

Achieving Results with Accruent for Manufacturing

With the Accruent solution, Lockheed Martin's disparate business units work together more efficiently to achieve overall corporate goals of occupancy cost savings and increased revenue.



“We’ve received great support from Accruent. They’ve worked with us in a very close knit team and always tend to be more concerned about getting the job done than working the contract, which is the best thing to find in a solution provider.”

Headquartered in Bethesda, Maryland, Lockheed Martin Corporation (LMC) employs 125,000 people worldwide

It is principally engaged in the research, design, development, manufacture and integration of advanced electronic, space, and aeronautic systems, products and services. The U.S. Department of Defense and other federal agencies make up nearly 80 percent of LMC's business, with international governments and some commercial sales making up the rest. 2002 revenue was \$26.578 billion.

THE CHALLENGE

Lockheed Martin Corporation manages 600 real estate leases and 80 million square feet, resulting in \$1.1 billion of annual facilities-

related expenses. It is principally engaged in the research, design, development, manufacture and integration of advanced electronic, space, and aeronautic systems, products and services. The U.S. Department of Defense and other federal agencies make up nearly 80 percent of LMC's business, with international governments and some commercial sales making up the rest. 2002 revenue was \$26.578 billion.

Executives sought ways to streamline systems to add value. Areas identified for cost savings were space reduction, procurement, and invoices.

Accruent for Manufacturing

The Accruent solution provides real-time visibility into contractual data and financial events, reducing liabilities and greatly improving financial reporting.

These savings goals would be difficult with LMC's old real estate system, which had minimal data fields and often inaccurate and inaccessible data. Consequently, the real estate team relied on quarterly reports for their data at a time when real-time visibility into contracts was becoming a critical business requirement.

Though the company used a computer aided facilities management system for space planning and allocation, it became increasingly clear that a reliable, centralized real estate management system was a critical requirement for reducing costs and reporting on financial information more quickly and accurately.

THE ACCRUENT SOLUTION

Penny Diebert, Lockheed Martin's senior manager, real estate, had been searching for a centralized, broad-based lease administration and real estate solution for some time.

With Accruent, LMC ultimately found what it needed. Accruent for Manufacturing provided the necessary functionality, including critical date notification, rent payment, and Business Objects reporting tools.

"Accruent was the most reliable and comprehensive real estate solution we found," says Diebert. "Once the executive staff actually saw what it could do, we began Phase II to add functionality and, most importantly, to conduct a corporate wide business process review."

The resulting system provides core financials on Accruent for Manufacturing with

integration into Lockheed Martin's ERP system. Phase II included enhancing functionality to include: more visibility into data, multiple chart of accounts due, dashboards and ad hoc reporting, integration (AP import/ export, vendor import, cost center import).

The company now has 150 users on Accruent for Manufacturing, including all facility managers and strategic planners. With Accruent, the real estate department can easily perform cooperative portfolio planning, decentralized facilities management, and centralized finance reporting.

Lockheed Martin Corporation

THE BENEFITS

After implementation, the company saw immediate benefits, including improved efficiency and accuracy of day-to-day tasks. Now a regional facility manager can access critical data without calling the corporate real estate department.

Employees can quickly pull together accurate finance and facilities management reports, which used to take days of sifting through stacks of handwritten calculations.

“Now it’s simple,” says Diebert. “We just pull the data, import the numbers from last quarter and compare the information. Before the Accruent solution, we couldn’t even do variance reports. Now we can with ease.”

The Accruent system has proven especially helpful since the passage of the Sarbanes-Oxley Act of 2002. Sarbanes-Oxley requires CEOs and CFOs to sign statements, under penalty of perjury, verifying the completeness and accuracy of their financial statements. The act also stipulates that CEOs, CFOs, and outside auditors must attest to the effectiveness of internal controls for financial reporting.

These requirements make effective IT governance and visibility into digitized processes a high priority. In fact, Section 409 of the act requires companies to report material financial events in real-time instead of waiting for quarter-end. With the Accruent

solution, Lockheed’s real estate team can provide detailed lease and contract information instantaneously at any time.

Accruent for Manufacturing has also been a driver for badly needed organization and business process change, says Diebert. “It has raised us to a more sophisticated, strategic level of real estate portfolio management.”

The Accruent team helped LMC complete a business process analysis and design a system to simultaneously meet corporate objectives and the goals of each of the business units.

“Accruent proved to be an invaluable partner helping us address our business process needs,” says Jeff Troan, Executive V.P. of Real Estate for LMC.

Now the business units accomplish their work more efficiently while simultaneously working together toward the larger corporate goals of occupancy cost savings and increased shareholder value. Accruent for Manufacturing will aid LMC in its specific goal of reducing occupancy costs by five to ten percent over the next decade.

HIGHLIGHTS

COMPANY PROFILE

- > \$26.6 billion total sales (2002)
- > 600 leases totaling 80 million square feet
- > \$1.1 billion in real estate costs
- > 125,000 employees (2002)

ACCRUENT SOLUTION

- > Core financials on Accruent for Manufacturing with integration into ERP system
- > Phase II included: more visibility into data, multiple chart of accounts due, Dashboards and ad hoc reporting, Integration (AP import/export, vendor import, cost center import)
- > Critical date notification, rent payment, and Business Objects functionality

RESULTS

- > Replaces numerous, nonintegrated legacy systems, providing the backbone for capturing and analyzing all of Lockheed Martin’s various real estate costs, improving the efficiency and accuracy of day-to-day tasks
- > Enables the real estate department to quickly and easily do cooperative portfolio planning, decentralized facilities management, and centralized finance reports
- > Lockheed Martin Corporation estimates a 5-10 percent reduction in occupancy costs over the next decade, adding 5-20 cents per share

“Five percent of our total costs, or about \$1.1 billion a year, goes out for facilities,” explains Troan. “Accruent’s central database, allows us to collect the necessary real-time data to lower those costs.”

T H E F U T U R E

To further decrease occupancy costs and increase revenue, Lockheed Martin is considering expanding its Accruent solution, to include the other applications in the Accruent for Manufacturing suite.

A B O U T A C C R U E N T

Founded in 1995, Accruent leads the industry with a new generation of solutions designed to fully leverage real estate assets and decisions as an enterprise competitive advantage. Accruent Real Estate Performance Management (RPM) solutions maximize the impact that real estate properties—stores, restaurants, local branches, and corporate offices—have on company performance by driving revenue growth, reducing costs and achieving financial compliance. More than 340 of the world's largest companies, including 20 percent of the Fortune 500 and 40 percent of the Top 100 Retailers use Accruent's solutions. In addition, Accruent couples the broadest and deepest real estate data set and advanced business intelligence to bridge the gap between daily operations and strategy.

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