

# WHERE REAL ESTATE AND WORKPLACE STRATEGIES ALIGN (OR NOT?)

by Fran Ferrone, Director of the Center for Workplace Innovation at Mancini•Duffy

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Despite the well-known industry fact that, after employee costs, corporate real estate is the second-largest expense to an organization, executives continue to leave both money and opportunity on the table by failing to take a broader, more inclusive approach to portfolio and workplace planning. This topic was the focus of a panel discussion held last month at the new A+E Networks headquarters in New York, and sponsored by the Strategy and Portfolio Planning (SPP) committee of the CoreNet New York Chapter. The evening's discussion centered around the results of SPP's recent survey exploring how technology, mobility, and sustainability align to create dynamic and relevant portfolio and workplace strategies. Panelists Allyson Hajdu of Equifax, Brian Schwagerl of BGS Advisory Services and Denise Strong of A+E Networks (also the evening's host) were moderated in turn by SPP committee members Christine Barber, Gensler; Courtney Smith, JLL; Justin Mardex, Ted Moudis Associates; Richard Podos, Lance LLC and Fran Ferrone, Mancini•Duffy.

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## The SPP Survey

The genesis of the SPP survey was the committee's 2014 roundtable on the multiple aspects of portfolio planning, in which it became evident that 1) both qualitative and quantitative metrics are essential to effective planning, and 2) that the softer, qualitative measures (like those pertaining to attraction, retention, and productivity) can indeed have huge impacts on a company's profitability and growth. Respondents were comprised of 44 C-suite and executive-level real estate and workplace decision-makers drawn from CoreNet NYC Chapter membership and representing a broad host of industries, primarily finance, insurance, consulting, and media. Most were responsible for portfolios of significant size and scope – one-third managed portfolios of five million square feet or greater, while nearly a quarter managed portfolios in the two million to five million square foot range. In addition, SPP survey findings echo the results of recent reports from research giants such as Gartner<sup>(1)</sup> and Forrester, the latter reporting in recent research commissioned by JLL that only 28% of CRE executives currently consider themselves data centric.<sup>(2)</sup>

## Survey Findings

- The larger the organization, the less integrated the real estate and workplace teams. This presents an added challenge to the combined 80% of respondents who reported plans to expand their portfolios in the US, Latin America, and Asia over the next 12 to 18 months.

- Despite emphasis on the importance of building operational costs as it pertains to sustainability, only 24% of respondents said their company currently uses technology to track building performance and resource consumption.
- Although 88% said that the company’s technology strategy was linked to employee productivity and 64% said they track sick days, only 36% use technology to track employee turnover and downtime.

Allyson Hajdu kicked off the discussion of how to align real estate and workplace by noting that because they inform each other, it’s important to have a flexible and inclusive process. Panelists agreed that the key to developing that flexibility is creating relationships with the businesses that enable you to understand how different entities within an organization work. Brian Schwagerl added that it’s incumbent upon real estate and workplace professionals to prove their value to the enterprise, stressing the importance of good listening and leadership skills in doing so.

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In terms of managing growth, Brian went on to say that regardless of the size of a portfolio, growth and change can best be managed with the help of service providers acting as extensions of the real estate team, along with a combination of hi-tech/low-tech approaches – advanced technology and old fashioned “bed checks”. Additionally, emphasis was placed on the importance of bringing multiple disciplines together to review data regularly for the purpose of making better-informed decisions.

On the topic of resiliency, the panel was asked about the interplay between sustainability and mobility initiatives and their ability to support resiliency. All agreed that while both are largely culture-driven, sustainability and mobility initiatives must be led from the top in order to succeed. Audience member Chip Logan of BNY Mellon then addressed the panel, suggesting that the aftermath of Superstorm Sandy proved a need for resiliency around multiple, potential failure points in order to ensure business continuity.

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The evening’s final topic, performance metrics, was framed by Denise Strong who said “ultimately, our role is to understand the voice of the customer”. Yet SPP’s survey results belied this approach, showing an emphasis on operational costs as key performance indicators. This suggests room for improvement might include balancing quantitative data with more qualitative human factors as future measures of success. Interestingly, this emphasis on quantitative measures – at the expense or exclusion of qualitative metrics – was a similar theme in last year’s roundtable. Which, borrowing from current popular culture, begs the question: If the Oscars can expand the Best Picture category from five to ten entries, might it not be time for portfolio strategy & planning to update its scorecard as well?

## Responsibilities and Scope

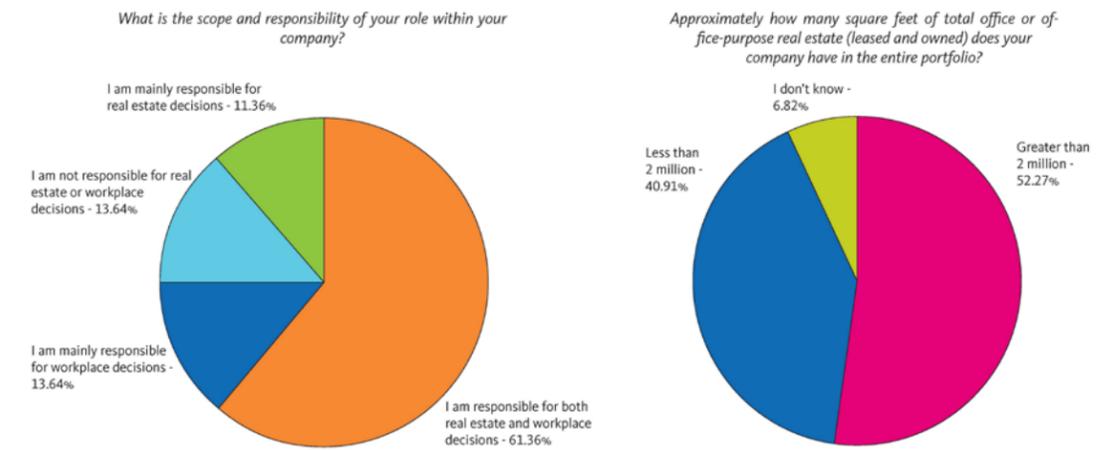


Figure 1 | Participant Roles and Scope

## Does your company use information technology to measure and track performance in any of the following areas?

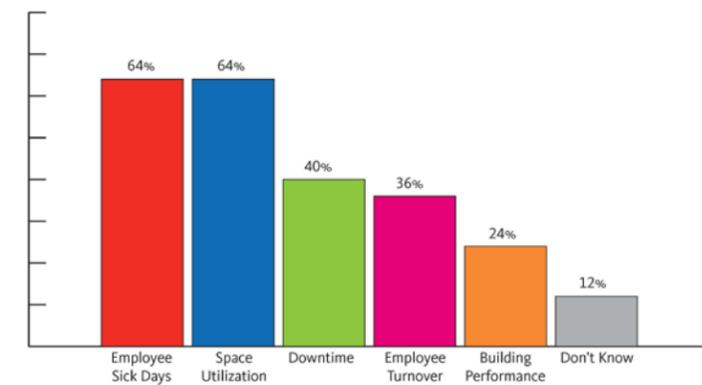
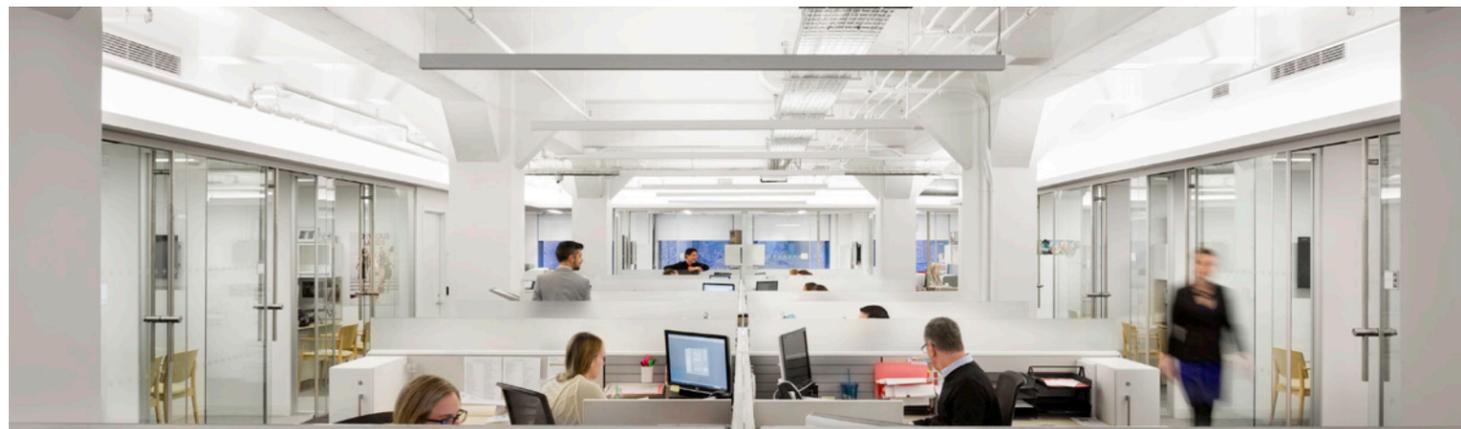
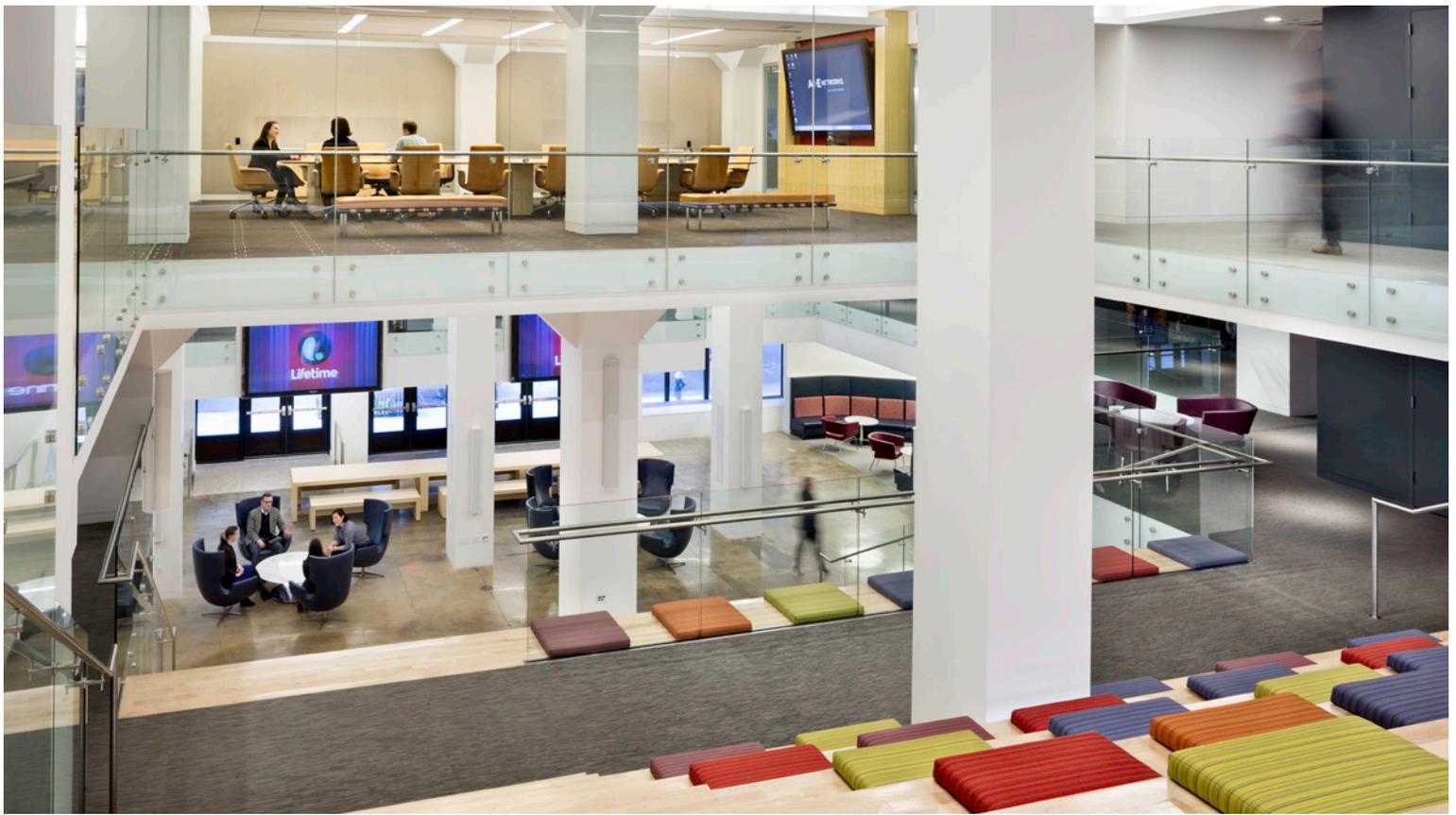


Figure 2 | Use of Technology for Tracking



## Key Takeaways

1. Despite the proliferation of technology, executives are still not taking full advantage of the multiple data sources available.
2. Performance metrics are still focused more on bricks and mortar and less on talent attraction, retention, and productivity measures that truly impact profitability and growth.
3. As suggested by Dr. W. Edward Deming, the father of modern quality management, you cannot improve what you cannot measure, meaning that better-informed portfolio and workplace decisions will come from a more inclusive process that combines high and low tech sources into a holistic data set.



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## SOURCES

<sup>(1)</sup>“The forces of mobility, information, the cloud and social collaboration are converging to create a consumer-driven ecosystem filled with emerging business opportunities and paradigm shifts. This convergence continues to have major implications for business and technology leaders delivering modern internal- and external-facing solutions. Indeed, this set of converging and mutually reinforcing forces is redefining the delivery not just of IT, but of business functionality across the enterprise. It has become a core driving force of rapid (r)evolution in corporate real estate (CRE) management and FM – the IWMS market – as well.” **Magic Quadrant for Integrated Workplace Management Systems.** Gartner, Inc., June 26 2014. <https://www.gartner.com/doc/2781117/magic-quadrant-integrated-workplace-management>

<sup>(2)</sup>“Mind The Data Gap: Aspiration vs. Reality In Corporate Real Estate,” A Forrester Consulting study on the adoption of data analytics in corporate real estate commissioned by JLL. June 2014 <http://www.jll.com/services/corporates/data-analytics/forrester-consulting-study>



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## ABOUT THE CENTER FOR WORKPLACE INNOVATION

People are a company’s most valuable asset and in today’s business environment it is people who make the difference. Our mission is to combine real estate, technology, and business processes to create exceptional spaces that empower people to do their best work. We align design solutions with actual business drivers and create performance metrics to establish a feedback loop that continues to inform. This builds agility into the workplace to support the way people work today while enabling its evolution to support the way they will work in the future.

