



Real Estate Organization & Metrics
(Large Enterprise)

Presented by Don Pigott

*“STOCKS are the things to own over time. PRODUCTIVITY will increase and stocks will increase with it”
.....Warren Buffett, “The Snowball”, 2008*

Real Estate Organization & Productivity

Based on Buffet's statement, the question, therefore, is....."**How does the CRE Organization impact on the PRODUCTIVITY of the Enterprise, thereby contributing to SHAREHOLDER VALUE?**":

It does this in two ways.....

*Firstly, by providing the right **buildings**, the right **facilities**, the right **infrastructure** in the right **locations**, to the right **design**, at the right **time**, to enable the enterprise to manufacture and distribute its products and services effectively , efficiently and profitably.....**the Transaction Role of CRE***

*Secondly by providing the right **support services** to manage the buildings, facilities and infrastructure efficiently and effectively so that the people and the equipment associated with the core business of the enterprise can be as **PRODUCTIVE** as possible..... **the Operations Role of CRE***

CRE Organizational Dynamics - Large Enterprises

There is no single “best-in-class” organizational structure.....there are several

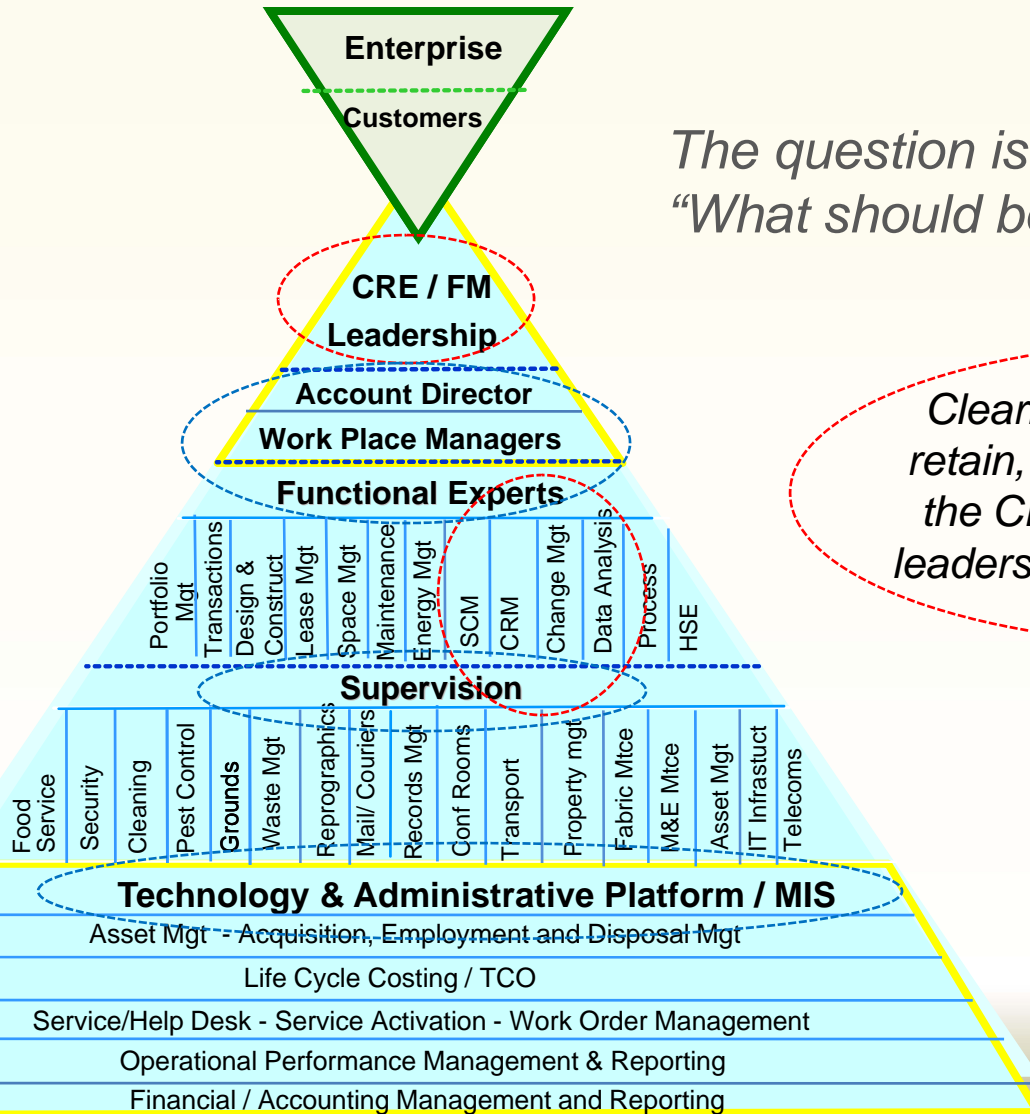
Apart from common functional elements associated with the primary RE processes:

- *Investment Planning* - *Asset Acquisition* - *Asset Employment* - *Asset Disposal*

each CRE organization is uniquely different and impacted by:

- The enterprise and associated CRE strategy
- The type of industry and make-up of the portfolio
- The geographic footprint of the enterprise
- Ultimately - The CRE services delivery model

Generic CRE Organizational Building Blocks



*The question is.....
“What should be in-sourced / outsourced?”*

Clearly the enterprise needs to retain, in-house, key elements of the CRE Org, such as strategic leadership and strategic functional expertise

CRE Metrics - Large Enterprises

There is a model and an approach to metrics and performance management, based on the concept of the *Balanced Scorecard*, that is common to many large enterprises that we have worked with.

What differentiates each enterprise is how well or not this concept is understood and applied.

Also, how the metrics align with key aspects of the CRE organization that enables the delivery of the CRE *Value Proposition* to the enterprise and its shareholders

It's about the effective use of the *Balanced Scorecard* in conjunction with the concept known as the *Strategy Map*. This links the performance metrics, tangibly, to the CRE Operation, including its Human, Organizational and Information Capital, as well as its Processes, systems and tools.

A Balanced Approach to Metrics - Examples

Shareholders

Cost reduction + impact on enterprise productivity improvement - expressed as CRE ROI

CRE financial performance measure the tangible outcomes of CRE strategy

Customers:

- *The Enterprise*
- *BUs & Functions*
- *End Users*

CRE Org impact on End Users and BUs rolls up to – aggregated impact on productivity

Align to BU strategy and CRE related needs thru the CRM process – impact on productivity

Quality and effectiveness of CRE Org - impact on End User performance & productivity

The right Org processes create value for customers and shareholders

CRE Org Processes:

- *Operations Mgt*
- *Innovation Mgt*
- *Compliance Mgt*

O&M management processes – impact on asset availability, performance and reliability

Innovative CRE organizational model – impact on cost reduction and productivity

Safety training & ongoing improvement - impact on enterprise Productivity

The right Org assets drive ongoing improvement in Org processes

CRE Org Assets

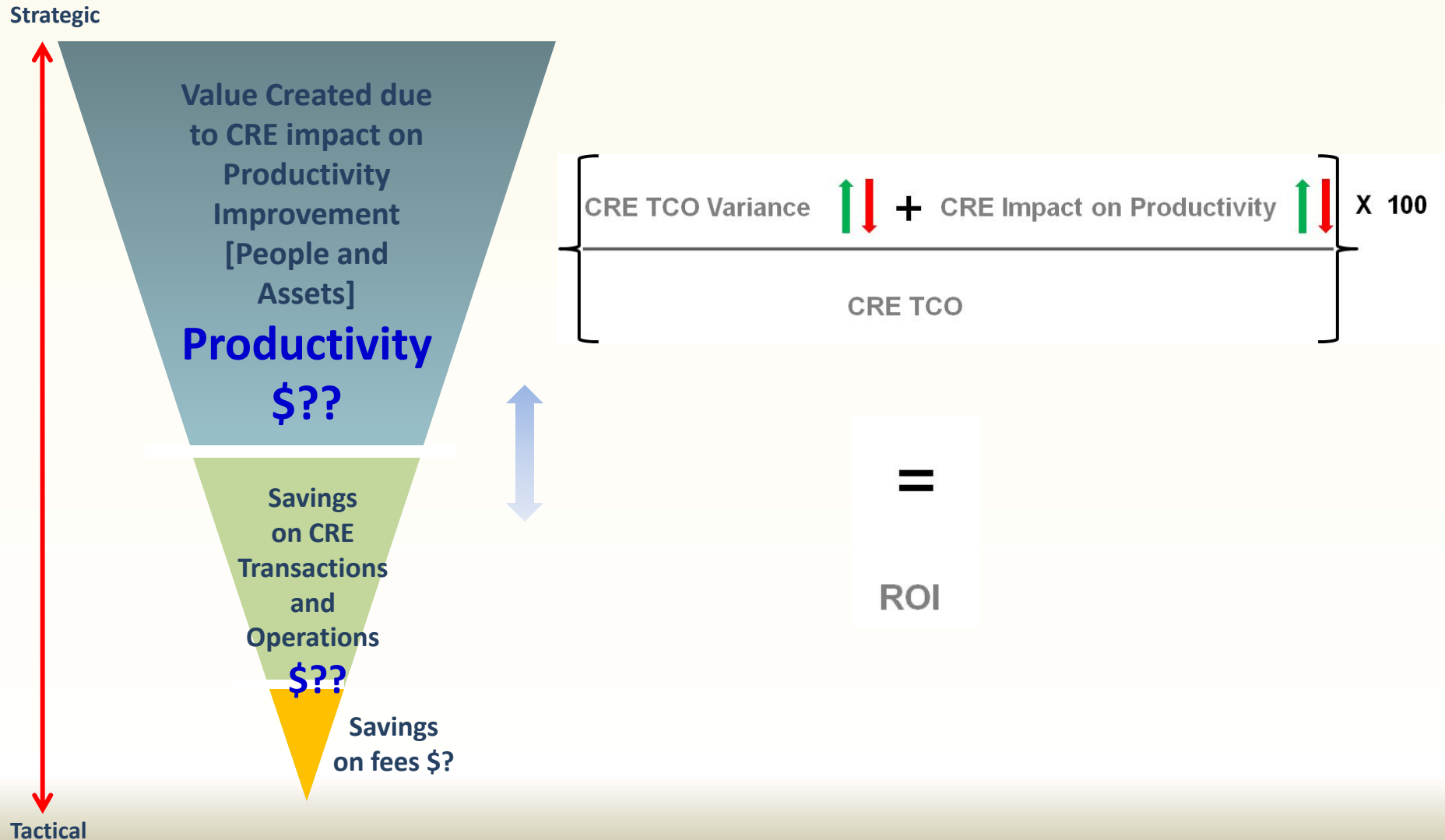
- *Human Capital*
- *Information Capital*

Level of competence - impact on CRE Org effectiveness – move from level 3 to 5

Real time high quality information, – impact on asset availability / Productivity and LCC

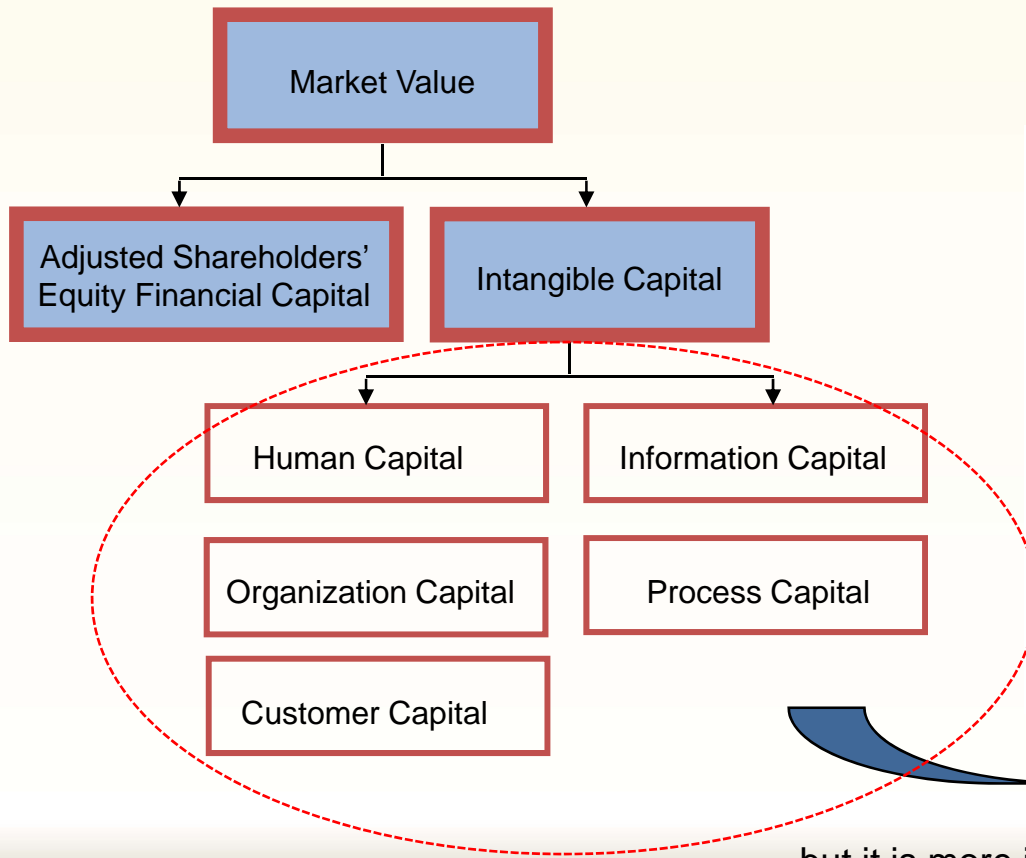
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CRE Metrics – An ROI Perspective

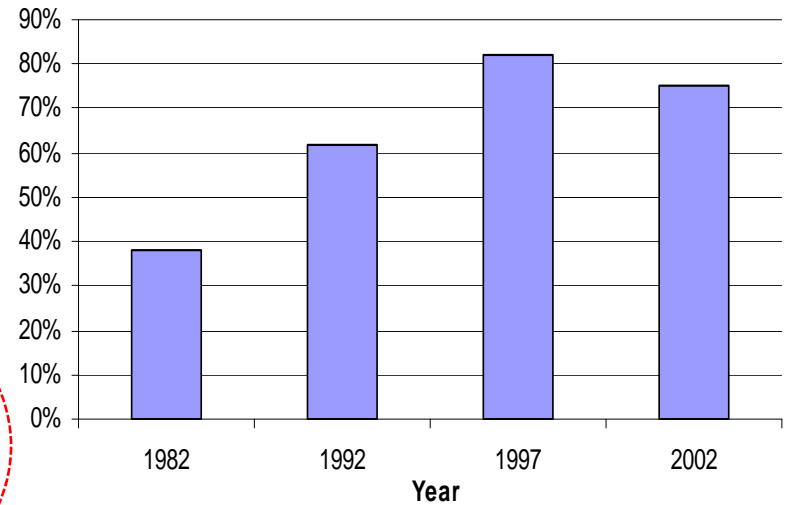


Linkage Between IC and Shareholder Value

Intangible Capital is not part of the financial accounts...



Intangible assets as % of total value of US companies



...but it is more important than what is on the financial accounts