

## Leading Companies Turn to IWMS to Rein in Real Estate, Facilities Costs

The tightening of the credit markets and the downshift of the U.S. economy has sharpened many senior executive's eye for creative cost control. Recent confirmation from the National Bureau of Economic Research that our economy is in a recession has only strengthened the mandate to slash wasteful spending and wring efficiencies from existing assets. Innovative organizations are meeting the challenge by setting their sights on the second largest expense item on their income statement – real estate and facilities operations. Consuming upwards of 30% of most organizations non-payroll expenses, the “workplace” – whether it is a single office building, a sprawling campus, or a national chain of storefronts – can no longer be managed as anything less than a strategic part of the overall business.

Perhaps you have seen your high-end office space sit unused, witnessed a critical piece of equipment breakdown because it was not maintained on schedule, or like so many organizations, been taken by surprise by lease renewal dates due to inadequate awareness of your contracts. And with commercial real estate slumping, an overlooked option to renegotiate a lease with a landlord is a missed opportunity to slash overhead costs. These all-too-common operational miscues, when multiplied hundreds of times across an entire real estate portfolio, add up to painful expense overruns, decreased productivity and unacceptable risks.

Aberdeen Group, a leading technology research firm, has urged executives to treat real estate not as a sunk cost but as a “strategic point of advantage.” In a 2008 report, they emphasize that it is “incumbent upon corporate leadership to pursue tools, organizational structures and processes that will ensure the real estate

### IWMS Defined

An Integrated Workplace Management System (IWMS) centralizes a company's real estate and facilities operations, providing executives the ability to closely monitor spending and link corporate strategy with day-to-day execution.

Streamlining the targeting, selection, maintenance and optimization of real estate and facilities into a single workflow, IWMS allows this complex, overlooked and costly part of the business to be managed at the enterprise level. The result is that executives have the information and toolset necessary to flex their real estate assets to meet financial and business performance goals.

portfolio is optimized and that the great investments made are fruitful . . . while also enabling corporate real estate groups to improve their own performance in managing the sprawling scope of spaces.”<sup>1</sup> In light of today’s challenging economic climate, with energy costs soaring and credit markets tightening, most of the organizations surveyed by Aberdeen Group cited the need to control overhead as their most urgent driver for improving the management of their real estate portfolio. Leading executives recognize the urgent need to improve upon historically fragmented operations to realize an integrated, enterprise approach that will enable more exacting financial control of costly real estate and facilities assets.

“The move to an integrated facilities management system has helped generate substantial savings for Corning by increasing the productivity of the planning staff and generating more efficient plans that reduce real estate expenses.” – Corning, Inc.

### Visibility into Real Estate and Facilities Spending is Critical

Unfortunately, the immediate reality is that visibility into the real estate and facilities portfolio at most large organizations remains poor. The majority of executives surveyed by Aberdeen Group reported little to no real-time visibility to critical real estate spending areas such as capital budget planning, site selection, lease administration, strategic master planning, facility disposition and portfolio management. The result is that decision makers have very limited insight into which real estate processes are ripe for improvement and are most likely neglecting important savings opportunities.

The ability to proactively manage the real estate and facilities portfolio – one the largest capital expenditures for many organizations – to meet the demands of changing market and economic conditions is imperative. To react to changing market and economic factors, best-in-class organizations must strive to share and distribute real estate information across the enterprise to improve decision support for key activities such as:

- ✓ Ensuring the optimal use of locations to avoid wasteful investment in space that is not required;
- ✓ Identifying and disposing of underperforming and underutilized locations;

<sup>1</sup> “Visibility: the Crux of Real Estate Management,” Aberdeen Group, January 2008

- ✓ Managing leases to take advantage of negotiated terms and ensure critical dates are not missed;
- ✓ Proactively maintaining facilities and capital assets;
- ✓ Moving employees in and out of spaces in more timely fashion; and
- ✓ Ensuring organizational compliance with SOX, FASB and environmental regulations.

Ultimately, an organization that aligns its real estate and facilities portfolio with its organizational strategy will significantly lower its operating costs and capital expenditures. Organizations that rise to meet the challenges of today's slowing growth will gain competitive advantage and be well positioned to flourish when the economy recovers.

"Linking real estate execution to enterprise strategy, IWMS gives corporate leaders the ability to quickly right-size their real estate portfolio by eliminating excesses to meet the order of the day – expense control and cost savings. As the crisis on Wall Street continues to evolve, companies that arm themselves with the accurate, up-to-the-minute information needed to maximize their current real estate portfolio will find that they're better equipped to weather the storm." – Mark Friedman, Accruent founder and CEO

## IWMS Unlocks Opportunities for Cost Savings

In the recent past, organizations lacked access to the technology needed to manage their real estate and facilities operations holistically and relied instead on department-level software tools, which resulted in fragmented processes and no enterprise-wide "system of record." In periods of mandatory belt tightening, when the speed and quality of decision making are vital, an executive trying to discover under-used facilities and carry out a much needed consolidation, must wrestle with conflicting data that may be scattered across a half dozen disparate systems, managed by a half dozen siloed departments.

Today, Integrated Workplace Management Systems (IWMS) unite all project management, space management and forecasting, real estate portfolio management, and maintenance management operations; providing the streamlined, tactical capabilities and strategic decision-making support that agile companies require. All activities and data points are managed via the end-to-end IWMS solution, providing a manager with an at-a-glance view of vital information – such as lease terms, occupancy utilization, ongoing projects, maintenance schedules, warranty provisions on equipment, and much more – for both

individual facilities and the entire portfolio at-large. The key result of this lifecycle approach to facilities and real estate management is “one version of the truth.” Equally important, the unified workflows cross traditional organizational boundaries, dramatically improving day-to-day operations and unlocking significant business improvement opportunities and potential cost savings.

### **IWMS Can “Move the Needle” on Financial Results**

As companies have begun to steadily invest more resources and capital in IWMS initiatives, there has been an increased emphasis on ensuring a tangible ROI. Opportunities for potential savings are manifold and can include improved space utilization through decreased vacancy rates and the enforcement of standard space sizes to reduce overall space needs. Organizations can trim the duration and cost of moves through improved workflow, while also reducing expensive “construction moves” and the overall churn rate through better master planning. Enhanced tracking of assets provides better inventory control, identifies items that are simply not being used, and will prevent shrinkage and unnecessary or renegade purchases as well.. Portfolio management will assure that critical dates are met and that rent payments are thoroughly audited and reconciled per the terms of the lease in keeping with Sarbanes-Oxley and FASB requirements. Facility maintenance costs can be kept in line through better tracking of equipment information to ensure timely upkeep and the use of warranty coverage for repairs. IWMS presents many unique opportunities for cost savings and the ROI can be aligned to meet a company’s specific goals for the project.

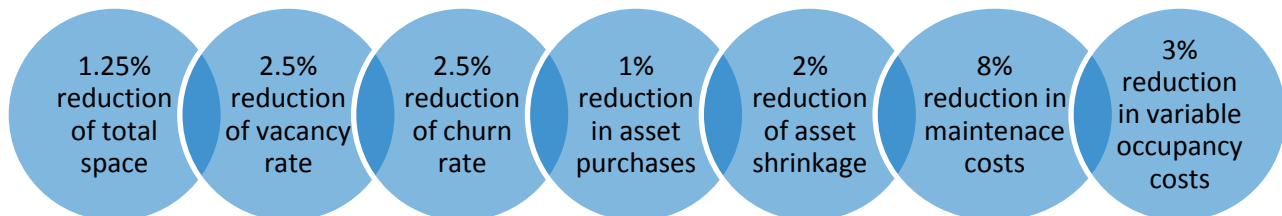


Figure 1: Conservative estimate of select cost savings realized by companies that have implemented IWMS

### **IWMS Suite Vendors Emerge to Meet Demand**

IWMS applications first emerged in the late 1990s and have evolved rapidly this decade. Gartner has compared IWMS’s probable impact and penetration to that of the now ubiquitous Enterprise Resource Planning (ERP) systems. Until recently, most vendors specialized in one or two areas of the IWMS life-

cycle, providing “point solutions” in either the facilities management or real estate portfolio management spheres. Recognizing the urgent need to enable customers to link their facilities operations with their strategic business plan, vendors in the IWMS marketplace have begun to consolidate and a select number have emerged with enterprise-class offerings that provide all of the necessary capabilities in a single, integrated suite. These leading vendors have accumulated a sizeable installed base of Fortune 500 customers and have made sustained efforts to assemble formidable domain knowledge by filling their ranks with industry experts. Strong sales have allowed for increased investment in R&D and an accelerated product roadmap, ensuring that customers have critical functionality in hand faster.

## Recommendation

Senior executives would be well advised to investigate their organization’s real estate and facilities processes, particularly since these have historically been undermanaged and represent a disproportionate financial obligation and expense for most companies. Control of their portfolio as an important cost center and ready access to the critical data needed to make informed, time-sensitive real estate and facilities decisions will meaningfully impact the bottom line and give the organization a leg up over competitors. IWMS can be the critical link between corporate strategy and day-to-day execution, allowing organizations to keep a firm hand on the tiller as the economic storm unfolds.

### Get Started as an IWMS Champion

1) Assemble a cross-functional team of IWMS stakeholders

IWMS will integrate many areas of your organization and may fundamentally change the way your real estate and facilities businesses are run. Full management support will help to ensure success.

2) Begin the search for the right IWMS partner

Consider both the merits of the software and the credentials of the vendor when drafting your shortlist. The software that best addresses your greatest area of weakness will yield the most significant ROI and your implementation partner should offer nothing short of deep industry experience and expert knowledge of real estate and facilities best practices.

For more information call Accruent at 310.526.5754 or visit us on the web at [www.accruent.com](http://www.accruent.com)