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## 2009 Integrated Workplace Management Systems Market Perspective and Outlook



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### **Section 1: Overview**

As the corporate real estate and facilities management function converges towards a new and exciting era of workplace management, the integrated workplace management system (IWMS) market continues to experience significant and decisive growth. In a recent survey, nearly 71% of corporations report that the real estate and facilities management function has grown in stature and importance within the C-Suite. This is a marked improvement since 2005. ***George Bouri, Principal and leader of Deloitte Consulting's Capital and Real Estate Transformation practice acknowledges that, "explanations for this shift are irrevocably tied to the enormous financial value embedded in their real estate portfolio as well as the growing imperatives of re-aligning the workplace, managing enterprise performance and deploying enterprise sustainability practices".*** The implications of this increased emphasis on real estate and facilities management has spawned substantial growth in the IWMS market; averaging 10-15% in total revenue growth per year over the last five years. Over the next 5 years, double digit growth is expected to continue.

## Section 2: Reflecting On Our Progress

As a brief reminder of where we have come from over the past decade, the evolution of IWMS technology has followed a typical enterprise application maturity model (See Illustration 1).

- Stage #1 Point Solutions: Serves departmental needs and discrete tasks of decentralized organization such as real estate transaction management, construction program management or facilities management
- Stage #2 Integrated Solutions: Benefits centralized organizations by providing a centralized data platform and workflow management across the real estate life cycle with advanced enterprise integration capabilities
- Stage #3 Performance Management: Targets enterprise value driven organizations focused on managing key performance indicators (KPIs) such as Total Cost of Occupancy and Space Utilization
- Stage #4 Strategic Management: Applies IWMS technology as a strategic asset to drive strategic C-Suite initiatives and increase shareholder value across the enterprise value spectrum

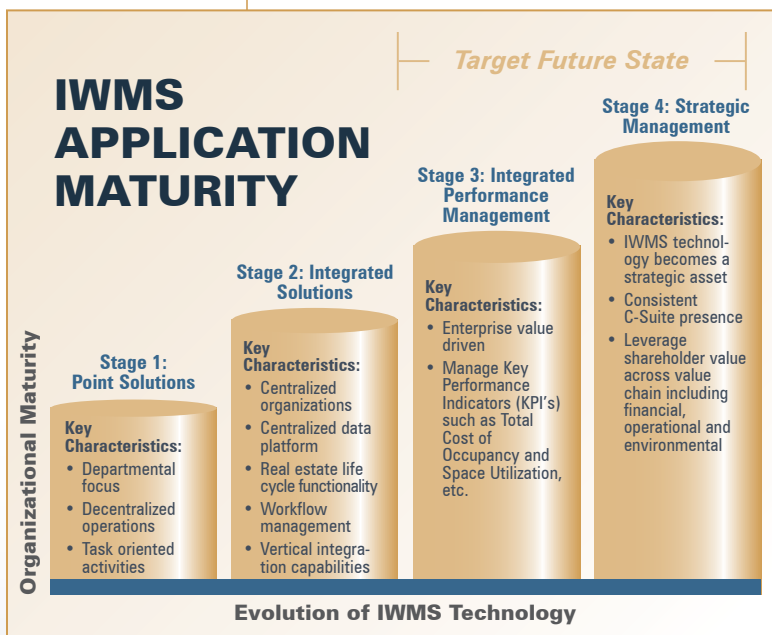


Illustration 1

*of Stage 3 is an operational necessity required to stay competitive in a global economy. So over the next few years we can expect to see a continued convergence between the general acknowledgement of CRE influence on corporate performance and the practical level of visibility into operational, financial and environmental performance. And while Stage 4 might be the desired end-state, achieving Stage 3 is not a bad place to be for many organizations."*

Additional challenges, as in any major enterprise system installation, are crucial organizational preparedness and change management measures that should be in place but which are sometimes overlooked, including, data governance, process changes, employee training and role clarification.

These advancements in the maturity of IWMS technology demonstrate that the enterprise value derived from IWMS continues to expand. Yet, despite these advances, there continues to be on-going challenges. Of the 71 percent of executives that have acknowledged increased awareness of Corporate Real Estate (CRE) influence on corporate performance, only one-third have comprehensive visibility into the operational, financial and environmental performance of the real estate and facilities management function. *As an explanation for this variance, Thomas Hanszen, Managing Director of BearingPoint's Real Estate and Capital Asset Solutions Practice, suggests that "if we look at the adoption rate of each maturity stage we find that most leading organizations have advanced past Stage 1 and recognize Stage 2 as the requisite CRE IT backbone. Increasingly, organizations have begun to acknowledge that the adoption*

*Frank Knowlton, Asset Management Service Area Leader for IBM's Global Business Services acknowledges "that a key impediment for many organizations is that they do not have the necessary level of visibility into their processes; either because they do not have integrated processes, they do not capture metrics at the appropriate level of granularity or they do not have the technology to have an enterprise view. Consequently, IWMS end users are reminded that IWMS technology does not solve an organization's problems but provides the necessary enabling platform to help solve problems."*

Therefore, while we continue to make progress within the IWMS maturity framework, there needs to be a greater focus on advancing the level of organizational preparedness in order deliver comprehensive visibility into the operational, financial and environmental performance of the CRE function. IWMSconnect expects that the convergence toward workplace management and the emergence of IWMS 2.0 within the CRE function will help to serve as a catalyst for offsetting these challenges over the coming years.

### **Section 3: Corporate Real Estate Trends – Workplace Management Enhances the CRE Role**

Over the last decade we have witnessed a technological revolution that has liberated the workforce from the confines of traditional workplaces; i.e. offices, retail locations, call centers, etc. Mobile technology in conjunction with the Internet have made working from anywhere anytime a reality. *In many instances, as IBM's Frank Knowlton notes, adaptation of highly flexible work environments presents a unique opportunity for organizations to reduce costs associated with individual staff footprints and helps to attract and retain top talent*". This transformation in the workplace changes the game around traditional real estate and facilities management. It is now insufficient to focus only on the physical assets of the workplace, leases, buildings, layout, maintenance, etc. The enterprise now must integrate the disciplines of traditional CRE management with broader operational functions such as information technology, financial management, customer service and human resource management. This broader definition of workplace management has decidedly enhanced the traditional role of facilities



and real estate management, and created significant opportunities for the corporate real estate management community. As we scan the titles of many global CRE executives, we see titles such as workplace services executive, strategic workplace management or shared corporate services management. Responsibilities associated with these positions have expanded from overseeing and directing the traditional functions of real estate and



facilities management to providing a highly dynamic workplace that meets the needs of a global workforce.

Thus, the term “workplace” has emerged as a more inclusive term that many IWMS applications continue to adopt as a way of acknowledging that the traditional real estate life cycle processes of property acquisition, operation and disposal have expanded to address services for and support of an ever increasing mobile and global workforce. Processes such as new employee “on boarding,” room and cubicle reservations, remote worker support and virtual office provisioning represent only a few of the services that are enabled by the IWMS application suite. As the CRE ‘sphere of influence’ continues to expand, CRE executives, application providers and professional service firms have recognized the operational imperative to harmonize traditional CRE functions and broader workplace management trends, all of which become possible within the capabilities of the IWMS suite of functionality, particularly process management.

## Section 4: The Emergence of IWMS 2.0

As organizations progress within the IWMS Application Maturity framework and the need for centralized workplace management continues to expand, we believe that IWMS has entered a new era of growth and focus. We have labeled this new class of software as IWMS 2.0, which can be characterized by the following key functional and marketplace trends:

### **IWMS 2.0 Functional Trends:**

- Workplace Performance Management:** Leading vendor products offer a robust set of pre-defined performance indicators that tie to various workplace management functions and corresponding performance indicators. These user-oriented dashboards can report up and down the workplace organization, whether related to project management, real estate management, facilities management or at the senior management level. *Bob Verdun, Founder and President of Computerized Facility Integration (CFI), reports “there is compelling evidence in the marketplace that senior executives are demanding comprehensive reporting and system output capabilities and CRE organizations are investing aggressively in applications with advanced performance management capabilities.” Mike Bell, special advisor to IWMSconnect, highlights that “performance management is now the new mantra of world class work place management and IWMS 2.0 delivers on this imperative.*

- **Integration Capabilities:** It is expected that IWMS application providers will deliver improved enterprise-readiness and data center integration capabilities. *As George Bouri notes, "the table-stakes are now much higher for IWMS vendors as it is becoming increasingly critical that they demonstrate enterprise-readiness and seamless integration into the data center if they are to be successful going forward."*

- **Enterprise Sustainability:** The green revolution has resulted in specific IWMS functionality that supports environmental sustainability across a broad spectrum of issues, including energy conservation, carbon foot print tracking in support of cap and trade requirements, hazardous waste tracking and reporting and LEED process and documentation. In addition, specific energy conservation reporting that entitles the enterprise to certain public utility credits, most notably in California has been developed. We expect that IWMS 2.0 will become a critical tool in the management of enterprise sustainability since a significant portion of the energy consumed by the enterprise relates to its use of electricity at its property and plant operations. This will only become more

urgent, as energy costs sky rocket with the advent of record breaking increases in the cost of oil. Some asset types offer more opportunity than others. Data centers, for example, alone consume ten to twenty times the energy of a traditional office building and represent great opportunities for IWMS tracking, reporting, and management initiatives that aim to reduce energy consumption through innovations in electrical and cooling systems, energy management systems, more energy efficient servers and processors and more efficient cooling technologies that now consume more than 50% of a data center's electrical energy. *Ed Lubieniecki, Managing Director, RealFoundations observes that, "buildings contribute over 40% of most company's carbon footprint and CRE executives are being asked to lead or significantly contribute to the organizations sustainability plans. This requires sophisticated tools for gathering, analyzing and presenting the data. Today's IWMS tools are only beginning to address this need."*

- **Process Blueprinting:** Many leading IWMS application and professional service providers are incorporating leading industry practices and business processes in out-of-the-box applications. Understood as process blueprinting, this aims to reduce implementation complexities and cycle times and ensure adherence to best practices. This includes integration capabilities, both with other enterprise domain applications and downstream applications.

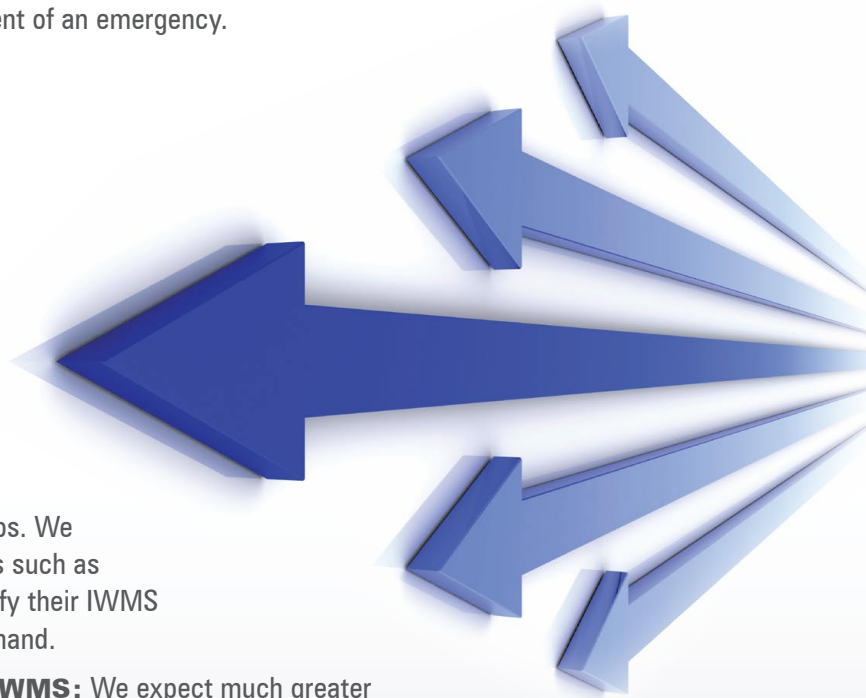
- **IWMS as a Strategic Asset:** As the number of successful IWMS deployments increase and organizations advance in maturity, we expect organizations will begin to apply IWMS application capabilities creatively to manage strategic, organization specific initiatives such as ergonomics tracking, asbestos abatement tracking, and class room utilization. Additionally,

IWMS 2.0 is becoming specialized by industry segment. The retail industry increasingly utilizes the functionality of IWMS 2.0 to develop store deployment strategies and fast cycle store acquisition and build-out, thus accelerating revenue flows. Public utilities are embracing IWMS 2.0 to manage utility rights of way, line configuration and the thousands of data elements associated with miles of property easements. Universities and educational school districts increasingly deploy IWMS 2.0 to manage the myriad aspects of campus assets, operations and student support processes. Governmental operations at the federal, state and local levels are deploying IWMS 2.0 to consolidate property assets, lease assets, and workplace support processes. *As Bob Verdun notes, "a key difference with IWMS and, for example CMMS, is that the IWMS tool box can be used to solve many diverse problems".*

- **Compliance:** Federal requirements associated with Sarbanes-Oxley and FASB accounting rules mandate a robust and integrated view of enterprise asset accounting and reporting. This will only increase as FASB updates and tightens rules around lease accounting and balance sheet treatment of operating leases.
- **Disaster Recovery and Business Continuity:** IWMS 2.0 functionality continues to advance management's ability to prepare contingency and disaster recovery plans in the event of natural disaster or terrorism. The bitter lessons of 9/11, Katrina and the recent flooding in the Midwest increase the need to maintain a close and real-time database of company locations, people, and assets. It creates the ability for management to readily assess locations that can be adapted to alternative uses and better understand how critical staff can be redeployed in the event of an emergency.

### **IWMS 2.0 Marketplace Trends:**

- **IWMS Application Market Expansion:** We fully expect new entities to enter the IWMS market through product extensions (i.e., point solutions that add the necessary functionality to become a true IWMS provider), acquisitions, mergers and start-ups. We also expect the large ERP vendors such as Oracle or SAP to enhance and unify their IWMS offerings, driven by customer demand.
- **International Adoption of IWMS:** We expect much greater international adoption of IWMS particularly in growth markets such as India, China, and the mid-east markets such as Dubai and the United Arab Emirates. The real estate development in these markets is staggering, as it is in other international markets such as Viet Nam, Thailand and South Korea. US global enterprises will lead the IWMS introductions into these markets with the support of global service firms such as IBM Global Services, Deloitte and BearingPoint. The real estate service firms such as Jones Lang LaSalle and CB Richard Ellis also evangelize the use of integrated systems and will advance the growth of IWMS in these markets.



## Section 5 — Conclusion:

The IWMS market is on the threshold of growth and innovation driven largely by the expansion of the traditional CRE function to include broader workplace initiatives, increased integration capabilities across enterprise domains, a new focus on enterprise sustainability, reduced implementation cycle time and the emergence of IWMS 2.0 application functionality. As we have discussed, our vision of the IWMS market growth centers on three enterprise imperatives: enhanced operational performance (reduced cycle times, reduced cost of operations and comprehensive disaster recovery capabilities), enhanced financial performance (reduced cost and more productive use of facility assets through the adoption of performance management capabilities), and enhanced environmental performance through robust energy management tracking and reporting thus enhancing enterprise brand and shareholder value. **George Bouri recognizes that “the advancements in IWMS technologies continues to enhance the IWMS value proposition and strengthens the ROI and payback associated with application deployment.”** There is compelling evidence that the IWMS market is prospering from these new capabilities. Our contacts in the IWMS industry report overall consulting revenue growth by 20-30% over the last year and software revenue growth of 10-15% over the same time period. We fully expect this growth to continue and accelerate in 2009 and beyond.

### About IWMSconnect

IWMSconnect is the leading Integrated Workplace Management System (IWMS) industry forum that empowers the IWMS business community to make sustainable business decisions through thought leadership, networking and collaboration.

Readers are encouraged to visit [www.iwmsconnect.com](http://www.iwmsconnect.com) or any of the leading IWMS solution providers to view the latest IWMS case studies and white papers. We also would look forward to hearing your feedback to the perspectives presented in this article.

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