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# The Property Management PARADIGM

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**A discussion dealing with how we do business in today's environment.**

**A**ll of the government employees and government contractors know that not only are we in a new political environment; we are also in an environment that is forcing all of us to examine, firstly, what we do; secondly, how well we do it, and finally, can it be done any other way easier and cheaper. Certainly the Vice President's National Performance Review is having its impact. Let's not forget deficit reduction and also the Government Performance and Results Act of 1993, as some of the major reasons. But also of equal importance is the industrial trend towards the quality revolution and re-engineering and the general feeling that people are fed up with the same old thing.

At this point you are asking what does this have to do with property management; The real answer is: everything. There may be some of you who started out on the loading docks or as property clerks and custodians. What was good enough twenty or thirty years ago is not good enough today. Just as most of you don't drive thirty year old cars, technology and the way we handle information has taken quantum leaps in the last few years. Yet we continue to operate in environments more suited for the horse and buggy than for the space age. Why do we resist? Psychologists and organizational behaviorists cite the overwhelming evidence that we fit incoming information into our existing personal beliefs and theories. Quite often we perceive what we expect. In essence we become victims of self-fulfilling prophecies - new techniques that don't fit our personal belief system won't work.

Now, I would like to look at several specific areas that would be ideal candidates for doing something differently.

## Physical Inventory Techniques

The wall-to-wall physical inventory is one of the most "sacred cows" and probably one of the most time-consuming activities. A number of federal agencies and commercial organizations conduct inventories on an annual basis, excluding the requirements in FAR 45 concerning property associated with contracts. Why do we do it? Generally it's the result of tradition, over-regulation and fear of audits. Inventory practices originated to satisfy accounting and taxation requirements and not as a property safeguard.

However, there are other methods including statistical sampling and conducting inventories by exception, that are more cost effective and efficient. What do these do for us? Less time doing marginally productive work permits more time to be spent on program and management improvement.

## Accountability

It is interesting to note the number of government agencies that have accountability levels that are well below the \$5,000 threshold for capitalized property. To be honest, a number of contractors — especially those dealing with DOD — have raised a very valid question regarding the value of having an accountability level of \$500 and the corresponding inventorying requirements. There has not been any evidence raised by a creditable source or audit agency that there would be a significant increase in the loss or abuse of personal property if the threshold

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were raised. Yet we continue to operate on antiquated assumptions which are costly in terms of time and resources, and inhibit our ability to focus on the control of high value or sensitive items. Think of the savings that would result if the number of transactions processed and records kept were substantially reduced by raising the limits.

## Life Cycle Property Management

Tracking and inventory controls are only small aspects of the total picture of effective property management. In fact, these elements really only indicate when other controls have failed, not what systems are really effective. How about integrating new technology and innovative ideas into some of the following areas:

■ **PURCHASING:** How about the use of electronic data interfaces, credit cards and other new purchasing techniques built into the system to ensure that new acquisitions are coordinated with property officials?

■ **RECEIVING:** An interactive electronic interface would be able to instantaneously track receipt with the order and final destination, log the item onto the property system and notify the finance office to pay the vendor.

■ **FINANCIAL ACCOUNTING:** An easy way to track capitalized assets and ensure that the database is current.

■ **USE AND CARE:** Ensuring that people have the right tools and are responsible for the care and custody of property entrusted to them, including scheduled preventative maintenance, repair history, physical security, along with the identification and removal of unused property and the routine replacement of equipment, etc.

■ **EXCESS AND SALVAGE:** As a rule in government, including government contractors, we hold on to property until it has outlived its usefulness and then build or rent warehouses to store the excess without considering whether or not it is cost effective, or the actual history of the re-utilization of excess property.

## Property Management Integration

Not many property managers can say that they have an interactive property management system that integrates property management with acquisition, finance and accounting, maintenance and repair, transportation, training, etc. How many times do organizations purchase equipment that does not work, or requires extensive maintenance and repair, or is too complicated for the specific application? It would be useful to know beforehand those items which may not work or may be environmental hazards so that problems could be avoided or alternative products sought. If you think about management as the effective utilization of resources, whether in production or providing services, then an effective property management system should incorporate the concept that property management really begins at the planning stage, not when something is dropped off at the receiving dock. Too many in the property arena think their responsibility is to acquire and manage warehouses: wrong. No wonder property managers look at themselves as “Rodney Dangerfields” in their organizations because their emphasis has been on proscription, not inventiveness and management effectiveness.

There is also a tendency in property management, both government and industry, to rely on a plethora of outdated rules and regulations versus focusing on customer needs and expectations. To paraphrase Charles Darwin as he noted in his treatise, “Property managers will adapt to their surroundings or they and their functions will cease to exist.”

## Performance Measure

There is a basic rule to determine what we need to do and how well we perform it: what gets measured gets done. However, we tend to track obscure and useless tasks versus adding value by focusing property management indicators to the organization’s strategic and intermediate goals. Senior managers aren’t worried about the number of items in the inventory that’s added or excessed unless it is converted into the thing they understand: (\$) dollars. How can you tell if you are getting bet-

ter, or a proposed improvement will have any value unless you have sufficient data and documentation to verify your assumptions?

What we do and how we do it must be targeted. This includes our current mission, as well as future needs. Managers need to look at both the process and the results, the what and the how. The function has more relevance than the form. Clear attention should be placed on effectiveness, efficiency and management control. This is not to fix blame but to seek opportunities for improvement—to understand what are the causes—and do the processes meet our customer's needs.

I know that there is resistance to measure activities and performance, but without it you can't justify your existence. It's hard and repetitive and it is easy to become discouraged but if you start with small activities and keep your target in sight and focus on meaningful activities it will add value. However, don't become bogged down into "paralysis by analysis" by trying to measure everything. Timely action is more important than the best plan never utilized.

*\*Cost to value ratio = Cost of property management function/total inventory*

This would provide a manager with an idea of how much it costs to operate the property management function as it relates to the value of the organization's personal property assets.

*\*Loss to value ratio = Value of equipment lost/total inventory*

This would provide a relationship between the value of total inventory and the value of property lost, stolen, damaged, etc.<sup>2</sup>

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## Conclusion

I would like to offer several caveats; namely, even though I mentioned incorporating new technology and new concepts, this has to be done in a thoughtful and constructive manner. The best computer, bar code or other system improperly applied will not solve any problems. The overriding element is that the solution must fit the organization. Secondly, numbers for the sake of numbers does not offer anything and will only compound your problems.

Finally, take your time and gather information from various sources before implementing change. Radical change leads to confusion unless the course has been well charted and obstacles anticipated. Plan well and integrate the ideas of those affected into the final process.



### ENDNOTES:

1. Talley, David J., "Problems with Perceptions in Decision Making," Naval War College, 1993, pg 1
2. Begis, James M., "Performance Indicators in Property Management," NPMA Property Professional, February 1994, pp 26-27

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