

Elevating Education Through New Office Headquarters

Three CEOs share how to construct a successful headquarters' building plan to meet strategic goals and get the board 'onboard.'

By **Gregg F. Witt, SIOR**

Entrance to new CHEST education facility

Developing new headquarters is a significant commitment for any organization. It is more than engaging a real estate broker to find a piece of land, hiring an architect to design and a general contractor to build. It is a strategic process that takes from three to five years and involves many people from within and outside the organization. And, most often, it's a process that must start with board buy-in.

Over the past few years, several medical professional societies have constructed new headquarters buildings in the Chicago metropolitan area to, in part, offer cutting-edge education and robust programming and instruction. FORUM asked three CEOs— Paul Markowski of CHEST (American College of Chest Physicians), Karen Hackett of the American Academy of Orthopaedic Surgeons and Paul Pomerantz of the American Society of Anesthesiologists—about the strategic issues their associations surmounted and how their boards got “onboard” with such major initiatives.

Demonstrating Value

CHEST demonstrated to its leaders the value of a new building by explaining how it would contribute to the organization's overall strategic initiatives and save costs.

“Delivering innovative education in chest medicine is key to both our vision and mission,” Markowski says. “Owning a training center, built to meet our needs now and into the future, allows us to offer the range of education events chest physicians want and need to keep their skills and knowledge current. Access to state-of-the-art equipment and technology puts us in control of the experience and allows us to uphold our high standards for education delivery.

“In addition, we presented potential cost savings. Our building allows us to stabilize and minimize expenses associated with not only our

education events, but also our board and committee meetings. By owning a building equipped to host a variety of gatherings, we no longer incur costs associated with renting outside facilities.”

AAOS' board explored the potential value of new headquarters through a “project team” approach, assigning a number of board members to work with staff on assessments, Hackett says. Several project teams were involved: they investigated many options including refurbishing AAOS' existing building, leasing space, buying an existing building or building to suit. After being presented with the project teams findings, the board ultimately decided to construct a new building.

As part of the process, AAOS invited orthopaedic specialty societies that were tenants in its old building to participate as equity partners in the new property. Four of them accepted: The American Orthopaedic Society for Sports Medicine, the Arthroscopy Association of North America, the American Association of Hip and Knee Surgeons and the Orthopaedic Learning Center.

Decision Drivers

For ASA, there were three drivers: 1) a suitable space for archives, its related research foundation and a museum; 2) a place to attract staff, support collaboration and cross-functional work, and provide room for future growth; and 3)

house increasingly sophisticated IT to support initiatives in IT, quality (e.g., clinical data base) and digital communications.

The key decision factors were cost, location and convenience, Pomerantz says. Regarding member convenience, ASA considered proximity to airport, hotels and restaurants. For staff, ASA considered proximity to where existing staff lived and potential future talent.

“We were running out of room in the old building—it could not adequately house the museum and related organizations, and was unable to provide the space to support ASA's future growth,” Pomerantz says. “The fact that Schaumburg is home to many associations was a key determinant. We also looked at infrastructure, including transportation—we are close to highways—electrical, communications and government factors including a reasonable regulatory environment and a business-friendly environment.”

At AAOS, the driver for constructing the new building was orthopaedic unity, according to Hackett.

“It was very important to AAOS to keep together the house of orthopaedics,” she adds. “The old building was home to many orthopaedic specialty societies [as tenants] and several needed additional space that did not exist. The new building accommodated this growth and gives them the opportunity to be partners with AAOS in the new building.”

The ability to deliver innovative education in chest medicine, thereby supporting the organization's vision and mission, was a key driver in CHEST's decision, Markowski says. “Our training center has allowed us to grow our simulation education program and deliver education in a very dynamic way to meet the needs of a variety of learners. And, we are able to better control each education experience to ensure our high standards are continually met,” Markowski says.

“In addition, the building allows us to uphold our brand promise to be an essential connection at a critical time. During events in our building, we connect the health care team to forward-thinking programs in clinical medical education, to new skills and knowledge that advance their careers, and to a community



Training facility at the American Academy of Orthopaedic Surgeons.

of innovative problem solvers who can inspire them.”

Before CHEST moved to its new building, the association hosted many education courses and events in its old building and some offsite, mostly in hotels. Neither option was ideal, Markowski says. “Our old building was limited in space and, being older, didn't have the state-of-the-art equipment we needed to elevate our education program. Using off-site space incurs additional expenses, and events tend to be less personal, lacking our brand touches.”

Return on Investment

At CHEST, revenue was projected based on the number of courses planned and expected attendance. Expense savings were clearly shown through the elimination of fees associated with offsite rental. Its return on investment measure was based on cost savings and an improved attendee experience. CHEST's cost savings have been significant since it no longer incurs room charges or pay marked up fees for services that once had to be contracted through a host facility.

“We now have more flexibility when negotiating rates for things like catering and equipment rental,” Markowski says. “The attendee experience has been overwhelmingly positive. Attendees and guests clearly enjoy coming to our building, preferring the natural lighting and open spaces to the typical environment of a hotel room or convention center. Our open space has proven especially conducive to networking with colleagues and faculty experts, and attendees take full advantage of the opportunity. They

leave our training center energized and take that energy back to their practices. This supports our overall brand and image, which translates to an intangible, but very positive, return on our investment.”

CHEST also rents the building’s education space to outside organizations, providing an additional revenue stream.

“The space is designed to be very flexible and can accommodate a variety of meetings beyond education events. Whether clients need our cutting-edge simulation resources and high-tech audiovisual equipment or just want a comfortable gathering space, we can tailor our services to meet their needs,” Markowski says. “Our pricing structure varies depending on the type of group, space needed, and services requested. Our meeting planners work closely with clients to help coordinate events. More information is available at trainingcenter.chest-net.org.”

At AAOS, the board was provided with financial models by internal financial staff and outside consultants for all the options considered. The ASA board did not require revenue and expense models specifically for education initiatives, but did pay close attention to the financials surrounding the proposed building.

“We have been in the building only six months so it is too soon to comment on the long-term return on investment,” Hackett says. “However, the building does house 25 orthopaedic-related organizations. We are very pleased with the overall commitment to the new building.”

Pomerantz says the financial strategy for the new ASA building wasn’t focused on

ROI, but rather on remaining within budget. However, the building is meeting expectations for member use, including educational programs, and exceeding expectations for outside meetings—other nonprofits and corporations who book space at the building.

If given the chance to change the decision to build, would they?

“Yes, we would definitely build again,” Markowski says. “Our training center allows us to advance our vision and mission through delivery of premier education programs. We have both the control and flexibility to tailor courses to meet learner needs, which enhances what we can offer.”

As an added benefit, our building features comfortable, open workspaces that continue to encourage collaboration and productivity among employees. We remain happy with our decision and the results.”

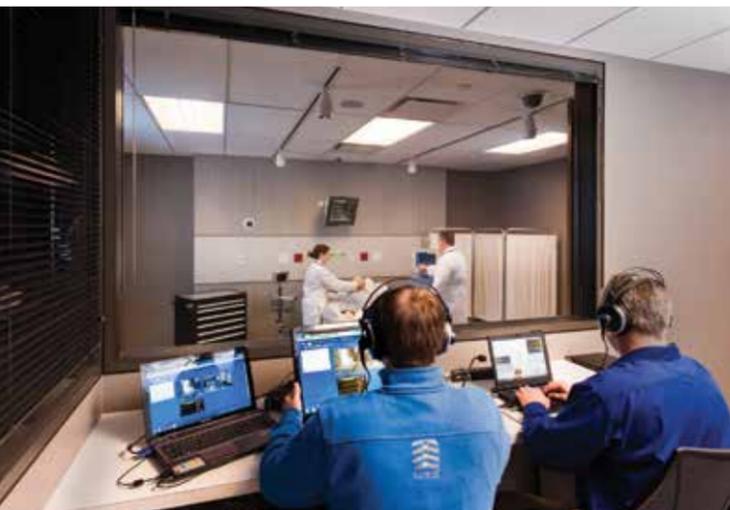
According to Hackett, AAOS would make the same decision. “It was a tremendous amount of work on the part of many and in particular Rich Stewart, AAOS’ COO/CFO. We are thrilled with the new building and plan to be here for many years.”

Pomerantz echoed similar successes. “The new headquarters has met expectations in every way,” he says.

Every organization that considers relocating and building a new headquarters will look at the project differently, as these three CEOs have demonstrated. However there are many similarities as these projects are reviewed and ultimately finalized. A CEO will need to clearly understand how the need for growth, staff recruitment and retention, and the stewardship of organizational assets impact this type of decision. Driving consensus to complete this type of project was important to each of these association executives as they used real estate to shape the future of their organizations and support their missions. **■**

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The viewing simulation room at CHEST.



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