



Monthly Research Briefing: January 2008

Place Strategy – A Manifesto

Place Strategy: Organizing your company in space and time, utilizing human talent and technology to its highest potential, to achieve competitive advantage.

In celebration of the first anniversary of the Place Strategy Partnership next month, we are focusing our twelfth brief on the actual concept of “Place Strategy” – what it is, why is it critical for your organization to have a Place strategy, and how the operational elements of Place Strategy come together.

Every organization has a *Place Strategy* – the physical location and means by which its products are created, sold, distributed and serviced to its customers, clients or constituents. But nearly everything we previously believed in the past century about how and where we conduct work – either as individuals or as large, complex organizations - is radically changing. A new Place Strategy requires a vision of your organization’s future that embraces new ways of producing your products and services, grounded in the practicalities of your current operations and the realities of your present real estate commitments. **Developing a Place Strategy requires the integration of business strategy, real estate, technology and people, and requires working across traditional internal organizational boundaries.**

The Present Problem of Place

Many companies today have an accidental Place Strategy that is a product of history, not proactive strategy. Their places are the result of past decisions, based on technologies and competitive strategies that are largely obsolete, and of the detritus of mergers or acquisitions, **They have not thoughtfully and deliberately developed a Place Strategy as a clear enabler of their competitive intentions: to both increase profitability and value for their shareholders, and to be more satisfying and desirable places to work for their employees.** Most mid-to-large organizations still work in much the same way they did a decade ago, and the decade before that, with most workers assigned a single, dedicated workplace in a long-standing location. Decisions about business locations – and hence the workforce to staff these locations, have not kept pace with the demographics and the lifestyle preferences of the current and future labor force. **Physical inertia is the hallmark of the larger organization today.** Much of the “Place Spectrum” – ranging from the individual workstation to the global logistics footprint, still suffers from conventional thinking. For example, most corporations still assign one workstation (be it cubicle or hard walled office) to each worker and assume that most workers will be on the job in the company’s workplace Monday-Friday for 40 (or more) hours per week. And they have underinvested in the systems and knowledge within their organizations to bring about the proactive change that modernizing a Place Strategy requires.

Despite the dramatic shifts wrought by external economic, technological and social forces, there is still very little attention paid at the corporate strategy level to how large, complex organizations can adapt their workplaces, systems of work, and their business locations to take full advantage of the opportunities presented by technological and social change. Instead, we see Place Strategies that have haphazardly evolved over time as a series of incremental, often disconnected, decisions. **We believe this is because**

many organizations need to enhance both their strategic vision and proactive planning systems to develop their Place Strategy of the future, and fear to challenge the status quo.

The goal of the *Place Strategy Partnership* is to provide the tools and be the catalyst for proactive Place change.

A Broadened Definition of Place

What is missing from our definition of Place Strategy on the previous page? Look again. There is no mention of “real estate”, of “facilities”, or even of the “workplace”. While real estate is still important, and a major driver of operating costs and profitability, the economic impact of Place is even more critical, because it integrates labor costs and productivity impacts with location. The Place Strategy approach recognizes that an individual can only be physically present in one place at one time, and that place may not often be on premises which are owned or controlled by their employer. Further, each Place has a cost associated with it. The cost is not just the cost of the footprint of property occupied by the individual, but the cost of all the technologies that connect that worker to information and to other individuals, both within and beyond the organization.

The concept of Place Strategy recognizes that there is a strategic value to the presence of the individual – that certain tasks are still most effectively carried out face-to-face. Direct, live communication provides the interpersonal context that helps us to interpret information better and more creatively, and it helps move us to action. Therefore, face to face contact is a valuable but essentially limited strategic resource which must be optimized to build and sustain competitive advantages.

Bringing people together for that face-to-face contact incurs cost. There is a cost to every place we occupy, whether it is a direct facility cost, the airfare and hotel expenses to attend a meeting, or the cost of a laptop, mobile phone and the technical support behind it. There is also the human cost of time, attention and energy. How we choose to allocate our Place resources, how and where the work of organization is conducted, is critical to developing, maintaining, and evolving our sources of competitive advantage, which in turn determine how well we succeed – make a profit, return shareholder value, or accomplish our mission. As the forces of global economic, technical and social forces accelerate their rate of change, a highly flexible, and forward thinking Place Strategy is essential to the survival of the enterprise.

The goal of a Place Strategy is to ensure that both the benefits of personal place and costs of physical Place, are optimized to create and sustain competitive advantage.

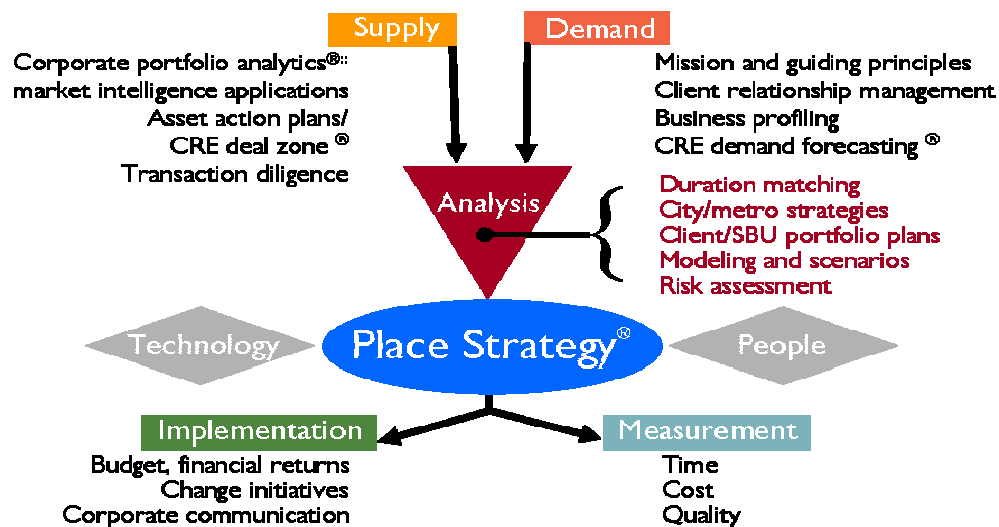
Broadening our definition of Place, and recognizing the many ways we produce services and goods in space and time, increases our ability to match Place to the task at hand and the needs of the people completing the task. Better matching of Place with people and processes leads to a more efficient use of assets over time and reduces the dissonance between wage work and life choices – resulting in happier employees and increased flexibility to adjust Place as task and personal requirements change.

The practical result of a Place Strategy is to drive both economic and operational improvements that translate directly to increased profitability. As discussed in our September brief, optimizing portfolio performance requires you to “**Use Less**” by eliminating or reallocating underutilized facilities and to “**Pay Less**” by your aligning your strategy to acquire or dispose of space with current and future real estate market conditions to ensure the best deal for your company. Our third driver, “**Need Less**”, is at the heart of Place Strategy, and advocates designing the workplace to better fit the way today’s highly mobile team-oriented workers actually behave, which often brings the pleasant additional benefit of decreasing office space per worker.

Components of a Place Strategy

As shown in the *Place Strategy Framework* on the facing page, two basic sets of analytics provide the inputs to a Place Strategy – supply and demand.

Place Strategy Framework



Supply refers to the location choices available to the organization, both existing locations within the portfolio, as well as potential locations. The basic foundation for real estate supply analytics is high quality information about your owned and leased portfolio including details about invested capital, lease terms, and occupancy. However, the concept of “supply” in Place Strategy extends far beyond the conventions of owned and leased real properties, and must be expanded to include other places where organizational work can be done using mobility tools. Alternative sources of supply include employees’ homes, hotels, customer or supplier premises as well as anywhere a member of the organization can access telecommunications and the internet. Those alternative options are factored in after the basic real property supply is analyzed and understood. As the rate of change accelerates, the demand forecasting horizon is both shorter and less clear, increasing the pressure for flexibility in supply. The ability to exit or add space as competitive conditions change requires even greater care in the negotiation of leases or in the development of property.

Demand encompasses the economic, organizational and competitive strategy of the organization. Why does the organization exist and what must it accomplish in order to accomplish its goals? We cannot develop and implement a Place Strategy without a thorough understanding of not only current business drivers, but how future requirements may change or evolve based upon both external forces and internal dynamics.

Utilizing a set of formal tools and processes helps to structure business intelligence gathering. Clearly communicating how the values and mission of the organization are expressed in the ways people are treated, decisions made, and the workplace is managed, sets the tone of the dialog between corporate real estate and the lines of business. Modeling future demand for space must now factor in changes in utilization from alternative ways of working, and we may not know how quickly these practices will be adopted. It is critical that the key decision points required of the business be identified and then communicated in an effective manner. Putting real estate decisions within the context of an overall Place Strategy for the organization highlights and reinforces the link between space and business strategy.

Supply and Demand analytics then form the basis for portfolio Analysis. There is not one single output that reveals the overall Place Strategy. Rather, there is a series of interactive views from the various facets of the portfolio.

Duration matching compares supply with forecasted demand for space. “Supply” includes both space you are financially committed to and options to exit or expand space in your existing locations. At the corporate level, duration matching tells you whether you have too much or too little space, and how that may change in the future.

City/metro strategies are the building blocks of portfolio strategy for the multi-locational organization. Since real estate is grounded in an actual location, and tied to employees' residential location, changes to the Place Strategy impacts both physical occupancy and the costs associated with it. The metro level is where the action takes place. Comparisons across metro locations that integrate both labor data and real estate commitments are critical to portfolio downsizing and optimization initiatives.

Client portfolio plans treat each line of business as if it were a separate portfolio, allowing line managers to view their occupancy in the context of their business strategy. These are especially useful when a line of business is considering major changes to its work process, technologies or workforce. It also matches Demand analysis with Supply constraints at the most meaningful level for business strategy formulation and implementation.

These three building blocks of Place Strategy development provide clear, quantitative identification of opportunities, constraints and risks. They prompt further modeling of Place Strategy scenarios that integrate "people"- current and future labor pools, and "technology" that enables new ways of organizing and producing work.

Final Thoughts

Expanding our definition of Place – and the way Place Strategy is formulated, fully integrates real estate portfolio decisions with the heart and soul of enterprise, today and in the future. Place Strategy constantly evolves as the demands we face change and new challenges emerge, but we cannot sustain a flexible, forward looking Place Strategy without clear processes and tools for implementing and measuring results.

Questions for Discussion:

1. How would you describe the Place Strategy of your organization?
2. Is your current Place Strategy aligned with the current and future competitive demands on your organization? Where are the major disconnects?
3. What elements of the Place Strategy framework does your organization perform in a formal manner (meaning a documented quantitative, process with clear deliverables)? What is done informally?
4. What elements do you not perform that would better help you to formulate a Place Strategy that is well aligned and supportive of your organization's strategy and operations?

Save the Date: Annual Place Strategy Partners Conference
Harvard University Faculty Club, Cambridge, Massachusetts
October 1-2, 2008

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