A European manufacturer

Saving nearly USD19 million through improved workplace management

Overview

The need
Balance the pressure for growth against aggressive cost reduction targets.

The solution
The organization moved from a decentralized siloed group of regional facilities and real estate organizations to a fully-centralized and matrixed organization, enabling close coordination and alignment with the regional business units. Central to its success is the use of an Integrated Workplace Management System from IBM.

The benefit
In 2009, this European manufacturer performed a detailed cost savings analysis that showed USD19 million savings for the year along with a 400 percent return on investment over five years (from 2004 - 2009). The company also realized additional savings in facilities energy consumption.

This European manufacturer represents an enterprise that successfully moved from an ad hoc workplace organization to a strategic organization over a period of five years. In many respects the case study illustrates the power and effectiveness of workplace performance management in terms of aligning workplace strategy with business strategy, setting goals, monitoring performance against a set of critical performance indicators, and adjusting as necessary.

How the company planned and executed this transformation and the lessons learned from this journey provide compelling insights to the critical success factors and strategic intent, and are a source of enormous business value to its stakeholders. The company's workplace portfolio is significant, with several hundred locations comprising more than 15 million square feet.

Ad hoc workplace (1999)

In 1999, the company was essentially an ad hoc workplace organization. Workplace services were totally decentralized to the operating regions where each region utilized its own systems, with little or no consistency in operating processes, standards, or performance metrics. From a systems standpoint, the company deployed 65 different point solutions with virtually no interoperability between the tools or corporate enterprise systems.

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Real estate management operated separately from facilities management with little coordination between the two functions. The siloed regional functions focused principally on transactions and keeping up with employee growth. There was a critical need to change course in workplace management.

Origins of workplace transformation

In 2000, the company recruited a new workplace executive, who was given the explicit intent of transforming the company's workplace organization and practice. The new executive convened a global real estate forum consisting of corporate facilities and real estate managers to consider how to improve workplace management process, organizational structure, and systems.

By 2002, the company shifted to a centralized global workplace organization with functional capabilities that included real estate management, workplace solutions, facilities management, financial management, and process and tools management. Regional workplace teams continued to report directly to the regional real estate directors with a dotted line reporting relationship back to their global, centralized functional workplace organizations.

In 2004, the matrix was inverted so that the regional personnel reported directly to their global functional workplace organization, with a dotted line reporting relationship to the regional real estate directors. This change in reporting structure enabled a broad effort to standardize on a common workplace management system, the adoption of common processes, workplace standards, and performance metrics.

The global workplace organization reduced staff from more than 600 to less than 150 employees and utilized outsourcing to support a broad array of tactical services such as real estate transaction services, project management and facility management, the freeing up of workplace staff to focus on strategy and relationship management.

Solution components

Software
• IBM TRIRIGA®

In fact, a key focus of the new workplace organization was business relationship management. The organization utilized a relationship management tool to manage over 600 different business relationships throughout the operating regions and corporate staff. This focus ensured two-way dialogue between the workplace organization and the business units; thus ensuring strong alignment between business strategy and workplace strategy.

In 2006 and 2007, a broad array of space standards was implemented throughout the regions. Critical to the process improvements and standards effort was the data mapping process within an Integrated Workplace Management System (IWMS). In addition, the workplace organization standardized the purchasing and capital approval process and imbedded the process in the IWMS system.

The company has standardized on IBM's IWMS solution, IBM TRIRIGA®. Automation of time-consuming activities and advanced capabilities help its workplace organization efficiently manage its real estate portfolio and optimize space utilization. A workflow engine enforces routing, capturing approvals, rejections, and clarifications with time and date stamps to meet the company's internal compliance requirements.

"The system provides the flexibility to address any regional variances and support future changes to both organization and process," says the company's director of Global Practices. "It is also scalable to accommodate any growth or contraction that would occur as a result of our M&A [merger and acquisition] activity."

Another key focus of the new workplace organization is supporting the broad adoption of workplace mobility and flexibility. Its "mobile work" program began to accelerate and gained greater adoption once space utilization was benchmarked against other best practice organizations. Initially, the workplace organization determined that only 40 percent of office space was being utilized at any one time. New standards were

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adopted with targets to increase utilization from a 1:1 ratio of persons to seats, to a target of 1.2 persons per seats. A multi-disciplined team including IT, Human Resources, and Workplace Management drives the company's mobility program. The IWMS system from IBM tracks space utilization, including employees who work from home, and thus can systematically track and scale workplace resources to meet organizational growth.

Balanced scorecard—key to performance measurement

The company's workplace organization also utilizes the IWMS system to track four dimensions of performance: financial, customer, people, and workplace processes. Each of these categories includes key performance indicators as follows:

Customer
- Stakeholder satisfaction with Workplace Resource customer service
- Employee satisfaction with Workplace Resource services
- Business relationship management—quality of the customer engagement

Financial
- Real estate portfolio agility—average lease length until first break
- Operational space efficiency—square meters/headcount, square meters/seat, occupancy ratio, usable square meters to rentable square meters ratio
- Office cost per indirect headcount—euros/headcount, euros/seat
- Financial planning accuracy

People development
- Development of Workplace Resource personnel, identification of key talent
- Workplace Resource employee engagement and satisfaction
- Voluntary attrition rates

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Workplace processes
- Effective delivery of capital projects
  - Service quality
  - Speed-to-market
  - Cost accuracy
  - Product quality
  - Product change order
- External collaborator performance
- IWMS data accuracy—required fields throughout the system are both populated and accurate
- Sustainability—including managing environmental risks, quantity of LEED (Leadership in Energy and Environmental Design) projects under management, environmental awareness activities, sustainability checklist

The workplace organization tracks each of the key performance indicators within the IWMS system, which includes both inputted data from the workplace organization as well as data from external sources. Thus, the workplace organization has one source of performance data, regardless of source.

Results to date

During the development of the Business Case to support the global IWMS implementation, the company developed a matrix that reflected nine different categories of targeted business improvement, including optimizing space utilization, reducing vacancies and churn, decreasing lead time, and reducing missed critical dates.

Post implementation, the company has substantiated many of the selected targeted areas and continues to seek improvements in all aspects of their business process. In 2009, a detailed cost analysis of the project showed a nearly 400 percent return on investment (ROI) over five years (from 2004-2009), with a net present value of the project savings of USD73.8 million (EUR54 million).

Examples of improvement measured during this analysis include a 15 percent reduction in churn activity providing savings of nearly USD1.6 million (EUR1.2 million) simply from better understanding the portfolio, acting on business drivers, and improving planning processes. Additionally churn ratio improved from 75:25 to 85:15, driving an additional USD7.8 million (EUR5.7 million) savings.

The company also reduced its overall portfolio by approximately three million square feet, which represents nearly USD6.2 million (EUR4.5 million) in savings. Another example relates to ongoing lease administration savings and the ability to avoid missing critical dates, providing USD1.1 million (EUR826,000) in savings.

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Environmental and energy management
The company has also made significant progress in driving sustainable energy conservation throughout its workplace portfolio.

"IBM TRIRIGA software helps us identify underperforming buildings so we can see where best to implement energy savings programs," says the director of Global Practices. "It has also facilitated reporting of energy savings for our shareholders, investors and the communities at large. For example, the information is used in both our Annual Report and in the Dow Jones Sustainability Indexes."

Lessons learned

Key to the company's progress has been a strong vision coupled with an explicit business plan that addressed all the critical elements of the workplace transformation. Lessons learned so far cover three major categories:

- Ensure that the workplace management strategy and implementation integrate the elements of people, process, and technology. The adoption of an IWMS system has been critical to the transformation process in providing a platform to integrate the elements of workplace portfolio, headcount, and the workplace processes that deliver end-to-end workplace services.
- Change management is crucial to the success of the workplace transformation process. Because of the myriad changes in roles, responsibilities, reporting relationships, and processes, there would be substantial resources needed in training and constant organizational communication. As part of the change process, workplace management stressed collaboration with the business units and other key functional staffs including Human Resources and IT.
- Implementing IWMS required substantial support from the IT organization; particularly in the post-implementation phase, to ensure system tuning, test and refinement.

For more information

To learn more about IBM TRIRIGA software, please contact your IBM sales representative or IBM Business Partner, or visit the following website: **ibm.com**/smarterbuildings

You can get even more out of Tivoli® software by participating in independently run Tivoli User Groups around the world. Learn about opportunities near you at: www.tivoli-ug.org

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