Time, productivity and value: Do you have the right working equation?
(Hint: CRE can create it)

Consider real estate as a flexible tool in workplace productivity
The 2014 JLL global poll “What do you really do at work?” revealed that time spent at work is often misaligned with time spent on activity that actually creates value for the company. The recently published paper “Forget the Workplace…for Now: It’s time to focus your workplace productivity strategy where it matters most” discusses the importance of both solo and group work to effectively deliver business goals.

Building on that insight, this paper delves more deeply into the actions that CRE can take to make sure that the workplaces foster alignment between time worked and value that work delivers to the corporation.

To achieve this, CRE should shift the organizational perception of real estate as a fixed asset and consider it more of a fluid component of business. Although buildings are a long-term investment, as well as a fixed asset from a balance sheet and financial account point of view, on another level, they need to be approached as a flexible tool. They should be constantly evaluated and re-evaluated to ensure that the buildings are best supporting the work that the organization needs to accomplish. This process should not be interpreted as a process designed to reveal and correct mistakes, but rather one of constant improvement that is normal and virtually universal (think Six-Sigma, Lean) in the operations, R&D and production arm of the business.

Now for the big question: How? Over the past several years, a more focused and holistic approach to managing the corporate real estate portfolio has begun to emerge. It’s an approach that is grounded in process, committed to continuous improvement and wedded to the organization’s business strategy. It relies on a foundation of metrics-based, accurate utilization information and offers organizations untapped potential for delivering competitive advantage. More importantly, it positions the commercial real estate portfolio as a flexible tool. Whereas previously, the business looking for improvement in profitability, looked to real estate for cost cutting—a rather short-term solution—now we suggest that the business should look to real estate as a means for improving the productivity of the workers.

73% of real estate executives are expected to demonstrate real estate portfolio productivity

63% of real estate executives are expected to demonstrate that real estate can increase workforce productivity

72% of CREs say their departments are not fully equipped to deliver these results
Like so many successful endeavors, this pro-active real estate model starts with a conversation in general and asks the right questions in particular. The old question might have been, “How can we cut real estate costs?” However, the new questions are far more targeted, based on the Balanced Scorecard approach developed at Harvard Business School. This approach is a full strategic planning and management system that not only provides a framework and performance measures, but also helps identify what should be done and measured. It is a process that helps an organization clarify its vision and strategy then translate that into action. It doesn’t solely use financial measures because these tell the story of past events. Instead, it includes measures that can help 21st century companies create future value by looking at business processes, the customer perspective and the learning and growth perspective (which includes technology, employees and corporate culture).

Using the Balanced Scorecard, the new questions around real estate may include: “What environments do our employees need to best solve those problems?” “What obstacles prevent them from fulfilling key strategies?” And, finally, “How can real estate respond?” Then position real estate not as the solution, but the driver of solutions, as well as a resource that is actively involved in supporting employee productivity.

Typically, the problem that needs to be solved for real estate first is the same across the board: removing portfolio inefficiencies and costly waste. Waste can be categorized as anything other than the optimal amount of space, equipment, capacity, time or tools absolutely essential to add value to the product or service.

Here’s where it gets interesting. What if a Six Sigma or a Lean Process system were applied to identifying waste in real estate and implementing cycles of continuous improvement? While traditionally used in the manufacturing sector, this time-honored approach works surprisingly well with real estate. For example, it can pinpoint all the areas in which there is the potential for real estate waste:

- **Motion**—excess travel time, unmet adjacency needs, inefficient workplace design that impedes rather than enhances work
- **Waiting**—delayed project delivery, lack of availability of space to complete tasks (meetings), having to schedule sharing of information
- **Over production**—high vacancy rates, low utilization, functional redundancy, and gaps in allocation/hot spots
- **Processing**—long lead times for real estate changes, organizational silos, unnecessary or redundant process steps, poor technology supporting real estate functions
- **Defects**—poor forecasts that don’t anticipate space needs, underutilized spaces, costly rework and exposure to risk
- **Inventory**—either too much or too little, wrong location or markets, no flexibility to adjust, obsolescence
- **Movement**—unnecessary handling (organization handoffs), inconsistent transitions, time spent between processes

“How can real estate respond?”
From the list on the previous page, you can see that real estate waste isn’t just about the building’s footprint or costs. Instead, waste can be identified across the board. This is a way of thinking about waste that spans business units, services and functions—from technology and human resources to strategic planning, manufacturing, customer service and more. It also illustrates how real estate contributes to efficiency in every part of the business cycle and, consequently, can create a real estate value chain.

By setting utilization and workplace efficiency goals, as well as process maps for achieving a continually optimized portfolio, this new real estate model perpetually removes portfolio inefficiencies and creates an ongoing continuous quality improvement cycle. It focuses on reducing waste and replacing it with what works again and again and again. The result: No surprises, the right amount of space allocated where and when you need it, fully engaged employees and completely satisfied customers. This not only increases the real estate value proposition over time, but also ensures CRE “a seat at the table.”

It also does something else equally important: It enables workers to create value and productivity. So in addition to the financial implications, the process also serves as recruitment and retention tool, as engaged and productive workers tend to have higher job satisfaction and greater loyalty to the organization.

This new real estate model enables workers to create value and productivity, and in addition, serves as a recruitment tool, as engaged and productive workers tend to have higher job satisfaction and greater loyalty to the organization.
Past and future: comparing approaches

How does it work? Imagine two scenarios, both with the same bottom line: leveraging the real estate portfolio to reduce costs. The CRE organization who takes the more traditional approach presents a plan to leadership that involves shifting two separate business units to one location, then selling off the unused building for $1 million. The plan sounds great—and offers the organization a significant one-time savings.

The CRE team working with the new model, however, looks at the problem of reducing costs from a more holistic point of view by identifying what the real problem is. Say through careful assessment and targeted conversations, the problem comes down to customer complaint that the product costs too much and takes too long to deliver. By looking at all the points in the cycle where real estate waste can be eliminated and processes can be enhanced, real estate now becomes a tool for reducing costs and speeding delivery time. This may include occupancy planning and portfolio optimization, as well as workplace strategies that increase collaboration and focus by employees. By eliminating the real estate obstacles to business productivity and realigning employee focus on activities that create value for the company, the CRE can set up a continuous improvement cycle that keeps refining the efficiency of real estate. As a result, the process provides ongoing cost savings over time that far outstrips the one-time $1 million dollar savings generated in the more traditional model—and positions real estate as an integral part of the organization’s business strategy that has a high impact on the bottom line.

It’s a game-changing way to think about the real estate portfolio’s role in an organization and a smart approach to creating opportunity for supporting the organization’s strategies.

To learn more about how the CRE can step into the role as business enabler to create value and, ultimately, profitability for an organization, see the final paper in this series: “Making it real: Putting the new model for real estate value to work.”
A Six Sigma approach

Using the highly regarded Six Sigma approach to process improvement, the steps to successful portfolio optimization could be summarized as:

**Define**
the baseline portfolio and establish general program guidelines.

**Measure**
the actionable square footage and document locations.

**Analyze**
opportunities and involve necessary functions and businesses.

**Improve**
portfolio performance by implementing opportunities, developing the business case, presenting for review and discussion, and employing an escalation process to attain alignment.

**Control**
the process to measure results, and change ongoing and future behavior.
This 22-location company came to JLL for help in transitioning to a workplace design and culture that supported the company’s ambition to be the single-most trusted sources of client insights and analytics. This meant the organization not only had to be a market leader, but it also had to be truly innovative, giving off a sense of excitement and energy about its work. It also needed to “pivot” from infrastructure management to information services and analysis. Using real estate as a tool, the company was able to use workplace utilization and other portfolio-linked strategies to meet this goal.

Through a comprehensive assessment, JLL helped define benchmarks, establish metrics and develop core objectives that would be the roadmap for the process. The process, repeatable and cyclical, could be adjusted over time to keep identifying improvements and drive out waste.

This result? Densifying key existing facilities and relocating to strategic locations. This involved shedding two facilities from the real estate portfolio while increasing productivity by co-locating key groups for increased collaboration and innovation. The switch to the open, collaborative “membership” workspace was a direct result of utilization data that showed on average desks were utilized 51 percent of the time—below the best practice standard of 85 percent.

Some of the other changes included connecting with clients through dedicated space, a blurred separation between external and internal spaces, and an emphasis on the visual display of the company’s process service and capabilities. As a result, the offices became zoned for activity to maximize interaction across the business, increase energy and “buzz”, and support both individual and collaborative work. Ninety percent of spaces were allocated to open work, and density was added to increase activity. All locations shifted from an ownership to membership model, which encourages creativity and collaboration. For the first time, the way the organization thought and worked became visible to clients, and they began to think about the organization differently—as an innovative service provider and thought leader.
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