

# Real Estate Continuity



Q3 2003

## Special Interest:

- Merging the worlds disaster recovery, business continuity and real estate
- Latest developments
- Strategic nuances of BCP affecting real estate
- BCP/RE's ultimate impact on supply chain mgmt?
- Using technology to facilitate seamless dispersal strategies

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## Advancing the Discussion of Business Continuity

A buzzword we hear a lot these days is "the new normal". But does it actually have any relevance considering the pace at which the field of business continuity planning is moving? It truly is mind boggling to see how rapidly different silos associated with short term and long term initiatives are merging to form a much more comprehensive view of Business Continuity Planning.

Consider this. Before the topic of Y2K entered the minds of decision makers, business continuity planning consisted solely of strategies to back up data. Obviously, the events of September 11 moved the discussion along to the next plane. During the past two years, business continuity planning has become its own department in many large corporations.

Over this period, new trends have emerged. We mentioned a separation of short term and long term functions. Short term initiatives refer to the field of disaster planning and management — a strategy to project manage the immediate effects of an event of disruption. This type of thinking has incorporated some aspects of facilities planning

into its realm. For instance, IBM Global Services has become particularly active in establishing remote disaster centers for displaced tenants in the event of an emergency. Similarly, Agility Recovery Solutions, a unit that was originally a division of GE Capital IT Solutions, provides on-site mobile facility solutions right where an event of disruption has occurred.

After short term needs are addressed, these strategies are married with broader planning initiatives that are longer term in their scope. These address how work environments are physically rearranged and configured to ensure redundancy has been adequately achieved. The common strand between initiatives, whether they are short term or long term, is to ensure the continuous functioning of critical operations. Clearly, the discussion has expanded beyond its IT-based roots.

Is there a finite point where this discussion ends? Hardly. In fact, these worlds continue to expand and new components are integrated into their body every day. Large institutions, public and private, are



**IBM has recovery centers around the world. Its largest U.S. centers are in Sterling Forest, N.Y. (pictured); Gaithersburg MD; and Boulder CO**

now addressing issues of operational risk mitigation through the dispersal of facilities. Gill is committed to moving this discussion forward and will continue to keep our clients and strategic advisors abreast of the latest developments in this rapidly expanding field, particularly as it pertains to the rapidly converging worlds of business continuity planning and real estate strategy.

## “Quotable”

“The issue of business continuity has assumed a far greater role in both the shaping and execution of corporate location strategy” **Dennis Donovan, The Wadley-Donovan Group**

“The emerging knowledge-based, post-industrial economy is mainly housed in office buildings that can be viewed as the factory floor of the new information economy...the new corporate location paradigm will replace highly concentrated clusters of workers with a regional decentralized framework...broken up into spatially separated multiple blocks” **James W. Hughes, Marla K. Nelson, Rutgers University**

“The attacks on the World Trade Center and the Pentagon changed everything — and have created immediate and intense visibility for corporate real estate” **Cathy Guilbeault, Sun Microsystems**

“Two Matsushita Electric Industrial factories in Beijing shut down last week, idling nearly 6,000 workers, after Chinese employees fell ill with severe acute respiratory syndrome; the second time the Japanese electronics maker was forced to suspend production” **Associated Press, May 27, 2003**

## Putting A Wrap on SARS (for now...)

SARS was the dominant story of the second quarter of 2003. What initially began as a series of outbreaks of a mysterious flu became a deadly pandemic that rapidly spread around the globe. The first phase of managing the outbreak was containment-oriented, but that was soon followed by massive quarantine orders that not only affected the lives of those who had suspected contact with the disease, but the organizations that employed those suspected of having the disease.

One of the more notable SARS stories we looked at demonstrated how this particular problem was adversely affecting the supply chains

in the Far East, and bringing export industries to a virtual standstill (Posted on Gill website May 31).

Although some pundits feel that the disruption caused by SARS will force organizations to switch their supply chain M.O. from "just in time" to "just in case," others believe that our fundamental desire to sweep unpleasant events such as this under the rug will result in non-action. Now that the crisis seems to have passed, the lingering question for organizations will be whether it is a catalyst for change, or simply is relegated to the "one-off anomaly" category that shouldn't affect tried and true operational structure. Does the term "lessons

learned" actually have any relevance? Shall we take a proactive approach to ensure the impact of such events in the future is minimized, or is it simply more convenient to pretend it never happened?

We now enter a period not that dissimilar from the environment that prevailed in the months following the terrorist attacks. When we were in the midst of the SARS outbreak, our overriding instinct for preservation fuelled a need to look for answers and would create a new normal. As time passed, this need somehow lost its urgency. The future, as they say, is up to us, and the time for action is now.



**An example of the extent of SARS Impact on Business — an empty Starbucks in central Beijing**

## 13th World Conference on Disaster Management

The 13th World Conference on Disaster Management was held in Toronto in late June, bringing together a broad spectrum of participants to share their thoughts and contribute new ideas to this rapidly growing area.

The sheer magnitude of the event signaled how rapidly this field has moved to the forefront of organizational strategy. What was most striking about the conference this year was the range of issues covered. An impressive list of speakers discussed topics including contemporary techniques of business

impact analysis, micro-management aspects of disaster planning, anecdotes of past events (and lessons learned from those events), organizational change and new areas of business continuity planning.

One of the more illuminating sessions was by Lt. Admiral Michael Cowan, Surgeon General of the U.S. Navy, who traced the origins of disaster management and BCP to the San Francisco 1906 earthquake. In a somewhat ironic twist of circumstance, he reminded the audience that, prior to the fall of communism, our collective belief

was that if the Eastern Bloc collapsed we would be living in a far safer world. Circumstances have proven quite different, as we now live in a more dangerous and far less predictable world. Business continuity planning takes on greater importance today.

It was clear that the discussion of business continuity planning and disaster management is moving forward at a reasonable pace. Real estate and facilities, however, were on the periphery of these discussions. Gill's approach brings those issues closer to the core.

**"The sheer magnitude of the event suggested just how rapidly (BCP) has moved to the forefront of organizational strategy"**

## Conversations with Gill: Commencing August 2003

Beginning in August, we'll introduce on our website a regular feature titled Conversations with Gill, where we engage in discussions with those whose unique views on the emerging issues of decentralization and planning are shaping the future.

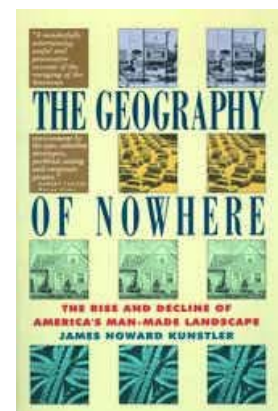
The first discussion will be with noted new urbanist James Kunstler, whose books include *The Geography of Nowhere* and *Home from Nowhere*. Kunstler was widely quoted in the global media in the days following 9-11 as a result of a paper he co-wrote with Nikos Saligaros

titled *The End of Tall Buildings*, and his unique perspective on urban planning initiatives in the two years that have followed will surely make for a great conversation.

Kunstler, a thunderous proselytizer of new urbanism, has a lot to say about the future of the urban landscape and living and working spaces. He is currently working on a new novel, as well as a non-fiction book about the end of the "fossil fuel fiesta" and other discontents of the 21st century.

James Kunstler graduated from

SUNY Brockport, and worked as a reporter and feature writer for a number of newspapers and *Rolling Stone* magazine. He is the author of eight novels, including *The Halloween Ball*, and *An Embarrassment of Riches*, and is a regular contributor to the *New York Times Magazine* and op-ed page, and a lecturer at Harvard, Yale, Columbia, Dartmouth, Cornell, MIT, the University of Virginia, and many other colleges and professional organizations. We're fortunate that he took the time to share some of his current thinking with us.



## The Magic of TB2 by Streamlogics

If you're following the Gill website, you will notice how much emphasis we have put on developing research. During July, we posted abstracts of our first two research papers: *Impacts of Attacks and Outbreaks* and *Real Estate Continuity*. These are available to our readers in PDF format on our website.

PDF? Wait a minute, isn't Gill supposedly an outfit that proposes fundamental changes in organizational structure with integrated communication being the center piece of the dispersion proposition? Don't we claim that some of the effects of dispersion can be overcome with effective technologies?

If we are what we claim to be, then it is important that we should put the technologies we recommend to good use in our own operations. That said, you might want to check out our research page and view the multimedia presentations that provide interactive overviews of our research papers. These are presented on a multimedia platform called TB2, for "talk back" v.2, which is provided to us by Streamlogics, a key Gill Advisor.

The limiting factor of emailing a typical PowerPoint file is the recipients' inability to provide meaningful context to a number of muted slides if the received presentation is presented on a one dimensional

plane. Attachment size can also be a problem. TB2 takes PowerPoint to a new level of communications for business. It includes a presentation software window, a media player that provides voice or video of a presenter, as well as a resource center that allows the addition of attachments or links relevant to the presentation. All this is accomplished easily by including a web link in an email that connects the audience to Streamlogics' hosted application, where the presentation is viewed. TB2 brings the auditorium to the recipient's desktop. Check out [www.streamlogics.com](http://www.streamlogics.com) to see how TB2 can become part of your own communications toolkit.



**TB2 - Why not bring the auditorium experience right on your desktop?**

## The Evolving Nature of "The Interagency Paper"

The impact of the terrorist attacks on the financial industry exceeded anything ever predicted in any worst case scenario analysis. Much of the damage resulted from inadequate redundancy.

To address this, a joint committee consisting of the Federal Reserve, the Office of the Comptroller of the Currency, and the SEC was assembled to mandate changes creating a greater degree of redundancy for these industry players.

In August 2002, the committee released a draft paper on proposals

that were being considered. A major area of concern for financial institutions was the extent of geographic dispersal that was being proposed. For instance, it suggested that backup sites may have to be established a minimum distance of 50-60 miles away from the central location, and in some cases even hundreds of miles. It also suggested that firms might be required to operate fully operational "hot" sites that would require staffing from new labor pools.

Many commented on the perceived draconian nature of these recom-

mendations, and banded together to seek some degree of compromise. After receiving letters from 90 concerned industry participants, a more moderate version titled *Interagency Paper on Sound Practices to Strengthen the Resilience of the U.S. Financial System* was released in April of 2003. Most of the fundamentals remained the same, but many of the *mandatory* measures in the draft were reclassified as *highly recommended*. Contact Gill for more information on the paper, as well as its application on your particular facilities-related planning.

**"The impact of the attacks on the financial industry exceeded anything that could have ever been predicted in a worst case scenario analysis"**

## Gill Advisors: Bridging What Chasm?

Since we began exploring the link between RE strategy and BCP, we have encountered more than a few red flags. Although statistics may suggest that awareness of the importance of business continuity planning at top executive levels is high, such awareness diminishes noticeably at the tactical level of real estate management.

Similarly, business continuity planners tend to get so caught up the latest and greatest advances, they often pay little regard to a basic area that can significantly impact their overall strategy - real estate

and facilities planning.

On one hand, we hope that statistics we have gathered are isolated and bear no resemblance to what actually goes on in the real world, but inevitably, we end up shaking our heads after meeting business continuity planners who fail to see the important link between these areas, as well as real estate executives whose faces go blank after they are asked to what extent their strategies incorporate key nuances of business continuity planning.

As we have said, if risk mitigation is

the goal, and redundancy plays a significant role in its reduction, facilities dispersal plays more than a passing role. If the decision is made to opt for dispersed facilities, a number of logistical issues must be addressed. This is not merely a question of where those backup facilities will be located, but creating an infrastructure tying those facilities together in a meaningful and cost effective way. Gill helps gather, organize and assemble the pieces required for business leaders to come up with a comprehensive solution that is right for their organization.



**Gill bridges the chasm between business continuity planning and real estate strategy**

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## Real Estate Continuity

**Institutional real estate policy needs to be approached in a new way. We advocate that large organizations make this function more strategic, rather than tactical, especially in an era when external factors that might compromise the very existence of the entity cannot be predicted.**

**Gill Advisors Inc. is committed to creating solutions for institutions that seamlessly integrate real estate strategy into the burgeoning area of business continuity planning. By bridging these areas, Gill makes real estate planning a more strategic component of overall organizational policy.**

## What's Popping Up in Q3 2003?

### Research:

- Upcoming research papers for the third quarter of 2003 include the fundamental drivers of dispersal, an analysis of the human elements involved in facilities planning, and the ongoing insurance debate and its implications on institutional real estate.
- We are commencing a major study that should be finished by the fall that will have a significant impact on the way facilities are being planned on a going forward basis.
- The Gill Conversations will feature a discussion with one of the world's leading experts on human nuances of organizations.
- The issue of global outsourcing of key knowledge areas will be explored and its impact of facilities planning.



### Watching:

- To what degree will financial institutions in US implement recommendations made in Interagency Paper?
- What are some of the nuances of secondary communities that serve as backup sites?
- How leading dispersal trends in US are adopted in other global markets?
- How much is awareness of business continuity planning is rising and being implemented in institutions?
- What are some of the emerging management issues associated with dispersal?
- What are some of the potential changes in supply chain management that create better redundancy?
- How is dislocation associated with dispersal neutralized through technology?
- How will the ongoing reconfiguration of the insurance industry in the US exert an impact on global real estate?