

Performance Measurement Demands More Attention from Corporate Execs

Senior management increasingly is demanding real-time information from corporate real estate executives to summarize their performance, a trend that only will accelerate amid greater concern over corporate accountability. Recognizing that “you can’t manage what you can’t measure,” organizations are also asking their real estate departments to set new performance targets for cost savings. But those targets can easily be off by an order of magnitude unless all the relevant data is considered, requiring more comprehensive analysis than many real estate executives may be used to performing.

Setting performance targets needs to be more than a back-of-the-envelope calculation, according to more than 50 corporate real estate executives from local companies and other real estate professionals who recently gathered at Cisco Systems’ offices in Englewood. The event was sponsored by the Rocky Mountain Chapter of CoreNet Global, the leading professional organization for corporate real estate executives and related professionals, to discuss trends in performance management and share challenges and solutions.

Corporate real estate departments generally lag behind their counterparts in other corporate disciplines in their ability to provide reliable performance metrics. Real estate data systems are fragmented, with a focus on day-to-day tactical activities, and real estate executives have traditionally spent little time and money on collecting and analyzing that data. Moreover, in leading organizations, it is no longer sufficient to provide metrics in periodic reports. Executives want

access to this information in “real time.”

To illustrate how real estate departments can meet these heightened expectations, David Clute of Cisco demonstrated Cisco’s “Executive Dashboard.” This Web portal allows Cisco’s real estate staff and senior executives to access key real estate information through the corporate intranet at any time and drill down to the level of detail they need.

While many senior executives still focus simply on cost control, others are beginning to ask for more measures of performance beyond the purely financial. Scott Foster of Booz Allen and Hamilton’s San Diego office described how many organizations apply the “Balance Scorecard” approach. Developed by Drs. Robert Kaplan and David Norton in the early 1990s and since adopted by more than one-third of global corporations, it encourages organizations to take into account the customer experience, success of business processes, and the organization’s ability to change and improve. For corporate real estate executives, it provides a framework for communicating to senior executives the importance of nonfinancial considerations such as workplace productivity, service levels and tenant satisfaction. European companies are taking this balanced approach one step further with the public reporting of performance on three dimensions: planet, people and profit, the “triple bottom line.”

A potential pitfall in setting new performance targets is that unless all the data is considered, they may promise unrealistic levels of improvement. And that can hurt at performance review time. At the Englewood discussion, I



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presented results from my work with Cisco Systems

that illustrates how simple forecasting techniques for metrics such as cost-per-person housed can lead to unrealistic targets. When we used our more comprehensive portfolio optimization system, Core Planning, to forecast future cost metrics, we found that the simple forecasting models had drastically overestimated the potential savings. If corporate real estate executives don’t take a more careful look at their portfolios, they may be setting themselves up for failure with unrealistic goals.

The next CoreNet chapter meeting is a

roundtable discussion for end-users on *Telecom Trends and Challenges in Corporate Real Estate* on July 22. For more information on this meeting, contact Danelle Whatley at (303) 260-4296. The next meeting open to all corporate real estate professionals is Sept. 23, with the topic and location to be determined. If you would like information about participating in the CoreNet Rocky Mountain Chapter, contact Sharon Barrett at (303) 260-4262 (sbarrett@lgfmail.com) or Wayne Timura at (719) 886-6534 (wtimura@nldevelopment.com).

ROCKY MOUNTAIN CHAPTER CORENET ROUNDTABLE EVENT

“Telecom trends and challenges in Corporate Real Estate”

The Roundtable will facilitate discussion on current approaches, ideas and emerging technology.

Coffee, juice and muffins provided.

When: Thursday, July 22, 7:30 - 9 a.m.

Where: Qwest Communications
1801 California Street,
13th Floor, Conference Room 13-1

Moderator: Randy Givan,
Qwest Communications

This event is for end-users only.

Please RSVP to Danelle Whatley, Liberty Greenfield
303-260-4296 or dwhatley@lgfmail.com