

# Making Decisions on Cost Optimization

## A step-by-step guide to making important decisions about your company's office space

To optimize real estate costs, there are a number of typical questions and decisions that site managers face:

- 1 Can we downsize a location?
- 2 Can we reduce the number of desks provided per team?
- 3 Can we consolidate sites?
- 4 Can we increase the sharing ratio of number of employees assigned to a desk?

## The bigger picture

As you investigate cost optimization opportunities, pay attention to **collateral or potentially conflicting business goals** as well. How will your proposals cover these bases? For example, if your company sets sustainability as a corporate priority, you should ensure that any property you select fulfills the sustainability criterion **in addition to satisfying your primary real estate objectives**. The same goes for employee experience. Reducing workspace can have a direct impact on employee satisfaction, and this should not go unnoticed.



## Stakeholder relations

You'll need to consider all the stakeholders who will be impacted by any space reductions you're thinking about and keep their interests in mind. This may be **HR teams** trying to make sure that space efficiencies do not increase employee churn; it could be finance or **accounting teams** trying to verify that your optimization proposal does not come at an extra cost elsewhere; finally, it might be **any department or team who will be affected** by a potential reduction of the workspace they're accustomed to having.

Think carefully about who amongst your stakeholders hold particularly strong influence. If you can get them on board with your proposal, you will have important allies in moving forward with your cost optimization objective.

In addition, you should examine whether your initiatives **abide by corporate policies**. Ask questions such as:

- Is there a preference to dispose of a **leased or owned** space?
- What **ROI needs to be met** overall with a moving or a re-fitting project?
- Which **documents** need to be drafted to get approval for the project?



## Risk assessment

Optimizing for cost is not without its risks, and any proposal should include an assessment of the risks and threats to a project. When it comes to giving up space, you most likely will **only be able to do it at certain lease event dates**; otherwise, be prepared to face a penalty.

Furthermore, **reinstatement clauses** may lead to the need for additional capital in order to restore an area to its original condition or to dismantle equipment and remove furnishing. Be prepared to navigate through conversations about the **impact of space reduction on employee wellbeing and churn**. Another question worth asking is how robust and reliable headcount projections are and if it makes sense to maintain some “space buffers” for flexibility.

## Performance tracking

Finally, a huge influence on the decision-making process will be your metrics for success. **How will you measure the outcome of your cost optimization?** In this case, the metrics you’d likely focus on will be the cost per net floor area and full-time employees; but also the vacancy rate; the current average occupancy; free capacity at peak times; and density metrics.

You can apply internal benchmarking on density, cost, and utilization as a performance management tool. Having buildings with **robust underlying data will enable you to make bulletproof decisions**.



To find out how workplace occupancy data can help support your business decisions, **book a free consultation with a member of the Locatee team.**