

MAKING A BUSINESS CASE FOR FM TECHNOLOGY AT BELLSOUTH

Lynetta Baldwin and Eric Teicholz

Introduction

The environment for implementing facility management and real estate (FM/RE) technology has changed significantly within the last two years. The US economic recession has dramatically altered spending priorities on the part of corporate management. The emphasis on disaster recovery and business resumption caused by the September 11 tragedy has likewise drained dollars from FM/RE technology and made businesses more cautious financially. How long the economic downturn will last is not known. What is known is that justifying significant capital expenditures for what is often perceived as a non-strategic investment is difficult and has resulted in a significant reduction in such investments. The dot com meltdown has resulted in even more hesitation in Internet-based FM/RE technology investments.

Similar to the aging of the physical infrastructure when deferred maintenance is not performed, an information technology infrastructure ages when legacy systems are not updated and replaced. Significant cost and application integration advantages derived from the Internet and new software tools are lost when obsolete technology and systems are not updated. Old legacy systems are often proprietary and integration with other systems, when it does take place, is costly. Finally, old technology is often based on versions of database software that are no longer supported by the vendor which, in turn, increases the risk of system failure.

Given the economic and technology context described above, it is not surprising that FM/RE managers are seeking new strategies and methodologies for justifying technology-based capital expenditures. These strategies, if possible, should be based on meeting corporate-wide goals and objectives, such as disaster recovery and business resumption, rather than only FM/RE aspirations. Cost benefit analyses should be performed illustrating, whenever possible, quantifiable benefits associated with either specific cost savings and cost avoidances.

The Internet

The benefits of FM/RE computing using the Internet are well documented and include the following:

- ◆ Having a common user interface (the browser) between multiple applications significantly reduces training time;
- ◆ The ability to host software in an Application Service Provider (ASP) mode reduces initial cost, enables data to be stored, if desired, off-site (which is a business recovery benefit), and does not involve significant IT involvement;
- ◆ Software upgrades can be downloaded over the Internet, often without an IT department having to “touch” the client PC;
- ◆ Software and data can be accessed anytime and anywhere over the Internet.

Thus migrating from legacy software to new, Internet-based FM/RE software and tools usually involves acquiring new web-based software products or vendors re-writing their software from the mainframe or client-server environment to a web environment. Traditional client-server FM/RE vendors are rewriting their software as rapidly as possible for the Internet. However, this process is often slow since legacy systems and databases must be compatible with previous software generations as well as with the new web environment.

Newer, Internet-only vendors are rushing to fill this void. However, it is often difficult to make a business case for an Internet-only FM/RE vendor since few of the companies are public, the dot.com meltdown has made the web a highly risky environment, few profitable financial business models have been successful on the web, it is difficult to perform a cost-benefits analysis of doing business on the web, several large web hosting companies (e.g., Exodus) have gone bankrupt, and integration of web point solutions and traditional client-server software is often cumbersome. Fortunately, traditional CAFM and real estate vendors have already migrated much of their software to the net and Internet-only vendors are forming alliances with traditional CAFM vendors that are beginning to overcome many of these problems.

Building the Business Case for new FM/RE Technology

Organizations that have been successful in getting management to invest significantly in new FM/RE technology in this difficult economic environment have a number of things in common. These include one or more of the following:

1. Ensuring that the new technology goes beyond FM/RE point solutions and has strategic significance to the corporation as a whole;
2. That a risk analysis was performed to inform management as to the implications of not upgrading technology;
3. That a cost-benefits analysis has been performed that looks at real and cost-avoidance metrics;

4. That a competitive analysis was generated that looked at their organization vis-à-vis competitive organizations;
5. That a business process analysis was performed to investigate how the proposed new technology will impact current methodologies.

Current State of FM Technology at BellSouth

BellSouth implemented its current facility management and real estate system in late 1996. A new system was needed to consolidate several disparate databases into one relational database, and a new corporate financial system was being implemented and the old platform would not interface with it. The technology was implemented using client-server architecture with a single relational database. The application provides work management, property management, lease management, contract management, and accounts payable functionality. Custom designed components of the system include data interfaces for utility bill payment and accounts payable edits to interface with the corporate financial applications. Additionally, BellSouth has developed custom interfaces to another software package to provide space management functionality and links to the drawings database. While some standard reports are available within the standard package, BellSouth has developed custom reports and made them available via the company Intranet. Users throughout the nine state regions access the system via client PCs running Windows NT or Windows 2000. The majority of the users are remote workers and access the system via dial-up connections, with the number of high-speed connections increasing.

While the architecture described above has served BellSouth well over the past five years, business drivers have changed and a new system is needed to meet the increasing demands of the business. The need to have a web-based, user-friendly system that is accessible to both employees and strategic partners outside of BellSouth's firewall is critical. Information is needed on a timelier basis and by moving to a new platform, that information can be readily accessible to make business decisions. The increase of high-speed connections makes this type of architecture more appealing to real estate organizations. Additionally, due to some of the customization and lack of functionality in certain modules, the current system has evolved into several distinct 'stovepipes' and a new enterprise solution is needed in order to bring everything together in a central repository (see Figures 1 and 2). Due to the critical nature of a FM system and its ties to other legacy systems, the need to stay current on technology platforms is critical. Otherwise, you find yourself creating new interfaces that really do not deliver any value to the Company.

Linking FM Technology to Corporate Strategies

Given the current economic environment, more and more companies are challenging the corporate real estate groups to reduce the size of the portfolio, since maintaining space is one of the largest expense items for a company. BellSouth is no different, and is trying to assess its portfolio and determine where space reductions can be taken. In order to assess the portfolio, a company needs a good database to track the assets. Additionally, applications are needed to use the data and plan various scenarios. Today, BellSouth does not have the appropriate tools in place to make this process seamless. While the information can be gathered, it is very time intensive, manual, and does not provide a basis for maintaining the information on a going-forward basis. Given these variables, the Corporate Real Estate group at BellSouth is linking the funding of a new Facility Management/Real Estate system to the strategies of the Company. Since one of the primary strategies is space utilization, the core business team used that as a starting point for pulling together a business case. The team decided that a business case tied to Corporate Strategies would be the only feasible way to acquire funding for a new system. When companies are focused on increasing revenue streams and decreasing expenses, most staff organizations are not high on the priority list for getting new technology that is seen as 'soft savings' and not delivering to the bottom line. However, when you consider space utilization and the fact that every square foot of space you can reduce from the portfolio contributes positively to the bottom line, you can then start clearing hurdles for making a sound business case to replace technology. (see Figure 3)

About the Authors:

Lynetta Baldwin is a Director in the Corporate Real Estate & Services organization at BellSouth. She has responsibility for the Energy Management Program and Strategic Technology. Lynetta can be reached at 205-977-0823 or at Lynetta.Baldwin@bellsouth.com.

Eric Teicholz is President of Graphic Systems, Inc. (www.graphsys.com), an independent FM/RE technology consulting company. Teicholz can be reached at 617 492-1148x106 or at teicholz@graphsys.com.