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MANAGEMENT STRATEGY

The Strategy Alignment Model: Defining Real Estate Strategies in the Context of Organizational Outcomes

A strategic planning expert begins a three-part series on how his experience working with a Fortune 500 client on numerous projects resulted in a new strategic model for aligning real estate with business requirements.

by **ROBERT T. OSGOOD, JR.**

An increasingly sophisticated body of theory and practice has emerged over the past 20 years among those working to define the role of real estate in enhancing corporate business strategy. The discussion has covered many levels, from on- and off-site workplace concepts, to overall site and facility guidelines, to the planning and management of entire portfolios of real estate assets. One constant has been addressing ways that real estate can help or hinder organizations in their ability to:

- recruit and retain the best people;
- manage organic and acquisition-driven growth;
- expand the customer base, markets, products and services;
- refine organizational structure and culture;
- develop branding and identity programs;
- enhance workflow and communication;
- support Internet and related transformational technologies;
- reduce costs and control risk; and
- enhance productivity.

Conference speakers and writers of industry journals cover these issues routinely. Harder to find, however, are case studies that describe specific real estate actions in the context of measurable organizational outcomes.

About 10 years ago, during

Components and Principles of the Strategy Alignment Model

CHARACTERISTICS OF STANDARD PLANNING		PRINCIPLES OF STRATEGY ALIGNMENT
Architectural models and language imposed on business	1	Content Component: Business models and language applied to facilities/real estate
Emphasis on wish lists, counting, and prescriptive data	2	Emphasis on activities, functions, and performance concepts
Outcomes are measured as facilities/real estate statistics	3	Outcomes are measured in core business terms
Prescriptive, one-size-fits-all planning process	4	Process Component: Conceptual framework flexibly applied to specific client needs
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the beginning of a consulting assignment with SC Johnson (SCJ), our client contacts -- Scott Weas and

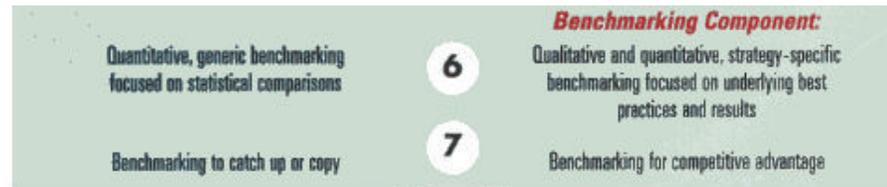


Figure 1

Chuck Boles -- urged us to develop a straightforward planning framework that could be used to measure and communicate real estate strategies with senior executives in the company. The result is the Strategy Alignment Model, which has been developed and refined on over 100 projects with SCJ and with dozens of other Fortune 500 companies.

The model consists of three components, which are based on seven guiding principles (see Figure 1). The first component, Content, and its three associated principles, are the focus of this article. Two subsequent articles will discuss the remaining components of the model, Process and Benchmarking and four other principles of planning.

Principle 1: *Planning models should be based on the language and tools of business applied to real estate, rather than on architect and broker-based schemes imposed on organizations.*

The Strategy Alignment Content Component is a framework for visually, directly aligning real estate with core business strategies as a series of cause-and-effect relationships. It was developed during the early phases of a strategic master plan for SCJ's Racine, Wisc., headquarters. Among several scenarios, a decision was made to build a separate headquarters for one of SCJ's larger businesses, Commercial Markets.

The content component was used to collect, analyze and communicate information throughout the project. Over the course of several work sessions, senior leaders identified 21 key business strategies, for which 25 real estate responses were generated. Behind all of the strategic concepts -- both organizational and real estate -- were dozens of detailed implementation actions. Figure 2 depicts the structure of the content component, and Figure 3 shows the actual alignment of five of the key organization/real estate strategies and measures.

The Content component is structured around five acknowledged building blocks of corporate strategy: (A) mission for today and vision for the future; (B) customers and markets served (C) product and service offerings; (D) distinctive competencies or skills unique to a company; and (E) values and culture that serve as the foundation for any organization.

Within these broad categories are 70 different issues that were discussed by SCJ leadership before forming its strategy of 21 elements. Our consulting team investigated dozens of potential real estate responses within the context of the quality, cost, quantity, technology, location and practices for providing space. In the end, every last real estate strategy is documented in terms of its ability to align with and reinforce a specific core business strategy (see Figure 2).

Excerpt of Organizational-Real Estate Alignment at SC Johnson

	ORGANIZATION		REAL ESTATE	
	Strategies	Measures	Strategies	Measures
MISSION & VISION	Total customer care through leveraging of a quality differentiating position.	5 measures including: Economic value added	A multiple activity setting where the entire building is your workplace.	3 measures including: Facility quality increases by 20%, while fixed asset and operating costs increase by 5% over 15 years.
CUSTOMERS & MARKETS	Engage customers in product development.	3 measures including: Customer retention increases by 10%	Dedicated customer work areas, tools and information.	3 measures including: At least 50% of key customers use defined areas at headquarters 2 - 3 times per year
PRODUCTS & SERVICES	Enhance the research & development, marketing, sales, finance, and human resources interface.	3 measures including: Number of viable product launches increases by 25%	Co-location of research & development, marketing, sales, finance, and human resources.	3 measures including: Number of planned, formal meetings decrease and informal meetings increase by 25%
DISTINCTIVE COMPETENCIES	Move toward more multi-disciplinary collaborative work processes.	5 measures including: 25% of organization has moved to "true" team worklines by '01	All open office environment with flexible floor layouts for different group worklines.	3 measures including: 80% satisfaction with individual control over concentration and collaboration
VALUES & CULTURES	Enhance life-enriching work-based activities.	2 measures including: Employee satisfaction at 85% or more	Inclusion of employee-focused amenity functions.	3 measures including: Facility satisfaction at 85% or more

Figure 2

Principle 2: *Planning models should emphasize activities, functions, and performance concepts over the more typical counting and cataloguing of prescriptive data and wish lists.*

The overarching theme for the new SC Johnson facility was "The Entire Building is Your Workplace". This concept reflects a major transformation in the organization toward multidisciplinary, collaborative work processes, which drove a move from 60 percent enclosed offices to an open, multidisciplinary workplace setting. Supporting the open environment are informal and formal, open and enclosed, individual and team oriented-places previously reserved for private offices.

Arriving at this solution was not based on typical cataloguing of how much space each individual gets based on their level in the organization. Instead, requirements were generated via a thorough understanding of current and projected, individual and team, functional work patterns.

Today, a series of straightforward, performance-based profiles continue to be used to determine individual and group space requirements.

Principle 3: *Planning outcomes should be measured in core business terms, rather than strictly as real estate statistics.*

SCJ developed the 21 elements of their strategy as internally consistent, cause-and-effect relationships. As our team presented real estate responses, each was linked to a specific core business strategy. Thus, senior SCJ leadership was making a commitment to real estate as an integral part of organizational outcomes.

Is the degree of organizational/real estate alignment a precise correlation? Can the relationships be proved empirically? No,



Figure 3

on both counts. Instead, the real value is getting senior leadership together around strategic issues that are clearly portrayed as a series of interrelated elements, including real estate. As one element is altered, the other parts must be examined and, most likely, refined.

The last few years have generally been positive ones for SCJ Commercial Markets. As their business model has evolved, refinements have been made to their overall strategy and measures for success, including real estate. The Strategy Alignment Content Component helps frame the key real estate issues in a language spoken by the core business. **SITE**



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The Strategy Alignment Model: Principles for Enhancing Real Estate Planning Processes

A strategic planning expert continues a series on his methodology for aligning corporate real estate strategy with core business requirements.

by ROBERT T. OSGOOD, JR.

In the January issue of *Site Selection*, I introduced the [Strategy Alignment Model](#), which is a framework for directly aligning corporate real estate with the core business. As shown in Figure 1, the model is comprised of three components and seven guiding principles.

The focus of the first installment was on the Content component, within which real estate actions are described in the context of five key building blocks of business strategy: Mission & Vision; Customers & Markets; Products & Services; Distinctive Competencies; and Values & Culture.

Furthermore, the discussion included real estate strategies measured as organizational outcomes rather than as purely land and building indices.

The focus of this article is on the Strategy Alignment Process Component, which offers a straightforward methodological framework for the collection, analysis, synthesis and communication of information in virtually any planning situation. A third article will introduce the Benchmarking Component as a tool for incorporating real estate best practices that help companies achieve competitive advantage.

Components and Principles of the Strategy Alignment Model

CHARACTERISTICS OF STANDARD PLANNING		PRINCIPLES OF STRATEGY ALIGNMENT
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Strictly tactical, micro-focused, linear approach	5	Balanced, strategic and tactical, macro to micro, iterative approach
Quantitative, generic benchmarking focused on statistical comparisons	6	Benchmarking Component: Qualitative and quantitative, strategy-specific benchmarking focused on underlying best practices and results
Benchmarking to catch up or copy	7	Benchmarking for competitive advantage

Figure 1

Principle 4 (see Principles 1-3 in [the January article](#) and here in Figure 1): *Planning models should be structured as conceptual frameworks that can be flexibly applied to specific client needs, rather than focus on prescriptive, one-size-fits-all approaches.*

In the January article, I discussed my ongoing work with SC Johnson (SCJ), one of the largest family-run companies in the world. As a large family, SCJ leaders are very concerned with creating an overall change-management process that maximizes buy-in and ownership in the process -- and ultimately in the solutions. As such, our team must create a process that goes far beyond typical planning, design and transaction activities. One of the first questions we ask on all SCJ assignments is who should be involved, when, where, how and why?

More often than not, we employ a top-down and bottom-up approach that involves virtually every stakeholder in a project. Such an approach does not take any more time than traditional top-down only methods, as involvement is structured as an ongoing series of events across the entire project. Figure 2 offers a summary of the methods used to collect, analyze, strategize and communicate information on numerous SCJ projects.

As a contrast, I recently completed an assignment with a *Fortune* 500 Company where a strictly top-down approach was employed. However, unlike most top-down processes that involve a generic survey of and/or standard individual interviews with a few senior executives, the collection and analysis was based on a series of

	Data Collection & Analysis	Strategy Development & Planning Alternatives	Communication
Interviews	●		who?
Surveys	●		what?
Observation	●		when?
Archival Research	●		where?
Focus Groups & Workshops	●	○	how?
Gap Analysis	●	○	why?
Vision-Strategy Facilitation	●	○	
Benchmarking	●	●	
Scenario Planning	●	●	
Charrette	○	●	

workshops with all of the key stakeholders together in a conference room. In barely one month, the team used the Content Component (see the [January article](#)) to identify issues and the Benchmarking Component (see the May issue) to test and refine concepts, and eventually develop an integrated, core business real estate strategy.

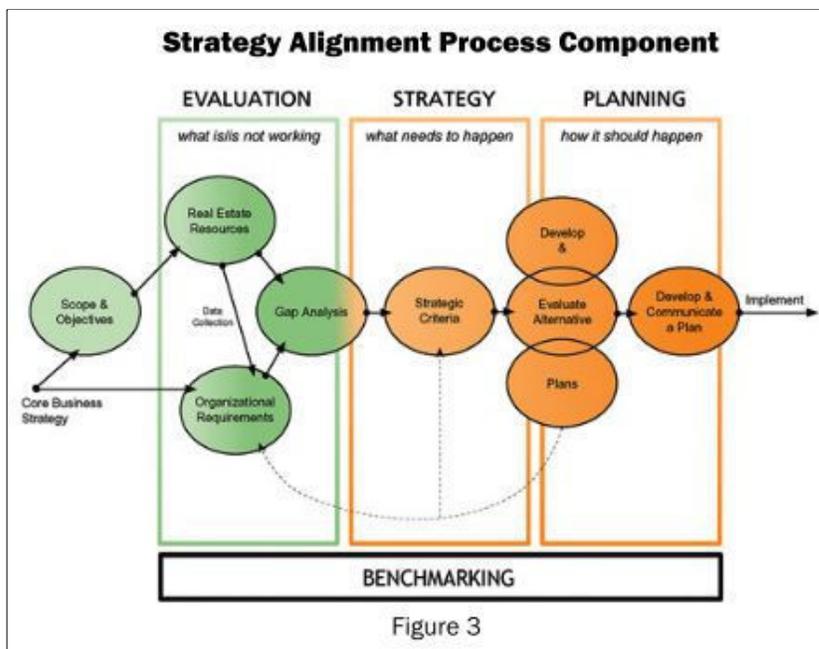
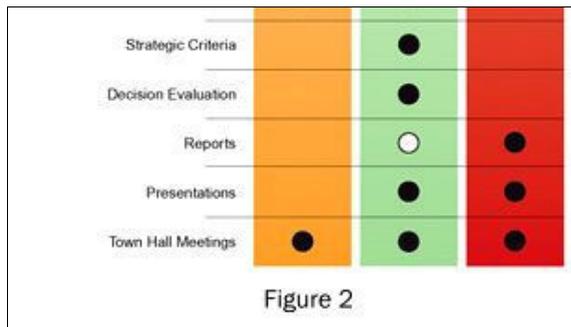
The integrated strategy was graphically depicted on a single, poster-sized sheet of paper as a map of interconnected cause and effect relationships. The corporate real estate group then used the map as a framework to develop specific strategies and measures for every business unit and department in the company. In the end, internally consistent strategy maps were communicated to all employees via presentations, the company intranet and on posters displayed throughout most facilities.

The bottom-line for SCJ and the Fortune 500 client were broad change-management frameworks within which client-specific processes were created.

Principle 5: *Planning processes should emphasize a balanced, strategic and tactical, macro to micro, approach over strictly tactical, micro-focused, linear schemes.*

The vast majority of people involved in core business and real estate planning are familiar with the term "strategic planning". It's probably one of the most misused terms in practice today. By that I mean strategy and planning should be viewed as two distinct, yet interrelated, activities. Strategy is about the identification of key business drivers and real estate performance criteria, a roadmap, while planning is more about developing detailed directions for enacting strategic priorities. In other terms, strategy defines "what needs to happen" and planning describes "how it should happen".

Most of the so-called strategic real estate plans that our consulting team has reviewed are heavily weighted toward planning only. As an alternative, Figure 3 summarizes a flexible, three-step process into which content, activities, roles, schedule and other important issues can be incorporated. The diagram is drawn in a linear format for clarity, and especially to show the importance of a defined strategy as driving the creation of alternative real estate plans.



At the same time, the feedback loop reflects the fact that ideas are developed at all points in a project, including during later stages, which can impact -- and even change -- the defined strategy. Furthermore, it's often necessary to test planning concepts as a means to fully develop a strategy in the first place.

In fact, much of my work occurs during periods of incredibly rapid change within organizations. Whether the driver is an acquisition,

organic growth or the need to simply obtain more space, many projects start with only general information about core business strategy. As a result, our consulting team will often generate a series of "what-if"

planning scenarios that are designed to obtain reaction, and in so doing, help clarify the core business strategy.

Over the last eight years the Strategy Alignment Process Component has been used on more than 100 projects. Specific elements have been refined, yet the overall, three-step framework has remained a constant, flexibly applied to each client situation.

The final piece of this three-part article will focus on the Benchmarking Component, which challenges many of the commonly used best practices processes and content in real estate. It is based on a database of benchmarks across 40 issues, from 80 *Fortune* 500 and 50 other high performing companies. **SITE**



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The Strategy Alignment Model: Benchmarking for Competitive Advantage

A strategic planning expert concludes a three-part series on his methodology for aligning corporate real estate strategy with core business requirements.

by **ROBERT T. OSGOOD, JR.**

“We're not getting what we need to out of these real estate benchmarks," said my client, Scott Weas of SC Johnson, almost 10 years ago. What really bothered Scott was his perception that most of the benchmark information available for our planning efforts had little direct relevance to the core business and the strategies developed by company leadership.

This final article in a three-part series on the Strategy Alignment Model focuses on the Benchmarking Component, which challenges many of the commonly held beliefs about best practices research. The [first piece](#) (*Site Selection*, January 2002) featured the Content Component, a tool for directly aligning real estate with core business strategies. The discussion emphasized a methodology for measuring real estate strategies in the context of organizational outcomes, like mission and vision, customers and markets, products and services, distinctive competencies and values and culture.

The [second article](#) (*Site Selection*, March 2002) established the Process Component as a flexible framework within which content can be collected, analyzed and communicated. All three components are based on seven guiding principles, which appear in Figure 1. The emphasis of this article is on Principles 6 and 7.

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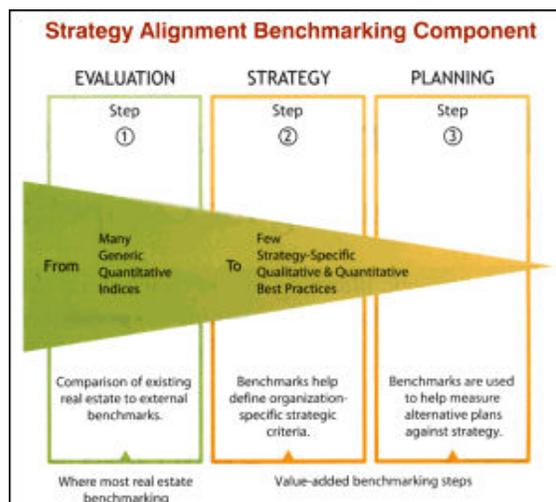
Figure 1

Principle 6: *Benchmarking should be focused more on strategy-specific issues and underlying qualitative practices and less on typical quantitative, generic, statistical comparisons.*

Virtually every organization we serve is interested in comparing themselves to other best-in-class companies. Several of the most commonly requested real estate benchmarks are:

- square feet per person,
- fixed asset and operations costs per square foot and per person,
- churn costs,
- percentage of open versus enclosed offices and
- number of office standards and the basis for assignment.

As useful as these and related measures are, they really represent simple indices that only begin to tell a story--actually, the beginning and the end, because most real estate benchmarks are applied at face value with very little, if any, exploration of the core business strategies and practices that drive them.



As an alternative, the Strategy Alignment Benchmarking Component is comprised of a three-step approach that is designed to take people beyond generic to organization-specific best practices. An overview of the three steps is applied to a simplified version of the Process Component in Figure 2.

Step one is the traditional comparison of existing real estate resources to external benchmarks, for which we have developed an extensive database from *Fortune* 1000 companies. This first step establishes a broad baseline on which to build.



It's the second step, though, where the hard, value-added work really begins. On a project for a

new headquarters facility, SC Johnson leadership had defined a core business strategy of "engaging customers in product development" (see the [January article](#)). One of the key real estate responses was to develop "dedicated customer work areas and tools at headquarters". Arriving at that solution involved extensive benchmarking of SCJ competitors and other best-in-class companies. Our work emphasized the elements of each company's published strategy and exploration of how their facilities were designed to support it.

In the second step of the benchmarking process, 16 companies were reviewed, with four having comparable strategic profiles. From the four companies, 35 real estate ideas were generated, with seven specifically addressing ways to engage customers in product development. The ideas were not simply borrowed and applied verbatim to SCJ. Instead, underlying practices and processes related to product development, customer satisfaction, sales channels, communication, culture and the like were used as knowledge to help craft strategic criteria specific to SCJ.

Once the strategy had been developed, a series of planning alternatives were generated and evaluated, and eventually, a single direction was selected. The third and final benchmarking step involved using best practices to help develop measures for the strategy, which, in turn, became the qualitative and quantitative criteria for selecting a plan to implement. As noted in the first article, several concepts were employed to measure customer involvement in product development, including a 10-percent increase in customer retention, and 50 percent of SCJ's key customers were to use defined areas at headquarters two to three times per year.

From steps one to three, dozens of traditional, generic benchmark indices were refined to a few strategy-specific, focused best practices critical to what SCJ was attempting to accomplish as a business.

Principle 7: *Benchmarking should be used to achieve competitive advantage rather than to simply copy and catch up.*

This is not so much a philosophical statement as it is a reinforcement of how benchmarking can best add value to real estate planning processes. Earlier, I questioned the viability of simple comparisons, like sq. ft. per person, unless you understand the core business and real estate components that comprise that statistic.

Equally dubious is advocating the universal application of benchmarks that have achieved the status of "cutting-edge" practices or "industry trends". For example, a frequent discussion at conferences and in numerous publications is a trend toward open office settings. Too often, this concept is discussed as a magical step of competitive advantage for everybody.

In reality, nothing could be further from the truth. The need for more or less office enclosure is driven by core business strategy, group workflow, individual job functions, existing real estate resources, entitlement and cultural considerations that are unique to each organization (see Figure 3). Our experience suggests, for example that:

- There are seven core business strategies that are most often associated with being drivers of the degree of enclosure for overall group spaces and individual offices.
- There are eight workflow types that describe how groups of people work with one another, from those that are very separate or independent, to interdependent, collaborative teams.

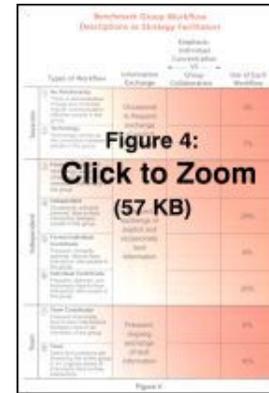


- There are 16 functional job types that define the individual activities people perform in their offices, including required levels of speech and visual privacy.

Figure 4 depicts an overview of the eight group workflow types that we consistently find across most of corporate America. Each brings with it specific facility-planning implications and strong suggestions for the degree of office enclosure -- especially when considered in conjunction with all of the factors in Figure 3. Together, these qualitative benchmark descriptions serve as process facilitators that help develop an office strategy that yields competitive advantage unique to each organization.

In other words, competitive advantage is not about copying the latest "hot" trend, but on applying best practice knowledge to the shaping and measurement of an organization-specific strategy.

The three components of the Strategy Alignment Model -- Benchmarking, Process and Content -- have been developed and refined over the past several years on more than 100 projects. These integrated components can be used on virtually any project to frame the key planning issues in the language of business and define real estate in the context of organizational outcomes.



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