

DIRECTORS' BRIEFING

PERFORMANCE MEASUREMENT IN REAL ESTATE USAGE

How to design and manage corporate real estate performance measurement to drive value for an organisation

The information in this bulletin is aimed at you, the SME. Given the world is a competitive place, brimming with technological developments, each company and organisation should be readying itself for the challenging times that lie ahead. This is not just the domain of the "big boys", the companies with thousands of employees and budgets to match. These organisations are leading the way and setting the benchmarks. But to succeed, everyone must get involved. A lot more of you could, and indeed should, be getting involved.

Increase productivity

There is a lot of office space in the UK accommodating a huge swathe of people. The best estimate is that over 60% of added value in the economy is now created by office workers – operational costs of the workstations they occupy currently exceed £100bn. Big money. However, most business costs are staff employment related so *a small increase in productivity is equivalent to the entire facilities cost*. UK research shows few facilities managers are aware of business performance measures.

Know how to link real estate performance to business performance

Performance measurement can enhance business profitability and shareholder value and make the CRE (corporate real estate) executive's role more valuable.

Defining and capturing key performance indicators, knowing how to make performance measurement work in practice, and being able to utilise performance data to optimise a property portfolio, office productivity and working practices are all commendable feats. Knowing how to link real estate performance to business performance, and demonstrate the contribution to shareholder value is even better.

Peter Cook, General Manager, Property & Facilities, Scottish Water (and pre-April 2002 Project Director at BT Property) relates that of the last four BT annual reports only two pages are related to property – one being given over to the largest property outsourcing deal in history. At Scottish Water, property is a sub-note in 'assets'.

Cook is responsible for delivering all property and facilities services to the non-operational estate with teams based around Scotland, and also delivering strategic estate and buildings services to the 6,000 operational properties owned by the public authority that is accountable to the Scottish Parliament.

Corporate challenges were the three-way merger of the former North, West and East authorities, set up to transform the water industry, and regulation. Regulation involved the water industry commissioner WICS (imposing economic and delivery targets), the Scottish Environment Protection Agency and Drinking Water Quality Regulator.

CRE challenges in 2002 were to reduce running costs by 40%, close nearly half of the offices and depots, upgrade estate quality, provide flexible space and

create a customer-focused facilities team. There had to be minimisation of leasehold liabilities, compliance with property legislation (asbestos, legionella, etc) and support for core business efficiencies. “Best value” had to be demonstrated under the terms of the Scottish public finance manual.

The nub? Cook related to the board how there was too much space by comparing the situation to having 39 football fields of space to handle a particular function – way too much, and the board member – who was a football fan – grasped the point immediately. Non-execs were targeted with performance measures – one-to-one communication being mandatory.

Have a business-driven property strategy

Pitfalls avoided included having the property strategy outline agreed early and having a business-driven property strategy by region (and not a property-driven business strategy). Cook got close to the finance director’s team.

Scottish Water reduced running costs by 48%

On reflection Cook maintains there should have been greater clarity on detail at the outset, and the team should have valued the contribution to the change programme – 5,000 office people were moved. Nevertheless Scottish Water reduced running costs by 48%, raised capital with Scottish Water retaining development upside, improved estate quality and improved facilities customer service. This is heavyweight territory but it shows the key points of how it can be done. There’s nothing arcane.

IPD Occupiers Property Databank believes that developing a balanced scorecard provides good cost data. Plotting efficiency and effectiveness against management and buildings provides such information

as management costs, outsourcing ratios, key performance trends, workplace sustainability and operability, cost/person, cost/square metre, and square metres/person. Haywards agree.

The biggest challenge most organisations face, concerns improving workplace performance by changing occupier behaviour. Many have already trimmed their FM costs. Rents are largely fixed. Many have already reduced their space/workstation. For many there is still an opportunity to improve asset utilisation through applying more advanced working practices. It’s about changing the workplace, but mostly it’s about changing minds – from ‘mine to own’ to ‘ours to share’.

Concentrate on the needs of the business, not the IT solution

Measure what contributes to your strategic objectives. Minimise the information requirement. Ensure the information is captured and updated as part of the business process. Concentrate on the needs of the business, not on the IT solution. Ensure those charged with delivering to the Profit and Loss are given the right tools with which to perform.

Haywards maintains to raise the CRE management/FM profile and to prove your contribution to return on assets and the corporate bottom line, companies must adopt an integrated approach to CRE management and FM.

The workplace is the most important and binding factor between real estate management and FM plus the business unit and corporate objectives.

Grasp these facts and the hard bit is over. It’s then down to good teamwork and excellent execution. This is for everybody, not just the “big boys”.

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About Haywards

Haywards is an independent consultancy working with companies to help them achieve more from their real estate, capital projects, facilities management services and workplace infrastructure. We provide an easy partnership, which focuses on reducing overall costs, minimising exposure to risk and increasing control.

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