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THE
“QUALITY OF LIFE
PER SQUARE FOOT”
APPROACH TO REAL ESTATE:

A Summary of Meeting Proceedings
at CoreNet Global's 2012 Orlando Global
Summit & Subsequent Action Steps

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In a seminar presented by Sodexo and the National Business Group on Health, over 200 participants discussed the possibility of “moving beyond a focus on cost-per-square foot” to a “quality of life per square foot” approach to building portfolios. With this approach, corporate real estate professionals could have the ability to influence and improve productivity around core business activities. The presentation brought together a multi-functional team to provide additional tools to help redefine the way Corporate Real Estate (CRE) and Facility Management (FM) measures and demonstrates its value. This report summarizes the discussions, insights and steps necessary to evolve this thinking toward reality.

Overview

As visualized in Figure 1a, measuring value through a traditional asset/cost-centric view ignores the importance of the human factor. Noted in the figure, the value of the workforce itself is viewed secondarily to the focus on cost, assets, and efficiency. More often than not, the individual needs of employees are not considered in a way that maximizes the effect of the built environment or the services provided within.

In contrast, the “quality of life per square foot” approach to real estate provides the Corporate Real Estate and Facilities Management (CRE/FM) professional with a perspective that demonstrates top-line value. It is a point of view that represents the fact that a successful company is built on its people, and the real-estate and FM strategy is a driving force to enable the achievement of people potential. The cost drivers dominant in the cost/square foot approach are now shown to be supporting features/investments in creating a value-driven model. Workers and their unique needs are embraced as a core foundation necessary to design the most appropriate built environment and solution architecture.

The workplace environment, therefore, is now a key driver and enabler of employee well-being, becoming a major influencing factor necessary to make the employee and company successful. The traditional singular focus of quantitative metrics (gleaned from asset-centric metrics) adds a qualitative, effectiveness dimension in order to achieve business objectives. *It is the type of thinking that needs to be embraced as an industry in order to establish greater business relevance and evidence impact on key performance and productivity factors.*

Insight

“The differing opinions appeared to be the result of generational diversity within the group. Today’s progressive companies need to manage and meet a broader range of employee work needs and experiences. CRE/FM can play a major role and it is not an ‘us’ (CRE/FM) and ‘them’ (HR) mentality that will accomplish this. Rather, it will take mutual respect and understanding of the expertise and insight brought to the table from both disciplines.”

QUALITY OF LIFE APPROACH



FIGURE 1A

PHYSICAL WELL-BEING		SOCIAL WELL-BEING		CAREER WELL-BEING	
having good health and enough energy to get things done on a daily basis		having strong personal & work relationships in your life		how you occupy your time — or simply liking what you do every day	
CRE/FM STRATEGY/ SOLUTION	IMPACT	STRATEGY/ SOLUTION	IMPACT	STRATEGY/ SOLUTION	IMPACT
Wellness Hub	Enhance Social Networks	Wellness Hub	Weight Management	Wellness Hub	Increased Morale
Reduction in Harsh Interior Lighting	Reduction in Headaches & Visual Impairments	Collaboration Space	Enhance Social Networks	Collaboration Space	Engagement
Key Facts & Figures*			The Opportunity for CRE/FM		
Only 8% of employees believe they have higher well-being because of their employer ¹			Improving even 1 dimension of well-being results in associated economic benefits		
20–30% suffer from problems from “sick building syndrome” ²			Decrease health care costs and associated presenteeism through improved physical well-being resulting from air quality and workspace design		
33% are able to balance work and personal responsibilities most of the time ³			Impact career well-being and associated engagement by providing access to work-life related services, and support for the right technology		
5% strongly agree their employer helps build stronger personal relationships ³			Impact social well-being by designing space and services in a way that allows for socialization & collaboration and resulting engagement		
40% don’t have the resources needed to achieve excellent performance ³			Improve career well-being by uncovering the unique service needs of your people and design a workplace experience and culture that is uniquely aligned		

FIGURE 1B

* Sources

1. Rath, T. Harter, J., 2010.
2. Hodgson, M., 2000.
3. Towers Watson, NBGH 2011/2012 Staying @ Work Survey.

Foundational Principles

There are three key foundational principles that must be recognized and espoused in order for CRE/FM professionals to be able to use additional tools from other work-related disciplines to evolve the thinking toward a quality of life per square foot approach to measure and demonstrate value.

Foundation Principle #1: The health and the well-being of the workforce are inextricably linked to the productivity of the workforce, and therefore, to the health of the organization.

In order to be able to link the CRE/FM strategy and associated solutions to driving improvements in people capacity, the CRE/FM professional must intuitively understand this concept and become familiar with research that supports this notion.

Quality of Life (QOL) is the Common Goal

QOL references the general well-being of individuals and societies. It is more than a health measure; rather it is comprised of built environment, physical and mental health, education, recreation and leisure time, and social belonging.⁴ As stated by Sodexo's Institute for Quality of Daily Life, QOL is also a, "micro-economic issue... as business and organizations continue to strive to boost performance, they are increasingly focusing on how to enhance the work environment to create a better work experience."⁵

FIGURE 2: GALLUP DIMENSIONS OF WELL-BEING



Understand the connection between individual health and organizational outcomes and their associated metrics and economic rationale.

There have been decades of research in this area. Of most prominence is Gallup's five core dimensions of well-being (Figure 2) and the subsequent research that demonstrates economic relationships between these dimensions and organizational outcomes.¹ A key takeaway from these lines of research is that adverse perceptions of the quality-of-worklife have been linked to increases in chronic health conditions, and low levels of engagement.

Herein lies the opportunity to leverage the workplace experience to maximize the potential of people. CRE/FM leaders are in a unique position to help employees lead healthier lives and in turn, economic value.

Challenges Facing our Evolution: Gaps in Knowledge

As acknowledged during the workshop, there are gaps in knowledge for many professionals who deal with the "workplace." CRE/FM professionals have limited understanding as to what incentivizes their peers in HR to prove value — and HR has limited understanding around the motives of CRE/FM. This creates a level of uncertainty and discomfort around alignment, but it is also where the biggest breakthroughs in value creation tend to occur. It is not for lack of interest for alignment, but perhaps a lack of awareness of the importance of what the other does. At present, the CRE/FM professional does not "speak" the language of HR or well-being and vice versa with HR and CRE/FM. This was very apparent when workshop attendees were asked to describe the meaning of the term, "presenteeism," which defines the practice of workers reporting to work when ill and not operating to their usual level of productivity as a metric.

Gaps in knowledge were apparent when workshop attendees were asked to describe the term, "presenteeism."

Alternatively, if the session included mostly HR leaders, there is a strong chance that the majority would readily offer a description, with the understanding that costs for presenteeism represent about 60 percent of the total cost of worker illness.⁶ Presenteeism is also being assessed and measured more frequently by HR in order to determine the value for certain human capital investments. In the same vein, it would be highly unlikely that the HR discipline would have an understanding of CRE/FM language, or metrics, such as cost per square foot. **The expectation is not to become a technical expert in the other's discipline, but to have the capacity to envision the potential synergies that might occur when the two come together.** Key insight can be garnered by thinking through the possibilities:

1. How does HR collect data and determine how to allocate resources? How might this apply to CRE/FM?
2. What goals does HR have? Which areas overlap between HR and CRE/FM?
3. What lessons can CRE/FM learn from HR around: making the business case for human capital investments, using data to inform services, figuring out the needs of employees, validating that the services worked?
4. How much does your company pay for health care? How can the built environment reduce these costs?

Opportunities

A key opportunity for CRE/FM is to increase the level of awareness around assumptions, facts and figures negatively impacting human capital potential. Utilizing the information in Figure 1a–c, as well as core human needs, workshop participants began to think through various CRE and built environment strategies that could potentially impact employee well-being and enable performance and productivity.

Figure 1b is a tool that can be used to prompt thinking around how CRE&FM services, solutions, and concepts might add to the overall dimensions of well-being.

Gallup defines its five elements of well-being in terms of Quality of Life domains that are essential to most people.¹

- **Career Well-being:**
How you occupy your time or simply liking what you do every day
- **Social Well-being:**
Having strong relationships and love in your life
- **Financial Well-being:**
Effectively managing your economic life
- **Physical Well-being:**
Having good health and enough energy to get things done on a daily basis
- **Community Well-being:**
The sense of engagement you have with the area where you live

Another opportunity identified within CoreNet Global's Corporate Real Estate 2020 findings may be through the creation of a "Super Nucleus as a key organizational touch point." Such a touch point would allow for CRE and HR functions to partner at higher levels beyond respective, so-called "legacy" functions. Practitioners of the model already include a handful of companies, including Procter & Gamble, Unilever and Red Hat.

Richard Kadzis, VP of Strategic Communications at CoreNet Global describes the Super Nucleus as an integration model coalescing CRE, HR, IT and other internal support functions in a strategic management framework. This is intended to serve as the "brain center" for corporations where the strategic thinking of the enterprise "eco-system" takes place and where strategic planning, workplace transformation and customer relationship management converge to enable work.

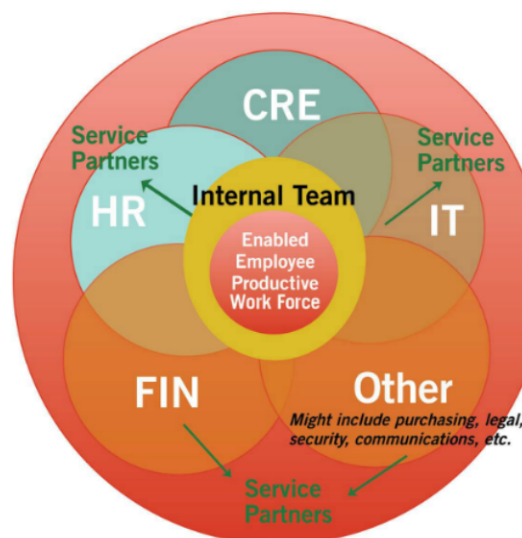
The Super Nucleus concept in Figure 3 also provides a critical pathway to improving the quality of work experiences and working environments for employees. CoreNet believes the pathway can readily be hardwired to the concepts defining employee wellness and well-being and potentially open the door for integrating key sets of data to demonstrate differentiated value.

To summarize, there are easy ways to learn more about key facts, figures and research and manage the different levels of cognitive complexity between the CRE/FM and HR disciplines. Some suggestions are identified below, along with a resource list provided at the end of this document.

- Ask your benefits/HR leadership what your company's Health Risk Score/well-being score is (84% of organizations have this aggregate data) and strategize about ways to impact it.⁷
- Ask your HR leadership team about HR/Wellness involvement in professional organizations and associations — then attend one of their meetings together with your HR colleague.
- Share CoreNet's 2020 Workplace Visioning Report with key HR leadership and point out connections to impacting well-being.

At present, the CRE/FM professional does not "speak" the language of HR or well-being and vice versa with HR and CRE/FM.

FIGURE 3: CORENET SUPER NUCLEUS MODEL



Foundation Principle #2: Human capital is a resource to be invested in, not a cost to be managed.

The core issue is no longer about the “cost of the building” but rather the ability to enable key business objectives. If we accept human capital as one of the key assets driving the creation of organizational value, then CRE/FM can add additional value to the workplace.

**Challenges Facing our Evolution:
No Obvious Shared Goal.**

At present, many of us work in different departments and see things through our own individual lens. Even though organizations may occasionally bring together CRE&FM professionals to work with Human Resources on workplace/workforce strategy projects, these opportunities are often the exception rather than the norm.

Opportunities

There is a unique opportunity for CRE/FM to support the notion of alignment by demonstrating expertise related to understanding the unique needs of the people who live and breathe in the work environment. Today’s service providers are using consumer/human centric approaches to uncover deep insight around people in order to identify and design service solutions that meet those needs.

For example, if it was known that the degree of work satisfaction, work engagement, and well-being was linked to employees’ needs for autonomy, competence, and feeling connected, how might this influence the way services would be designed and delivered? What types of services and associated amenities would be most appropriate? Would you choose to focus more on self-service or full-service amenities?

“We are operating independently with no shared purpose.”

- Roundtable participant

The Centers for Disease Control and Prevention (CDC) report that 20% of an employee’s health status is the result of their environment.

There are several ways for the CRE/FM professional to strengthen the argument and gain credibility for this approach:

- Use the info-graphic in Figure 1a & 1b as a tool to support the need to redefine your CRE/FM department’s mission/vision toward one that focuses on the synergy between aspects of the environment, the performance of the people, and the benefits that can be gained both from assets and human capital.
- Collaborate with service partners to evaluate whether your underlying culture, associated services and delivery models support the core human needs states within your population.
- Talk the Talk... speak about your services in terms of meeting unique human needs.

Foundation Principle #3: The ability to assess the return on the investment made from human capital strategies is possible and has been done in other fields.

There is an abundance of ROI research on human capital strategies in the workplace. However, CRE/FM is still at the infancy stage of studying how the built environment can have beneficial effects on individual and collective well-being, not to mention organizational success. Jennifer Sponsler, Senior Manager of the Institute of Health, Productivity, and Human Capital at NBGH, shared her perspective on how HR collects information to show organizational outcomes. *“Human Resources teams use surveys, assessments and questionnaires to collect data on medical costs, absenteeism, well-being/health risks. They use this data to create and justify the investment for specific programs.”*

What is known is that when buildings and environments are not safe — the consequences can be disastrous. The concerns go beyond customer complaints.

Moreover, strides are being made in many disciplines and functional areas that merit attention. Most notably, Human Resources now has a wealth of data, as well as conceptual and practical frameworks for mapping individual well-being to organizational outcomes. Today, corporate wellness and health promotion programs are normative for businesses — 90% of large corporations have some form of health and wellness program.⁸ CRE/FM can also learn from colleagues in the architecture field who use evidence-based design principles to help individuals and organizations thrive — a concept seen most often in healthcare settings.

The bottom line is that evidence exists showing relationships between built environment, health, and organizational success. The CRE/FM field can capitalize on this information, learn from it, and adopt practices and methods of research and implementation where warranted.

Challenges Facing CRE/FM Evolution: Lack of Perceived (or Real) Access to Data

It is not easy to gain access to employee data, nor does CRE/FM have the relationships in place to obtain the data — or to explain the need for it in order to demonstrate organizational value.

Aside from lack of access to data, it could be that CRE/FM is not collecting the right type of data or asking the appropriate questions to be able to show organizational outcomes.

Opportunities

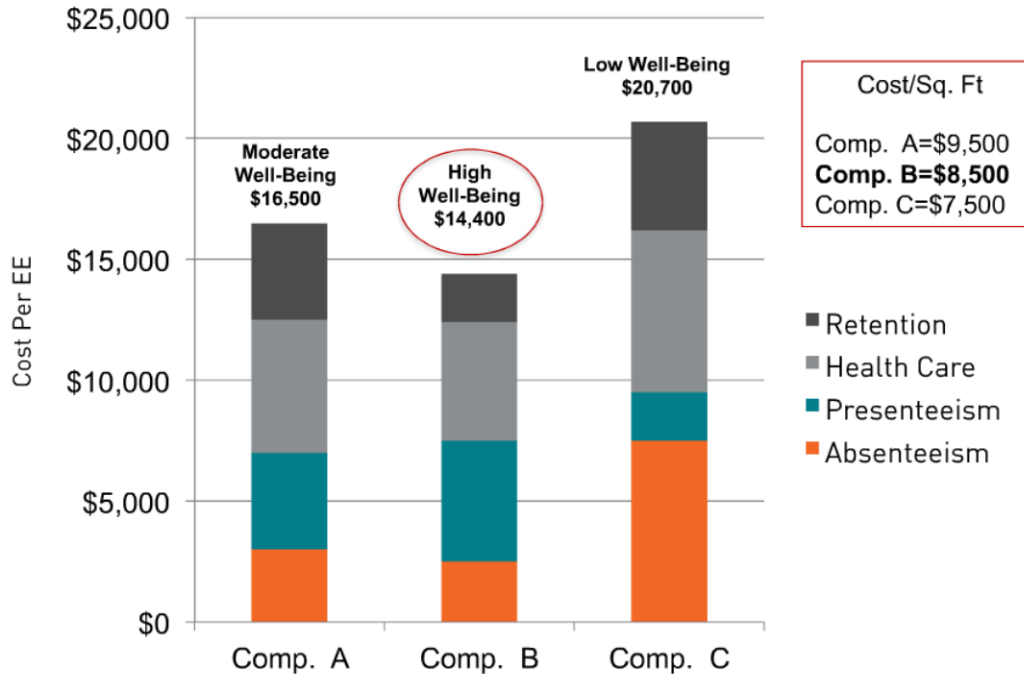
An opportunity is to apply learnings and business models that can be adapted from industries that lie outside CRE/FM. In order to shift the thinking of the CRE/FM leadership in the audience, the group was challenged to consider the hypothetical scenario pictured in Figure 4. Resulting discussions questioned a strategy that considered cost per square foot within the context of well-being and other organizational objectives. As Figure 4 shows, the company with the lowest cost per square foot (Company C) actually represents a population with low well-being and higher associated costs related to other top-line value indicators. On the other hand, Company B having invested slightly more in related costs per square foot achieved better overall well-being and associated performance measurements.

So which company has the competitive advantage based on cost per employee and well-being?

“A top focus of our members looking to control health care costs is to develop a culture where employees are accountable and supported for their health and well-being.”

– Jennifer Sponsler, Senior Manager of the Institute on Health, Productivity and Human Capital, NBGH

FIGURE 4: WHICH COST/SQUARE FOOT SCENARIO DELIVERS THE GREATEST VALUE?



*Hypothetical

Yes, this is a hypothetical scenario, and admittedly, there is a challenge in the quantifiable evaluation of human capital. There is no single measure, independent of context, that can describe the impact of employee competencies and commitment on business performance. According to a 2005 human capital report by Ceridian, "Causality is a large issue; it is very difficult to prove links between 'cause' and 'effect' in a complex working and social environment."

Assigning causality is a challenge because a business context is a very different social environment, e.g., "Is customer satisfaction really improved because employee retention has improved, or is it because that business invested in better technology and improved their product? Is an organization getting discretionary effort from its people because they have been allowed flexible working, or because they are being paid more than competitors' offers, or even a mixture of both?"

On the other hand, the type of outcome measurement and associated analysis in Figure 4 is something commonly depicted within HR, in order to successfully demonstrate the business case for investing in various wellness initiatives.

Perhaps CRE/FM can think about the "built environment" in terms of an "intervention" that can be measured, managed and evaluated in a way to demonstrate value.

The difference lies in the intervention that is being evaluated. The health and wellness field has become very good at ensuring strategies and solutions are identified as “interventions” designed to drive behavior change.

“Even when CRE/FM professionals expressed awareness of the human factor during our discussions, there were shared concerns around having inadequate time, knowledge and resources to be able to measure the effects of their contributions.”

– Bob Fox, Fox Architects

Perhaps CRE/FM can learn from this and consider the “built environment” in terms of an “intervention” that can be measured, managed and evaluated in a way to demonstrate value. Similar to the wellness industry, it is likely that there may be a small group of very progressive companies and pacesetters who are willing to explore this type of analysis for the benefit of the entire industry. There will still be huge advantages, especially for those who feel they are spread far too thin for this type of measuring to be a priority.

Some initial steps that can be explored by CRE/FM to begin measuring the impact of its services on human capital outcomes:

- Learn the language of the work-related disciplines that are unfamiliar to you
- Research the kinds of data integration and metric systems that may be utilized within your IT/HR disciplines
- Consider thinking about CRE/FM services in terms of “interventions” that can be measured and drive behavior change

Summary

By moving beyond a focus on cost per square foot, to a “quality of life per square foot” approach to building portfolios, corporate real estate and facilities management professionals have the ability to influence and improve employee productivity and other business outcomes. “Quality of life” per square foot, is not yet a definitive metric. Today, it is a catalyst to begin redefining the way CRE/FM measures and demonstrates the impact of workplace service strategies on maximizing human capital potential.

It is a point of view that represents the fact that a successful company is built on its people and the CRE/FM strategy is a driving force to enable the achievement of people potential.

There are certainly individuals not up for the challenge to evolve toward such an approach — as would be expected when driving for change, introducing a new concept and fresh perspective.

Yet, the level of engagement and participation in this session validates a certain level of readiness to take action and a sense of urgency from the industry to demonstrate greater value. By helping CRE/FM professionals fully embrace the human aspect of the environments they create and serve, an important first step can be taken toward achieving this goal.

What’s Next: A Call to Action

As the authors of this report and leaders of the Quality of Life per Square Foot approach, we welcome multidisciplinary and multifunctional professionals who are interested in working together to redefine the way CRE/FM measures and demonstrates the impact of workplace service strategies on maximizing human capital potential.

We encourage you to continue the dialogue on this topic on our LinkedIn group: *Quality of Life per Square Foot*. Yet, not only should we continue to talk, let’s act. Join the group, as we empower ourselves with the knowledge and resources to strengthen the credibility and relevance of CRE&FM. We look forward to working together to redefine our industry.

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