Facilities Driven Workforce Mobility

Reducing Costs while Increasing Productivity

Joe DellaTorre
IBM Global Business Services
TODAY’S AGENDA

- The Context
- The Workplace
- The Workforce
The Context
REAL ESTATE EXECUTIVE CHALLENGES

Key Responsibilities:

1. **A Safe & Reliable Workplace**
   - Manufacturing
   - Offices
   - Data Centers

2. **Provided at the lowest possible cost**
   - Space
   - Energy
   - Facilities Operations
SAMPLE REAL ESTATE PORTFOLIO COST PROFILE

- **Space** (Rent, Depreciation, Taxes and Insurance)
  - ~55%

- **Facilities Operations** (Grounds, Housekeeping, Equipment)
  - ~20%

- **Energy** (Electricity, Natural Gas, Fuel Oil)
  - ~20%

- **Other**
  - ~5%

**Energy & Fac. Ops covers 40% of total cost**
WORKFORCE STRATEGIES AFFECT MOST REAL ESTATE COSTS

- **Space** (Rent, Depreciation, Taxes and Insurance) ~55%
- **Facilities Operations** (Grounds, Housekeeping, Equipment) ~20%
- **Energy** (Electricity, Natural Gas, Fuel Oil) ~20%
- **Other** ~5%

However, 95% of cost is space driven by people requirements.

The Most Efficient Federal Building is the One You no Longer Have
IBM Real Estate Overview

• 103 Million Square Feet
  • 1,700 locations (unique addresses)
  • 2,300 buildings
  • 63% leased and 37% owned
  • Diverse footprint: office, call center, customer briefing, data center, light manufacturing, chip fabrication, and research facilities
  • Median age varies from new buildings to 50+ year old buildings
  • Geographic distribution: Asia Pacific: 22%, Europe/Middle East/Africa: 23%, Latin America: 4%, North America: 51%

• Large Energy Consumers
  • Data Centers
  • Manufacturing (BVT and FKNY consume 40%)
  • Research & Development
  • Office Campuses

• Energy Represents 20% Global Real Estate Budget
FIRST CHALLENGE: ALIGN ORGANIZATION TO SUCCEED

What We Do
- Space / Lease Management
- Facilities Operations
- Energy Management
- Environmental
- Design and Construction

Key Challenges
- Changing IBM Business Model
- Legacy Owned Assets
- Rising Energy Rates
- Aggressive Environmental Agenda
- Global Integration

J. DeMarco
US / Japan

S. Palmisano
Chairman, President & CEO

Sr. VP, CFO

VP Controller

VP Global Real Estate Operations
SECOND CHALLENGE: DISPARATE DATA SOURCES

Getting a Handle on Your Real Estate Costs is a Precursor to Workforce Strategies
APPROACHES TO TACKLE WORKFORCE COSTS IN TWO DIMENSIONS

**Strategic Optimization - Global Portfolio Analysis**
- Aggregation of Key Global Indicators:
  - Lease Information
  - Space Utilization
  - Energy Usage & Conservation
  - Work Order History
  - Supplier Performance
- Drives resource and investment prioritization: higher efficiency & effectiveness

**Building Optimization – Individual Building Performance**
- Focus on building efficiency through visibility to operating anomalies
- Software integrated with building systems to report
  - Ambient conditions
  - Equipment malfunctions
  - Set point deviations
  - Real time demand for water, HVAC and lighting
- Automated response to improve building efficiency, reduce Co2 emissions & improve reliability

1. Reduce Infrastructure based on consolidated cost data and work at home/client opportunities
2. Reduce costs of remaining infrastructure supporting seated workforce
The Workplace
e-Place On Demand: IBM’s Workplace Strategy

What is e-place On Demand?

- A move from entitlement to shared space
- Space that is more collaborative, less individual
- Space that provides a range of work style offerings
- Space that enables higher utilization and lowers IBM real estate costs

Adopting e-place On Demand enables a 50% reduction in space requirements and significant annual savings

A Little History...

- IBM introduced the e-place, open office planning concept in 1998.
- e-place On Demand, which introduces sharing and collaboration, was rolled out in 2004.
- e-place On Demand is implemented whenever IBM is considering new construction, significant renovations, and/or new lease fit-ups.
e-Place On Demand: What is it?

**Definition:** e-place is IBM’s space strategy that nurtures communication, collaboration and productivity in the workplace.

**Sponsorship:** e-place is a joint vision from Human Resources, Finance, RESO and I/T to promote cultural changes in the way work is done.

**What is an "e-place environment?"**
Variety of places: Public spaces, Collaborative spaces, Enclave spaces for privacy, Personal spaces for individual work. A flexible workplace to accommodate present and future needs. Provides high quality I/T throughout the physical space.

**BENEFITS**

- Improve Space Efficiency
- Meet Needs of Changing Work Patterns
- Promote Teaming & Collaboration
# DSW Seating – Three Primary Seating Types

<table>
<thead>
<tr>
<th>On Demand Seating</th>
<th>Neighborhoods</th>
<th>Specialty Space</th>
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<tbody>
<tr>
<td><strong>On Demand seating</strong> is the concept and terminology that replaces what we know of today as mobility and dedicated seating. In an On Demand environment, workstations are not dedicated or assigned to specific employees. Instead, any employee – seated, mobile, work at home, client/alternate, etc. – can use any workstation (based on employee type – executive, people manager, professional) if it is not occupied. Space utilization is maximized in an On Demand environment because any available workstation can be used.</td>
<td><strong>Neighborhoods</strong> are groupings of “On Demand” workstations for employees who need to sit together to perform their work. Neighborhoods have been created for office-based project teams and for employees working in a common business or functional area who work in the office 4 or more days per week. Neighborhoods will be displayed in Fleximove and you should only sign-in to a neighborhood if you belong to it, or, on rare occasions if On Demand seating is fully utilized and there is excess capacity in a neighborhood.</td>
<td><strong>Specialty Space</strong> are areas in DSW that are designed specifically for a certain work group or project team. In many cases, these areas are behind badge reader doors and are only accessible to designated employees.</td>
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</tbody>
</table>
Important Note: Renderings are for illustrative purposes only. They may not reflect actual finishes and dimensions.

Shown Above: Executive workstations, Executive Briefing Center, Collaboration seating at end of file cabinet

Shown Above: Professional workstations, Collaboration seating at end of file cabinet

Shown Above: Corridor, Collaboration seating, Professional workstations
Touchdown Seating

**Important Note:** Renderings are for illustrative purposes only. They may not reflect actual finishes and dimensions.
What is LEED?
The Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ encourages and accelerates global adoption of sustainable green building and development practices through the creation and implementation of universally understood and accepted tools and performance criteria.

What is LEED certification?
In the United States and in a number of other countries around the world, LEED certification is the recognized standard for measuring building sustainability. Achieving LEED certification is the best way for you to demonstrate that your building project is truly "green."

The LEED green building rating system -- developed and administered by the U.S. Green Building Council, a Washington D.C.-based, nonprofit coalition of building industry leaders -- is designed to promote design and construction practices that increase profitability while reducing the negative environmental impacts of buildings and improving occupant health and well-being.

The LEED rating system offers four certification levels for new construction -- Certified, Silver, Gold and Platinum -- that correspond to the number of credits accrued in five green design categories: sustainable sites, water efficiency, energy and atmosphere, materials and resources and indoor environmental quality.
The Workforce
Today, over 115,000 IBM employees around the world will wake up, go to work, but NOT go into the office.

50% of IBM’s workforce operates without dedicated office space; most of those employees will spend at least part of their week working from non-IBM locations.
To become an employer of choice, organizations must provide employees with the resources to enable them to create, innovate, learn, operate and collaborate wherever and whenever they can be most effective.

They must support new ways of working and embrace the mobile, connected and collaborative work environment.
Mobility enables the workforce to conduct business anywhere, anytime, with any approved solution

... with the **information** that I need (data, applications, web access)

... with the **voice services** I need (wireless, legacy telephony, VoIP)

... with **any available connectivity** type (dial-up, wireless, high speed and secure VPN)

... with **any enterprise approved device** (PC, wireless handheld device, etc.)

... with the **support** that I need (online, voice, global, 24x7)

... with the **space** that I need (desk, team room, conference room or virtual workroom)

... with the **policy and processes** that support the enterprise (HR, financial, etc.)

Work is not a place
Mobility extends beyond basic telecommuting to provide an innovative and dynamic work environment

### Telecommuting
- Employee performs work at an alternative worksite that reduces the commute that the employee would incur in traveling to the employee’s designated work location (office).
- An alternative worksite may include a telework center, the employee’s home, or another designated location.
- The work being done by the employee is not tied to the location of the worksite.
- Occurs on a regular, recurring, and ongoing basis at least one day per week
- Input oriented (time based) performance measures
- Physical workgroups
- Team meetings
- Classroom based or on-the-job learning
- Command style organization culture

### Mobility
- Employee performs work at an alternative worksite that reduces the commute that the employee would incur in traveling to the employee’s designated work location (office).
- An alternative worksite may include a telework center, the employee’s home, or another designated location.
- The work being done by the employee is not tied to the location of the worksite.
- Occurs on an ongoing basis
- Output driven performance measurement
- Virtual Teams
- Electronic collaboration, plus on-site collaboration when needed
- Knowledge networks, work-aligned portals
- Flat, matrix or process-based organization culture
Mobility generates significant organizational benefits

Organizational Benefits
- Reduced time to hire
- Reduced cost; reallocation of funds
- Improved ‘on-boarding’ (reduced time to enable)
- Increased employee retention
- Enhanced productivity
- Lower absenteeism

Customer Benefits
- Increased customer satisfaction
- More accessibility to service provider
- Faster responses to inquiries
- New, more rapidly developed products and services to meet customer needs/demands
- More face-time
- Higher quality products and services

Real Estate Savings
- Real estate / facilities savings
- More efficient and effective use of real estate investment
- Flexible and sustainable work environments that support organizational change and collaboration

Employee Benefits
- Productivity improvement
- Individual cost and time savings
- Improved job satisfaction
- More accessible and responsive
- Work longer hours with less impact on personal / family life
- Higher morale
- Greater loyalty

Environmental Benefits
- More efficient energy usage
- Reduced energy costs
- Reduced traffic congestion
- Increased compliance with Green Building Regulations
Mobility provides the tools and culture necessary to connect employees, streamline operations, and increase productivity

Some of those capabilities include...

Remote Access
From anywhere through any approved device (laptop, wireless handheld device, etc.)

Social Networking
Expanding opportunities for employees to start and engage in conversations that are valuable and impact the business

On Demand Access
Access to the applications and information needed to perform all work functions

Innovative Workspaces
Team rooms, touchdown desks, hot spots, virtual meeting spaces

Expertise Location
Ability to share own expertise, as well as find others when needed

Search type | Location | Search for
---|---|---
Name | All locations | nanotechnology

Simple search | Search contact information | Search entire profile
To realize the benefits of a mobile work environment, organizational and infrastructure challenges must be addressed.

How do we maintain security of data and information if employees can work from anywhere?
- A comprehensive remote access and electronic document management plan must be implemented.

How do I know my employees are working? How do I know I am not getting passed over for opportunities since I am not in the office?
- A performance management structure must be developed and applied consistently throughout the organization.

Why do certain managers allow teleworking and others do not?
- Eligibility requirements and program policies must be developed, reviewed, approved and communicated to all employees.

Why do I have to give up my permanent office? I’m entitled to dedicated space.
- An enterprise approach is needed to ensure realization of business case.
Case Study: IBM’s Leadership in Mobility

One of the reasons people come to work for IBM is because we take flexibility seriously. On any given day, worldwide, our people are not at an IBM location…they are mobile. Today we must reconsider our traditional concept of work and how it gets done…

Sam Palmisano, IBM Chairman of the Board and CEO

IBM introduced mobility in 1995

- Began in North America in 1995 as pilot when 10,000 US customer-facing roles gave up their dedicated workspaces; key driver was real estate savings
- They shared cubicles on a 4:1 employee/desk ratio, saving 7,500 workspaces
- IBM saved over 2 million square feet of real estate space and $75 million in real estate costs the first full year of the mobility initiative, by closing floors of buildings and entire buildings when leases became due in the US
- The mobility initiative was rolled out to non-sales employees and to non-US employees in the late 1990’s until 88,000 IBMers became mobile, over a quarter of IBM’s worldwide workforce at the time
- Even greater savings have been realized as the employee/desk ratio has increased to 15:1 or more in many field locations
- Today, IBM has nearly 400,000 employees globally and more than 50% percent of staff are mobile, and savings are now over $450M per year, every year
- Mobility is now an option for virtually all employees globally, and is key to our work-life-balance commitment, recruiting efforts and talent retention
IBM increased its competitive edge, employee productivity, and job satisfaction

- IBM can recruit the best available talent without constraints on geography
- Employees can accept new assignments without relocating
- IBM assembles teams from around the world to meet project demands
- Employees are relieved from long daily commutes to an IBM office
- Implements consistent automated and streamlined business processes
- Applies consistent performance measures
- Shaping a management culture that supports a mobile environment and that can use knowledge sharing and collaboration tools extensively
- IBM’s culture makes mobility possible and mobility shapes IBM’s culture

Impact of Mobility on IBM Employees

Source: IBM Global Work and Life Issues Survey
Mobility provides the tools and culture necessary to connect employees, streamline operations and increase productivity.

Some of those capabilities include…

**Remote Access**
From anywhere through any approved device (laptop, wireless handheld device, etc.)

**Social Networking**
Expanding opportunities for employees to start and engage in conversations that are valuable and impact the business.

**Innovative Workspaces**
Team rooms, touchdown desks, hot spots, virtual meeting spaces.

**On Demand Access**
Access to the applications and information needed to perform all work functions.

**Expertise Location**
Ability to share own expertise, as well as find others when needed.
The Mobility Maturity Model helps organizations evaluate their readiness and vision for mobility across the four areas:

<table>
<thead>
<tr>
<th>Mobility Maturity Model Capabilities</th>
<th>Maturity Levels</th>
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<tr>
<td>Organization, People, and Culture</td>
<td><strong>Leading</strong> – Strategic business imperative, extends to partners, suppliers, and vendors, facilities used primarily for meetings, fully integrated workplace organization (HR, IT, facilities), virtual work is a “way of life”, 75-100% of target population</td>
</tr>
<tr>
<td>Technology and Applications</td>
<td><strong>Optimizing</strong> – Widely adopted, overarching management support, wide use of virtual teams, robust mobile technology and connectivity, robust collaborative applications, policies/procedures in place, on-demand space, robust support services, workplace management processes (training, policies, performance management) 50-75% of target population</td>
</tr>
<tr>
<td>Processes and Policies</td>
<td><strong>Practicing</strong> – Implemented by several teams and/or divisions, centrally planned and managed, HR policies in place, integrated workplace management processes performance metrics and tools tested on selective basis, 20-50% of target population</td>
</tr>
<tr>
<td>Real Estate</td>
<td><strong>Developing</strong> – Selective projects prioritized by the Business case, average management support, full remote access enabled, selective use of mobile technology, shared-facilities trial, minimal support services, 10-20% of target population</td>
</tr>
<tr>
<td></td>
<td><strong>Aware</strong> – Exhibits few mobility practices, low management awareness and support, limited use, mostly flexible work arrangements, minimal shared facilities, minimal remote access, less than 5% of target population</td>
</tr>
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</table>

*“Adapted from Gartners Telework Maturity Model Defines the Stages Toward Telework Effectiveness”. Michael A. Bell. January 31, 2006.*
Lessons Learned and Best Practices are consistently used

- Executive buy-in at the top of the organization
  - Four key areas involved in initiatives – HR, Finance, IT and Real Estate
- Metrics to drive program success
  - Real estate costs at departmental level
- Formal policies and procedures
  - Owned by HR
- Proactively identified job roles suitable for mobility
  - Started with the obvious, but review role by role for each major organization
  - Review work processes and IT to determine how to enable mobility
- Change management and education support for managers and staff to enable mobility
  - Worldwide Mobility Portal
  - Manager and Employee Training
  - Mobility Handbook
A comprehensive strategy for implementing a mobile workplace will integrate change in four key areas:

1. **Organization, People & Culture**
   - Work structures
   - Job descriptions
   - Performance measurement
   - Metrics
   - Reward structures
   - Organizational culture
   - Management behaviour and attitudes
   - Individual skills and knowledge
   - Training needs

2. **Technology & Applications**
   - Meeting technologies
   - Intranet
   - Connectivity
   - Bandwidth
   - Networks
   - PCs

3. **Process & Policies**
   - Training processes
   - Meeting management
   - People management
   - Travel management

4. **Real Estate**
   - Architectural design
   - Physical layout
   - Real estate infrastructure

Four key areas enable a mobility transformation.
Mobility helps organizations become an employer of choice

Mobility is about

- Leveraging technology and connectivity to enhance employee productivity
- Employee engagement and work-life-balance
- Attracting and retaining the best talent in the market
- Organizational flexibility and responsiveness
- A focus on results – not face time
- Dedicating more time and resources to the organization’s core strategic objectives
- Growing the organization without increasing real estate investment
- Ensuring continuity of operations during emergencies and disasters

High-performing organizations are capitalizing on work environments that allow employees to be more productive, responsive and effective.