



Costs, Benefits, Drivers and Caution Signs for Dispersal

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In the immediate aftermath of September 11, the high level of emotion prompted several organizations to openly declare that the city, as it had come to be known, had outlived its relevance. One prominent voice on Wall Street was quoted as saying: "Gains associated with clustering of functions...are being offset by the risk of terrorism". As we now approach the two-year anniversary of that event, emotions have settled as we seem to have arrived back to a state of "equilibrium"; clearly, we're now more dispassionate and clinical in our assessment of things such as the sustainability of the city. Does decentralization maintain its relevance under these circumstances?

In our third paper, Gill explores the costs, benefits, drivers and caution signals associated with dispersal. The paper flushes out many of the issues organizations will inevitably face when determining if such a strategy fits into its own planning agenda. Although prominent financial industry tenants who previously clustered in lower Manhattan have established new space usage precedents over a widely dispersed footprint, how viable and indeed sustainable are such undertakings for other organizations spread across different industries and different countries?

The issues associated with dispersal are not simply limited to identifying alternate space, in some cases they actually require the dismantling of entire organizational cultures, and their reassembly in alternate forms. As this paper will demonstrate, an exercise that is much easier said than done. We begin by analyzing the factors contributing to urban "clustering", as well as the problems associated with those structures, and its ultimate purpose being ease of management control. Can management control be attained in a dispersed work environment? What are the ramifications associated with HR in a dispersed environment? We will seek to provide the framework required to answer these fundamental questions.

This paper is particularly focused on the very nature of real estate, i.e. the long-term nature of leases and the impact of those commitments not only on those who are bound to the terms of those leases, but the owners of the assets. Do the owners of institutional real estate assets possess the level of expertise required to adequately integrate nuances of business continuity planning into their realm? Gill's new paper identifies both the short term and longer term aspects of real estate, and suggests viable strategies that can be employed over both time horizons. This paper will be particularly beneficial to executives in the following verticals:

Industry Vertical	Principal Learning Benefits
Corporate Real Estate Executives	<ul style="list-style-type: none">How has a subject organization devised its particular facility strategy? How has HR w/in the organization managed turnover? What are the primary factors affecting turnover? Would this change in an alternate location?
Business Continuity Planners and Strategists	<ul style="list-style-type: none">What's probability the organization would consider decentralizing? How do these plans align w/ existing BC initiatives? What are the interim steps involved in real estate planning – can BCP be harmonized with these steps?
Institutional Owners, Landlords and Managers	<ul style="list-style-type: none">What type of operational model does organization utilize? Why is it structured this way? Along what lines does separation take place? What is the fundamental nature of a tenant's business; does this impose risks?
Industry Analysts	<ul style="list-style-type: none">Are office RE assets in an institution's portfolio weighed toward a particular tenant type? If so, how important is it for that tenant to remain operational? How well are institutional owners keeping up w/ BCP?
CEOs, CFOs, CIOs	<ul style="list-style-type: none">What is the cost of turnover? What is the cost of adding new managers responsible for managing secondary locations? How can greater RE efficiencies be realized by streamlining process of lease management?
Commercial Brokerage	<ul style="list-style-type: none">Learn the nuances of org policy that goes into devising a particular facilities strategy; if maximum permissible downtime is small – what are the key characteristics that would define optimal secondary locations?

REAL ESTATE CONTINUITY