OUR BUSINESS IS BUILDING YOURS

LaMACCHIA GROUP

IF YOU BUILD IT, WILL THEY COME?

A DEEP DIVE INTO THE CONSIDERATIONS & PLANNING OF A NEW OPERATIONS CENTER

INTRODUCTION

Any architect or contractor can design and build a new operations center, but how does one ensure that it's specifically designed to support a financial institution's distinctive growth trajectory? One word: **planning.**

Only a niche partner, deeply entwined in the banking industry, can develop a data-informed plan that considers organic growth, mergers and acquisitions, future forecasts, market trends and other factors uniquely impacting a financial institution's staffing and procedures - all absolutely critical factors for determining whether an operations center is the best path forward.

This is where La Macchia Group comes in. Our company was built on decades of partnership, combining financial institution leadership with construction experts, and exclusively serving banks and credit unions embarking on the design/build journey. La Macchia Group develops and executes 360-degree powerhouse plans that take financial institutions through planning and branding, to real estate and architecture, as well as technology and personalized content.

Building an operations center requires a solid strategic plan, leveraging critical information derived from internal projections and third-party expertise. In this whitepaper, we'll explore **the importance and impact planning has on large-scale builds, and how each decision can and should be rooted in data-backed insights.**

Whether you're exploring an operations center to streamline your footprint and better serve new and prospective consumers, recruit and retain top talent - or a little bit of both - the question we can help you answer is:

If you build it, will they come?

CONSIDERING AN OPERATIONS CENTER

When considering an operations center, there are many factors that should be layered into a detailed analysis in order to reach the best outcome and highest return on investment. There are hundreds of small decisions that need to be made, however there are three primary categories of considerations that an executive team should hone in on when planning for future operations center needs:

STRATEGY

CULTURE

SCALE

Leveraging data-driven insights to explore these three categories of considerations, should shape the path forward and serve as the kick-off to a strategic, market-driven planning process.

STRATEGY

Whether your organization has $100 million in assets or $10 billion, you need a strategy to get you from where you are to where you want to be. Strategy refers to a great many things and has a place at multiple levels of an organization. For the purpose of planning for an operations center investment, strategy refers to an organization's goals and plan of action for a specific time horizon. In other words, **where the organization wants to be and how it plans to get there.**

As you evaluate an investment in an operations center, here are a few questions to guide your strategy:

Growth

- **Are we planning to pursue growth, if so from where?**
    - Will the growth be organic or powered by merger / acquisitions?
- **Are we planning to expand the branch network, or increase our charter area?**
- **Do we plan to grow through additional digital channels?**
    - Do we have the teams and processes in place to support digital growth?

Programs & Platforms

- **Are there any planned technology improvements that will reduce back-office staff needs?**
    - If so, what departments will be affected?
    - If so, what is the timeline and the total impact?
    - If not, what considerations need to be made for long-term sustainability of current processes?
- **Are there any planned programs that will increase back-office staff needs?**
    - If so, what departments will be affected?
    - If so, will new departments need to be created and resourced?

Regulations

- **Are there planned regulation changes or additions in the works that will require us to add to existing or create new departments (e.g., BSA)?**
- **As we grow, will that push us into new regulatory requirements?**

Determining long-term strategies can be somewhat difficult and can often benefit from an outside facilitator who is familiar with your organization and the industry. These unbiased, third-party experts can help facilitate the conversation and keep teams on task in determining future strategic plans.

CARTER CREDIT UNION

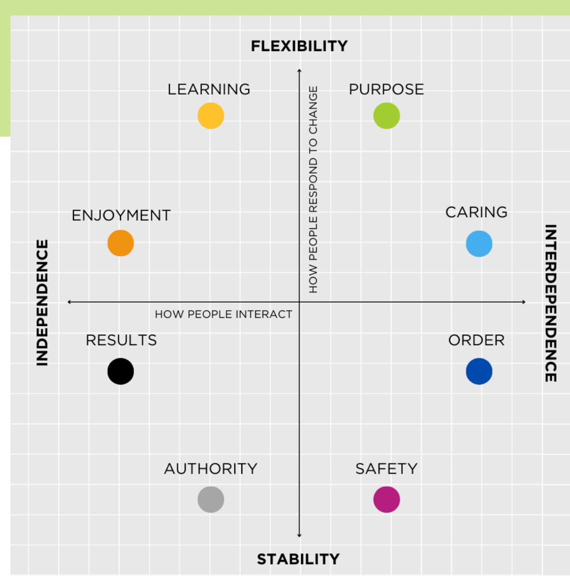
CULTURE

When initial conversations regarding an operations center are taking place, one of the most overlooked considerations is the organizational culture. Culture is a critical consideration in planning for an operations center, however, culture is often misunderstood. Leaders regularly view their culture as their interaction with employees, or in vague terms like fun, friendly or professional. Those terms reflect personality, a component of culture, but not the culture itself. Instead, the **corporate culture expresses goals through values and beliefs and guides employee actions through shared assumptions and norms.**

Research suggests that there are eight consistently definable culture types across organizations that are aligned around two axes: people interactions; and response to change. **People interactions** refers to a spectrum between highly independent and highly interdependent employees. **Response to change** refers to a spectrum of a company's ability to flex ranging from highly stable to highly adaptable. The below image provides a visual of the eight cultures and where they fall on both axes. Where your organization resides can and should have a tremendous impact on how you plan for an operations center.

For example, if your organization is highly independent and highly flexible, you may consider multiple, smaller-scale operations centers throughout your market. However, if your organization is highly interdependent and highly stable, you may want to consider a consolidated office environment. Further, the corporate culture can dramatically influence your remote work plans. Understanding the shared group norms of your organization will help you plan for in-office, remote or hybrid work environments.

Culture should also impact the design of an operations center. Just like helping dictate the positioning and work style, culture should influence how the building is put together. Highly interdependent organizations should provide flexible areas for collaboration, while more structured and independent organizations should focus on areas for individual / uninterrupted work. In short, **the building itself should reflect and support the culture of the organization.**



SCALE

Scale might be the simplest part of pre-planning considerations, yet it can have the greatest impact on the overall project. Starting your planning process with a clear, aligned scale will make many other decisions along the way significantly easier. Scale is specifically **setting a timeline, investment and organizational impact.**

Timeline

Timeline refers to how soon you need your operational challenges solved, as well as what horizon you want to solve for. First, let's address timing. Sometimes discerning when solutions are needed is easy. For example, your lease may be up and you do not have any options for renewal. In this case, the loss of your current space is setting your front-end timeline. However, in other scenarios you may have some expansion space remaining but know that you will be out of space within the next few years.

The other side of the timeline refers to how far into the future you are looking to solve your administrative needs. Are you looking for a short-term solution (e.g., less than five years), or something much longer-term (e.g., 20+ years.)? Perhaps it's something in the middle. If you are looking for a short-term solution, your best option is likely a leased space with minimal build-out in order to limit capital and depreciation costs. If you're looking to solve for a longer horizon, you need to put significant effort into planning wisely.

Investment

Investment is the next aspect of scale that is important to consider, and while easy to understand, it's much harder to account for. Investment refers to the capital costs the organization is willing to expend to solve for current and future operational needs. Often, in the financial services realm, this is driven by fixed asset, capital, and income ratios. It is critical that an organization knows what level of investment is feasible as it enters the planning stage. Without this knowledge, the organization, and any of its partners assisting in the process, will waste time and money in chasing solutions that are outside of the organization's budget threshold.

Investment considerations should also include the value of existing real estate. You likely have existing facilities that have some value to you, and perhaps to an outside organization. Before you jump head first into the planning for your operational needs, you should evaluate the value of your existing properties. This certainly includes the actual book value of your facilities, but it's beneficial to have a general sense of what the market value of your properties are as well. Assembling that information can help you determine the best return on capital spends and whether divesting elements of an organization's current footprint could free up critical resources for space that works better for an organization, its consumers and its workforce.

Organizational Impact

The last component of scale is the overall organizational impact. This refers to how much of the organization is being affected by the change in administrative planning. Essentially, you need to determine if you're talking about a solution for some of your administrative needs, or all of them. This largely gets back to culture, but there's an obvious operational component as well. In some cases, it's about maximizing efficiency and relocating independent departments to a separate space; still in others it's about bringing everyone together. Having at least some sense of how much of the organization you want to plan for will make the planning process significantly easier and more impactful.

If you begin your trek into planning for an operations center by getting alignment on timeline, investment, and scale, you'll be positioning yourself and your organization for a successful project. The next steps are to take these guidepost considerations into a formal discovery and planning process that puts your organization on the right path to navigate future administrative needs.

PLANNING

By now, you know you need to plan for your organization's future operations needs. You've aligned your senior leadership team around the biggest considerations: strategy, culture and scope. Now it's time to get down to the business of detailed planning. Using the guardrails of the larger considerations, the planning process gets into the details of what, where, and how (you've established the who and when already).

Every good plan starts with an honest assessment of the current conditions. Planning for your operations solution is no different. Once those conditions are established, it's important to consider growth potential, market conditions, and deployment strategy. **Digging into the details in these areas will set a foundation for the design process, ensuring you've done the right thing for your organization and its stakeholders.**

KOHLER CREDIT UNION

EVALUATE CURRENT CONDITIONS

As you embark on the details of planning, you must first set the benchmark of where you are. In this stage it is important to be as honest and objective as possible. Establishing this base isn't about demeaning where you are, but about setting the foundation of where you will go. Our experience has taught us that there are several important areas to evaluate your existing conditions.

Financials

What is your affordability to plan for the future growth of the organization? You should have touched on this in the considerations phase, but now it's time to get into the details. Go beyond just straight capital expenditure and evaluate what the additional depreciation or operating expense will do to your ROA and ROE.

Employee Conveniences

Map out where your employees live. Get detailed information about what their commute times are, how they're getting to work - and how they'd like to! Determine if there are patterns in employee drive times by team or department. Set a benchmark for the average, median and max drive times experienced by your employees.

Existing Facilities

Examine your existing administrative facilities or land options to determine what, if any, opportunity there is to accommodate additional employees. In our experience, many facilities are not designed efficiently. It can be extremely helpful to engage a professional to evaluate your spaces for opportunity to recapture space.

Evaluate any owned land to assess existing buildable space. Again, it can be helpful to engage a professional firm who will "max out" the site taking into consideration setbacks, parking, city ordinances, etc.

Existing Employee Efficiencies

Evaluate how many administrative employees you have relative to your asset size, or number of customers. Compare your rates against your peer group averages. Ask department heads if they are overstretched and need more people or resources to operate effectively.

Evaluate the Market You Are In

Does the market where your current operations reside have the potential for future hires? If you invest in a new, or remodeled facility in this market, will the market support the new value of the building? Is the current market important to the future of your organization, or will you strategically be moving in a different direction in the future?

Digging into your current conditions will shed light on where and what resources you may have to meet some, or all your operational needs. It will also set the table for the remainder of the planning process. **Once this foundation is established, it's time to start considering the future.**

Future Considerations – Employee Growth Potential

The first, and likely most critical calculation to assess is just how many people you will need over your projected time frame. There are no crystal balls, but there are trends and department leader intuition that can help you plan for even a long term horizon. In our experience, there are two paths to evaluating future employee needs that should be evaluated to land on the right projections. For both, it is important that you establish assumptions for growth that you would have set during the considerations phase. Will you grow strictly organically, through mergers and acquisitions, or both? Is there an annual growth percentage the board has committed to achieving? Or a set asset level to reach by a certain timeline? Use these assumptions to guide the projections presented below.

First, leverage historical trends to predict the future. Look back at how you have grown as an organization over the last five, 10 and 20-year periods. Specifically examine the number of administrative employees you've had relative to your asset size and customers in those time periods. Likely, you'll start to see some pattern of asset growth and employee growth. You can use these metrics to set trend lines to define growth scenarios for the future. Typically, we recommend using a historical trendline for a center point, then a conservative and aggressive trendline to place guardrails on expectations. Use these trend lines as far forward as the time horizon and adjust the trends based on the strategy identified in the considerations phase.

Next, ask your department heads to give their recommendations on what positions they currently have and what positions they think they will need over the next three, five, 10 and 15 years. A note of caution, your department heads may struggle getting past five years, and that is normal. Typically, we find that department heads ask for employees sooner than the organization requires, but in the right volume. In asking for employees for five years, you're most often getting closer to a 10-year need.

Once you have both the trend analysis and department head recommendations, see how well they align over time. If they're close, you can feel confident in your estimate of how many employees you will need. If they are significantly divergent, start asking questions about the assumptions your department team used and evaluate your path growth trends to determine if they feel sustainable over the next 10 to 20 years. As with establishing the current conditions, it can be extremely helpful to engage a partner that can help you through this process.

Future Considerations – Market Conditions

Market considerations are the next set of elements to begin planning for. Market conditions refer to the evolution of the market you are in, or are planning to be in, for your future operation needs. A market may refer to a neighborhood, city, or region depending on your situation. When evaluating the market, it is important to consider several aspects:

Market Size

The size of the market may determine much about how you should position yourself within it. For example, in a large metropolitan area, drive times are going to be larger and access to public transportation may be more important than access to a freeway. Or, if you only serve a small part of a large metro area, it may be important to find a regional node that provides access to the greater region but focuses on the area you serve. Conversely, in a small market, being centrally located, or located near the biggest draw may provide the best opportunity for maximizing convenience to current and future employees.

The size of the market may also impact your employees' view of a "convenient" drive to work. Large and small markets have established typically longer commute times because of urban density or long rural commutes. Midsize markets however typically prefer shorter commute times.

Demographics & Socioeconomics

Look at the market you are in (or are planning to be in) and look for patterns in the population. Identify the demographic and socioeconomic conditions that are ideal for your current and future employees. Dissect the market changes over time to see how they may impact the future location of those target employees.

Identify areas of the market that have high concentrations of the demographic and socioeconomic profiles that you want for future employees. Try to position yourself within a convenient distance of those areas.

Traffic Patterns

Evaluate your market's traffic flows. Look for any major improvements or changes planned for the transportation network. If the market has strong mass transit systems, identify the major routes and nodes. Look to avoid gaps in those nodes and systems.

Real Estate Conditions

In your market, look for pockets of similar buildings to the type and size you need. Identify if there are opportunities for purchasing an existing building that may fit your needs, or land that is available for your project's needs.

Identify lease rates and ranges over a variety of classes to assist in calculations for deployment strategies.

Examine vacancy rates for similar types of buildings that you will need to help set exit strategy and deployment strategy (we'll get to this next).

With a sound understanding of how many people you are going to need and a good perspective on current and future market conditions, you can get down to evaluating deployment strategies. Leveraging information gathered in this stage, your organization can make an informed decision about what it should do to deliver against its future operational needs.

EVALUATE DEPLOYMENT STRATEGIES

The last part of the planning phase is evaluating and setting your operations center deployment strategy. All of the components outlined in the considerations phase and earlier in the planning phase have led to data that will help evaluate the right deployment strategy for your organization.

In general, there are three primary deployment strategies to solve for future operational needs: lease, purchase and renovate, and build new. Each have pros and cons that will be amplified or depressed based on your organization's specific criteria. As you are evaluating these options it is important to use tools and metrics (… and potentially an expert partner) to compare the options.

Time Value of Money

Evaluate each option under the assumption that money spent now is worth more than the same value in the future. Principally, this means that investing the money now will provide a greater return than investing the money later. Even though this is an expense, this holds true for investing in an operations center. In large part because you'll get more for your money today than you will in the future, but also because you're improving your operations capability, there should be improvements in the organization that drives a greater ROI.

Cost vs. Opportunity

Evaluate each opportunity for its ability to provide some additional positive return for the organization. For example, if building allows you to have some excess space that you can then lease out, you now have an opportunity to generate income that you didn't have previously. Or, if purchasing a building saves you nine months of time, that is an opportunity value as well. Calculating this and balancing it against either the capital expenditure, or depreciation expense will give you insight into the best value for the organization.

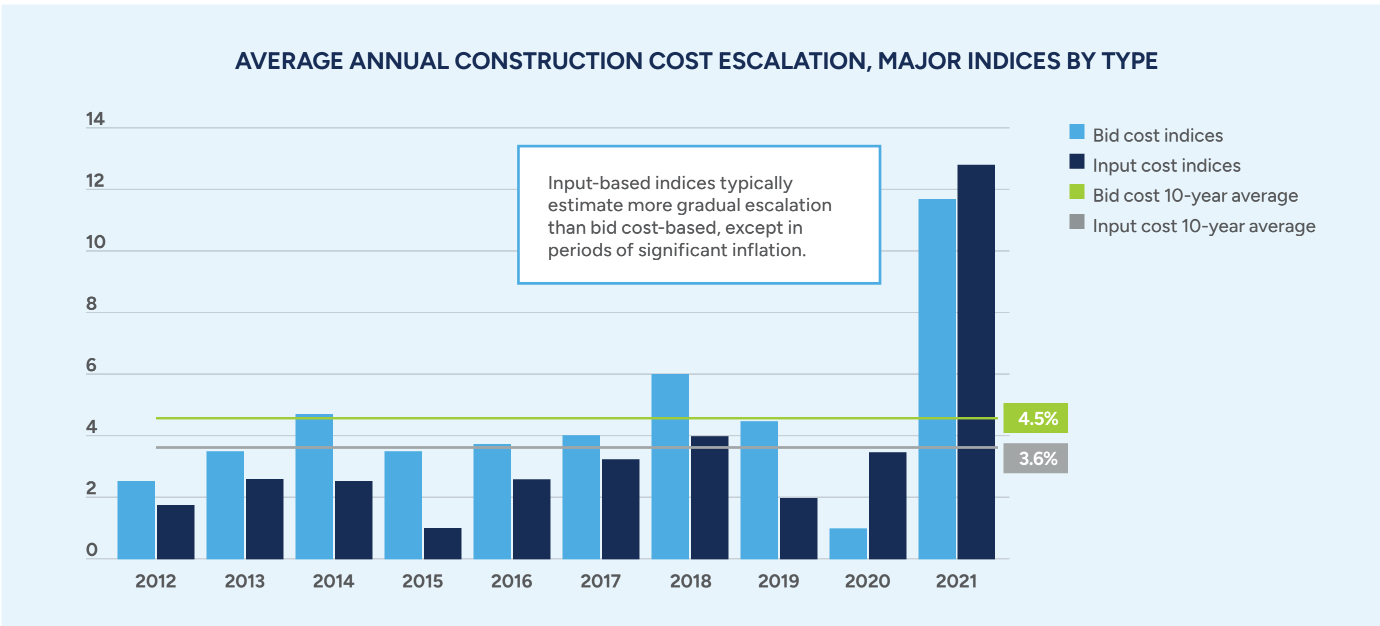
Market Impact

Evaluate each option for the increase in awareness the project will bring to your brand. In addition to housing operational elements of your organization, an operations center has the opportunity to be a billboard reflecting your brand. Each option will provide you some degree of opportunity to showcase your brand and drive awareness.

The reality of a project like an operations center is that there is rarely a perfect solution. The planning process is intended to bring as much information forward into the decision making process as possible, allowing your leadership team to make an informed decision that aligns with your organization's goals and objectives. **With this information in hand and deployment decisions made, it's time to move on to the fun stuff, designing the new space!**

PLANNING THE PROJECT

To set the stage for planning an operations center project, it's critical to understand some basic planning realities.



Sources: BLS, Engineering News Record, Turner Construction, Rider Levett Bucknall, Mortensons, CBRE Cost Consultancy, CBRE Strategic Investment Consulting, April 2022.

1 The Clock is Ticking

Once you have determined the basic need for a new operations center, the clock is ticking. **Historically, construction costs have increased 4.5% per year.** There are also typical cost cycles in markets wherein you can secure better pricing if you can solicit pricing at optimum times.

2 Climate Counts

Projects should be **planned around climatic cycles** as well to mitigate the impact of winter and other extreme weather conditions present in the area where the project will be constructed.

3 Create a Critical Path

It is highly recommended that at the outset of any project of scale a **preliminary guiding Critical Path Schedule be developed** so that all stakeholders can understand the scheduling goals and how the schedule will be impacted as project knowledge evolves and decisions are made. The critical path method is a technique that allows you to identify tasks that are necessary for project completion.

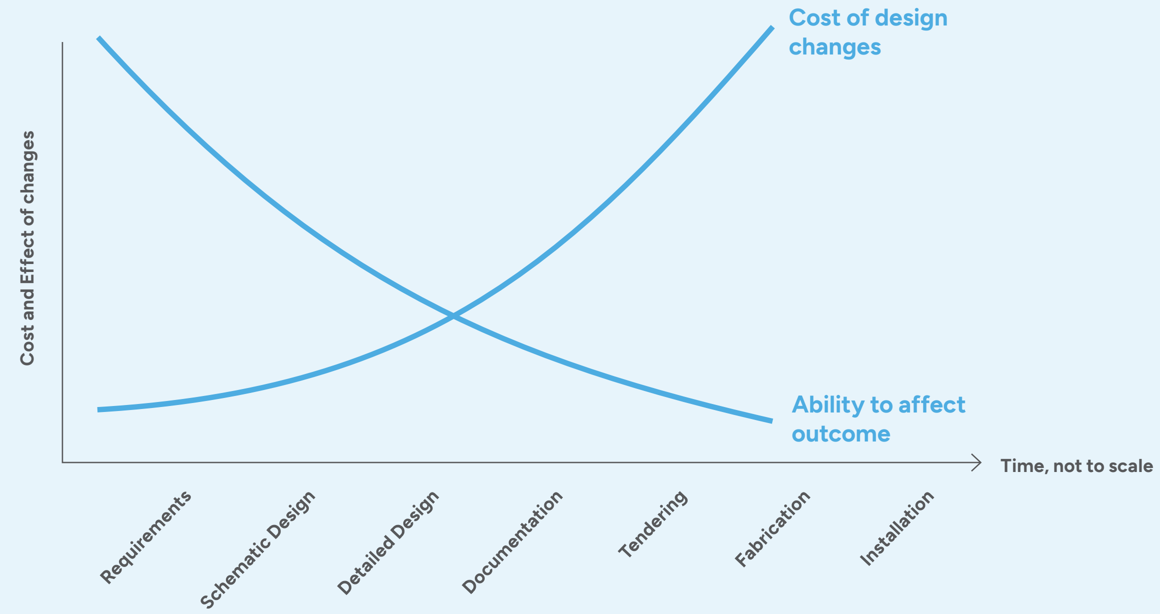
The **critical path** in project management is the longest sequence of activities that must be finished on time to complete the entire project.

4 Create a budget early, and leave room for contingencies

Inasmuch as you should already have a good idea of fundamental space needs, this is a good time to set some initial budget targets. An early budget target should be informed by the cost of similar projects and must be adjusted for anticipated inflation. Typically, **there should be at least 10% set aside as an owner's contingency** above and beyond an expressed budget. We have worked with many seasoned owners who set aside as much as 20% in contingency at this early stage to assure they retain management control.

5 Do your due diligence before beginning design

Once you have engaged in the design process, changes to the design become substantially more expensive as the design develops and your ability to make substantial changes decreases. Accordingly, **proceeding with design prior to having done your homework is a risky proposition.**



REAL ESTATE

If your organization has identified the need for a new or expanded operations center, but don't have the space at hand to accommodate that need, then one of the first parts of executing your project is the identification and acquisition of real estate property. If your organization does have space at hand, your first step is to ensure you have enough to accommodate your project's needs; something a strategic partner can assist you with. For the sake of this paper, we will assume your organization needs to acquire space. In this process, there are two critical elements in the real estate acquisition process: **(1) Site Selection and (2) Due Diligence.**

Primary Site Identification

Selection of the best possible site is fundamental to the success of an operations center and many criteria must be considered in making the fundamental selection:

- Commuting analysis for current staff to assure staff stability
- Commuting analysis based upon future staff needs and likely locations where that future staff most likely resides or will reside
- Visibility
- Accessibility
- Property value future analysis
- Security
- Exit strategy
- Market potential if a branch will be included
- Traffic analysis
- Amenities available or planned
- Property cost
- Taxes
- Observable or readily discoverable challenges to new construction

Site Viability Assessment (Due Diligence)

Once a target site is identified, the detailed site due diligence must proceed prior to any purchase commitment. Typically, this is achieved through a purchase offer being made contingent upon satisfying a reasonable list of due diligence items assuring that the site is buildable. Items typically include:

- Geotechnical testing
- Environmental phase 1
- Property rights and obligations
- Setbacks and easements
- Access rights
- Utilities availability
- Height restrictions
- Local governance issues
- Special assessments of fees
- Approval processes (schedule)
- Archeological study
- Protected species
- Navigable waterways
- Wetlands
- Flood plains
- Environmental, social and governance (ESG) impact
- Planned improvements business

Often an attorney is chosen to quarterback these due diligence issues, but we have found it takes a team of engineers, architects and construction professionals to fully assess the outcome of these assessments in a way that mitigates significant unforeseen costs and scheduling impacts.

Once one can assess the schedule and financial impact of these factors it can be determined if this site is a reasonable site on which to proceed. At this stage, a new Critical Path Schedule and updated budget should be developed in order for the site to be reasonably assessed. If it is within reason, you proceed to make the purchase and proceed with design. If not, you are back to studying the next best site until you arrive at a workable solution.

ALIGNMENT

VISION • CULTURE • BRAND • GOALS • PRIORITIES

Aligning on vision, culture, brand, goals and priorities is essential to achieving project success and it is a step that is often overlooked. Most often we find that internally, key stakeholders from Financial Institutions see the project goals in very different ways. Aligning the internal team must come first. We suggest a visioning process engaging key internal stakeholders.

Topics to consider include:

- Align building concept with preferred culture
- Align vision of how brand is conveyed
- Align economic priorities
- Lowest first cost
- Lowest cost of ownership
- Align design priorities
- Align business priorities
- Exit strategy
- Understand problems to be solved
- Determine priorities to determine what drives decisions
- Agree upon what will determine project success – all stakeholders must agree

Once the internal stakeholders are aligned around a project vision, it can be communicated to the external team. It's important to note that unless you are working with a design / build firm, large construction projects are often executed by partnering teams of owners, designers and builders that have never before collaborated as a singular team. It is critical that you align these teammates under a singular vision.

Aligning the internal team must come first.

Once all parties have achieved alignment it is time to move on to detailed programming. Detailed programming identifies space needs at a high level of granularity. Not only are you identifying how many square feet you require for each person or activity but also exactly how can that person or activity can be best supported by furniture, technology, lighting, acoustics, security and climate control. Equally important is understanding the functional relationships between people and activities. “Who should go next to what?”

KEY QUESTIONS TO ANSWER

1. How often are you likely to move people within the building?
2. How much of your staff will work offsite some or all of the time?

The answers to these questions will expose opportunities to consider furnishings and infrastructure that can greatly support these realities and save a great deal of money over time.

Assuming the vision session yielded effective results, you will already know what the priorities are in designing the building. At this point, the design team can get to work in refining a building concept that will not only meet the basic needs but do so in a manner that follows your priorities. There are numerous decisions to make as the design develops, the most significant being major building systems such as HVAC, Electrical, Building Envelope and Structural.

It is at this point that it is wise to have a seasoned professional or team of professionals assist with the assessment of options. There are many critical elements to consider with each decision including return on investment (ROI), constructability, supply chain impact, overall impact on schedule and, perhaps most importantly, consistency with agreed upon project priorities and goals.

As design develops and decisions are made, it is essential that a system of tracking changes in budget is in place assuring there is an ever-present understanding of the project’s current budget status.

HOW PROJECT DECISIONS ARE DETERMINED

How project decisions are determined and the timing of decisions on large design and construction projects is central to project success. The best decisions are made once and are well informed.

As we established in earlier comments, the most impactful decisions are made in the earliest stages of planning. Once the design process starts flowing, changes cost money and time and are often painfully difficult to implement. Accordingly, there is great importance in understanding the critical project schedule and specifically which decisions must be made by critical milestone dates. Often owners underestimate the significant role they play in the ongoing design and construction process. Many delays are caused by owners not fully embracing their commitment to the project, resulting in costly delays and out-of-sequence changes.

The next discipline critical to achieving a successful result is the actual process applied to decision making. There are many elements involved in this but three in particular stand out:

- Establish project goals and priorities in writing
- Think beyond "first-cost" to determine, communicate and commit to longterm budget goals
- Consider flexibility for future use

1 Establish project goals and priorities in writing

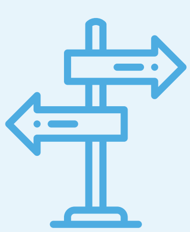
At the outset of the project, project goals and priorities must be established in written form to act as guardrails for each and every decision. Often as individual decisions present themselves they are at a very different level of granularity than when original goals and priorities are established. It is easy to get distracted by the details related to individual decisions. **Every decision should be run through the filter of priorities and goals to assure original project expectations are supported by each decision made.** Failure to do so will result in the expenditure of large sums of money and time. When every team member is aligned in terms of goals and priorities, decisions flow more easily.

2 Think beyond "first-cost" to determine, communicate and commit to longterm budget goals

Every project in one way or another is driven by a required economic outcome. Accordingly, establishing and adhering to budget goals is almost always central to success. It is essential that you determine how expenditures affect project success. In some cases there is limited capital and a project must be delivered within a rigid "first-cost" budget. "First-cost" is the sum of money expended for the actual design and construction of a project. Many owners never get beyond a "first-cost" analysis. When economics allow, a more sophisticated "life-cycle" view will yield better long term economic- and often building-performance-related results. **Simply put, you don't own a building for a point in time but rather over a life span. The cost of owning that building over a life-span represents it's true cost of ownership.** A few significant factors affecting long term ownership cost include energy cost, maintenance cost, projected longevity, occupant productivity and exit strategy. An example might include choosing a highly efficient energy saving HVAC (Heating ventilating and Air Conditioning) system which may cost hundreds of thousands of dollars more at the outset but save significantly more than that over time in energy savings, maintenance cost reduction, longer replacement window and better occupant comfort. It is best practice to apply this kind of analysis to all major building systems. A simplified version of this analysis is to simply apply a payback time frame to any enhanced systems choices.

3 Consider flexibility for future use

Finally, an area often overlooked when planning a new facility is the exit strategy. Everyone gets caught up in designing new facilities and gets excited about the customization that can be applied to specific needs at hand. What is often missed is what can be done with the facility when it is time to move on. We often see this happening sooner than owners anticipate. It is not unusual for a building built for a 20 year window to be outgrown due to mergers and other economic events in 10 years or less. What happens to the original facility? Is it of practical use to a new owner or is the customization so specific to the original owner that it requires substantial demolition to be reused? Is the original real estate location one that will support positive future uses? Is there opportunity for expansion on-site? **Simply put, it is wise to consider all project decisions with at least an eye towards flexibility and future use.** Things will change, does the building provide a platform to support that change?



A certain rigor applied to both the timing and to the actual steps in decision making can make a big difference in delivering a successful outcome both in the near term and the long term. You need a viable in-house decision maker dedicated to interfacing with design and construction teams. You also need strong outside partners capable of supporting all of these processes. If you have the right team, understand the schedule and apply logical decision making to the myriad of decisions necessary, your likelihood of success will be significantly greater.

CONSTRUCTION

Construction is often looked at as the project stage that follows design and bidding. Organizations that execute significant projects on a regular basis see this very differently. **It is extremely important to have a construction partner engaged from the earliest establishment of visioning, and budget, through design and execution of actual field construction.** This could be a construction manager, an owner's agent, a design/builder or in rare instances an architecture firm with an in-house construction expert. Critical to choosing that partner is their history of experience in similar projects and a deep understanding of current market conditions.

When choosing a partner, consider their approach to quality, schedule, cost and risk management:

QUALITY

Look at past projects and verify references. Has the Contractor been engaged in past litigation with Owners? Has the Contractor executed similar projects successfully in the past. Does the contractor perform rigorous third party testing? Certain testing is mandated by code but testing of soils placement, exterior building envelope, roofing and pavement to name a few are often not included in testing programs. A relatively meager investment in these tests can greatly mitigate downstream failures that may arise well after warranties have expired.

SCHEDULE

A "time plan" should be developed at the very beginning of a project, prior to design being initiated to assure all team members are executing their tasks on schedule. A "time plan" is a precursor to a formal schedule and is used to define the big picture plan. It is often an outcome of the Vision Session. By the time construction starts, there should be a full Critical Path Schedule developed with a clear understanding of critical path activities. Supply chain logistics in today's market can significantly disrupt a project. The contractor should be asked regularly about Critical Path Supply Chain logistics. Evidence that these items are under control greatly reduces risk of project delay. It is becoming increasingly common to partner with a contractor or to engage a design/builder to take advantage of early purchasing for key commodities such as steel, winds and precast to avoid delays and cost increases.

Pro Tip: Engage a design/builder or contractor to take advantage of early purchasing of key commodities for your project to avoid delays and cost increases!

COST

Low cost seems a logical objective, but it is essential you take a deep dive into costs estimates. All contractors are essentially providing building material and labor secured from the same sources. Contractors typically end up needing to earn a very similar 3-5% net income. Most contractors have similar operating overhead. The final cost is largely impacted by schedule, subcontractor performance and critical contracting infrastructure. You want your contractor to have knowledgeable professionals both in the field and in the office, you want your contractor to rigorously operate under OSHA rules and you want your contractor to have the right tools to get the job done including modern project management systems for scheduling and cost management.

RISK MANAGEMENT

One of the most important aspects of the construction process is risk management. There are various types of risks to consider: risks you can insure, and risks you can manage.

Risks you manage...

Data Security: A significant amount of information and money is moved between an owner and a contractor. It is essential that the contractor with whom you are partnering exercise the highest reasonable level of data security. A SOC2 certification is one way to ensure there are systems in place.

Change Orders: Construction contracts establish reasonable distributions of risk that attempt to assign risk to the party best able to manage that particular risk area. For instance, unforeseen subsurface conditions remain an owner's risk inasmuch as the owner owns the land and the contractor can only be made reasonably responsible for what is revealed in geotechnical reports. No geotechnical report is exhaustive as a practical matter. Accordingly, exposing a large boulder during an excavation would be an owners added cost under most contracts. There are several areas where an owner typically retains the risk. These should be identified to the degree possible, understood in detail as it relates to the specific contract between owner and contractor and a contingency should be established in the owner's budget. It is not uncommon for an owner's contingency to be between 10% and 20% of total project cost. This owner's contingency should not be confused with a contractor's contingency which is often included in contractors' estimates to cover risks that they retain under the contract.

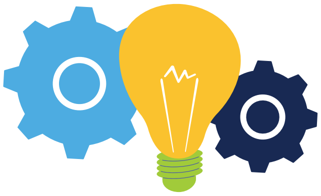
Protection of Payments: As payments are issued to a contractor there needs to be a system in place wherein lien rights are carefully managed. Typically, payments to be issued to the contractor would require proof in the form of partial lien waivers that payments were made for the prior period. This greatly mitigates the exposure to potential liens. It is important to understand the specific lien laws in the state where the project is being built. There are significant variations in the law from state-to-state.

FURNISHINGS

When you've completed design and construction planning, it's time to determine how to make the space useable through furnishings.

People-friendly spaces, from cafes to collaboration, are important to support the agility of teams coming together. Before you can effectively design a workspace, it's important to understand how an organization works. Once you've identified key motivators, habits, and cultural trends, you can thoughtfully design a space for a well-balanced workday. Afterall, investing in the workspace is just as important as investing in your workforce, and trust us when we say your people will take notice when it's a pleasure to go to the office.

When given a choice, your workforce will be attracted to the places that make them feel good and the most productive. We know that interaction within communal spaces is a source of energy and creativity, which is important for connection and innovation. Financial Institutions looking to foster cross-functional teams and healthy, productive work environments have prioritized the following spaces:



Before you can effectively design a workspace, it's important to **understand how an organization works.**

Collaboration Spaces

Designing spaces for collaboration creates an environment where teams feel inspired and valued for their input. Aside from fostering collaboration, communal, social spaces will set you apart from your competition when recruiting and retaining employees. They will also impress customers. These spaces, whether inside or outdoors, provide your team with access to diverse layouts designed for a variety of activities and group sizes.

In addition, a flexible furniture plan is critical for these multi-use spaces. Consider different comfort, posture, and privacy needs with high-top and low-top tables, plush lounge seating, and screen/partition elements for privacy and acoustics. Lightweight seating encourages and enables repositioning of areas for efficient collaboration.

Connectivity within collaboration spaces is equally as important as the furnishings. Access to power, internet, USB, and video conferencing, as well as writable surfaces and portable easels will make the transition from desk to community spaces seamless.

Flexible Offices

Even before the pandemic forced a great percentage of people to work from home, use of hoteling for hybrid-scheduled employees saw a large uptick. Offering a variety of workspaces for varied work modes increases your ability to do business efficiently while accommodating technological and sociological developments. What was once a cubicle farm, is now "touchdown spaces" and office spaces reserved on an as-needed basis. Touchdown spaces are simple workspaces that may be employed as a substitute for a larger office, where an employee can work from their laptop quickly and efficiently, while offering adequate internet access.

Unassigned hoteling desks or office spaces equipped with sensing technology and beacons provide workspace for workers with hybrid schedules and can be virtually reserved through a specialized interface. Hoteling is allowing companies to optimize their office space and ultimately reduce costs, while adapting to a blended work arrangement.

Adjustable workstations, more commonly known as sit-stand desks, allow employees to shift between sitting and standing while they work. Studies have found the health risks from sitting more than 8 hours a day with no physical activity was similar to smoking or obesity. The impact on your employees' health is enough reason to offer this flexibility, but it helps that standing can also impact mood and productivity.

Meeting and Conference Rooms

Meeting and conference spaces designated for structured interactions require a variety of needs and should be supported through versatile workspaces. From brainstorms to creative collaborations, consider furniture that provides comfort and flexibility for the duration of your activities. Ample access to power, internet, and USB should be available so your team isn't sharing an outlet to keep their laptop charged. A no-brainer for today's hybrid work schedules, video conferencing equipment and displays are a must to bridge the gap between office and remote workers. Access to writable surfaces, digital displays, and portable easels, as well as options to store materials and resources will increase the functionality of these spaces.

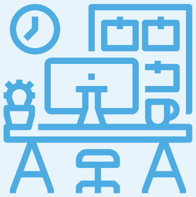
Before planning for these rooms, take a deep dive into the meeting schedules within your business. You might notice several small meeting rooms could be more effective. When considering large conference rooms, avoid limitations like heavy furniture. While grand boardroom tables have a purpose in some spaces, tables that can be divided and rolled to the side will offer more flexibility to the space. Furthermore, many financial institutions have adopted large rooms with folding sound-proof partition walls that create separate spaces. This provides the flex space for large-scale events like training or quarterly meetings, but when divided with the folding walls, can be sized down for smaller gatherings.

Cafe and Dining Areas

Open spaces dedicated to eating and drinking encourages gathering, socialization, and celebrations. A multi-purpose cafe space with access to refreshments provides a centralized social hub that encourages interaction, as well as a gathering spot for town hall meetings. Consider movable tables and seating that reconfigure easily for multiple needs that range from work to dining.

In years past, the lunchroom consisted of mass tables and chairs, with a sink and refrigerator. Today, it's much more common to break up the space with a variety of seating options, including booths, a mix of high-top and low-top tables and screens for space division and privacy. Food storage areas, not including refrigeration, include credenzas for napkins, utensils, and single-serve condiments. Efficient kitchenette space allows for small appliances (such as toasters and microwaves), while providing ample countertop space for a sink and buffet line for parties.

We would be remiss not to mention that durability and cleanability should be taken into account in spaces like this, with wipeable and cleanable surfaces so your cafe space stays looking fresh for years to come.



While we only detailed a few of these reimagined spaces, there are many new and improved ways to design for happy work environments. From game rooms to patios, going to work has never felt more inviting. **Working with a team of designers that solely focus on how financial institutions operate will ensure your approach meets the needs of today and the demands of your growing future.**

CLOSING THOUGHTS

Planning and executing a new operations center can seem like an overwhelming ordeal. If you follow the path outlined throughout this whitepaper you will end up with a space that confidently meets your current and future needs. While there are countless details in a project like this, the biggest, most important items need to be addressed early with as much alignment as possible amongst the planning team. Once that is done, a competent partner can help you navigate the small details that bring the project to fruition.

It can be difficult, after the project is complete, to truly know if the project has been a success or not. Our measurement of success is both qualitative and quantitative. First, if you and your employees feel a sense of pride in the space that you and your team have helped bring to life, you're halfway to a successful project. The second measurement is one of numbers. If at the time of completion the project has remained on budget and has met the needs of the organization as established at the outset of the project in terms of space availability, future needs, etc., then the project is a success.

Every organization's needs are different, so no two projects are exactly alike. However, every company in need of an operations center needs to maximize the value of their investment to help the organization grow and thrive. Following the guidelines we've provided will ensure your company does just that.

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