Document Title: Boundary Spanning: CRE Organization Challenges

Survey Results of Corporate Real Estate Executives

Boundary Spanning: A New CRE Paradigm

Eighty-six percent of senior executives interviewed for a Center for Creative Leadership (CCL)® study believe it is extremely important for them to work effectively across boundaries, yet only seven percent believe they are currently successful at doing so.

This study focused on five types of boundary-spanning areas that prevent effective management and leadership through change:

- **Vertical**: Across levels and hierarchy
- **Horizontal**: Across functions and expertise
- **Stakeholder**: Beyond the boundaries of the firm, with external partners
- **Demographic**: Across diverse groups (e.g., gender, ethnicity, nationality)
- **Geographic**: Across regions and locality

Source: Center for Creative Leadership (CCL)®

Real estate is a key operational business area, instrumental in improving global and regional business performance. In the fall of 2011, Colliers International surveyed its global Corporate Solutions clients about the challenges CRE executives face in managing their real estate organizations, processes and portfolios, across the five types of boundary described by the CCL.
Ideas to improve GEOGRAPHIC organizational effectiveness in CRE include:

› Cross-cultural/cross-regional teams to support project development
› Regional and global subject matter experts (SMEs) for all disciplines
› Taking on assignments or living in another region
› Best practices sharing in periodic meetings

GEOGRAPHIC BOUNDARIES

When CRE executives were asked, "How effective are you at managing all the resources and real estate portfolio in your national or global regions?", the answers supported the findings in the CCL analysis. The average score recorded was 6.18 out of 10. Eighteen percent of respondents rated themselves a 9—with no perfect scores recorded. Surprisingly, forty-two percent of respondents scored themselves at a 5 or lower. These results illustrate the challenges CRE executives are facing in today’s increasingly complex regional and global business alignment.

When asked, "Where is collaboration occurring within your real estate organization?", the respondents noted that only thirty-six percent of their organizations collaborate across all regions, with the remainder focused on targeted interactions among the varied regions. This demonstrates that, even with centralized organizations, regional sensitivities and subject matter needs persist that can’t be translated to a global platform.

When asked, "Which is your greatest challenge in managing a team in multiple national or global regions?", CRE executives responded with a series of evenly-weighted answers. Scores ranged from 3.55 to 5.64, with none of the five identified categories standing out as a challenge of greater or lesser importance. Regional sensitivities in structure and real estate transaction process, and communication and time variances scored slightly higher than other areas.
Ideas to improve HORIZONTAL organizational effectiveness in CRE organizations include:

- Promoting a customer relationship model (CRM) for doing business
- Developing cross-functional teams – “no one discipline”
- Encouraging rotational assignments in other regions
- Tracking internal performance through customer feedback scores

HORIZONTAL BOUNDARIES

It is critical that CRE organizations align the best talent within all functional areas to support service delivery to internal clients. Horizontal boundary-spanning focuses on business interaction and collaboration across interrelated parts of the business. Today, many of these areas may be somewhat ‘silenced’. The communication and collaboration across functional areas within the CRE organization such as Transaction Management, Strategic Planning, Lease Administration, etc., as well as the relationship to the business and operational units will promote a stronger CRE and business organizational structure.

When CRE executives were asked, “Across which function does collaboration occur most readily?” Transaction Management services were identified as the highest scoring area. Notably, Strategic Planning scored the lowest. This answer is somewhat surprising, given that successful strategic planning relies upon the collective expertise of all functional areas identified. In order to develop a cohesive strategic plan, it is important to elicit critical feedback on the local markets, transaction processes and status of implementation efforts, as well as maintain up-to-date data management practices.
**VERTICAL BOUNDARIES**

Vertical boundaries comprise organizational challenges related to structural alignment within a CRE organization, and the relationships between internal management levels. When asked, "Which structure you would prefer to manage your organization", a resounding eighty-two percent stated that a centralized model is the most appropriate. No respondents supported a decentralized global model.

This illustrates the shift in global business models where growth is anticipated to continue to emerge in regions outside of North America. It is important for leaders to have a closer relationship with all regions, to stay in sync with needs of those global business partners.

When asked, "Which structure would best describe you current management structure", sixty-four percent currently operate under a centralized model, demonstrating that eighteen percent of the respondents from the prior answer would prefer a shift to a centralized operating model.
Ideas to improve CRE delivery include:

› Aligning the internal service delivery model with external service provider model in order to meet the future needs of the regional or global businesses

› Determining commensurate key performance indicators to measure and ensure service levels from your provider(s)

› Stressing the importance of an ROI-based compensation model where the service provider illustrates cost savings through service area delivery

STAKEHOLDER BOUNDARIES

Stakeholder boundaries focus on the relationships with external service providers. In the question, “How would you rate the effectiveness of the delivery of services that apply”, respondents stated that they were very satisfied by the delivery of Transaction Management services, with a score of 8.8 out of 10. Facilities Management scored the lowest at 3.9. Low Project Management scores also indicated a need to improve performance.

When respondents were asked, “How effective can a global blanket model be to manage your service lines”, many felt Transaction Management, Lease Administration and Strategic Planning were best suited to a sole-sourced service provider model.
Corporate real estate leaders face steep challenges in managing global business organizations in today’s environment. There are opportunities to improve delivery and business effectiveness across all parts of the organization.

The majority of collaboration is regional, not global.

Regional sensitivities in structure and real estate transaction process, and communication and time variances are the most challenging areas for geographic boundary spanning.

Collaboration occurs most in the Transaction Management process, and least across Strategic Planning functions.

Centralized CRE organizational structure is overwhelmingly preferred over any other model.

Respondents were very satisfied with the delivery of Transaction Management services by their service provider.

There is significant room for improvement in the delivery of global Facilities and Project Management services provided by third-party vendors.

CRE leaders and their organization(s) report equally (eighteen percent) to the CEO, CFO and COO. Nearly half stated that they report to a myriad of other leaders including HR, IT, Manufacturing, Planning and Procurement.

Thirty-six percent of real estate services sourcing is led by procurement; followed by the real estate department at twenty-seven percent, and finance at eighteen percent.