

## Hot property

# Establishing world-class real estate and facilities management operations at a leading global insurer

### Abstract

One of the world's largest insurance businesses needed to dramatically improve its real estate and facilities management (RE & FM) function. Deloitte helped them conduct an in-depth assessment of their existing global operations and develop recommendations and a road map for creating a world-class RE & FM function.

### The challenge

The largest division of this Fortune 50 company operates in more than 160 countries and spends over \$1 billion annually on real estate and facilities management. Despite this massive scope, it lacked a center-led RE & FM function with the mandate and responsibility to manage and coordinate their global real estate and facilities portfolio. Each local operation had its own way of doing things, and made decisions that mainly served its own needs, rather than those of the global business. RE & FM systems and processes were largely non-existent, and varied widely across the global enterprise. Also, even the most basic information was hard to come by; for example, no one knew the total value of the business' real estate holdings, or how much money it was spending on leases worldwide, let alone how much of the real estate it actually owned. To make matters worse, the business had a strained relationship with its corporate parent's real estate group, resulting in deals that often did not make sense for the business.

### How we helped

Deloitte helped the organization conduct an in-depth assessment of their existing real estate and facilities management operations and develop detailed recommendations for establishing a world-class RE & FM capabilities. Our team included specialists with deep experience in all aspects of RE & FM operations and technology, so we were able to get up to speed very quickly - without a prolonged learning curve.

Our assessment services were based on our time-tested operations assessment methodology for corporate real estate, which allows us to facilitate a rigorous and comprehensive assessment rapidly and efficiently, that includes comparing service levels and quality to industry benchmarks. Using this methodology, we helped the organization analyze their capabilities in nine core business areas, covering everything from strategic planning and portfolio management to transaction management, facilities operations, property management and legal support for real estate. We also helped them analyze their capabilities in seven supporting areas ranging from organization structure and information technology to performance management, outsourcing, and finance and accounting.

To establish a baseline, we worked with them to conduct extensive interviews and in-depth analyses of the division's current capabilities in each of the 16 core and supporting areas. We then helped them assess the results of the baseline analysis against effective industry practices, including an evaluation of the current and targeted performance levels.



## Solution

The operations assessment led to a recommended solution and a prioritized implementation roadmap, centered around six major recommendations:

### 1. Global operating model and organization structure:

Create a global structure with the mandate to govern and coordinate RE & FM activities across the enterprise, with full participation from all countries and business units. Make one executive ultimately responsible for RE & FM activities and decisions around the world.

**2. Global service delivery model:** Establish a standard, global approach for delivering RE & FM services. For example, determine which activities should generally be contracted out, rather than being done by in-house staff. Make local variations the exception, rather than the rule.

### 3. Common operating processes and standards:

Define and document operating processes for all RE & FM activities, starting with key processes such as lease administration, strategic planning and portfolio management. Publish global standards for real estate and facilities.

**4. Global financial management practices:** Establish standard, global practices for handling various types of financial transactions, and for measuring financial performance. Define clear and consistent roles and responsibilities for finance leaders and staff.

**5. Integrated technology platform:** Identify business requirements for an Integrated Workplace Management System (IWMS) to capture corporate real estate data and manage the portfolio. Select technology vendors. Plan and implement the system.

**6. Optimized real estate portfolio:** Look for ways to consolidate facilities and restructure existing leases. Establish ongoing capabilities for managing and optimizing the entire real estate portfolio. Develop a comprehensive, portfolio-wide strategic plan for long-term real estate and facilities asset optimization.

The operations and organizational improvements are helping them get control over their real estate and facilities management portfolio by increasing consistency, transparency and accountability across the global enterprise. This is especially important for RE & FM transactions, which often take place on the other side of the world and involve large financial commitments that generally last for years, or even decades in the case of critical property or occupancy agreements. The organization expected these improvements to reduce their total cost of ownership and operations by 10 - 15 percent, creating significant value for their business.

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