Optimize your outsourcing programs for operational excellence

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Rapid changes characterized by new operating models, innovative partnerships, technological advancements, and multiple market forces have a collective impact on how business operations are performed. These factors make a compelling case for companies to re-evaluate their core business strategies and determine which non-core functions, like corporate real estate (CRE), to keep in-house and which to outsource.

The case for re-evaluation is more relevant than ever for CRE, which is increasingly influenced by evolving delivery models, growth and consolidation within the service provider industry, increasing maturity of vendor management organizations, and expanding options for tech-centric solutions. Many CRE organizations continue to seek more services from providers and place greater emphasis on workplace experience as a means of attracting and/or retaining top talent. Outsourcing has evolved from a vendor-procurement activity to more of an organizational transformation paired with strategic alliances.

To better understand this evolution of CRE outsourcing, CoreNet Global and Deloitte Consulting LLP recently conducted a survey, following a related survey from 2013, to extract observable trends from the past four years. A large majority of the respondents were global or regional leaders of CRE organizations of varying scale, scope, and complexity.

Of all the key market sentiments expressed collectively through the survey, the following five stand out for deeper consideration; this article elaborates on these themes:

1. Alignment of outsourcing goals
2. Managing change to drive implementation and adoption
3. Nuanced complexity across regions
4. Process and technology as accelerators
5. Developing partnerships
1. Alignment of outsourcing goals

Linking the CRE organization’s objectives to broader business outcomes (along with internal business partners like human resources (HR), technology, and finance) has become an important part of having a cohesive business strategy. Motivations for CRE outsourcing can vary widely, from decreasing costs, to improving service levels, and to transferring risk (see Figure 1).

Ultimately, it is the CRE organization’s alignment of its own objectives to those of the broader business that contribute to the design and implementation of a successful outsourcing arrangement.

Depending on the goals, internal alignment, and the maturity of the organization, the extent of CRE outsourcing can range from significant, where most capabilities are outsourced, to minor, with only one or two capabilities being outsourced. The survey shows that facilities management and lease administration were the capabilities most frequently outsourced by survey respondents, while business engagement/customer relationship management and strategic planning continue to be conducted primarily in-house (see Figure 2).

2. Managing change to drive implementation and adoption

While defining outsourcing strategies, it benefits CRE organizations to evaluate their readiness to outsource or to transfer more accountability for currently outsourced services to providers by assessing the following:

**Stakeholder buy-in:** Organizations that embark on the outsourcing path require adequate preparation to drive the desired outsourcing outcomes. Organizational resistance can be a significant deterrent in many cases and it can be overcome, at least in part, by focusing on the following:

a) Expediting acceptability: Stakeholder buy-in, or a lack thereof, has long-lasting implications on outsourcing. Often, site-level budgets may be controlled directly by business units. The goals of these stakeholders should be considered early in the journey and clearly align with the objectives of the proposed outsourcing. The quickest way to do this is to build a business case showing the benefits intended for the stakeholder groups. The CRE organization should internally identify the outsourcing program champions who will drive the initiatives forward.

b) Standardizing expectations: Outsourcing arrangements can be used to streamline CRE operations, refine processes, develop a stronger governance model, and delineate the necessary from nice-to-have requirements for CRE. Doing the proper diligence on scoping and baselining can highlight opportunities to obtain greater value at reduced costs.

c) Preparing for transition: Transition teams may include third-party resources in addition to the internal teams. Stakeholder availability and their bandwidth is critical to meeting transition timelines.

**Talent readiness:** Sometimes overlooked, CRE organizations can be more prepared to implement the future outsourcing model when they develop, grow and/or attract the right talent. Clearly defined career paths and roles or responsibilities help to attract and retain talent that can push implementations forward. Depending on the capabilities outsourced, the CRE organization needs to align on the composition of strategic and operational roles, use of staff augmentation, and other contracting models. Leading methodologies to approach talent development can include implementing a performance model linked to individual performance objectives and developing roles and responsibilities matrices.
3. Nuanced complexity across regions

While services are generally bundled at a regional or global level (see Figure 3), the geographic basis for outsourcing will vary based on the CRE capability under discussion. Unique and complex cultural distinctions, market maturity, and availability of regional or global providers all impact the outsourcing of services.

Not all capabilities are subject to regional and geographic biases. CRE organizations may prefer to keep some capabilities outsourced through global partnerships. In fact, 71 percent of the survey respondents employ a center-led strategic planning model requiring a global partnership. Survey results also show that local level outsourcing is relatively low across functions, given that respondents outsourced one or more CRE capabilities, suggesting an opportunity to further integrate the local organization with the overarching regional or global objectives.

4. Process and technology as accelerators

In addition to managing people, CRE organizations use processes to derive greater value from an outsourcing arrangement. Defining the strategy and desired outcomes upfront can help identify gaps in current processes and streamline opportunities to achieve operational excellence. Processes do not have to be standardized at a global level. Local or regional legal, financial, regulatory, and technology considerations all influence process optimization and adoption.

New or revised processes (such as invoicing, lease renewal approvals, work-order management, conflict resolution, etc.) also require extensive socialization with affected business leaders and their employees. A common pitfall to new outsourcing arrangements are inadequately defined responsibility and/or accountability matrices with redundant or multiple approvers, and poorly designed command structures that might result in operational gridlock.

To prevent such potential issues, CRE organizations can develop and regularly update process, tools, and frameworks including RACIs (responsible, accountable, consulted, and informed), governance and performance-management mechanisms, playbooks, etc., prior to outsourcing. Such preparation helps in onboarding of new talent, reducing knowledge concentration risks, and minimizing unplanned costs. By assessing their own maturity on key business processes, a CRE organization can develop an RFP with a reasonable understanding of their expectations. This not only facilitates more thoughtful responses from the providers, but can help foster a smoother transition and implementation into the new model.

CRE-specific technologies (cloud-based solutions, integration hubs, supply chain management and/or sourcing platforms, business intelligence overlays, etc.) are driving many shifts in the CRE industry by offering the promise of savings and improved service delivery through greater insight and transparency into costs, space utilization, and service provider performance. However, technology alone is not a panacea for a CRE organization. For new technology solutions to positively affect an organization, the organization must first understand where and why its current solutions fall short as well as what it requires from a new solution. Comprehending these needs better equips a CRE organization to review system capabilities and service provider solutions to determine cost efficiency and fit-for-purpose.

Another pervasive trend in technology is the rapidly expanding Internet of Things (IoT) ecosystem and smart-buildings technologies. Regardless of the need – smart lighting, smart occupancy sensors or beacons to inform space management and service delivery, more accurate work-order systems, the employment of drones to identify structural preventative maintenance – data-driven smart solutions around building management have enabled a higher level of sophistication in CRE organizations seeking
innovative outsourcing solutions. It is to the benefit of the service provider to understand these trends and to either self-deploy solutions in-house or to work with technology providers to create integrated offerings capable of meeting the client’s needs.

The vast increase in data availability and analytics options carry implications for the service provider’s contracting model and performance management framework. The contract structures need to be set up to include expectations from the CRE organizations on the use and reporting of data and analytics.

5. Developing partnerships

The unifying thread that connects all the aforementioned themes is partnership on the initiative right from the start. A thorough internal understanding by the CRE organization of the current and desired future state, as well as the limitations of each, can help in determining the necessary RFP requirements. Comprehensive documentation and preliminary communication can increase the likelihood of receiving thoughtfully tailored responses from service providers.

Service providers are sometimes challenged by limited data and context when developing their responses to RFPs. It is essential that CRE organizations developing an RFP consider the time required to onboard service providers, supply them with adequate data for their analysis, and factor in solution-centric discussions as a part of evaluation process. Knowledge of an organization’s complexities and actual goals upfront can help a service provider develop a trusted strategic partnership with the organization and minimize challenges in the bidding process and any future outsourcing arrangement (see Figure 4).

In summary

The five themes presented in this article provide directional guidance on assessing a CRE organization’s position and readiness for change and collaboration, and its organizational consensus on a path forward. Reviewing these themes provides a view of its future state processes and technology roadmap. By taking the time to adequately align the organization around why and what outsourced services are required, a CRE organization can rapidly scale up its outsourcing activities, mitigate risks, and align with larger corporate objectives to ensure “business as usual” drives significant business value.