Corporate real estate action plan

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Eight trends reshaping corporate functions

Pervasive digital capabilities

Digital capabilities permeate all aspects of business and operating models, reshaping how companies (and functions) generate value.

Corporate function drag

Growth in functions' overlapping process requirements outpaces coordination and efficiency gains, creating more bureaucracy that drags on the business.

Data scrutiny

Customers, regulators, business leaders and employees expect companies to understand what data they could have, what can be done with it, what risks it poses, and have plans to manage it well.

Eroding process ownership

Access to tools and data means the business will do more for itself and expect value beyond current functional process stewardship.

War for talent

Stiff competition for scarce talent (e.g., data scientists) creates the need for skills-based roles and talent sharing across functions.

Asset lite

New products and services can be made, customized and launched instantly using resources such as online software, 3D printing and crowdfunding.

Winners take all

The rise of platforms and network effects means companies that can create enough scale can secure most of the profits in a given market.

Regulatory fragmentation

Global legal and regulatory frameworks will fragment as more countries assert their place in the global regulatory and economic environment, and enforcement activity is driven by populist and political agendas.

Impact of trends on corporate real estate (CRE)

Five Key Shifts

	Corporate Trends	Resulting Functional Shift Required	
	Because of these trends ...	... CRE must make the following shift.	
		Current state	**Future state**
Value drivers	• Pervasive digital capabilities • Data scrutiny • Corporate function drag • Asset lite	Cost savings and space efficiency	Employee experience and space flexibility
CRE's functional role	• Eroding process ownership • Asset lite • Corporate function drag	Service provider	Workplace strategist
The role of the business	• Eroding process ownership • Asset lite • Regulatory fragmentation	Information provider	Solution design partner
Delivery model	• Eroding process ownership • War for talent • Winners take all	Best-in-class or bundled services	Integrated delivery model
Resources	• Pervasive digital capabilities • Data scrutiny • War for talent • Corporate function drag	Skills and technology focused on customer service and portfolio management	Skills and technology focused on influence and real-time analytics

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Shift 1: Value drivers

Employee Experience and Space Flexibility

CRE taps into new space alternatives that provide portfolio flexibility and design spaces that can attract talent, inspire creativity and enable collaboration.

Implications for the function

- A diversity of amenity offerings will be important to attract and retain talent.
- CRE's dashboard will need to tie metrics back to business outcomes and not just cost-efficiency.
- CRE will need to establish a position on the "shared" office models and preferred outsourced service providers.
- CRE will need to work with IT to plan technology and digital workplace investments that improve employee mobile and remote work experience.

Demonstration of CRE's Value Proposition

Percentage of CRE Functions

42%
agree that they effectively or very effectively communicate CRE's value proposition

58%
disagree that they effectively or very effectively communicate CRE's value proposition

n = 64 CRE employees
Source: Gartner

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Shift 2: CRE's functional role

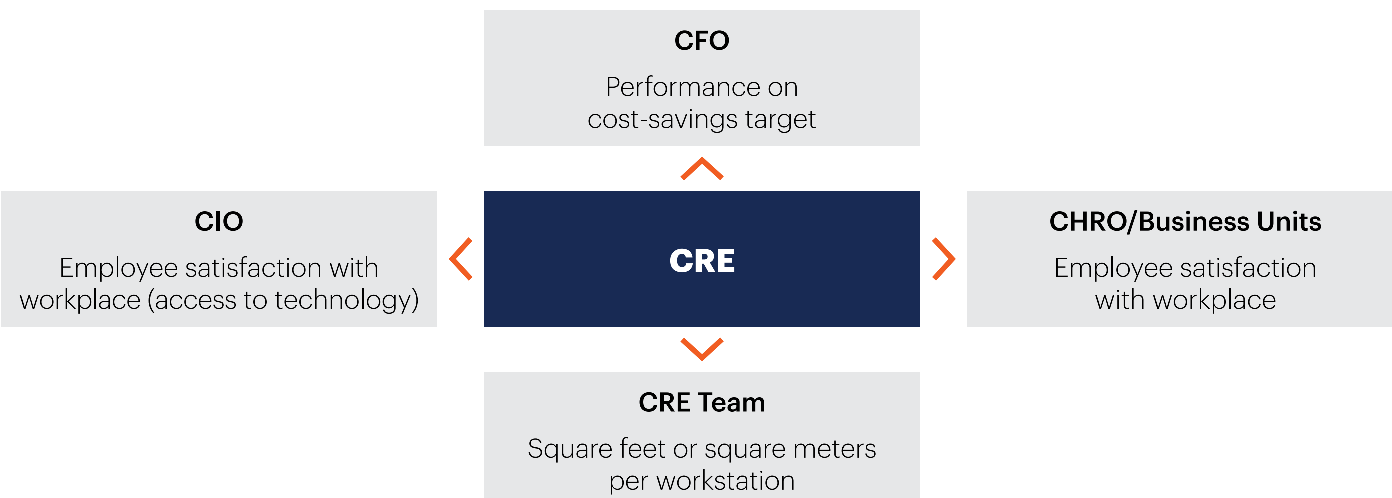
Workplace Strategist

CRE partners with HR, finance, IT and other corporate functions as a project manager to enable multiple ways of collaboration.

Implications for the function

- CRE must keep up with corporate strategy and business leaders to understand the longterm direction of the enterprise.
- CRE will be responsible for partnering with IT on digital workplace programs and incorporating principles of activity-based working into workspace design.
- Accounting will be more involved in real estate lease-versus-buy decisions, as leases will come onto the balance sheet.
- CRE will need to coordinate with risk and legal on data privacy practices and workplace minimum requirements as new space is built out globally.

CRE's Enterprise Relationships



Source: Gartner

Gartner

Shift 3: The role of the business

Solution Design Partner

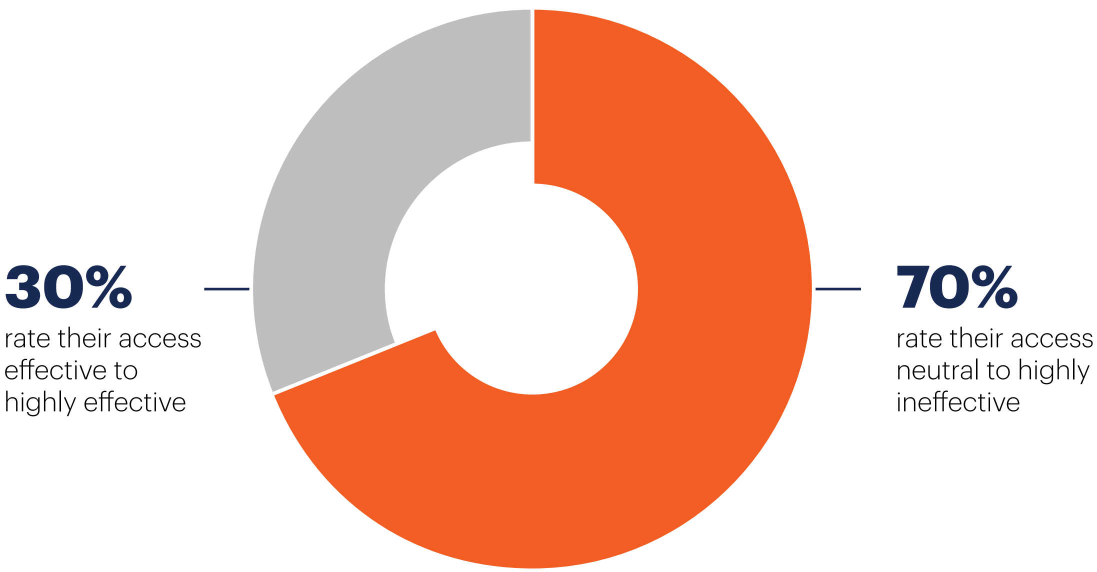
CRE unlocks business interest in real estate decision making that advances both CRE and business needs in the decision-making process.

Implications for the function

- CRE must make it easier for the business to provide critical real estate inputs.
- CRE will need new mechanisms to evaluate where the business provides unreliable real estate inputs, for example during head count forecasting.
- CRE will need to redefine decision-making governance structures to allow the business to make local real estate decisions on its own.

CREs' Access to Reliable Head Count Projections

Percentage of CRE functions



n = 54 CRE employees
Source: Gartner

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Shift 4: Delivery model

Integrated Delivery Model

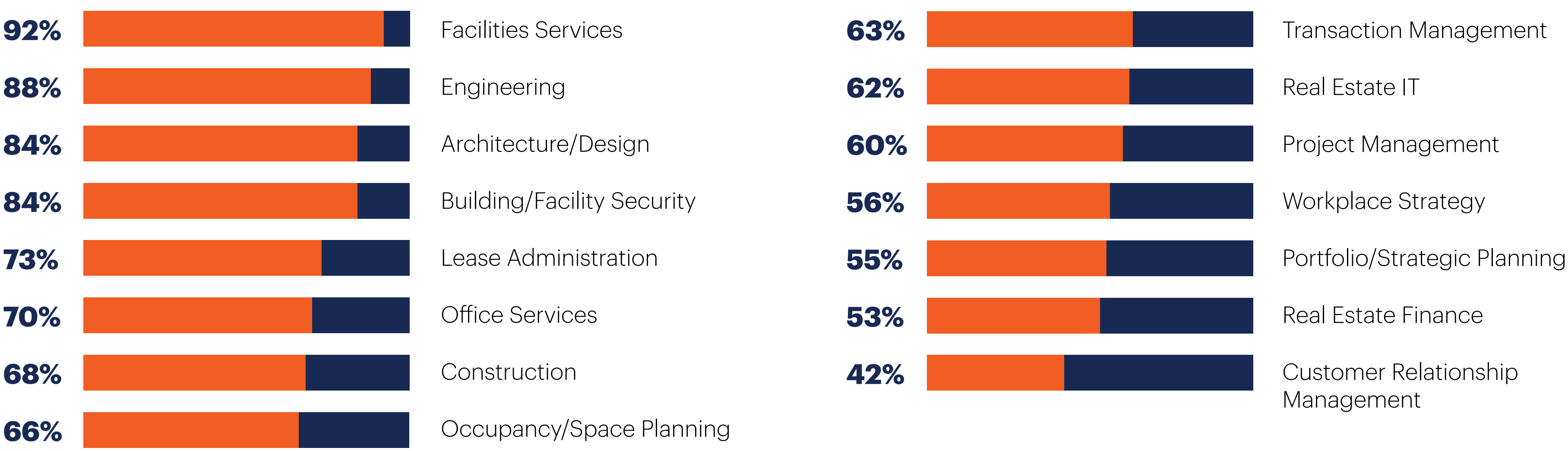
CRE will drive consistency of process and service delivery across multiple service providers to achieve flexibility and high-quality, local services.

Implications for the function

- CRE will need to compete for top-tier talent of outsourced service providers to get best-in-class service.
- Outsourced service provider management skills will need to shift from focusing on execution to operational, managerial, and strategic activities.
- CRE will need to consolidate vendors to provide more activities consistently across global locations.

Outsourced Functions

Median Level of Outsourcing for Real Estate Activities
(CRE Work Completed by Third Party)



n = 34 CRE functions
Source: Gartner

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Shift 5: Resources

Skills and Technology Focused on Influence and Real-Time Analytics

Investment in talent resources will focus on an understanding of analytics and influencing abilities. Technology resource investment will focus on software for space management and digital amenities.

Implications for the function

- CRE will need to tap into shared talent resources across the company (e.g., multidisciplinary data and analytics teams, individual data science specialists) to improve analytic capabilities.
- Technology investments will shift to concentrate on providing a personalized and responsive workplace through intelligent apps, virtual personal assistants (VPAs), augmented reality and more.
- Capital projects' budgets will need to account for costs of new-age amenities and technologies.

Future Need Versus Current Depth of Skill

Top Three and Bottom Three Skills

Skills needed to invest in	Skills already well positioned for the future
1. Big picture to tactical solution	1. Negotiation
2. Business knowledge	2. Subject matter expertise
3. Client advocate role	3. Transaction management

Source: Gartner

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Action Plan

Immediate Actions to Take

1. Convene the corporate leadership team and involved stakeholders to examine the five shifts. Ask them to think forward five years, identify implications for your organization, and develop scenarios for how your organization may change.
2. Include discussions related to the five shifts as a standing agenda item in meetings with the CTO and CHRO. Begin brainstorming, and drive consensus on employee experience drivers and best approaches to improve worker flexibility.
3. Organize a meeting with risk and legal to review data privacy regulations and workplace minimum requirements implications for real estate.
4. Meet with service providers on additional capabilities they can provide, new areas for collaboration, and quality of talent they should allocate to your organization.
5. Meet with business partners to discuss their new role as a solution design partner and what the implications are in terms of collaboration, datasharing and performance.

Additional Actions to Take

1. Embed the implications of the five shifts in real estate's strategic plan, defining how they affect enterprise portfolio management.
2. Add metrics to real estate's performance dashboard to track trends related to the shifts.
3. Coach business unit leaders to help them improve their inputs to space needs forecasting and workplace strategy.
4. Describe the five shifts and their implications for the real estate function's structure and role — and for individual career plans — in real estate team meetings, conference calls, e-mails and newsletters.
5. Explain how the real estate function and its value drivers are changing in meetings with outsourced service provider partners.
6. Expand dedicated business liaisons across the organization.

Source: Gartner

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