



Future-proofing the *CRE Organization*



The recent, fast-paced evolution of hybrid work strategies accompanied by the increased focus on ESG and digital transformation is an impact of the COVID-19 pandemic. Complete shifts occurring in these important areas of focus will reshape the future of all business functions and continue to challenge us to create a new way of working – **together and alone.**

These new factors are also challenging existing business operating models including the delivery of real estate portfolios, facilities planning and the demand for these services. New ways of working also demand a new way for real estate to measure the value it creates. In addition to traditional metrics focused on cost, quality, and efficiency of use, we contend that real estate and facilities teams must develop future-focused metrics that will seek to measure the level of employee engagement and the impacts of a more meaningful work experience. Given the scale of the emerging challenges, now is the time to define the value corporate real estate (CRE) can play within the overall organization.



Several significant **areas of change** with the potential to have radical impacts on a business include:

	People	Processes	Productivity	Partnership & Relationship Management	Place
CRE Trends Driving Change	Focus on occupant services and experience	Integration of best in class technology	On-demand & virtual-based services	Realignment and communication of business goals with real estate solutions	New space designs (collaboration, hub and spoke)
Change Areas	<p>People will work 40-60% out of the office with little definition of how and when they will be in the office</p> <p>Four generations in the workplace: Baby Boomers, Gen X, Millennials and Gen Z</p>	30-50% Of knowledge management work is anticipated to be automated by 2030. This will result in less real estate and facilities and more reliance on machine learning and predictive analytics to support real estate functions	Productivity is forecasted to double for each business process delivery by 2030. This will create the need for more agile resources that can leverage technology to achieve more with current or less resources	Hybrid models will challenge traditional forms of meeting and communicating with the businesses being served, having access to status of performance goals, measures and targets	The office will evolve to be more intentional, and focus will shift to meeting and gathering
Opportunity	Increased retention & productivity	More frictionless work experiences and curated work environments at home and in the office	More variable vs. Fixed resources	Alignment to status of goals, projects and measures of success for services being delivered	Space focused on the needs of the business function vs. one-size fits all approach for the company
CRE Department Impact	Organizational structure changes to support alternative ways of working and occupant needs	New outsourcing structures and services	Technology and performance management	Proactive CRM emphasis focused approach to management	Portfolio shifts that blend virtual, flex and office

Areas of change (cont'd)

	People	Processes	Productivity	Partnership & Relationship Management	Place
New KPI's or areas of focus	<p>Talent Attraction & Retention – Measure the pre and post implications focused on attracting and retaining more diverse employees.</p> <p>Innovation – Develop location and space plans that promote increased diversity and leverage higher degrees of collaboration.</p> <p>Knowledge Transfer – Assess if the right people in the right places with the right resources to get their work done.</p> <p>Workflow Improvement – Analyze productivity related to adjacencies and ensure remote workers have what is needed to be productive.</p> <p>Collaboration – Analyze how work strategy, technology and space design enable employees to focus and collaborate.</p> <p>Belonging – Measure the value of the office for fostering a sense of belonging and inclusion.</p>	<p>Process Performance – Monitor service delivery for efficiency and quality</p> <p>Real Time Performance Management – Monitor data provided by sensors and real estate software</p>	<p>Efficiency - Assess technology and service resource model</p> <p>Measurement of team performance – Measure gaps to peer organizations (best in class)</p>	<p>Collaboration</p> <p>KPIs focused on internal customer satisfaction, proactive plans presented and CRE “fit” to the business</p> <p>Examples of demonstrated cost and capital reductions, Innovation and continuous improvement</p> <p>Effective integration of workflows (e.g. FM, project management, capital planning, portfolio planning)</p> <p>Better compliance and risk management performance results across the board in CRE</p>	<p>Customer satisfaction measures regarding services provided by the CRE team</p> <p>Ease of movement and connectivity of devices</p> <p>Strong infosec protocols for smart space and smart building operations</p> <p>Branding of place and experience and connection to the company</p> <p>Indoor Air Quality, Noises and Light - technology and service resource model</p>



People

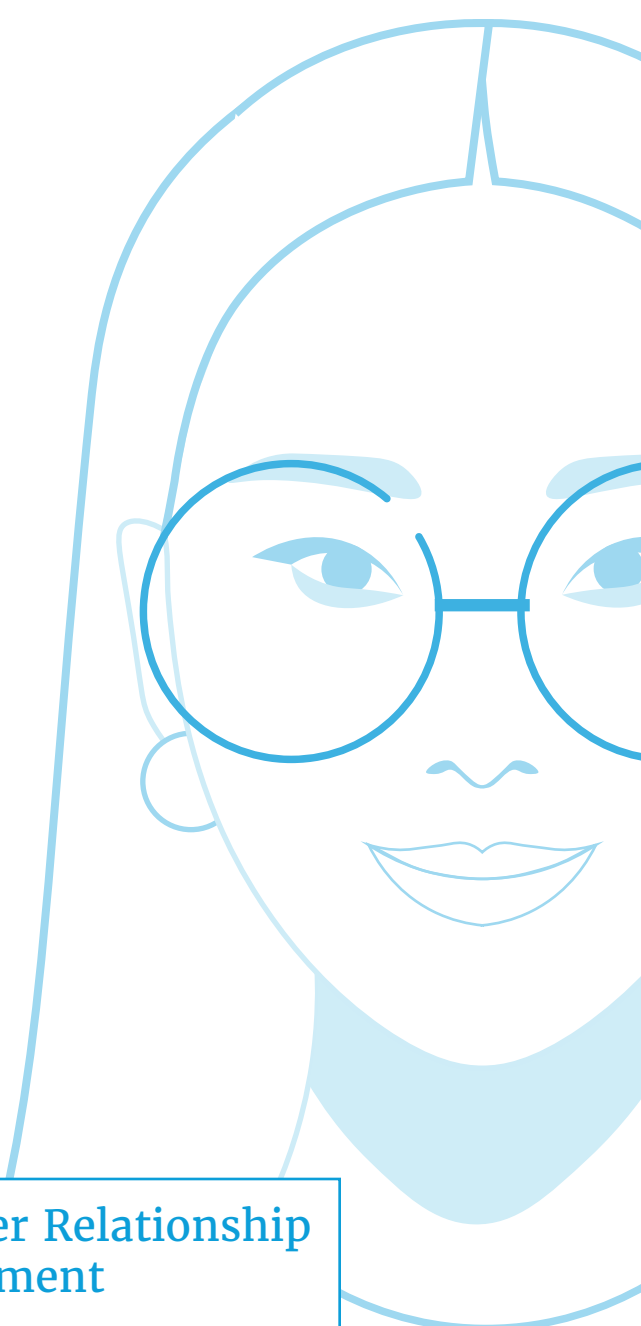
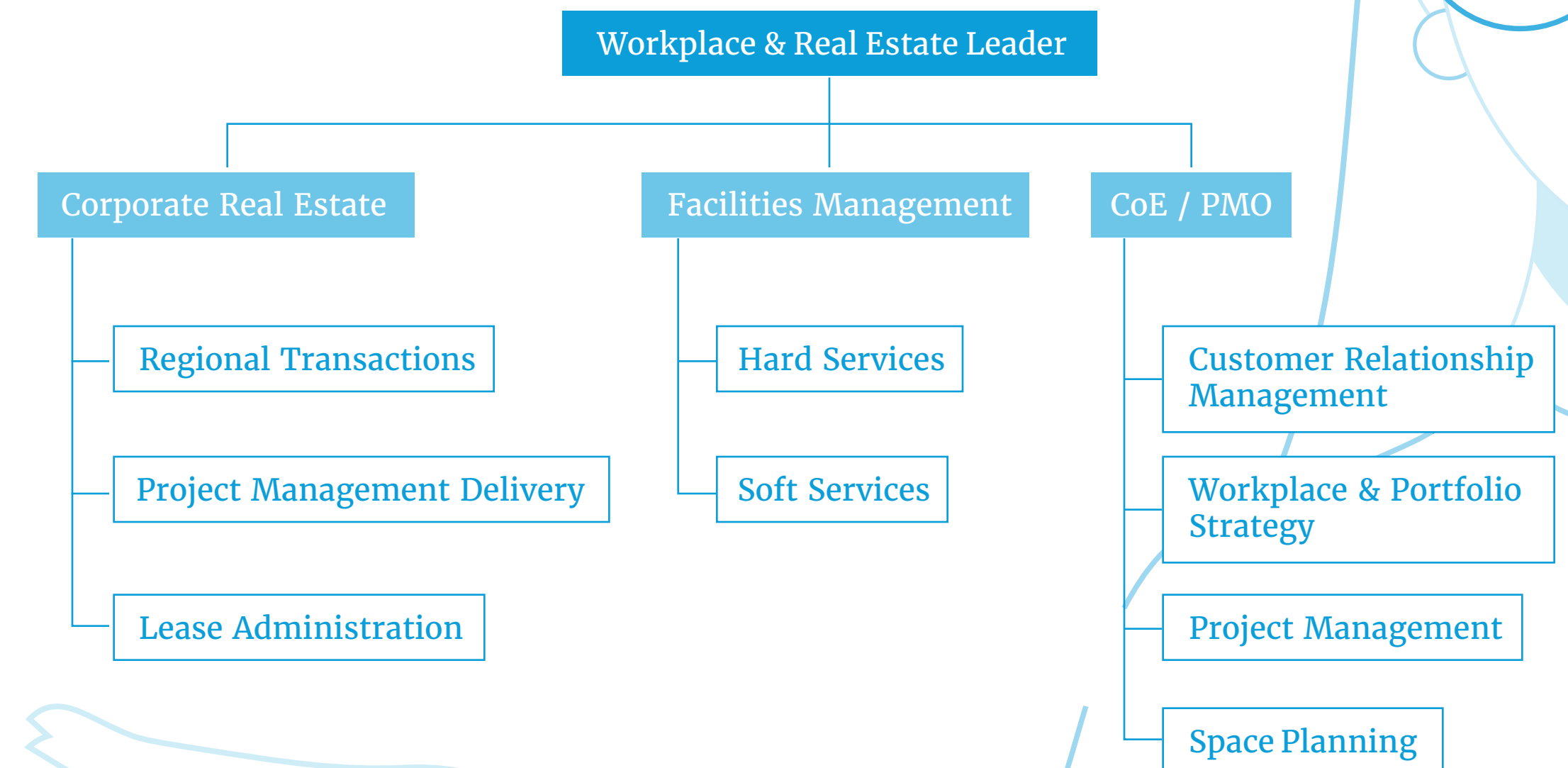
Daniel McCallum is credited for creating the first organizational chart for the Erie railroad in 1854. It resembled a flower and represented division of duties (how information flowed).

This is in contrast to today's traditional models that focus more on the hierarchy of who reports to whom.¹ We have seen only a few significant changes since this time (Functional, Divisional, Product, Matrix, etc.) all representing a hierarchical structure. These representations do not convey how individuals in an organization work or share information. When designing space for occupants today, the trend appears to be moving away from a structure where an office location and size reflects one's position in the hierarchy to one that reflects how people work and share information (collaborative space) so they can be productive and creative.

In addition, the way people work has radically changed. The illustration to the right shows a typical CRE department structure (either regionally or globally) pre-COVID and following it is an example of how an organization may evolve to a networked structure. The real shift is moving from a hierarchical reporting structure, to how they work and get things done. When coupled with the disruptive forces emerging with the evolution of more distributed work patterns, this era presents an exciting and compelling time to propose an emerging CRE structure for any company.

¹ <https://pingboard.com/org-charts/evolution-org-charts>

Sample Historical Organizational Structure:

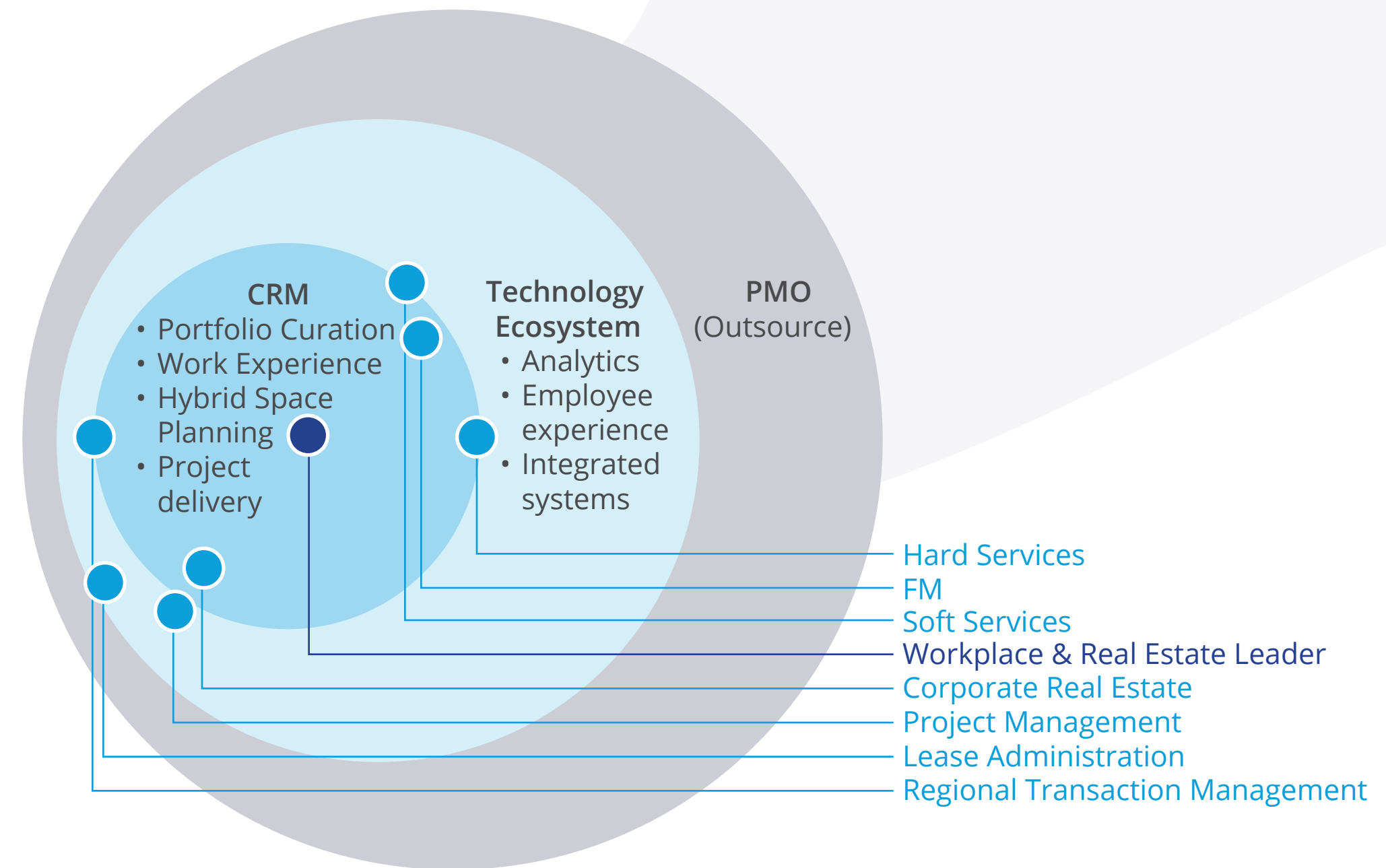


With the degree of change occurring in CRE, the opportunity exists to transform the CRE organization. We believe the development of a resilient network as a model for change enables breakthrough innovation to align to the new working factors and conditions. Given the evolving shifts in work, people, and technology, we should not just think about the “internal CRE organization” but imagine a seamless partnership where the CRE collaborates with the other functional departments in the enterprise, e.g., HR, Finance, Health & Safety, etc., and is a flexible model providing on-demand space and services.

Over the next five years, we envision CRE organizations evolving to a highly automated, networked, and flexible real estate and facilities organization where resources flow based on the demand for services (including space) and are not dedicated based on the traditional hierarchal model. This structure will shift the emphasis of the fixed model of a separation between CRE and service providers into an integrated purchasing, sourcing, and service delivery model where the lines are blurred and CRE leverages the service providers to source services on an as-needed basis. Some elements of fixed delivery will be required, but many will be variable and sourced and consumed as needed.

According to the Society for Human Resource Management, a tenet we are seeing play out in the era of the “great resignation” is one of employees looking for deeper meaning in their career development, the purpose in the mission of the companies they work for and to have flexibility in how and where they work. In a recent Forbes article; “If You Love Your Employees, Set Them Free: Autonomy Is Key To Employee

Sample Networked Organization Structure:



Engagement” supports the idea that there is a direct correlation between the most engaged employee having more control in their career path and having the autonomy to make better decisions about their future. This is an opportune time to explore what services are being offered, who is providing them and the ways in which they are being delivered. Service providers have an opportunity to also provide that context in a true partnership model. A new model where more “boundaryless” opportunities might exist to flex resources and services based on on-demand and shorter-term requirements for service delivery.

Employee Experience to Enhance Corporate Culture

Many corporate real estate teams have been focusing on improving the employee experience through services, space and workplace options. Some have mapped out the daily employee journeys to understand touch points and opportunities for improvement. However, this approach has left little regard for alignment with the company culture. As companies share more co-located space and compete for the same talent, company culture will continue to become a competitive advantage.

Company culture includes the internal work environment, values, employee behaviors, processes, employee treatment (e.g., services and benefits offered, inclusion and diversity), etc. The company culture attracts talented employees, while the workspace and tools help enhance engagement and productivity. This requires all functional departments to work together (e.g., IT, HR, Finance, CRE) on a holistic solution.

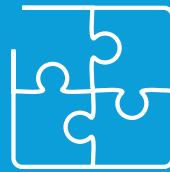



CRE and facilities management deliver services to the organization and its employees. Many service providers have increased focus on training their teams in service delivery quality, hospitality, or customer experience. Will the broader CRE industry embrace AI to allow occupants to personalize their experience?

CRE departments will need to decide where the starting point is for supporting and enhancing their corporate culture and brand. This could drive more in-sourcing of the critical roles and facilities services roles that connect directly with employees and business unit leaders.



CRE departments will focus on new functions and enhancing existing ones

CRE and Facilities Management (FM) organizations should be considering the following four main functional/departmental components in their evolution:

 <p>Strategy</p>	 <p>Culture/ Experience</p>	 <p>Operations</p>	 <p>Performance Management</p>
<p>The strategy will focus on how CRE & FM can support the business. This includes strengthening the vision and aligning the vision to operations, portfolio planning, and location selection.</p>	<p>Employee Experience will include workplace technology design and occupancy planning to enhance the occupants' experience.</p>	<p>Operations will focus on the quality and cost of service delivery. Proactively and directly overseeing the managed outsourced service provider(s). Operations should include other CRE functions such as transaction management, lease administration, project management, ESG/ Sustainability, etc.</p>	<p>Performance Management will focus on monitoring and providing insights into other functional areas and business acting like a Center of Excellence for an organization. Data analytics, smart building technology, and experience monitoring will drive innovation and continuous improvement. CRE & FM leaders will need to be more data-savvy and forward-thinking to lead and support these departments and adjust to and adopt the contract and organizational structures necessitated by the changing business environment.</p>

Adapted from: <https://blueskyre.com/the-changing-decision-criteria-for-insourcing-or-outsourcing-facilities-management/>

New or reinvented roles for the CRE organization may include:

CRM: Hybrid Relationship Manager – Business lines will be continuously shifting their space and work strategies as hybrid CRE models continue to evolve. This dynamic necessitates staying in sync with the goals, measures of success and planning that aligns to the future of the business requirements. This is similar to a business planning type function with a hyper-focus on change management and responsiveness to accommodate changing needs.

Portfolio Planning: Portfolio Curator – The integration of traditional and non-traditional workplace and portfolio solutions will be required to manage the myriad of uses that companies may seek to support their occupancy strategy. Traditional portfolio planning is defined to include on-demand options, event planning, programmed space solutions and flexible workspace solutions. The portfolio will be a tapestry of spaces.

Space: Work Experience Planner – Partner of the Portfolio Curator, the Work Experience Planner will focus on developing the appropriate occupancy strategy based on the requirements of the business function. The days of workplace standards and universal guidelines may be a vestige of the past. Now the employee experience will be managed at the personal and business functional level. The evolution of targeted choice to work independently or in a collaborative setting will be a prerequisite that aligns to employee preference and choice. The workplace strategist role now must balance the increased dynamics of virtual technology and more ephemeral ways of providing space in a more on-demand world.



Processes

What worked in the past will not ensure future success given today's rapidly changing environment. The traditional CRE organizational structure will need to adjust to support these changes.

Technology can be used to manage vendor compliance and performance along with enabling specialized vendors with the ability to collaborate and create value (incentivized to collaborate). For example, collective intelligence across processes, service delivery and desired outcomes helps create value for their clients. CRE process design may include numerous internal functional departments, individuals and disparate suppliers and vendors (e.g., work order process, space acquisition process, etc.). The ability of real estate services to successfully influence the business will rely on its ability to deliver an integrated experience that will push the traditional roles associated with managing transactions, projects, and portfolios to evolve into broader areas of service delivery. In addition, more flexibility and resiliency will be needed.

The perceived benefits of outsourcing and utilizing service providers' software have been a popular model in the past. However, the challenges of data management, system integration and transition proved to be challenging. As technology has become ubiquitous, CREs are becoming more focused on mitigating their data, technology and service risks and are looking at technology providers as complementary to and partners for their other service providers. Software-as-a-Service (SaaS) will continue to emerge as part of the CRE supplier ecosystem.



Historically, the value of outsourcing was evaluated based on areas such as augmented CRE talent, cost, best practices, economies of scale vs. today's criteria of cost, transformation, innovation, outcomes-based performance management, data integrity, technology integration and ESG practices. Companies can weigh the benefits of self-performance and achieving economies of scale by moving to managing agent-integrator-service advisor model.



Productivity

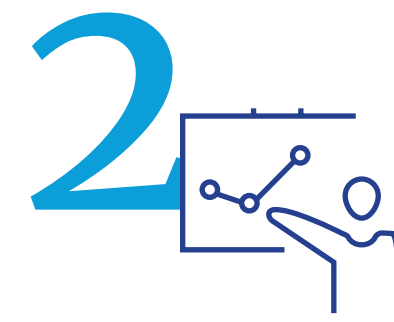
Technology & Performance Management

Our premise also proposes the need to re-think the current technology and human capital strategy for delivering real estate services. We suggest that the following solutions will reshape CRE's dedicated resources by redefining the roles that are currently in place to deliver services. Our proposed long-term solution is reliant upon three highly networked functional areas:



Internal Customer Experience Technology Portal (ICX)

Leverage technology to manage internal CRE client relationships. The development of an internal customer experience platform helps you better align and manage the goals, communications, performance measurements, portfolio, and project status of service delivery. This is a one-stop shop that provides all the information to manage business relationships. It becomes a seamless platform between the service provider(s), the CRE department and the business.



CRM & Strategy Center of Excellence (COE) (Insource)

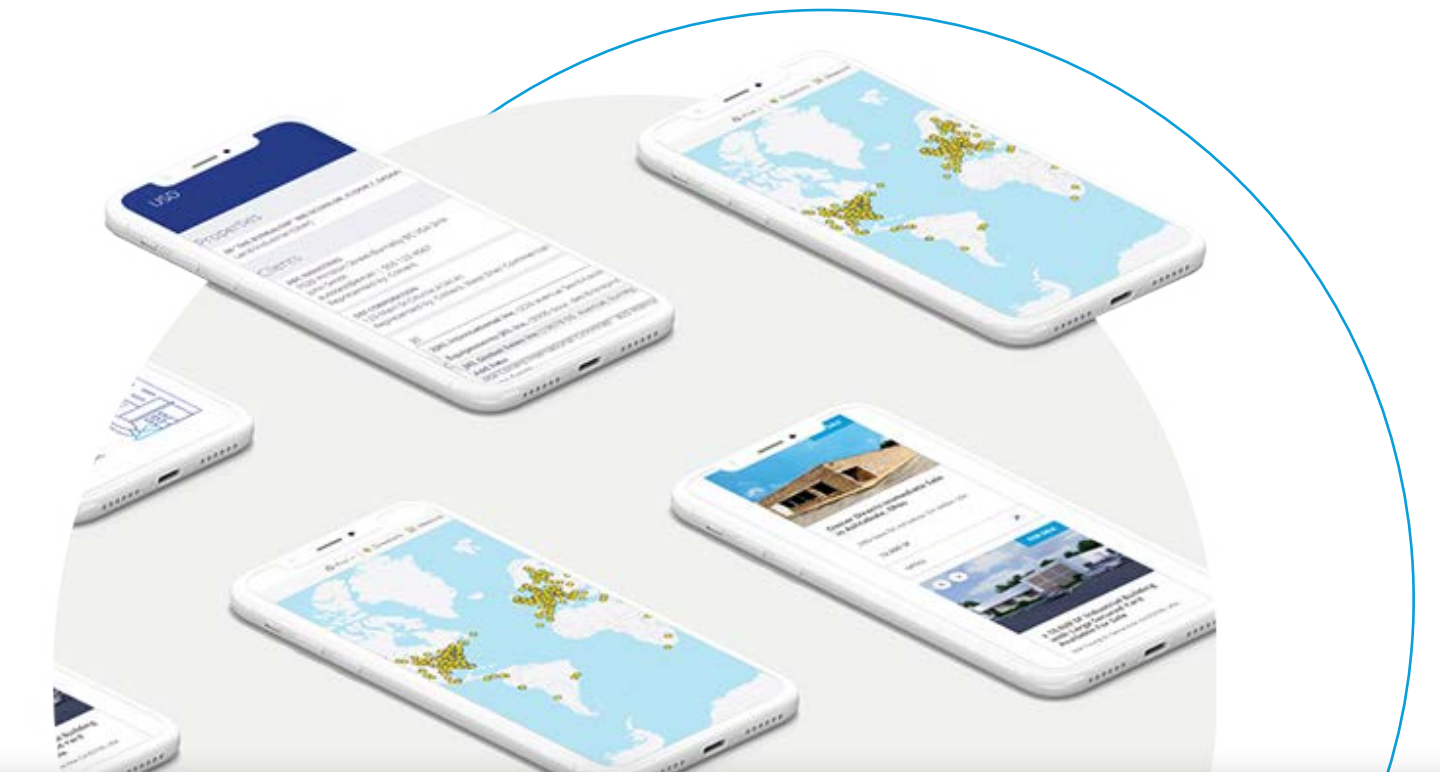
The Hybrid Relationship Manager roles will be focused on CRM and business strategy and managing delivery performance and the relationship with service providers. This requires refocusing the power embedded in the tacit institutional knowledge of the current CRE leaders from an emphasis on delivering services to a focus on business strategy and proactive planning. Businesses will continue to evolve very rapidly from the current state. It is anticipated that the success of adapting to the trends noted above will determine a company's ability to thrive. Success will depend on if there is a people and place strategy to support a more flexible, scalable, and agile process for delivering internal services. For the organization to have effective "real-time" business planning and functions that align the future footprint and workforce planning to deliver more flexible solutions real estate will have to have a seat at the table.



Program Management Office (PMO) and Management (Outsource)

Highly leveraged solution under which a service provider can procure the necessary resources to manage facilities and real estate services. We envision all levels of resources being analyzed for process efficiency and outsourced to various organizations within the operating ecosystem practices. Companies can weigh the benefits of self-performance and achieving economies of scale by moving to a managing agent, integrator service advisor model.

Tools, processes, and emerging technology that will be key to transforming the CRE department to an optimally functioning organization include:



1 **Process Engineering**
Focus on re-imagining and change management is required to transform and realign the organization on two fronts – strategy and delivery (PMO).

2 **Automation**
A highly integrated digital platform that will be leveraged across all disciplines to improve efficiency of service delivery, increase communication between CRE and the businesses as well as strategize and manage the portfolio.

3 **Internet of Things and Building Operating Technology**
Seamless integration of work order management and facilities management will allow us to reduce the dependency over time for human resources through more interconnected preventative maintenance where automated systems will predict the failure of systems and submit work orders to replace them in kind. This process will shift from submitting work orders to oversight of proactive, preventive, and predictive maintenance solutions. It will also enable a connection between maintenance quality and occupant experience as a means of measuring satisfaction, which can be a factor in negotiating lease renewals and expansions.

A photograph of a business meeting in a modern office. Three people are seated around a wooden table. On the left, a man with glasses and a beard is seen from the back, wearing a brown checkered jacket. In the center, a man with a beard and dark hair is gesturing with his hands while speaking. On the right, a woman with long red hair in a ponytail is listening. The background shows large windows and office furniture. A blue horizontal bar is overlaid on the image, containing the text 'Partnership & Relationship Management' in white.

Partnership & Relationship Management

CRE organizations are continuing to enhance their collaboration and performance management efforts when managing internal and external teams. More than ever, it is important to stay aligned with the changing needs of the business, coupled with bringing proactive plans to enable and drive change in the organization.

Our current context provides an opportunity to reevaluate the strategic planning goals and measurements used to manage the relationship with your clients.

Key areas include:

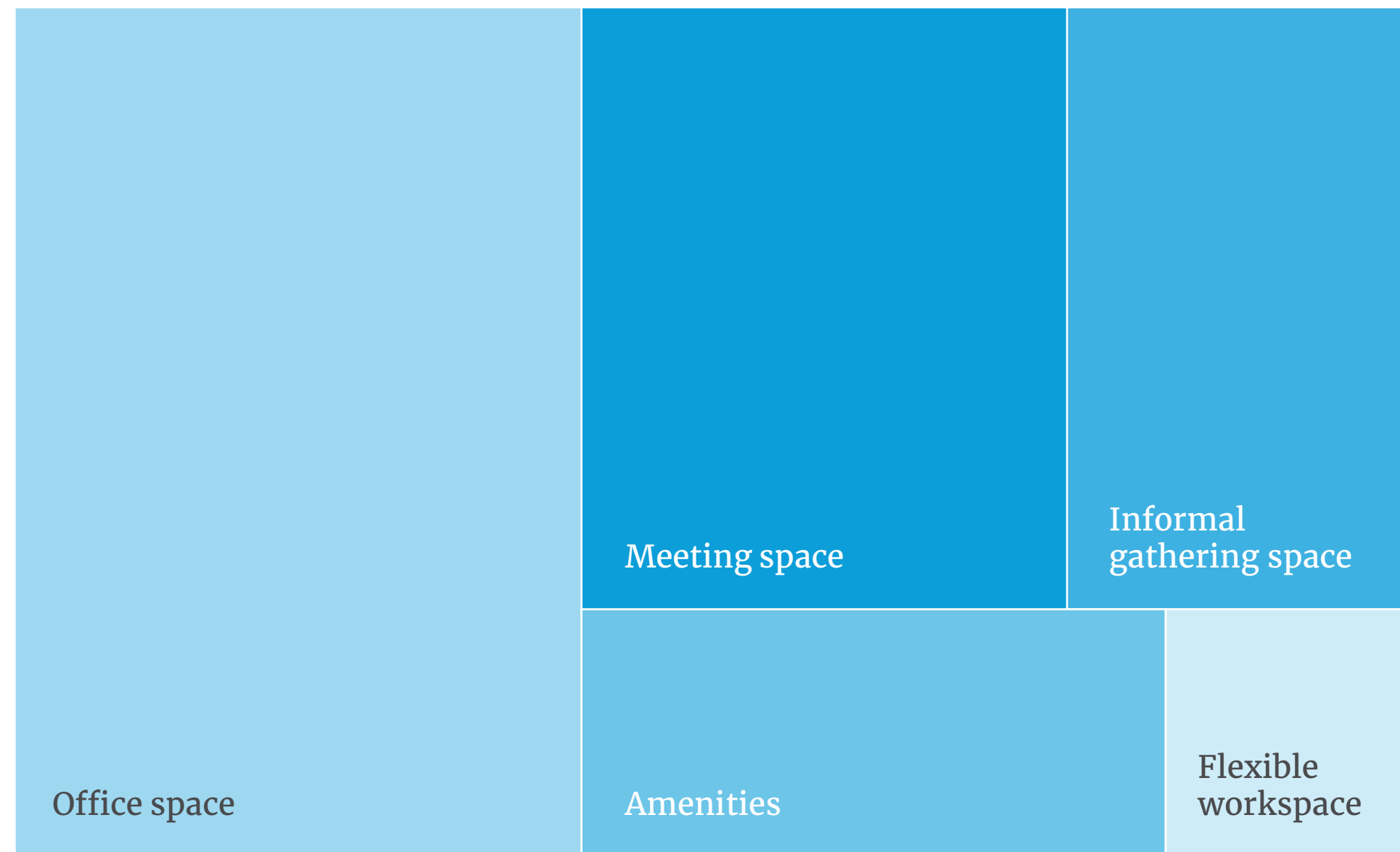
- The first consideration is to re-examine the services and processes you are providing to your internal customers.
- Level setting of business goals and real estate objectives – Reset overall vision as to where you both should be striving and delivering.
- Discussion of potential challenges – Discuss roadblocks your internal customers are facing and chart the areas that will shift your approach.
- Examination of metrics and key performance indicators – Re-examine the measures that matter and implement or revise KPIs to reflect changes in priorities or direction. New priorities focused on cost reduction and capital expenditure savings may be emphasized in the newly formed operating plan.
- Strategic alignment – Ensure you are on the same page with revised outcomes for what success looks like.





Place

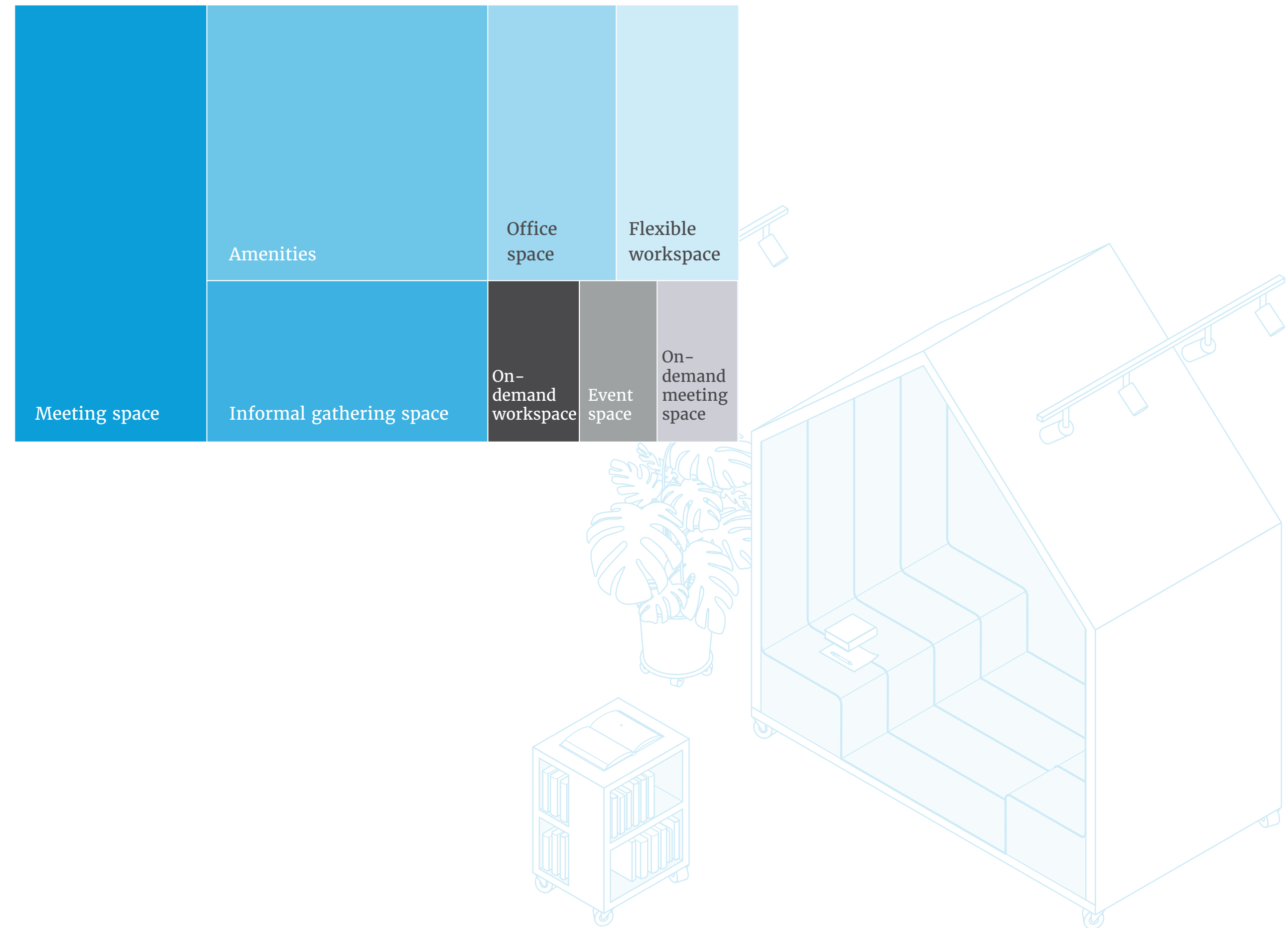
Typical Portfolio Composition



As companies focus on providing physical office space for collaboration, the trend towards common space is increasing.

Other space types such as manufacturing, warehousing and health care have not seen such a dramatic use or design shift. These shifts away from the traditional model to more variable, virtual and scalable solutions are key drivers when supporting the organizational shifts recommended in this paper, which is a factor in giving employees a reason “why” they should return to the office.

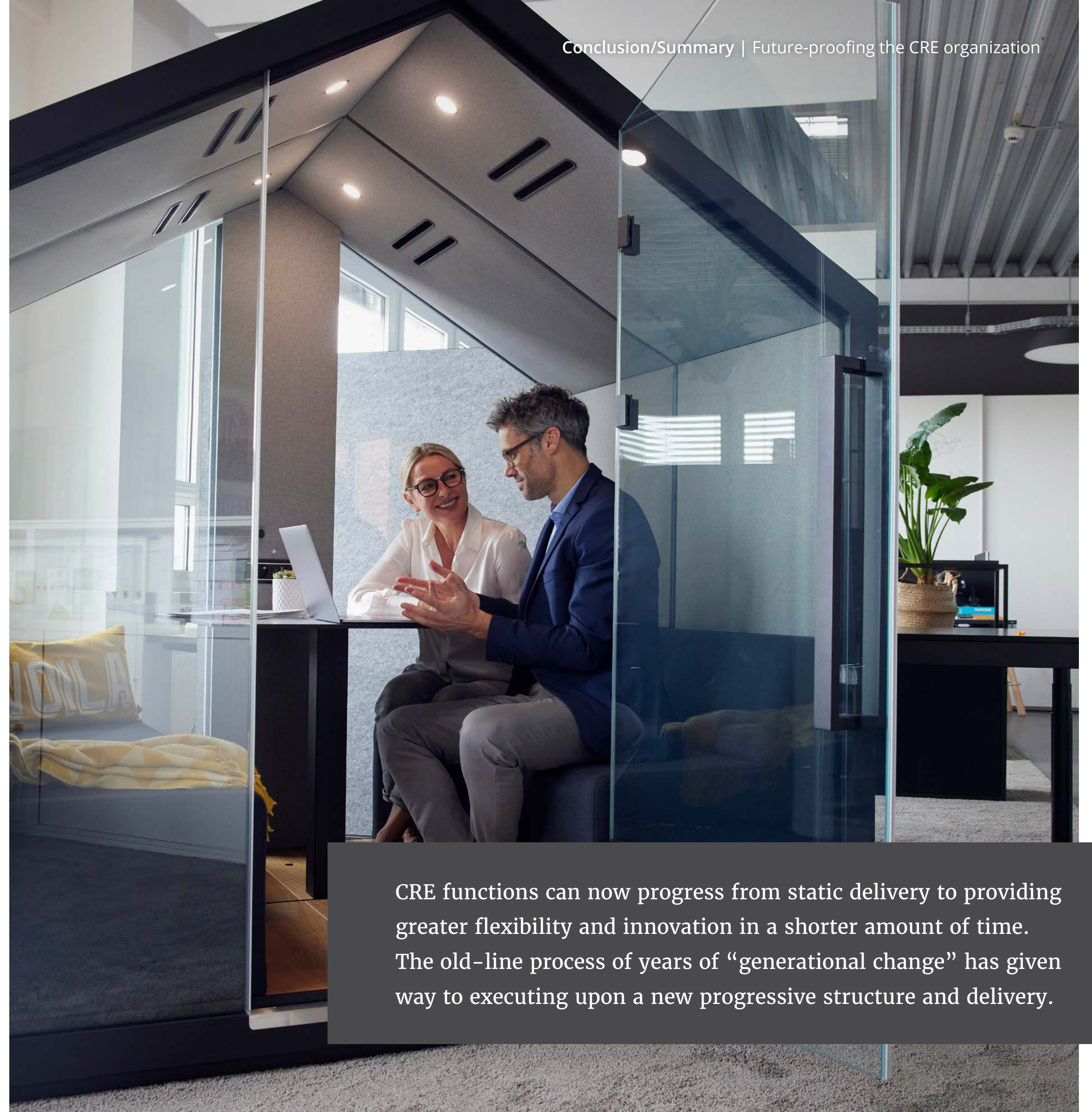
Portfolio of the Future



Historically, companies have viewed outsourcing, internal changes or progression in CRE as generational steps.

This is no longer applicable given technology, the need to operationalize organizational ESG Programs and commitments, and the need with CRE organizational structures to create new value immediately for the organization. The benefits of this dynamic approach to deploying new CRE operating models are:

- CRE emphasis on CRM, business, and portfolio strategy – aligned to shifting ways of working and using space
- Lean and agile organization with an emphasis on flexibility and responsiveness
- PMO/service delivery based on demand for services providing an ability to scale with business needs
- Dynamic space provision that is core to facilitating employee satisfaction and productivity
- A goal of attaining an automated solution for preventative and predictive maintenance
- Provides team members with a career path to advance in the business of real estate and facilities
- Shift to an automated solutions group leveraging AI, IoT and integrated workflow management that optimizes integrated strategy and service delivery



CRE functions can now progress from static delivery to providing greater flexibility and innovation in a shorter amount of time. The old-line process of years of “generational change” has given way to executing upon a new progressive structure and delivery.

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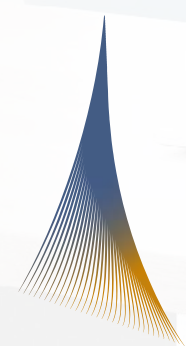
If you have any questions or would like to learn more, please reach out to one of the following Colliers or Blue Skyre IBE professionals.

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