



THE PRODUCTIVITY PUZZLE

Redefining the Work Environment

CoreNet Global Summit
BERLIN
 21-23 September 2008

DAILY REPORT • MONDAY, 22 SEPTEMBER 2008 • GENERAL SESSION I

Berlin Provides Ideal Setting to Examine 'The Productivity Puzzle' Global Summit Opens with Deep Dive on Innovation

BERLIN (22 September 2008) – A microcosm of the corporate real estate (CRE) and workplace industries is how **Thomas Glatte** described the CoreNet Global Summit, which opened this morning in Berlin.

More than 350 of the CRE industry's senior-most leaders have gathered in Germany's largest city to focus on one of the foremost corporate strategic priorities: talent.

The Summit provides a key opportunity for top practitioners to share knowledge and best practices, and to "solve business problems" like talent, said Glatte, who is head of Corporate Real Estate Management for BASF and serves as the Chapter Chair of CoreNet Global's newly-formed Central Europe Chapter.

The Summit theme of "The Productivity Puzzle" is examining the multiple facets of the war for talent, mainly through the perspective of "redefining the work environment," as Glatte outlined in welcoming the high-level audience to Berlin during this morning's Opening General Session.



Central Europe Chapter Chair Thomas Glatte, Head of Corporate Real Estate Management for BASF, officially convened the CoreNet Global Summit today at the Berlin Intercontinental Hotel. Joining him were CoreNet Global Chairman of the Board Mark Tamburro (Nokia), CoreNet Global CEO Dr. Prentice Knight, and officers of the newly-launched chapter: Sven Wingeter (Eurocres), Sabine Heiss (Microsoft), Frank Konrad (Shell), Anke Gerlach (Nokia Siemens Networks), and Stefan Wolter (Johnson Controls).

Berlin Mayor Ties City's Creativity, History to Conference

Glatte then introduced the **Mayor of Berlin, the Honorable Klaus Wowereit**, who spoke of the city's three key assets: technology, talent and tolerance - or an acceptance of diversity.

Mr. Wowereit stressed the importance of the "interaction of the modern enterprise with today's workplaces," drawing attention to the once-divided Berlin's working environments as "promoting creative energy and talent."

The mayor also recalled the 1992 IDRC World Congress that preceded CoreNet's formation in 2002, saying that the city has come a long way since its iconic Brandenburg Gate was thrown open by geo-political and economic forces, and German economic reunification became a reality.

Three key examples of Berlin's impressive progress are to be showcased during the Summit's Tuesday morning industry tours:
 • The Sony Center • The Reichstag Dome • The ARtrium at the British Embassy

These and other architectural gems have "transformed Berlin from a dreary to a progressive city," the Mayor added. So much is the case that a large percent of Berlin's 3.4 million people have moved to the city since 1990, following the fall of the Berlin Wall in 1989.

Of course, "global technology is our main export," as the mayor related. Other important growth developments include the massive new international airport to open by 2012, and the resulting opportunity to redevelop the existing airport.

OPENING KEYNOTE PRESENTATION

Innovation is the Real Version of the Productivity Puzzle

'Efficiency without value creation' is risky business in today's global environment

Delegates then enjoyed an in-depth keynote presentation by **Rowan Gibson**, an expert of radical innovation, whose best-selling books include *Rethinking the Future* and *Innovation to the Core*.



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He pointed out that "there are many pieces to the productivity puzzle," and that the key "macro-determinant" centers on the conflict between efficiency and effectiveness, or "the value of output," a now-classic theme running globally through the CRE asset management dialogue as tracked by CoreNet Global's Applied Research Center.

Gibson's insistence that "smart companies are not squeezing out dollars but creating value" belies the incessant cost-cutting that many CRE leaders continuously report through CoreNet Global Discovery Forums and other knowledge-sharing channels.



Radical innovation expert Rowan Gibson (left) chats with Property Week People Correspondent Lydia Stockdale following his presentation before 350 high-level corporate real estate and workplace executives at the opening of the CoreNet Global Summit in Berlin.

But many of the companies he listed as case examples of leading innovators are indeed involved with CoreNet from the standpoints of working environments, sustainability and other strategic practices.

One is Apple, which has seen 3,000% growth in its bottom line over time due largely to the art of design combined with functionality. He pointed to the company's product evolution over time extending from the Macintosh, iPod and iPhone to today's Apple Stores, which generate \$1.5-billion in new income, or 20% of total revenue of the company.

"Apple created wealth not by cost-cutting or consolidation, but by producing wonderful things," Gibson noted. "It's the output side that matters." The stores have become like Starbucks; they're seen as cool places to hang out, he mentioned.

Nintendo offers another success story for innovation with its Wii simulated 3D video games that place people in the middle of the action, besting competitors with "radical game-changing innovation."

With cost cutting getting "pretty damn close to the bone," he believes that innovation is "the only tool left in the toolbox."

Innovation has become a key differentiator for today's successful enterprises, and the automotive industry serves as another example. American automakers are now paying the price for essentially being laggards or followers of innovation, and that manufacturers from outside the U.S. (many with operations there however) are leading the way and gaining more and more market share.

"Efficiency alone without value creation becomes a product no one wants," he said of the U.S. - owned auto makers.

He pointed to the market capitalization of Toyota (\$163-billion) versus that of GM (\$6.1-billion). The latter spent more than any other U.S. company in R&D and still lost \$38-billion last year, showing - as a Booz Allen study proves - that "superior results are the function of a company's innovation process, not the magnitude of its innovation spending."

There's a gap that's developing in which companies are spending more on R&D but they're not seeing enough ROI. "It's not your father's economy," Gibson intoned.

He shared results of a recent Boston Consulting study showing that only 43% of executives are satisfied with the financial return on innovation spending, whereas 66% say innovation is one of their top three strategic priorities and 63% plan to invest more capital in innovation.

Innovation is still "so vague, so fuzzy" in many CEO's eyes because there's "no eureka moment" necessarily that can replace the longer-term need of "looking at the world differently."

Gibson tipped his cap to business visionaries like Richard Branson and Ted Turner, explaining that they're successful because "they used different lenses."

In fact, there are four lenses that constitute "a toolbox for innovation," as he outlined:

- Challenge orthodoxies and conventional thinking
 - o IKEA, Dell, Southwest Airlines, Toyota, Boeing
- Harness trends and discontinuities, or clusters of trends
 - o BMW Mini-Cooper, Facebook
- Leverage resources, existing strengths, assets, products and competitiveness
 - o Disney from cinema to stage
- Understand the unmet, unvoiced or hidden needs of customers
 - o Google Earth, Amazon, Starbucks, Skype, TiVo

Another key: "Think from the customer backward."

When you combine all the pieces of the puzzle, you get "creative collision," which represents a sort of "combinational chemistry" that brings innovation and competitive advantage.

Product architecture and business model design are its hallmarks - without them companies who want to compete on the global scale will be missing the mark and likely become less competitive.

For these, and others reasons, "the productivity puzzle is really an innovation puzzle," Gibson also emphasized.

"We've got to make innovation a highly-distributed enterprise capability," concluded Gibson, who found few hands were raised in the audience when he asked if anyone's companies had a formal strategy for innovation.

Still, regardless of the uncertainty over the actual integration of innovation as an established process inside the organizational

environment, it's good news for CRE and its growing 'balcony view' of the enterprise.

After all - as Gibson himself insisted - CRE is one-third of the 3D culture of innovation that also incorporates embedded processes and effective information technology.

– **Richard Kadzis**



DAILY REPORT • MONDAY, 22 SEPTEMBER 2008 • EDUCATION SESSION III

The Evolution of Global Partnerships Nokia Siemens Network Joint Venture Offers Case for Large-Scale Change Management

When the Nokia Siemens Network (NSN) joint venture was announced in June 2006, a cultureless company was created overnight.

The Monday morning panel on *The Evolution of Global Partnerships* held during the CoreNet Global Summit in Berlin examined the joint venture as much from a change management perspective as from a post-merger corporate real estate (CRE) consolidation or portfolio optimization standpoint.

The focus was on the outsourced but "implanted" partnership that NSN established with Cushman & Wakefield. It's a strategic alliance story that underscores the need for looking outside the enterprise for support and solutions.

To begin with, "the cultural clash" between the two companies, Nokia and Siemens, made for a more challenging alliance partnership with plenty of friction leading to the current 'settle down' stage that **Peter Doran**, global head of Real Estate for NSN, has finally reached more than two years later.

For Cushman & Wakefield partner of Client Services **Stephen Norris**, the combination of so-called "Nokians" with employees from Siemens - a combined workforce of 60,000 people in 80 countries - also proved challenging. One reason was pronounced national cultural differences from one company (Nokia) based in Finland and the other (Siemens) in Germany.

Norris faced the pressure of hearing over and over again from the both the client and his company, "Don't drop the ball, Stephen."

He recalled how "we all started new in the culture, there were no NSN people" to begin with. Ironically, he became transparently one of them. Doran embedded Norris as if he were part of the internal team, branding him through title, business cards, email address and other ways to gain more trust from within, especially with the C-Suite and ever-skeptical business units.

Doran, and as a result Norris, faced a lot of pressure in the form of a mandate to save \$100-million in CRE costs and cut 2-million square meters of space in three years' time.

But wait make that 18 months, would you please, and what have you done for me lately, thanks to the arrival of a new CFO as Doran prepared to launch the consolidation and optimization efforts - initiatives that will finally give way today to a more "leveraged" use of the total portfolio moving forward.

The fact Doran was able to say that leveraging could now take place underscores the many hurdles he and Norris faced along the way.

These challenges included:

- Legacy IT systems, 30 SAP platforms running separately
- Nokia data that was more robust along with a KPI-driven and centralized CRE structure
- Siemens with a decentralized structure and "patchy" CRE data, as Norris described it
- Absence of wireless, a decision support information system and other CRE technologies

Centralization proved to be the key concept, because thankfully for Doran and Norris, the top management at NSN handed the two 'change agents' a corporate mandate to control and approve all transactions, capital expenditures and other key real estate requests from the business units.

It's within this context that the NSN case becomes one for change management - one of the over-arching drivers of the CRE industry today reflecting the need for people like Doran and Norris to have business acumen, good communication skills and other general business competencies aside from asset management.



CoreNet Global United Kingdom Chapter President Robin Harris of Como (center) moderated a lively panel with Peter Doran of Nokia Siemens Networks (right) and Stephen Norris of Cushman & Wakefield. Norris won the Chapter's "Partner of the Year" award for his work with Doran.

NSN: Banking on Broadband

"Walk softly and carry a big stick," is how Doran characterized the role as it evolved, borrowing a phrase from the fabled U.S. President Teddy Roosevelt.

That's because there was plenty of resistance to the centralized governance model, but Doran held his ground. Norris was at his side to support the change from a disjointed spectrum of 1,000 sites to a more sensible integrated set of portfolio pieces. In a sense, it's another representation of the productivity puzzle being examined at the Berlin Global Summit.

"My role was 'all hands on deck' to help get a global strategy, coordinate big global deals and deliver on the numbers," Doran summarized of the change effort. He added that proactive, then ongoing, communication became critical elements of the change formula. It's an equation of communication plus change resulting in acceptance.

The corporate governance mandate giving Doran authority commensurate to responsibility was also crucial to CRE's enterprise impact in this case. "We had a leadership team that got it," Peter confided.

Some 28 months later, a defined culture is emerging as Doran and Norris persuaded business unit executives and others on a case-by-case basis that they were there as trusted advisors, not just policemen.

To succeed within the complexities of broad, global scenarios like these, Norris concluded, "You've got to look outwardly for support."

– **Richard Kadzis**

The NSN joint venture is a high-stakes one. "We did not have the luxury of saying 'sorry, we tried, but....'" Stephen Norris explained about senior management expectations and mandates. Velocity to market and speed of innovation are the reasons that he and his client Peter Doran couldn't afford to overplay the 'good guy' role. That's because NSN is moving quickly to capture significant share in the expanding broad-band and radio-frequency delivery markets. The ubiquity of broadband today holds huge potential for return, so the two had to create a portfolio environment that brought together the intellectual capital of two very different cultures to forge the end-to-end solutions that NSN creates for other large telecom and internet interests.

DAILY REPORT • MONDAY, 22 SEPTEMBER 2008 • GENERAL SESSION II

Teaming Defines Google's Effective Work Culture and Fuels Productivity, Profit

What do you get with faux lederhosen as wall coverings, foosball, historic European views, and high-density but open collaborative space?

Don't search too far - no pun intended.

It's Google Germany.

The 10-year-old wunderkind of the corporate and technology worlds may seem whimsical enough as a sort of idea factory setting for the world's largest internet search engine company, but its market capitalization of \$US145-billion makes it a work culture of "serious without suits," as described by **Jason R. Harper**.

Google's Berlin facilities manager outlined an interesting case for space syntax, or the science of 'people circulation' and informal communication, which - like the sound of flip-flops slapping the floors - are the essential ingredients not only to the company's huge success so far, but to countless other flexible and open work environments.

Of course, it all adds up to yet another piece of the productivity puzzle: innovation through teaming.

"It's a performance-based, design engineering environment," as Harper explained during the Monday afternoon General Session of the CoreNet Global Summit in Berlin.

Like a growing number of other enterprises including Boeing, Google is shattering the prototype that engineers work alone. The new paradigm "socializes engineers into team work but still allows for them to do heads-down work as needed.

Another important facet to the formula is leveraging the space as a learning environment so that when employees circulate, they communicate informally and generate solutions - even new ideas.

It's "an egalitarian" or flat organization, even down to the views that are given to group settings like dining rooms and coffee lounges in place of executive suites. It's also a sustainable environment with emphasis on clean air and lots of natural light.



Google's Jason Harper (center) enjoys - what else - a cup of coffee, the creative lubricant of the company's young workforce, following his presentation to the CoreNet Global Summit in Berlin on Monday afternoon.

Formulizing Innovation at Google

Google's 70/20/10 work formula, or rule, proves the point that companies must embed processes of innovation to gain and maintain a competitive edge. (See Monday morning Opening General Session Report.) The formula dictates, not recommends, that Google engineers spend 20% of their time on strategic projects and 10% of their time conceiving innovations. Google Earth came from this process, for example. The other 70% is spent on day-to-day project work, and - most importantly - teaming. As Business Week recently pointed out, if a team leader

For example, Google has "Tech-Talk" space adjacent to main hallways and coffee stations. This is where knowledge is shared and new concepts birthed. "It doesn't matter who you are, if your idea is a good one, it will likely go company-wide," according to Harper.

The approach is an extension of university life, with so many young employees coming directly off campuses like Stanford near the company's Mountain View, CA, engineering headquarters - named internally as "The Googleplex."

tries to redirect an engineer from the 20/10 side of the equation, the directives will be delayed or postponed.



Dr. Andrew Laing of DEGW (right) talked a convincing case for flexible work with Ronen Journo of Cisco Systems, a company that pioneered flexible workplace practices in the early 1990's as part of CoreNet's CRE 2000 research initiative then.

The self-annointed culture of "Googlers" gets its productivity from four key elements of workplace design:

- Flexibility and speed
- Collaboration
- Work/life balance
- Leveraged learning, as mentioned

"Google is also frugal," Harper insisted when asked if the company spends too much on such an array of amenities. This goes way beyond food and coffee, extending to the locations of choice for the company: central business districts around the world where the space is more expensive but the return on investment is robust. "Central locations offer better access" the Google employee demographic, Harper related.

It's yet to evolve to a remote or distributed work model, however. This is mainly because of the young company's still-evolving model that keys on face-to-face interaction, or proximity.

DEGW's **Dr. Andrew Laing** has helped oversee the design and buildout of this hybrid model globally. He stressed the importance of global guidelines "not to

dictate but to illustrate" various configurations depending upon the nature of building design. He demonstrated how it's all been compiled into a giant toolbox on Google's internal web site so any manager anywhere can maintain the red, yellow and green-palated company brand.

"Teaming is the defining element of this work culture," Dr. Laing explained.

Program moderator **Michael Evans** of Jones Lang LaSalle recounted how Google found DEGW. "They walked off the street into DEGW's New York City office," having heard of workplace industry guru Dr. Frank Duffy, founder of the firm. It was a cold call that paid off.

– **Richard Kadzis**

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