of parts" offices. "Companies have finally come up that curve [of implementing universal planning] and they are now enjoying the benefits," says Laura Hibbert, facility consultant for Jacobs Advanced Planning Group.[5]

Drivers and Costs of Churn

Because churn can be reactive or proactive, the reasons for churn are many and varied. According to IFMA research, the primary drivers of churn are

- Reorganization (70 percent)
- Routine churn (53 percent), which includes colocating groups to improve collaboration and maximize efficiencies within and between departments
- Expansion (46 percent)
- Consolidation (33 percent)

Downsizing (11 percent) and mergers (9 percent) are the weakest drivers of churn.[6]

More than 85 percent of the moves are "re-stacking" moves, which take place within the same building. Those re-stacking moves take different forms. Box moves, in which employees move to existing workspaces, involve relocating files and supplies, not furniture, wiring, or telecommunications systems.

Furniture moves are more complex and involve reconfiguring existing furniture or adding new furnishings, although changes to telecommunications are usually minimal. Construction moves are the most complex and include new walls and telecommunications systems and additional wiring for power and data.[7]

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 cable versus Category 6), and technology support required. A facility designed for wireless access can reduce costs considerably because no wiring is required.

IFMA-member companies reported that box moves average $152, whereas furniture moves cost $679 per move, excluding power and cabling changes.[8] Moves that include changes to power and cabling range from $200 for simple changes to $600 for extra circuits and receptacles. Typically, costs per drop (bringing two or three cables into a workstation) are an additional $300 to $450, and that's only for data cabling; electrical is additional. Thanks to wireless networks that allow people to work from anywhere in the building, "soft costs" associated with downtime (lost productivity) are less of a problem than they used to be.

Systems panels that are perpendicular to spine walls so they form offices and movable walls that enclose team rooms or departments are more costly to move than box moves. Most costly of all are the full-height drywall changes. Yet, corporations want to move. Research among office tenants shows that the ability to reconfigure the layout or application of the space and the ability to move furniture (systems or freestanding) are the attributes of flexibility that they consider most important.[9]

Strategic Planning: Moves that Count

Regardless of whether or not they measure churn (more than one-third of companies don't[10]) organizations still have to deal with it. Strategic planning is the most effective way, but also the most difficult because it requires cross-functional collaboration at the highest levels. In the past, a functional "silo" approach could work. Now, given the complexity of problems, global markets, a distributed workforce, and the shortage of talent, managers are realizing "they may no longer be able to hit their own targets without the strategic cooperation of the company's other business units [and] will soon find themselves marginalized by their more strategically coordinated competitors," if they don't.[11] Companies that are able to align their facilities, HR, and IT resources so all are supporting the core business goals are considered agile and have the best chances of long-term survival.[12]

Many companies, however, don't yet see their facilities as a strategic tool. Instead, they view them in practical terms, needed to house employees and therefore a necessary expense. Costs seem to be top-of-mind for many in corporate real estate (CRE): "Cost measurement" had the most objective data points of all performance measurements in a recent CoreNet Global survey, including space, productivity, and employees.[13]

This indicates that most of corporate real estate executives are still tracking efficiency rather than effectiveness. That might be changing, however. Thirty-one percent of CoreNet survey respondents use performance measurements for key performance indicator (KPI) reporting and they give that data to business unit executives and divisional management.[14] Furthermore, the workplace is an area of focus for CRE leaders. Ninety-six percent of them say they have a medium or high level of involvement in developing workplace initiatives.[15]

While strategic planning is best, there are other ways facility managers and corporate real estate executives can deal with churn. Most use some combination of the following tactics.

Universal planning is a one-size-fits-all approach that involves moving people instead of offices. All offices are the same on the macro level, or there may be several standards available, the size of which reflects position in the company. This makes inventory management easier. Office occupants are free to personalize on the micro level, which meets their need to express themselves. Herman Miller gives employees choice about work process tools (i.e., would the person rather have more display space or more storage space?), seating, work surface height, and color of tack boards. Since an organization can absorb change without reconfiguring entire workstation clusters, universal planning also reduces occupancy costs. "We used to tear down six workstations in order to add one," says Dave Kuiper, workplace strategist at Herman Miller. "Now the biggest decision is whether the phone goes on the right or left."[16]

Free-address (unassigned) spaces are another variant of the "move people, not facilities" approach to managing churn. Nearly two-thirds of respondents to a CoreNet global survey have stopped providing assigned workspace to at least 10 percent of their workforce; 73 percent have introduced or increased desk sharing and unassigned workstations in the past 12 months.[17] While respondents ranked unassigned spaces last in a list of features likely to be found in their workplaces (meeting rooms, video-conferencing, and project rooms were the top three), CoreNet believes that the entire mix of spaces "add[s] more workplace flexibility founded on mobility, a flexibility whose byproduct is invariably less assigned space."[18]

Prudential uses this model to great effect and cost savings in its London facility. Three hundred workstations "in a range of work settings" support about 450 people. In the past, the cost of churn was very high, with most staff moving at least once a year at an estimated cost of £120,000 per year for 300 desks. "Churn costs are now close to zero," said Clive Nash, Prudential's head of workplace and people development. "People move rather than desks and, if necessary, departmental boundaries are simply changed to accommodate inflation and deflation of each department's headcount."[19]

Moveable walls, as their name implies, offer more flexibility than built walls. They are initially more expensive but the cost is recouped the first time the walls are reconfigured. "Being able to turn two four-person conference rooms into a project room by removing the separating wall in a matter of an hour is pretty powerful," says Connie Garman, workplace strategist at Herman Miller. In the future, programmable environments are likely to play a part in this, too, by offering spaces that are responsive to occupants' needs. Envision pushing a button for a room to become two instead of one—automated wall partitions move into place, light switches respond accordingly, and the HVAC system creates two zones instead of one, no electrician needed.

Raised floors/plenum spaces support moving all components of the office—furniture, walls, power, and cabling. It works well for new construction projects being undertaken by companies that anticipate frequent reconfigurations of team spaces and that want to be able to make changes as quickly and 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. Because power and cabling can be quickly relocated, floor layouts can be changed quickly, assuming that the furniture moves easily or is high enough off the floor to allow access.

Flexible furnishings give many 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 office workers 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 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 and improves overall network performance because extending the Gigabit fiber optic "backbone" deeper into the facility provides more bandwidth and faster data transmission speeds.

WLAN (wireless local area network) technology gives mobile workers access to the corporate network from conference rooms and common areas without their having to plug into the network. As mentioned previously, a company that has a wireless network "churns" more efficiently because rewiring isn't required every time a computer gets moved. Furthermore, if workers have laptops, downtime is drastically reduced because a worker doesn't need to be sitting at her desk in order to work. Even so, wireless is not a good solution in every instance. Engineers who use CAD, for example, can bog down the network and slow connection speed by 95 percent.[20]

Voice over Internet Protocol (VoIP) integrates voice and data over Internet Protocol (IP) networks to eliminate the phone cable. The advantage of VoIP is that you don't have to send out a phone person every time a person moves. All voice communications travel over the data network connected to each user's VoIP 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 and then plugging the phone from the old office into the new office.

Computer-aided facility management systems (CAFM) speed up the process and reduce overall costs by triggering the move request and then routing information to the right people at the right time. "It's a way of informing the right people along the way, like security and the mailroom, so you know you can get into your new building and your mail will find you," says Kuiper. "That's all encapsulated in the process. You put the date in and technology takes care of the rest."[21] Herman Miller also uses the system to do post-move surveys, which is how Kuiper knows that his group's customer satisfaction rate is 95 to 97 percent.

Process improvements, including low-tech solutions, sometimes still carry the day. At Herman Miller, a person boxes up his or her belongings before leaving for the day, and most of the time, the boxes are in his or her new office by 8:00 a.m. the next day—10:00 at the latest. The reason? Instead of parceling out the move job to different people who do different tasks, the same person that comes in to move the phone also moves the boxes, and he does his work starting at 5:00 a.m.

Alternative workplace strategies, while not practical for all companies or workers, can help companies avoid some churn, at least in theory. More than fourteen million people telework almost every day, an increase of 20 percent over 2005,[22] but that doesn't mean there are fourteen million fewer offices needed: Research shows that about 43 percent of people who work primarily at home also have a corporate workstation—and it's often no smaller than the offices of their corporate-based peers.[23] And because visual contact is very important in stimulating communication—particularly creativity-stimulating communication[24] —organizations will continue to want to bring people together. In any event, most U.S. workers (70 percent) still commute to work every day, while just 2 percent telecommute full time."[25]

The concept of workscape—thinking of all kinds of working environments (home, office, "third places") as parts of a whole—can help minimize churn by providing and allowing for a variety of work settings. If meeting room availability meets the demand for meetings, then perhaps an actual move can be avoided. The key is to enable the flow that happens as people move from group work to solo work and back to group work, says Ellen Keable, also of Jacobs Advanced Planning Group.

Some companies have completely flexible environments that allow them to "churn" every day, in a sense. If they choose to come into the office (they can work remotely, too), Capital One employees can work at a desk, booth, couch, in a quiet zone.[26] However, says Keable, "There are no churn costs because they are never moving anything." Sales and service sector companies that instituted hoteling years ago are discovering that they are saving more money because of the resulting decrease in churn than they are through a decrease in real estate costs. "You can absorb growth without it affecting the totality of the space," says Keable.

In addition, companies are getting tough about storage and pushing back when people request walls for security reasons, asking if being able to lock up materials would be sufficient.

Not every company's churn is down, however. Judy Douglas, director of property development for Freddie Mac says their churn rate is usually 50 percent; in 2007 it was at least 65 percent. While technology allows people to work together even when physically separated, it has not reduced Freddie Mac's churn rate. "Our culture is a face-to-face culture," she says and people want to see each other.[27] Perhaps they intuit what studies show: use of all types of media (face-to-face, telephone, and e-mail) decay with distance. On the contrary, physical proximity to those with knowledge of the developments inside or outside the organization increases the likelihood of learning of them.[28] Other research suggests that while people will go to almost any length to get critical information, for non-critical information, they'll turn to whomever happens to be nearby and accessible.[29]

How workers experience churn depends on what's in it for them. A person probably won't mind if he is moving to a space perceived as nicer or advantageous in some way. For example, a person being moved to a low-paneled office that adjoins the office of a person who is well-connected in the company will likely see it as a great opportunity to observe and interact with her and meet the people she interacts with.[30]

The move itself is also an important part of how workers experience churn. This includes communication about when and how the move will be happening—something that's often handled by CAFM systems. Many companies leave welcome packages for the re-located employee that include information about where to find essentials and even a piece of chocolate. "It's a way of keeping the personal touch in there," says Garman, who adds that the facilities group at Herman Miller "stays organized and tries to keep [relocated employees'] pain to a minimum."

Future Churn—Or Not

Will churn always be with us? As long as interiors remain "a static expression of a set of requirements that began to change before the first occupant moved in,"[31] the answer is yes. In the future, however, with the help of technological innovations, interiors will become dynamic.

Various terms have been applied to this vision of future offices, including "ambient intelligence," "intelligent buildings," and "flexible architecture." Herman Miller refers to it as "programmable environments." These environments will be imbued with intelligence that serves. In addition, the environment itself, not just the intelligence, will be programmable.[32]

In the future, those who work in programmable environments will be able to make bigger changes more readily, including changing the size of a space, air flow, ambience, and even which switches in a room control which appliances. Space delineation will be accomplished by using lightweight, malleable materials that run on a ceiling grid, for example, so they can be as large or small as the group requires. Future spaces may be able to sense a worker's presence, "read" the person's space preferences, and adjust itself accordingly.

This will likely reduce churn rates or even, in the distant future, make it irrelevant. Today, people adapt to the space, seeking out the right size conference room or a touchdown spot. With programmable environments, the form of the interior will adapt to people's changing needs, over and over again.

Environmentally speaking, 40 percent of the world's raw materials are consumed by buildings, which use 40 percent of the world's energy, and there's a lot of waste even in the construction process itself.[33] Today's buildings are not kind to the environment. Nor are many of today's businesses very smart about the way they use them. At companies around the world, from Atlanta to Paris to Manila, 20 to 50 percent of offices are unoccupied at any given point during the day.[34]

In the future, programmable environments, which are designed for change and provide a way for buildings to be repurposed without reconstruction, could be a big part of the solution. Sustainable building design is still a ways off, but architects, designers, facility managers, and executives are all thinking along the same lines; for 79 percent of respondents to a survey conducted by CoreNet Global and Jones Lang LaSalle, sustainability is a near-term business issue that's important today or will be in the next two years and 77 percent are willing to pay a premium for sustainability.[35] While it's unlikely that churn will disappear altogether, the more integrated it becomes, the less noticeable it will be, as much a part of daily office life as pulling up a chair.

Notes

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