Towards customer delight: Added value in public sector corporate real estate

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ABSTRACT

This paper explores the findings emerging from the inaugural conference of a new network called the World Wide Workplace Web, an international forum for future real property leaders mainly within public sector real estate organisations. It focuses on the challenges of defining and demonstrating value added in the field of public sector corporate real estate. What is perceived as value added within the public sector CREOs? Is the meaning of added value evolving in the eyes of the customer? How are public sector CREOs partnering with customers to establish value, demonstrate their performance against customer expectations and continuously improve the way business is conducted in light of the feedback received? The paper is applicable to both public and private sectors, but refers frequently to a public sector context.

Keywords: added value, customer delight, performance measurement, public real estate

A new network has emerged in the field of Corporate Real Estate. The World Wide Workplace Web (W4) is an international forum for future leaders, mainly within public sector real estate organisations. W4 held its inaugural conference in June 2000 in Delft, the Netherlands, where the central theme of the event was 'Beyond Customer Satisfaction'. At this first annual conference, 35 young executives and managers from eight European and North American countries investigated the evolving relationship between Corporate Real Estate Organisations (CREOs) and their customers.

This paper explores the findings emerging from the conference around the challenges of defining and demonstrating value added in the field of public sector corporate real estate. What is value added? Is the meaning of added value evolving in the eyes of the customer? How are public sector CREOs partnering with customers to establish value, demonstrate their performance against customer expectations and continuously improve the way business is conducted in light of the feedback received?

THE CONTEXT

'The key to long-term success in business is what it has always been: to invest, to innovate, to lead, to create value where none existed before.'

William J. Abernathy and Robert Hayes[1]

A transformation has occurred within the field of corporate real estate over the past decade. No longer can providers of public sector real estate services and infrastructure rely solely on operational effectiveness and efficiency to satisfy their customers. Successful CREOs are evolving from solely being providers of operational services to becoming strategic advisers and managing the risk associated with real estate holdings on behalf of their customers. The industry is seeing an ever-increasing range of values that customers expect to be fulfilled by their corporate real estate providers.

WHAT DO CORPORATE REAL ESTATE CUSTOMERS TRULY VALUE?

CREOs understand they need to provide high quality products and services to their customers. It is also understood that those services must be delivered in both a timely and a cost-effective manner. The question today is whether or not these traditional core values of time, cost and quality are enough not only to satisfy but to delight the customer. Do they address all that the customer truly values? What else could possibly be expected?

A fundamental question to be examined in the context of determining customer values is: who is the customer? Virtually all public sector CREOs in today's economy see themselves as client-centric or customer focused. This implies that these organisations are primarily focused externally, on meeting the needs and wants of their customers. In the public sector environment, the CREO is often faced with multiple customers or stakeholders that have contradictory values and expectations.[2] In addition to the needs of the end-user organisation or the direct customer, there are broader government objectives and community values which must be achieved. It is within this balancing act of multiple stakeholders that CREOs constantly find themselves.

At the recent W4 conference, participants were asked to identify common values that they either perceived or had validated with their customers. The following list, in no particular order or priority, provides some of the feedback received:

- responsiveness/flexibility
- choice
- achieving broader government objectives
- understanding customer needs
- professionalism
- reliability
- understanding of customer's accountabilities
- accessibility
- management of risk
- value for money
- ease of doing business
- continuous improvement
- timeliness and affordability
- adaptability/flexibility
- quality of service
- competitive pricing.

Although the elements of time, cost and quality are repeatedly contained within the list, many others related to flexibility, ease of doing business, management of risk and supporting the customer's legislative accountabilities are becoming equally (if not more) important to many customers. To delight customers, successful CREOs are determining, through consultation, what a specific customer or market segment truly values and are providing customised value propositions to meet those needs. A particular proposal may weight certain values as being more important to that particular customer than others; the service offering will be tailored accordingly.

VALUE ADDED SERVICES

What service offerings and characteristics of a CREO, then, will provide the kind of relationship and partnership that public sector corporate real estate customers perceive as truly adding value? Supported by the range of customer expectations described above, the following are areas of focus that are increasingly characteristic of success in today's public sector real estate environment.

Strategic advice

Successful CREOs not only provide operational services, but act in partnership with their customers as strategic advisers in the field of corporate real estate, investment and portfolio management.

Supporting customer's organisational strategy

A successful partnership is supported by an understanding on the part of the CREO of the strategic objectives of its customer and by providing real estate solutions that contribute to and support those strategies.

Broader government objectives

Particularly within the public sector, there are often broader government objectives — such as sustainable development, labour circumstances or quality of the built environment — that CREOs support to demonstrate the value their organisations bring to the broader customer community.

Integrated service

Customers value an integrated service delivery solution. This translates into a desired service offering through a single window and point of contact that is comprehensive and inclusive of the range of services required to manage a real estate portfolio successfully, from investment management to information technology.

Electronic service delivery

We live in a global 'nanosecond culture', where services of any sort are also predicated on the notion of speed and ease. Real estate services are no exception. Electronic service delivery through a single 'e-portal' facilitates the delivery of and access to services, thus strengthening the customer–supplier value chain.

Management and sharing of risk

A partnership implies a sharing of risk. Customers expect that CREOs will not only manage risk on their behalf as it relates to real estate management, but also share it.

Economy of scale

Providing a critical mass to support economies in the areas of contracting and procurement, inventory management and competitive access to third party service providers is a valuable offering to real estate customers.

Competitive pricing and value for money

CREO customers expect a pricing structure for services that is demonstrably competitive with other options.

Responsiveness and cycle time

Time impacts heavily on customers' capacity to carry out their own core activities. They value responsive and timely service in meeting their real property needs.

Quality of service

Customers value a product congruent with their definition of quality.

OUTSOURCING AND MAINTAINING VALUE ADDED

Increasingly, as in other industries, CREOs are suppling operational or

non–core services to their customers through the use of outsourcing solutions. A possibility implicit in this delivery structure is that the CREO fails to provide and demonstrate additional value at the strategic level, beyond the service fulfilled by the third party. Failure to move towards an expanded offering in those areas of customer need not served directly by the third party soon brings questions from the customer's perspective on the value of continuing the relationship with the CREO.

The measurement and demonstration of value added to the customer become increasing important in nurturing a strong customer relationship in these multi-faceted arrangements. The focus soon turns to how well the CREO is providing an advisory role, supporting the customer's corporate strategy, brokering integrated service delivery and managing risk on the customer's behalf, as opposed to only how timely and cost-effectively operational services are provided. The corporate culture within the CREO and how its people interact with the customer must be congruent with this expanded role. This also applies to the time and money spent on collecting data for creating the right performance indicators. If this area is not watched carefully, CREOs may soon find they are spending energy on minor concerns.

EVOLVING CORPORATE CULTURE IN SUPPORT OF VALUE ADDED

The nations and organisations represented at the W4 conference differed in organisational structure and mandate. However, it was apparent that all are striving to build stronger and closer partnerships with their customers through clearly understanding what it is they value and by acting on that knowledge.

Corporate culture might be defined as the system of shared beliefs and values that develops within a business setting and guides the behaviour of its members. How is corporate culture evolving within successful CREOs and what defines a successful customer–CREO relationship? The short case study below clearly shows the success that can be achieved through a mutually beneficial relationship supported by a congruent corporate culture.

The Dutch Government Buildings Agency (GBA) and the Dutch Inland Revenue Service have fostered a successful relationship based on collaboration and mutual understanding. The Revenue Service is a large government organisation with 30,000 employees and occupies over 1 million square metres of space located throughout the Netherlands. In a speech delivered to the W4 conference attendees, the Director of Facilities Management for the Revenue Service outlined what his organisation values about its partnership with the Government Buildings Agency. He considers GBA as a truly national organisation that possesses extensive knowledge and experience in the total range of services required for integrated service delivery within a public sector environment. With its extensive inventory of real estate assets, GBA is able to produce responsive solutions by leveraging that capacity. His organisation values the one-stop shopping provided through GBA's common customer service units and the access to people and expertise that this organisational structure allows. GBA has demonstrated to its customer that it outperforms the market relative to cost, and the Inland Revenue Service views GBA as a professional partner that endeavours to know the customer's needs better than the customer itself. The challenge for the GBA, he said, is to surprise the customer pleasantly, over and over again.

Table 1: Performance indicator scorecard

Financial Perspective	*Customer Perspective*
Accuracy of billing	**Customer satisfaction**
Adherence to budgets	Customer-defined goals
Revenue from operations	Post-occupancy/post-project evaluations
Operating/overhead costs	Security satisfaction
Budget management	Contribution to customer strategy
Supply/demand of space	Value to government objectives
Return on investment	Stewardship
Indirect costs	Business volumes/repeat business
Leasing costs	Customer referrals
Maintenance costs	Customer complaints
Innovation and Learning Perspective	*Internal Business Perspective*
Employee satisfaction	**Timeliness and affordability of projects**
Productivity/sick leave/overtime	Post-occupancy/post-project evaluations
Employee learning	Vacancy rates
Demographics	**Best practices and lessons learned**
Retention/recruitment plans	**Benchmarking**
Succession plans	Comparison to market rates
Coaching and mentoring programmes	Process optimisation
Rewards and recognition	Data integrity and accuracy
Competetive compensation	Quality of third party services
Professional accreditation	Sustainable development targets
	ISO 9000 and 14000

Similar success stories throughout the W4 community speak to the evolving corporate culture within CREOs today. Prosperous CREOs are not only providing services to their customers, but representing the interests of their customers and getting to know them better than they know themselves.

DEMONSTRATING VALUE ADDED

How then to demonstrate and communicate value added? The participants at the W4 conference explored the use of a 'balanced scorecard' to measure CREO performance and customer satisfaction. The balanced scorecard is becoming a common management approach, not only to measure internal organisational performance but also to demonstrate and communicate externally success and value added to customers.

W4 participants identified key performance indicators within the four quadrants or perspectives of a generic scorecard: customer; financial; innovation and learning; and internal business. In Table 1 are examples of specific performance measurement criteria common to CREOs. Items in bold type are performance measures that the W4 participants perceived as being most important.

Table 1 does not seek to provide a template for performance measurement. The lesson to be learned is that CREOs are recognising that, in addition to measuring internal organisational performance, there is a need to demonstrate they understand what their customers value and to develop balanced approaches that directly communicate that value added.

ACTIVITY VERSUS OUTCOME-BASED MEASURES

An important aspect of successful performance measurement as a means to demonstrate value is the difference between activity-based and outcome-based measures. It is necessary to know business volumes and other measures related to the level of internal activity carried out by a CREO for a customer in order to monitor performance. It is critical, however, to balance the equation through measures that are focused on outcomes or desired results that are important to customers, and therefore to demonstrate more clearly success and value added.

ALIGNING VISION, VALUES AND BUSINESS PROCESSES

The W4 conference examined the relationship between business process improvement and customer anticipation. Virtually all CREOs today are working closely with their customers to determine the level of satisfaction with the services they provide. This is being accomplished through a number of mechanisms and approaches: surveys, personal interviews, post-occupancy and post-project evaluations, and more. The question is whether or not merely measuring customer satisfaction is enough. The further challenge is to target this business intelligence not only to examine levels of satisfaction but to determine which business processes are truly adding value for the customer and which are not.

The aspirations of CREOs, as demonstrated by their vision statements, are remarkably similar: to add value; to be experts; to be the best; to be vital. Each of these messages has, as its main focus, the customer. It may be concluded that CREO vision statements are becoming aligned with customer value. However, vision statements exist at a strategic level,

are easy to defend and believe in. At a more practical level, business processes reflect how work is actually performed. It is in these details that the vision is often lost.

W4 workshop discussions revealed a number of similarities among CREOs. Processes are often so cumbersome that they seem blatantly to contradict their vision. Customers are often frustrated with what may seem unnecessarily cumbersome processes that add no value. W4 participants agreed that CREOs are great at planning and reasonably good at doing, but often fall down at evaluating and improving based on feedback received from their customers. Acting on this feedback — that is, improving performance in the eyes of clients — is the greatest challenge of all.

The following concepts were discussed by W4 participants as being conducive to aligning vision, values and business processes. Formally and regularly review and revise business processes within the context of the organisation's vision and customer feedback. Encourage innovation in serving customers by educating and empowering employees to know when and how to make adjustments to business processes. Do not rely too much on the written outcomes of customer satisfaction surveys. Work with customers to improve understanding of why some processes must be respected. Lastly, involve customers in the review and revision of processes to find collaborative and streamlined solutions.

A CREO can no longer afford to be merely responsive to a customer's needs. The CREO must anticipate what the customer's evolving requirements will be, through demand forecasting and other techniques. One true test of a successful organisation is the willingness and ability to listen to what customers are saying, understand what they value and improve

services and business processes in light of that feedback.

CONCLUSION

Gone are the days in the public sector corporate real estate field where effective and efficient operational activities were the primary drivers for satisfying customers. Today all industries exist in economies that are hypercompetitive and where the customer controls the market. Therein lies the challenge for the CREO.

Customers value and expect more than the traditional time-cost-quality trilogy. CREOs are responding by becoming client-centric in vision and processes and are going beyond this trilogy by offering value propositions that accommodate burgeoning customer requirements. In the attempt to add value based on the customer's increasing and changing demands, CREOs are finding success by focusing on providing strategic advice and supporting customer organisational strategies. They are achieving this through offerings such as integrated services, electronic service delivery, risk management, competitive pricing or value for money, responsiveness, improved cycle time and quality service. In addition to providing more strategic services, CREOs are turning to outsourcing solutions for the provision of non-core activities to customers. In turn, the measurement and demonstration of performance and value added for the customer becomes increasingly important for creating and maintaining a strong relationship around diverse and versatile service offerings. Successful CREOs are 'creating value where none existed before' and thereby delighting the customer. The key here is to be intent not only on meeting, but on exceeding the values of customers. The need is to go beyond satisfaction to areas and levels of service that truly delight the customer.

The W4 conference provided a unique learning opportunity to share experiences and knowledge within an international forum of CREO colleagues. There truly is a gathering movement to evolve the CREO 'beyond customer satisfaction.' The second annual conference for W4 was held in Vancouver, Canada, in June 2001. More about the Delft and Vancouver conferences may be found on the Web at: www.w4web.org.

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