



From Reactive to Proactive

Data Integrity for Corporate Real Estate Management:
A guide to global industry best practice

The Changing Workplace

1. Executive Summary

As a result of the economic challenges of the past few years, organisations are much more aware - and appreciative - of the role real estate management can play in impacting monetary outlays and driving financial performance. Indeed a recent study by Aberdeen Group in 2009 found that around 65% of organisations perceived real estate and facilities management as a more strategic enterprise function.

Data integrity is the single most effective route to achieve optimal value of the capital invested, increase top-line revenue and encourage re-use of key knowledge and best practices. But only a centralised, integrated approach can deliver true data integrity for real estate management.

However, while most global organisations today have implemented some form of Integrated Workspace Management System, many will also have experienced the limitations of these systems. In most cases the information required for effective real estate management still sits in disconnected silos within the enterprise.

By adopting global industry best practice and taking a centralised, consistent, planned approach to data integrity, organisations will benefit from instant access to a single view of the entire property portfolio that gives decision makers the edge they need to drive the business forward.

This paper outlines four key steps to global industry best practice for data integrity. It explains practical approaches that corporate real estate managers can take in order to achieve the assurance that data is consistent, trustworthy and can be reconciled.

2. How much is your vacant real estate costing you today?

Industry research by Gartner has confirmed that many companies underuse office space by 50% or even more. That means as much as half of an organisation's real estate portfolio can be surplus to requirements. But which half?

The problem for real estate managers is that typically they are simply not in a position to know how many empty workspaces there are across the global property portfolio and more importantly where they are located.

By adopting a rigorous approach to data integrity, corporate real estate professionals will begin to find the answer to the question above - and many more. And even small improvements in the accuracy of data can make a big difference:

- According to 'The Bytesized Guide to Managing Space', produced by Unwired Ventures Ltd in 2007, a 2% increase in space efficiency in a portfolio of 5m sq ft will typically save close to \$5.5m year on year.
- The Changing Workplace recently worked closely with a company that reduced its operating costs by \$30 million, year-on-year, just as a result of conducting a full vacancy analysis.

The problem of managing a portfolio without any assurance about data integrity is a big challenge for today's global, geographically-dispersed organisations.

For example, take a typical scenario based on a company currently reporting a 10% vacancy level which equates to approx \$36m.

Now if we assume an accuracy rate of 50%, that vacancy could in fact equate to as much as \$54m, whereas at a rate of 90% it might only be \$40 million. A \$14 million variance is a staggering difference for anyone to manage.

3. Data integrity solves real business challenges

Continued pressure of cost management, increasing regulation and compliance requirements, as well as the need to manage global real estate assets for strategic gain, mean that the real estate professional's job is going to become a lot harder - but also a lot more interesting!

For example, the real estate function is going to be required to not only make better and faster decisions regarding the acquisition and disposal of real estate and leases, but also to:

- Forecast expansion and contraction requirements of the business
- Increase accuracy of budget, forecast and valuations for the real estate element
- Assess the impact of a mobile workforce on the organisation's real estate portfolio
- Enable sustainability and environmental strategies

Data integrity is key to successfully meeting these challenges. It provides users with the assurance that the information they see is totally trustworthy and can therefore empower users to make proactive rather than reactive decisions.

Effective business decisions depend upon the assurance that data is accurate and up-to-date. But data integrity can only be fully achieved with an enterprise-wide centralised real estate function.

4. Why a centralised system is a basic requirement of data integrity

Large global organisations tend to have geographically-dispersed facilities and projects. This can create a dilemma for effective corporate real estate management: local personnel need access to facility and project information for their local facilities; at the same time, the real estate management team needs a single point of access to accurate data about the entire portfolio so key performance metrics can be analysed to deliver effective management information.

A centralised, web-based system is the most effective solution to this challenge; it facilitates integration of all information on the people, processes and physical assets in a central repository, together with controlled access and collaboration across all areas of the geographically-dispersed organisation.

A recent benchmark study interviewed corporate real estate, FM, finance and procurement executives from over 250 diverse enterprises. It found that Best-in-Class enterprises were distinguished by two key measures:

- 1) Percentage of Real Estate, Facilities and Lifecycle Management, (REFLM) actively controlled and
- 2) Visibility into both spend and process. Best-in-Class enterprises were notable for their superior performance in key areas:
 - 5% reduction in their total cost of occupancy
 - 3.3% reduction in maintenance costs per square foot
 - 2.6% reduction in the cost of capital improvements
 - 56% reduction in amount of time to close facility work orders

And these reductions were specifically accredited to implementation of enterprise-wide platforms for real estate management. Yet less than half of all organisations currently have an enterprise-wide centralised real estate function in place.

5. Four key Elements of Best-in-Class Data Integrity

The Changing Workplace has been helping blue-chip organisations to achieve best-in-class data integrity for over a decade. As a result we have identified four cornerstones of data integrity, distilled from the experience of organisations who are leading the way in defining the future of effective corporate real estate management



Step One: Review

A comprehensive review of the current situation is the foundation for your data integrity project. In order to get anywhere, you need to know where you are starting from! Your needs analysis should cover the following checklist:

- Perform a fundamental and comprehensive needs analysis that includes your corporate goals
- Evaluate your current business processes and workflow, the systems to manage information and how effective (or not) these procedures have been
- Look at the near-term horizon and identify any likely business change that will have an immediate impact on real estate operations such as consolidation or staff reduction

The information below will help you evaluate your software and systems:

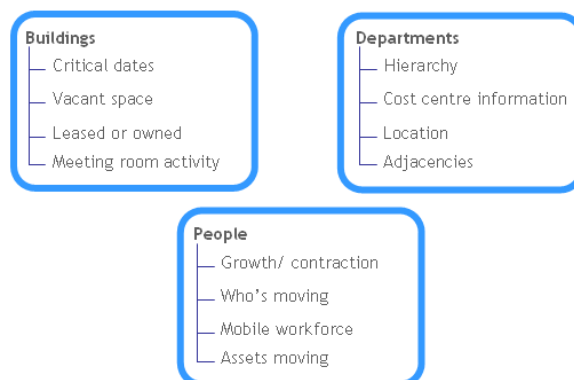
- Does it give you the information you need?
- Identify stakeholders and their information management priorities

Step Two: Identify

The next stage is to identify your precise requirements. What data sources within your organisation can you tap into?

Data from your ERP system, the IT department and even the post room can be of significant value in helping you manage your real estate portfolio. HR, for example should be able to help you understand the workstation needs of your employees - and contractors. Likewise the IT group with its responsibilities for data and voice will have data you can use to determine precisely where your workforce is located.

The graphic below provides a birds-eye view of the high level data that enables you to manage your property portfolio effectively.



Within business units you will want to look at cost centre roll-ups, floors and usage by cost centre.

We worked with one client who introduced a Virtual Office facility which when combined with a 'home working' initiative, released such a large number of workstations that after a consolidation process an entire building was closed down, saving the organisation over \$12m a year.

For shared spaces, again look at usage by cost centre, the level of bookings and equipment and catering requests. What is your chargeable square footage and the costs per workstation or employee per year?

For buildings what are the lease critical dates, terms, options and rent per year.

Lease break reports combined with depreciation data can also help you maximise your financial performance. An example of this happened recently when a decision needed to be taken on which lease to renew when the opportunity arose to consolidate two offices into one. The lease break information favoured one building until compared with the depreciation costs, when the data highlighted that the other building contained a recently built computer room that still had several years' depreciation to run.

Step Three - Establish

Well-defined processes are the third cornerstone of data integrity - skip this stage at your peril! It is vital to get buy-in from the appropriate managers, users, outsourcing partners, customers, stakeholders and shareholders. Here are some points to consider:

- Provide metrics to all stakeholders regarding system input and output performance
- Put in place process owners and SLAs to ensure data accuracy and update frequency is maintained
- Decide how often various data and information will be updated
- Identify who updates each type of data and how it is reviewed
- Does each type of data flow only one way from its producer to its users?
- Define and clearly articulate the roles and editing rights of casual users vs. contributors and managers
- If you use drawings decide how often they are updated
- For posted data, make the accuracy apparent and cite the posting dates
- For live data, make apparent the fact that the information has not been reviewed
- And for 100% data integrity remember data should only ever be entered once and then shared between all systems via audited and controlled electronic processes

As an extra layer of protection, it is a good idea to build validation checks into your process. A good web-based system will enable you to do this automatically, and highlight discrepancies and variances beyond a certain set tolerance level.

Above all, consistency is key. As we all know, the first rule of data integrity is “what you put in is what you get out” .

Step Four - Measure

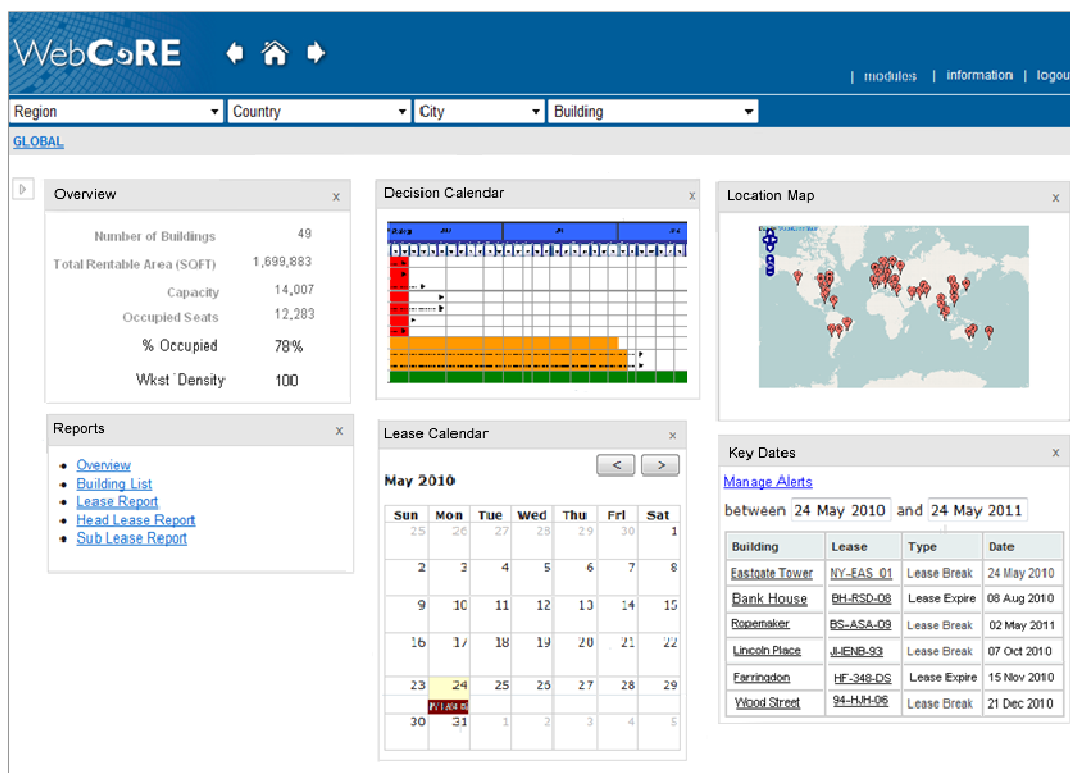
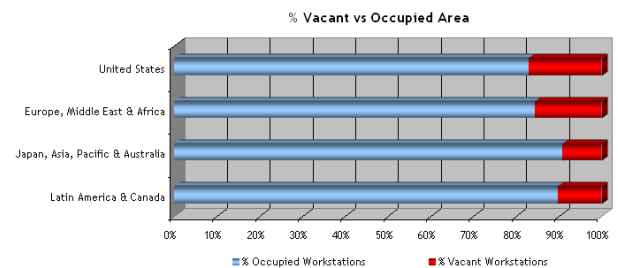
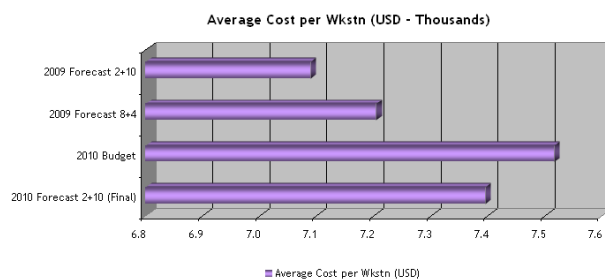
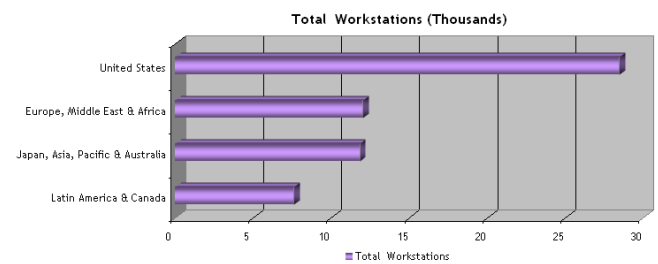
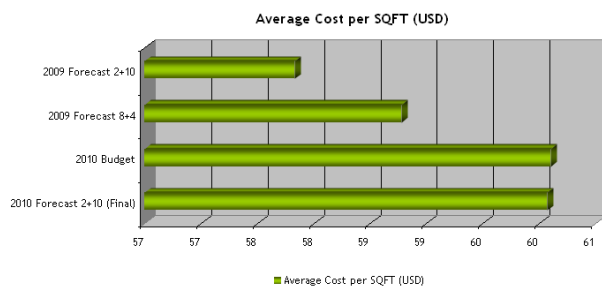
Research shows that best-in-class companies are 50% more likely to use key performance indicators to measure performance.

The recent Sarbanes - Oxley Act sets forth an array of requirements involving defensible financial reporting and transparency of operations.

To ensure that you meet these requirements, choose a web strategy that includes flexible reporting capabilities for presenting performance-related information in a variety of ways; the ability to extend information to departments and users on an as-needed basis to ensure transparency of processes; and the ability to maintain consistent processes by enforcing existing workflow rules and creating audit trails for flagging and reporting any violations

Here are some examples of such flexible, high level strategic reports and by sharing them with your team, your fellow service departments and of course your customers, everyone can see and share the benefits of having this accurate data. By being transparent you start the process of collaboration.

Put data into intelligent real estate reports



6. Create self-interest for users

A key part of data integrity is managing the challenge of empowering users to input data regularly.

The ability to enable users to maintain their own data is one of the major benefits of web-based, centralised systems. It opens up new possibilities that just weren't available before, in terms of having instant access to real-time data across the enterprise.

But, to make sure this happens, it is vital to create some sort of self-interest for users. This could be in the form of Key Performance Indicators (KPIs) for employees, backed up by regular checks to ensure key data has been updated. Some organisations are also taking innovative approaches to ensure that data integrity is maintained:

- **Internal charge backs**

Increasingly organisations are performing internal charge backs to departments. One of the main reasons for doing this is to see the true cost of each department, but it also helps make the business accountable and most importantly gives them control. They can see their space in exact terms and what desks are making up their charges.

- **Internal phone book**

One global organisation that we work with has integrated their internal phone book with their database and floor plans so all their staff have access and can see who sits where and what facilities are in their location. This then allows ALL their staff to update the information ensuring complete data integrity on staff locations, workstation layouts, even meeting rooms.

Case Study - Financial Services Organisation

This global financial services organisation has a property portfolio of around 23m sq ft, made up of over 325 buildings, housing a global workforce of 190,000.

Three years ago, their Corporate Real Estate function was tasked with introducing a best-in-class approach to data integrity. The goal was to introduce a more effective space management process that would meet business requirements, increase cost effectiveness and drive better space efficiencies.

At that point, they only had access to accurate detail for around 40% of their buildings worldwide. The finance team couldn't really be sure where their workforce was located with any degree of confidence. And there were also inconsistencies in the reporting of data and standard definitions across their global business, making it difficult to obtain accurate data in order to manage the property portfolio. As a result the Corporate Real Estate function was reactive rather than proactive, a position which made the organisation commercially vulnerable in a very volatile economic climate.

Today, the picture is very different. The company's web-based, real estate system contains accurate, up-to-date and trustworthy data about the entire property portfolio, as well as data feeds from HR systems, Finance, Building Management systems and the enterprise-wide phone book. The data is reliably maintained by people throughout the business - with monthly validation checkpoints - and is achieving operational savings and efficiencies in some key areas:

- Improved space efficiency of around 10% across the entire property portfolio (ranging from 3-15% improvements in different departments)
- Capex savings of 10-15% on a spend of over \$315m per year, through FF&E and soft costs
- Procurement is underpinned by effective occupancy management, workplace principles, performance-based specifications and supply chain efficiency

A total 100% commitment to data integrity has given this organisation an overarching ability to depend on the trustworthiness of real estate data at every level - location, capacity, building costs, lease expiry dates, location of the workforce. That means that they can reliably use their reporting metrics to make informed decisions in a variety of business areas.....

For example, the Engineering & Technology teams can now rate buildings according to their 'life cycle' events for improved facilities management. This in turn supports better procurement activities - so now they can predict with a high degree of accuracy how many sq ft of carpet needs to be ordered on a global basis, helping to achieve economies of scale and reach better commercial outcomes in their negotiations with suppliers.

Their capacity planning is informed by an understanding of the governance needs and local statutory requirements of each building, helping to mitigate corporate risk.

Perhaps the most dramatic illustration of how the data improves speed and effectiveness of decision-making came when they acquired a competitor with a significant property portfolio of its own; by applying their own metrics to a building that housed 6,000 seats, they were able to immediately identify an opportunity to increase space efficiency by 30-40%. And, on top of that, the entire acquired real estate was integrated into their own system within 90 days.

The Director of Global Workplace, Design and Construction, who leads a small team based in the UK, is closely consulted on critical business decisions affecting the future direction of the business. And a new forecasting system will help them make further improvements in forecasting future demand across the organisation, to produce further, significant, space efficiencies.

About The Changing Workplace

The Changing Workplace is a specialist real estate management company, based in the UK, with a global client base that includes some of the world's best-known companies.

The Changing Workplace's purpose is to help global companies create, manage and improve their centralised real estate functions. The company achieves this by providing specialised support in three key areas: innovative technology, expert consultancy and managed services.

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