

## Federal CFO Insights

# Advanced workplace strategies: Enabling mission while driving cost efficiency

### Introduction

CFO's in many Federal Agencies are attempting to accommodate sequestration-driven spending cuts and meet mission priorities in the face of existing and pending real property-focused requirements, including mandates to "freeze the footprint" of their real estate portfolios. While regulatory direction will continue to change, fiscal constraints are the new reality that Federal CFO's will need to address for years to come. One of the keys to addressing these shrinking budgets will be for Agencies to implement strategic actions today that will provide cost savings and cost avoidance opportunities in the near and long term. Tested real property strategies can be planned and implemented to minimize or even offset the need for sacrificing critical programs and/or staff.

Within the Federal Government, real estate has long been recognized as a source of potential savings. One only need look at the guidance and pending legislation that have been proposed over the past several years (see callout to the right). Underlying this legislation is the realization that Federal Agencies, much like their commercial sector counterparts, are utilizing their real property assets much differently than in the past. In its July 2011 "Workplace Utilization and Allocation Benchmark Report", GSA states that "... the average utilization for workspace in the

### Government-wide requirements

- E.O. 13327 — Asset Management Initiative
- Presidential Memorandum on Disposing of Unneeded Federal Real Estate (2010)
- Freeze the Footprint guidance memorandum (2013)

### Proposed legislation

- Civilian Property Realignment Act (H.R. 1734)
- Federal Real Property Asset Reform Act (S. 2178)
- Excess Federal Building and Real Property Disposal Act. (H.R. 665)

U.S. and in Europe between the hours of 8:00 a.m. and 5:00 p.m. is 35 to 50 percent." The same report goes on to say that "... the cost of accommodating the average Federal associate typically runs \$10,000–\$15,000 annually per person."

However, when it comes to making the decision to implement Advanced Workplace Strategies (AWS), some Federal executives remain skeptical about measurable results. They express concern about how they will effectively manage a more mobile workforce and how their employees will react to new workplace designs.

Commercial organizations have been embracing this new reality for several years now, adopting Advanced Workplace Strategies to better leverage the workspace they provide while addressing how today's workforce, especially new hires, embraces collaborative work styles and increased mobility. Results to date have been very positive and have shown tangible results (e.g., one global financial institution reported an annual real estate cost reduction of \$400 million after implementing an enterprise AWS program). Proactive organizations also report a number of other significant AWS benefits ranging from improved employee morale, increased retention and productivity, reduced carbon footprint and energy consumption, and the reinforcement of a performance-oriented environment that focuses on what people do, not where they do it.



### The Federal mobile workforce is a reality

The advent of the Federal mobile worker has already happened — especially in agencies with substantial field level operating requirements. Current realities call for solutions that reduce operating expenses while enabling the agencies to maintain a “Mission First” capability. Adopting an AWS approach is no longer a matter of “Should I do it?”, but more “How do I maximize both worker productivity and cost efficiency in the face of today’s budget realities and executive mandates?”

### Seizing the opportunity

Implementing an Advanced Workplace Strategy should incorporate an approach that allows for differentiated solutions across an agency and takes into consideration the varied roles and functions supported. It should also provide for an evolutionary approach, allowing the C-suite to generate support from individual executive functions (i.e., Finance, Facilities, HR, and IT) after presenting a proof-of-concept and a robust change management plan. While all Federal Agencies are unique, this approach often involves:

- Centrally managed real estate processes, standards, and cost targets (not managed regionally or locally)
- Increased shared meeting space and flexible hoteling space (fewer hard-walled offices for individuals)
- New skills development for mid-level managers (to measure performance without the need for “line of sight” to their direct reports)
- Establishing performance measures and a culture of accountability (must be embraced at all levels)
- Wireless access throughout the workplace, including remote VPN access (critical to mobility)
- Technology innovation, virtual meetings, social media, Web 2.0 (collaboration and participation is key)

Effective AWS programs also employ an approach involving the close coordination between the Finance, Facilities/ Real Property, Human Capital, and Information Technology components of the Agency. All of these functions are interlinked and must be carefully planned in order to maximize cost benefits without any detriment to the mission.

### Real property

The real property asset portfolio can provide the greatest potential for realizing cost saving opportunities. By taking specific actions in the near term as well as implementing long term initiatives, an organization can typically reduce portfolio spending by 20% to 40%, equating to millions of dollars in operating cost reductions.

#### SHORT TERM

- Audit and verify existing data
- Co-locate/consolidate locations
- Enhance mobility, implement hoteling
- Cancel non-capital outlay projects
- Reduce services for operations
- Abandon underutilized facilities
- Sublet unutilized leases
- Identify improper payments for leases and services
- Renegotiate lease services, terms, and rates



#### LONG TERM

- Reconfigure layout and reduce footprint and align with organizational objectives
- Capture savings from energy audits
- Reduce energy consumption through sustainability
- Consolidate fragmented leases
- Enhance organizational alignment
- Strategically source products and services
- Public-private partnerships
- Earned Value Management
- Enhance operations and maintenance

In addition to assessing the total cost impact and developing a tailored roadmap to reduce overall portfolio spending, workspace design of retained facilities should be shifted over time, and as funding allows, towards more open and flexible layouts with furniture designed to support a mobile and collaborative workforce.

This design approach changes four basic variables:

- Enclosure (open vs. closed) — more open plan layouts with fewer enclosed offices
- Daylight proximity — move enclosed offices away from the window wall
- Common or collaboration vs. private or individual space — increase in collaboration space types
- Modularity — flexible design allowing multiple space configurations with the same “kit of parts”

### Human Capital

Space optimization not only represents a cost savings driver, it also reflects an organization’s culture, innovation, and flexibility. These factors have a significant impact on attracting and retaining talent.

The effort begins with understanding the current workforce profile. There are 4 Worker Profiles, each with unique work styles, space requirements, and management challenges. These include Travelers, Teamers, Independents, and Residents.

By mapping an organization’s workforce to the worker profiles, the ratio of FTE to workspace, as well as the ratio of collaborative to individual space can be enhanced in the portfolio roadmap for real property.

This workforce composition analysis also facilitates the ability to develop differentiated solutions within an Agency for HQ, Administrative, Field Operations, and other functions that may exist within the organization.

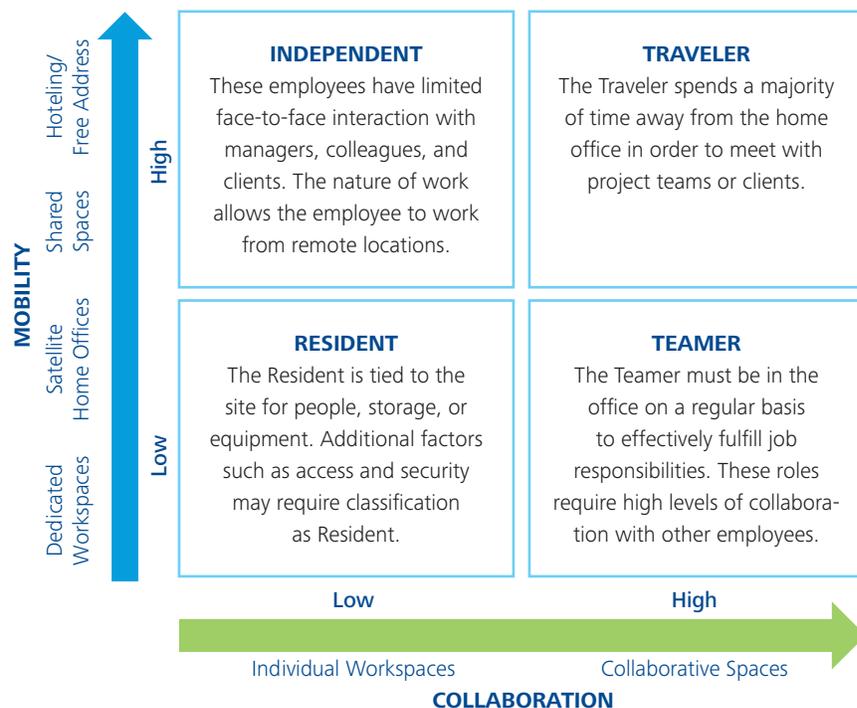
The workforce profile also informs the change management approach, which addresses securing buy-in, coordinating with unions, developing new management skills and performance evaluation methods, fostering a culture of accountability, and maintaining workplace communities to address risks to engagement and commitment to mission.

### Technology

Technology has increased employees’ expectations of the workplace environment, influenced work styles, and enabled a mobile and virtual workforce armed with personal consumer use technology that often surpasses agency-provided business technology. However, the open nature of these technologies often presents a challenge when it comes to securing information exchange. Identifying, funding, and implementing the correct infrastructure to enable mobile work must be balanced against the organization’s current IT investments and enterprise architecture. Finally, security considerations must also be balanced against accessibility and the workforce must have customer support within easy reach to address any connectivity issues.

### Conclusion

By encouraging and supporting the implementation of Advanced Workplace Strategies, Federal Agencies can reduce real estate costs while supporting the multiple ways people work today. The cost reduction impacts should enable Agencies to attract and retain top talent while focusing staff’s efforts on Agency specific missions. Federal Agency CFO’s can help facilitate this process by encouraging their facility and/or building departments to prepare the required analytics to map out the future physical asset and IT needs.



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