

Core Concepts For Portfolio Management

Hidden savings

Are you and your team overlooking millions of dollars in valuable savings and productivity improvements?

Is your company facing a merger, acquisition, restructuring or consolidation? Are your senior executives challenging you to capture as much value as possible from these situations?

At Critical Core, we've found that planners often overlook millions of dollars in valuable cost savings and productivity improvements in these situations. It's not that these planners aren't skilled; in fact, most are very skilled. These are complex situations, with many different ways to relocate business groups within facilities and with many different requirements and costs to consider. Add in limited time for analysis or business requirements that change at the last minute and it's easy for planners to overlook the best solutions.



How can we find savings and opportunities others overlook. We apply proven techniques from manufacturing, distribution and logistics. To ensure that they find the most cost-effective solutions in complex situations, their planners use sophisticated search algorithms that evaluate all of the different location and transportation solutions to find the ones that best meet their business needs.

At Critical Core, we've extended these techniques to optimize of other types of corporate real estate including administrative, research and development, call-center and back-office space. With our proprietary Core Planning software, we can review planners' intuitive occupancy plans and test whether any other solutions might reduce costs or improve alignment with business needs or both.

Core Planning is also much faster than the traditional spreadsheet approach. Once the project team enters the data and business requirements, Core Planning's search algorithms can find the solution that meets those requirements at the lowest cost in minutes. Modify the requirements and assumptions to find new solutions for comparison or to evaluate other business scenarios.

Even when planners find the best solutions, it's hard to know for sure and often even harder to convince senior executives. Critical Core's approach ensures that the project team has reviewed all relevant solutions and is presenting the best solutions for evaluation. Planners don't have to spend days, and nights, revising spreadsheets to answer senior executives' what-if questions.

On our projects, we've found that planners most often overlook savings and productivity improvements when they simplify the analysis to meet time requirements and limitations of spreadsheet analysis.

One simplification is the traditional two-step portfolio planning process.

- First, planners estimate total demand for space, and then they select the best locations to keep, add, or dispose to satisfy this demand,
- Second, planners specify business group relocations within the selected locations to meet business needs.

In this approach, when planners select locations based on traditional location-based criteria - owned properties, long-term leases and low occupancy costs, the plan may provide enough space, but it may not be the right type or in the right place.

Planners need to consider business group requirements at the same time they select locations. The costs to improve space to meet business needs can easily offset the savings from exiting locations with near-term lease expirations or higher lease costs. Moving groups into vacant space can also be sub-optimal if additional costs are required to improve space to meet business group needs.

Planners also simplify the analysis by only considering business groups with new requirements and locations with near-term lease expirations and vacant space. On one project, by increasing the space density in a building previously excluded from the analysis, we could move groups into this building and avoid the costs of improving the infrastructure in the building with vacant space.

Finally, with spreadsheets, planners often neglect the plan's long-term implications. On one project, while most planners supported one solution, the senior planner recognized that as business groups grew, they would need to move out soon after they moved in. With Core Planning, we tested alternative growth scenarios and showed that the senior planner's solution was preferable. This chart, which shows occupancy in each building over time, illustrates the solution without relocations.

These are just a few of the lessons we've learned from comparing Core Planning solutions to spreadsheet solutions. You can use these lessons to find savings with your spreadsheets, or even easier, you can try Core Planning to ensure that you are finding the most cost effective solutions for your portfolio.

