

# Section 3: Introduction to Strategic Planning

After completing this section, the student will be able to:

- Define terms, such as strategy, strategic planning, and strategic management.
- Explain the concept of strategic alignment and “line of sight.”
- List benefits of strategic planning to the organization/customer and to the FM organization.
- List skills facility managers need to effectively plan facility strategy.
- Describe the Facility Strategic Planning Framework, including inputs (e.g., information, mission, values), outputs (capital projects and asset management plans), and tools used to analyze the gap between facility services and customer needs and to propose solutions.
- List key principles in organizational design.
- Provide examples of organizational models used by FM service providers.
- Explain the role of policies and procedures in strategic management.
- Provide examples of systems in FM.
- Summarize the challenge of implementing change in organizations.
- Describe common elements in change management models.

Facilities represent a significant portion of an organization’s expenditures. For many organizations, the cost of acquiring, operating, and maintaining facilities is the second largest line item in their budgets, after human resources. It is increasingly important to organizations that FM defines its role as leveraging the organization’s other investments. FM is no longer just about controlling operational and capital costs; it must focus now on how it can help management use the facility portion of its budget to create value, in the same way that human resources or research and development does. This is the role of facility strategic planning and management.

## Some Strategy Basics

Before we get started, let’s review some basic information about strategy. We’ll start with the terminology.

A **strategy** is a plan to create long-term value for customers and stakeholders and, in the case of for-profit businesses, future competitive advantage. “Long-term” is an admittedly vague description, varying from two or three to ten years. The time frame for strategic plans will vary by industry. Industries marked by rapid changes and fewer physical assets may

need to revise strategy more frequently, while established sectors with extensive physical assets tend to react more slowly to changes in their environment. Strategy is relevant to all organizations: private or public, for-profit and not-for-profit.

**Strategic planning** is the process of gathering and analyzing internal and external information, setting goals based on that analysis, developing plans to accomplish those goals, and defining performance objectives that can be used to assess progress. This process helps create **strategic alignment**, a consistent relationship between the external environment (e.g., the industry and market, government regulations), an organization's strategic goals, and the way the organization deploys its resources.

Strategic planning is the beginning of the **strategic management** process, which is the continuous process of planning, implementing, monitoring and measuring, and revising and improving strategies.

In an ideal situation, strategy is generally developed in a hierarchical fashion, starting at the organizational level and flowing down to divisions (in a corporate setting) and functions (such as facility management). At each level (divisional or functional), strategy influences the creation of goals and plans/initiatives aimed at supporting the organization's goals.

Strategy must be communicated—in whatever manner is most effective (e.g., writing, audiovisual messages, meetings)—to all members of the organization. At a high level, strategy may be communicated as an organization's mission, vision, values, and strategic goals. As strategy flows through the levels of the organization, it is communicated through actions aligned with the organization's strategy and through team and individual performance objectives tied to successful implementation of those actions or initiatives. Ideally, each facility management employee should be able to draw a clear connection between each job responsibility and FM's and the organization's strategic goals. In business, this is referred to as "line of sight" management.

Although strategic direction is set at the top of the organization, strategic management is a feedback loop, much like the Plan-Do-Check-Act model described in Section 5 of *Module 1: Competencies for Facility Professionals*. Information about the effectiveness of the strategy and the emergence of environmental factors that could affect the strategy is continually cycled back to the top. This may lead to small or large "midstream" adjustments to the strategy, or in some cases it may trigger a new strategic planning process.

## Benefits of Facility Strategic Planning

The major benefit of strategic planning is that it takes facility managers, who are often working hard just to respond to immediate needs and crises, out of a reactive posture. It

allows then to exert more control over FM activities and to be more accountable to management and customers for the FM budget.

More specific benefits of strategic planning include the following:

- FM's strategic plan can be used to leverage its influence with customers and senior management groups since it links the FM's goals with overarching organizational goals.
- FM can provide better customer service, and FM staff can feel more engaged in their work. The strategic planning process begins with understanding customer needs and setting goals on how to meet those needs at the lowest possible cost. This aligns the activities of FM staff with the proper goals. It also helps them see the meaning their individual jobs hold and their potential impact of the customer and the FM organization.
- The timing and spending on operations and maintenance and on capital projects can be planned over a longer period and possibly achieve synergy on spending and better return on investment.
- FM decision making can be more flexible. Mindful of external influences on occupant needs, FM has explored and validated various options to provide needed services.
- Facilities can be planned to be more flexible and resilient to change. The FM organization becomes better at managing change and more confident in the eventual outcomes.
- Crises can be averted by planning future needs and decisions.
- Immediate decisions can be made in a more deliberate mind frame, with the facility manager mindful of strategic direction and prepared to make the right choices.
- There is greater transparency about the use of organizational resources on facility programs since the effects of investments can be measured. This has a secondary benefit: it allows FM to demonstrate the value it delivers to the organization and customer.

## Facility Strategic Planning and ISO 41012

Facility strategic planning is included in the ISO 41012 model of the facility management sourcing process. This model was presented and described in the introduction to Module 1. The ISO model describes the entire process of facility management, from understanding the environment to the assessment of services delivered. The activities are distinguished as: [Definitions are from ISO 41011.]

- **Strategic level:** “level at which an organization defines its objectives and policies and plans and assesses how to achieve its goals”
- **Tactical level:** “level at which an organization plans and manages the specific mechanisms and resources for the operational delivery of products”

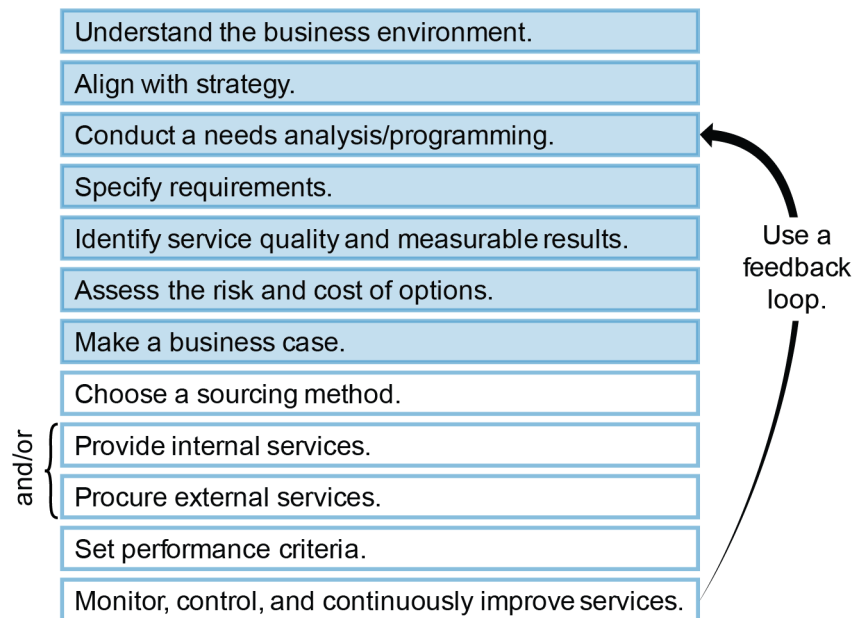
- **Operational level:** “levels at which activities are performed in a routine way in support of the organization’s functions”

The activities associated with strategic planning include the highlighted steps in Exhibit 2-6. These steps include:

- Understanding the business environment—identifying external factors that may shape the organization’s facility needs.
- Aligning the FM strategy with the organization’s business strategy—making sure that the strategic objectives of the organization and FM are consistent.
- Conducting a needs analysis, gap analysis, or programming to identify areas in which facility resources (supply) do not align with needs created by the organization’s strategy and the business or external environment.
- Specifying requirements—what resources and capabilities must be acquired or developed.
- Setting objectives for the level of service that will be delivered. Periodic assessment of the impact of strategic actions is essential to effective strategic management.
- Exploring options to delivering service. This includes examining the costs and risks associated with each option.
- Gaining management support (release of resources) for strategic initiatives in facilities operations and maintenance and in capital projects.

The requirements and major activities in these steps will be discussed in Topic 1 of this section.

*Exhibit 2-6: Strategic Planning in ISO 41012*



Once the facility strategic planning is completed, FM decides how it will “source” its services—with in-house resources or through sourcing partners (contractors or vendors). Tactics are defined at the program level (e.g., capital projects, space management). The implementation of the tactics occurs at the operational level, as facility managers confirm that services are being delivered as planned. These activities are discussed in more detail throughout the Learning System.

ISO 41012 depicts FM as either an internal and external provider of services: an internal function providing services to its organization or a separate FM services provider who contracts with customers to provide services. It is important to note that facility strategic planning applies to both business models. In an internal model, the FM function must align with and propose plans for senior management. In an external model, the FM services business must align its plans with its own strategy and with the business strategies of its clients.

## Facility Strategic Planning Skills

As you review the ISO model, you can see that this perspective on facility management requires some knowledge and skills beyond the traditional facility manager technical skill set. To be effective at facility strategic planning, a facility manager must be able to see the implications of the service customer’s strategy on facility assets and plans, and then to plan and deliver what is needed.

This means that a facility manager skilled at facility strategic planning:

- **Understands the parent organization’s business—how it creates value.** This requires understanding the organization’s industry, including rivals and how they compete, industry trends, and key critical success factors in the business. A critical success factor is something an organization must have or be able to perform in order to fulfill its mission and achieve its goals. Facility managers should understand their parent organizations in the same way they understand their own FM organizations. What are the organization’s mission and values? What are its strengths and weaknesses? What are its principal risks and how does it view risk? Having this level of understanding allows the facility manager to play a more proactive role in applying the organization’s assets to achieving its strategic goals.
- **Is able to present FM solutions in a compelling way to management.** This requires understanding and reflecting the customer’s main interests in proposals. This in turn uses many of the competencies discussed in Module 1—especially communication, collaboration, and innovation.

- **Is fluent in financial statements and measures.** This allows the facility manager to understand the impact of investments and operating expenses on the customer's financial performance.
- **Believes in business control and continuous improvement.** A strategically-focused facility manager selects meaningful performance indicators that can be measured to show the value of investments in facilities. Measuring performance is not enough, however. Strategic FM leaders always look for ways to correct mistakes and build on successes.

## Section 3 Overview

This section focuses on strategic planning; the way in which strategy is implemented through structure, policies, and systems; and the skills required to promote the rapid and successful adoption of organizational changes. The section has five topics:

- **Topic 1: Facility Strategic Planning Framework,** describes planning process inputs (e.g., portfolio assessments) and outputs (e.g., capital expenditure plan). This topic also reviews strategic planning tools, such as environmental scanning, strengths/weaknesses/opportunities/threats (SWOT) analysis, gap analysis, scenario analysis, and business cases.
- **Topic 2: The Role of Structure.** Effective and efficient structures support control but also flexibility, agility, and responsiveness. This topic reviews several ways to structure the FM function.
- **Topic 3: The Role of Policy.** Policies drive the organization's behavior. Policies that reinforce the organization's values and systems provide an important control on organizational performance.
- **Topic 4: The Role of Systems.** In organizational design, systems refers to the way work is performed and controlled. Systems aligned with strategy create a communication/feedback loop within the organization—helping to communicate strategy and goals, making sure that work is consistent with the strategic focus, and providing information that helps leaders assess the effectiveness of their decisions and actions.
- **Topic 5: Managing Facility Change.** The facility strategic planning process will result in new projects and changes to existing programs and procedures. Organizations that are good at strategic management are good at implementing change. This topic focuses on how change may be viewed in organizations and the most effective tactics for introducing change, overcoming resistance, assessing the results of change initiatives, and institutionalizing changes.