

Real Estate and Capital Asset Solutions

# Increasing shareholder value through integrated workplace management system solutions



Making the  
business case for  
integrated workplace  
management system  
(IWMS) solutions

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## Introduction: Enhancing corporate real estate management

In certain industries, companies have discovered the value in aligning real estate closely with the business strategy. As a result they can squeeze every dollar out of their buildings and building management to gain sustainable, competitive advantage. Yet, when considering assets to improve upon, corporate real estate is often overlooked. It is viewed as merely the cost of doing business.

Global enterprises face the challenge of understanding and having insight into all facets associated with real estate, particularly corporate real estate holdings and assets. It is an even bigger challenge to gather accurate, actionable data that allows the business to identify the various ways that it can support overall enterprise goals.

Why do so many firms overlook financial opportunities in site management operations and in options to redevelop, sell or otherwise profit from, real estate holdings? BearingPoint believes it is because the enterprise doesn't have an accurate inventory of its real estate assets and its lease obligations. Furthermore, it may not have an adequate property management information system. Often, real estate data is stored in multiple locations—geographically and operationally—within the enterprise. In addition, a firm may have several different databases to manage the various functions of real estate, such as lease administration and space management, facilities management, asset management and project management. This creates multiple points where errors could be introduced, particularly in record keeping.

In many cases, organizations simply outsource real estate management. Consequently, a very small real estate department now has several hundred people working indirectly for it, and the vendor's management reports are created on systems that do not integrate with a firm's corporate financial system.

It is this complexity that drives organizations to look to an integrated workplace management system (IWMS). An IWMS can provide the means to control disparate real estate asset information and put it into a quantitative context that directly reflects your business strategy. The applicability of an IWMS spans the complete real estate life cycle, from planning and acquisition to operation and disposition, clearly identifying cost savings and efficiency within—and more importantly between—each phase of the real estate life cycle.

## Cracking the code of corporate real estate

To realize a high-performing real estate function with IWMS, your real estate department needs to justify the investment above and beyond merely demonstrating some benefits for the organization. However, creating a business case for an IWMS reveals an acute disconnect: real estate talks in square footage and the CFO talks in dollars. The first step to creating a solid business case for an IWMS implementation is to demonstrate how it can bring value to your organization and to the shareholders.

Corporate real estate can present an enormous asset class. Because of the massive nature of an organization's real estate holdings, minor changes in operations can yield significant savings and can drive sweeping improvements on an income statement and in overall operations.

Creating a business case for an IWMS reveals an acute disconnect: real estate talks in square footage and the CFO talks in dollars. The first step to creating a solid business case for an IWMS implementation is to demonstrate how this solution brings value to the organization and to the shareholders.

Aligning the IWMS with strategic goals can help provide the data and metrics for organizations to discover new ways to improve their real estate assets.

### Making the business case for IWMS solutions

Calculating a return on your IWMS investment can be simple. Done correctly, a return on investment (ROI) analysis serves as the road map for a successful implementation that delivers clear returns to your organization. This is achieved by aligning the IWMS business case with the company’s strategic direction.

It is important to note that “niche” solutions don’t often contribute to the big picture. They can save money, but the realized savings can’t come close to what an integrated system could bring to the organization. What’s more, the little “fixes” — including abbreviated upgrades or module cutbacks because of a weak business case — can further burden an organization with additional frustrations.

By developing a business case, opportunities can be associated directly with the functionality that an IWMS solution can help provide. Reporting and metrics are the final drivers in producing and analyzing accurate data and aligning your processes.

### A leading-practice approach: IWMS value creation — guiding principles

As the team builds a business case for an IWMS, the key is a thorough understanding of the focus and direction of your firm’s core business and its strategy. With this knowledge, the team can assess the financial impact for each particular business line or silo. Then, provide broader analysis across the business to present the entire impact of the ROI.

We believe it is critical for those preparing the business case first to understand IWMS solutions and know what functionality those solutions can provide (Figure 1). They need to determine if they are taking the right approach and selecting the right modules for an implementation that delivers the most value. IWMS value creation is a methodology that gives insight into the various aspects of an organization — internal and external. It begins with a client-specific approach so that the key players can view the impact on other functional areas. Using this approach, the organization can identify, quantify and prioritize an implementation that has the greatest potential to deliver both near-term results and long-term value (Figure 2).

Figure 1. Business-driven methodology

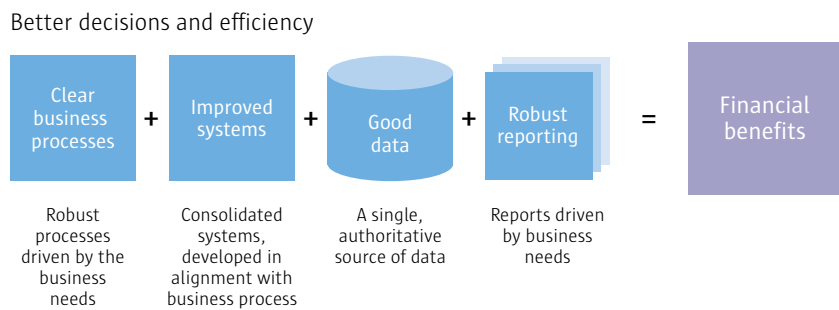
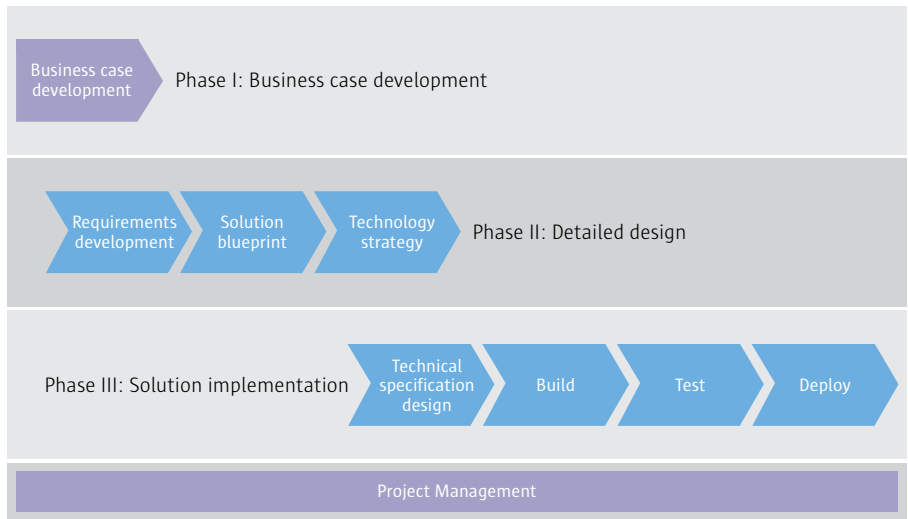


Figure 2. IWMS business case development process



When evaluating IWMS solutions, four guiding principles are essential to help translate your strategic objectives into a cohesive set of value-based performance measures. These measures help to target and track cost controls and reductions, streamline core business processes, and promote growth initiatives—all of which support management’s focus on accelerating ROI.

**Strategically focused.** The business case is prioritized by aligning projects with company vision, strategy and objectives

**Financially aligned.** By mapping targeted benefits and key performance indicators (KPIs) to cost-specific initiatives, projects are prioritized based on ROI—and offer quick wins toward business objectives.

**Risk adjusted.** Managing risk—rather than avoiding it—is accomplished by establishing accountability linked to the targeted KPIs and by developing a risk mitigation plan.

**Results tracked.** Effective measuring, monitoring and reporting of results track the achievement of targeted KPIs and benefits.

### Tangible benefits from IWMS solutions

Through BearingPoint’s past projects and based on our research, aligning IWMS solutions with strategic goals can help provide the data and metrics for organizations to discover new ways to improve their real estate assets. These include:

- Creating visibility of leases on the accounting side by managing them in the same system, which can reduce lease escalation costs by around 6 percent.
- Tying costs to space data and showing occupancy reveals truth about cost for space, thus allowing savings of approximately 8 percent by more efficient management.
- Automating a series of operational processes, which can save time and can save approximately 5 percent in costs by reducing the lines of communication and coordination.
- Assessing true valuation and costs of your assets, rolled up to your financial systems reveals accurate depreciation and cash flow numbers, providing savings opportunities of up to 5 percent.

### IWMS value creation

IWMS value creation is a methodology that gives insight into the various aspects of an organization—internal and external. It begins with a client-specific approach so that the key players can view the impact an initiative in one area will have on another. The strength of this approach lies in the ability to identify, quantify and prioritize an implementation that has the greatest potential to deliver both near-term results and long-term value.

### Conclusion: Real estate touches everything

Improving management of your corporate real estate portfolio is a promising way to boost earnings. By adopting an integrated, technology-supported solution such as an IWMS for managing those assets, your firm can achieve dramatic cost savings and productivity improvements that lead to sustainable growth. By building the right business case for an IWMS solution—one that is aligned with core business strategy and a clear expression of ROI—you not only identify new real estate financial opportunities, you also initiate a risk-managed process that can be tracked and measured through KPIs.

### About the authors

**Bernard Hoefsmits**, Master of Corporate Real Estate, is a senior manager in BearingPoint's Real Estate and Capital Asset Solutions group. He has more than 15 years' experience helping companies meet their goals by effectively aligning technology with businesses objectives. He is skilled in complex real estate technology strategies and implementations, outsourcing opportunities, and business process re-engineering projects for clients across North America, Europe and Asia.

**Calvin Yoa** is a manager in BearingPoint's Real Estate and Capital Asset Solutions group. As a strategic thinker in new solution offerings, he is experienced in business drivers and core areas of value creation. His concentration is in the full implementation—from analysis to deployment—in various software systems.

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