



Organizational Design in the Corporate Real Estate and Facilities Environment

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Squeezed between obligations as landlord for the corporate portfolio and daily evaluations of how well it serves business-unit wants often in conflict with those objectives, most Corporate Real Estate and Facilities (CRE&F) departments walk a fine line between delivering value to the corporation and support to end-user customers.

How well a CRE&F group manages to serve both masters -- landlord obligations and end-users -- is a key measure of its effectiveness and requires both the skills to recognize and do the right things and the agility to navigate between often-competing needs. As many of these organizations know, however, none of that matters absent an environment in which they can succeed.

Chief among these environmental influences is an organization framework that supports both

- **Connectivity** -- between senior management and CRE&F and between CRE&F and its clients, and
- **Integration** -- of the various components and resources that constitute a contemporary real estate and facilities function.

Many strategies exist to accomplish this, but the right answer for any particular enterprise is often elusive and too much a function of unique business dynamics, corporate culture, and portfolio characteristics to respond with canned or standardized models. So while CRE&F represents a unique vehicle to manage the value of a critical corporate asset while leveraging that asset for competitive advantage, few organizations meet that goal without struggle. For those organizations, considering "better" approaches than they currently employ can be far more fruitful than searching for a universally "best" answer.

This article examines, in three parts, the essential attributes of CRE&F organizations, the impact of the corporate environments within which these organizations operate, and a comparison of these influences on four model approaches to CRE&F organization design.

PART ONE: Key Attributes of CRE&F Organizations

Most CRE&F organizations are different shuffles of pretty much the same deck of tasks, functions, and skills. Some are much more successful than others at delivering perceived value to their companies, and no particular shuffle appears universally better than another. Over time, we've decided that the best method to assess these variations is with a group of attributes (or characteristics) that facilitate comparisons between the client's current CRE&F environment and one they would have to create to meet their stated objectives. In that way the client can assess the impact (or cost) of broad changes within CRE&F and determine their appetite for change based on the value they assign to particular improvements (often needing to modify their objectives in the process).

In This Issue

- > [Avoiding Mistakes, Saving Money: The Case for Virtual Design and Construction](#)
- > [The New Architect: Keeper of Knowledge and Rules](#)
- > [For BIM's Sake](#)

Archive

- > [April 2005](#)
- > [September 2004](#)
- > [August 2003](#)
- > [March 2003](#)
- >



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One of the best tools to facilitate these discussions has proven to be the simple functional model shown above. While it represents the standard Plan-Change-Maintain cycle common to all corporate real estate portfolios, it also allows us to illustrate the unique customer-specific division of components within those functions and to rationalize the ideal location or relationships given the influences shaping a particular customer's environment.

For instance, consider the simple example of two portfolios that are similar in size, buildings, occupancy, churn rates, and lines of business. In one of the portfolios, CRE&F developed and deployed a highly successful standards program several years ago and now benefits from an extremely low-cost, efficient, and universally understood move process based on those standards. Within the other portfolio, CRE&F -- in the earliest stages of defining and introducing a similar standards program -- struggles through almost every move, trying to impose the new standards and/or modify them appropriately. Representing maintenance of the status quo in the first portfolio and change management in the second, the model offers a way to align the same move-related tasks differently within the two CRE&F organizations.

As you read through the descriptions below, this model should help both to apply the various alternatives and to identify opportunities within your portfolio.

Alignment

Common among our clients are sizeable differences in how CRE&F performance is perceived by the enterprise -- from its business-unit clients and corporate management. A remarkable number of CRE&F organizations feel their value is not recognized and that they do better than their clients realize. At the same time, the most common refrain we hear from their clients is that these guys just "don't get it." The larger that perceptual gap, the more likely it is that CRE&F thinks of its services as more closely aligned to the commercial real estate and facilities markets from which it buys its services (e.g., construction, design, brokerage, janitorial) than to how its business-unit clients use and value those services (e.g., space, workplace services, move management). Understanding this alignment within a given corporation reveals a lot about the mechanics of CRE&F's key relationships within that environment -- from its business-unit customers to senior management to internal cosuppliers (e.g., IT, HR, Security).

High-performance CRE&F organizations (acknowledged as such by their management, customers, and peers) recognize that the value of their services transcends functions such as building out space, maintaining chillers, and manicuring lawns. They recognize that the value of these components lies in the support they provide to an underlying business need -- whether as mundane as maintaining a comfortable, productive work environment or as complex as providing new working space in an expanded region ahead of a competitor. These CRE&F organizations strive to achieve full-service capability defined in the *customer's* terms and, in so doing, continually distance themselves from the definitions embedded in the commercial market. (This helps explain the difficulty that many otherwise competent commercial providers have in serving the outsourced market in areas such as architecture and construction.)

In contrast, CRE&F groups that define their services predominantly along the lines of commercial trades impose on their customers the coordination and management of those components. Whether it's a requirement for separate calls to the CRE&F and IT Help Desks to organize a small move or the receipt of newly delivered space not outfitted with (or unfit for) servers and phones, these CRE&F organizations cause their customers to view them as ineffective (or incomplete) delivery resources. Over time, customers and management accept these lower expectations and CRE&F effectively abdicates a more valued or strategic role within the firm. The "they don't get it" refrain often follows a legacy of this type of relationship and represents its own set of barriers to creating a more effective CRE&F.

Integration

Whether leaning toward the commercial or in-house ends of the alignment spectrum described above, the amount of overlap between the various components of a typical CRE&F organization is enormous. It's difficult to imagine almost any activity occurring within one functional area that does not -- or better yet, should not -- affect another. The degree to which CRE&F organizations recognize, leverage, and manage those overlaps defines their ability to offer cohesive services effectively.

Highly integrated CRE&F organizations recognize the impacts of both causes and effects from one functional area to another as well as the value of information shared across those areas. They prepare their annual capital budgets and operating plans as a group, often including key internal cosuppliers, to ensure that work budgeted for one area can be staffed and supported in another. They recognize that changes to the portfolio, from site selection through project design, can have long-term effects on operating costs, and they incorporate the procedures necessary to identify and manage those effects. Concurrently, they can distinguish customer requirements or infrastructure issues that fall outside the bounds of operations and maintenance and inside the realm of planning and change management. By doing this, they offer both a seamless face to their customers and an effective organization for senior management.

In contrast, less integrated organizations pay a premium for undoing or redoing work while forcing additional an management burden on their clients to coordinate their services. Consider (as a recent client did not) the operations and maintenance effects of relocating only a small call center to an otherwise general administrative site. With the introduction of a mission-critical tenant, what had been a previously tolerable issue with power continuity at that site became unworkable, as did the risks associated with maintaining end-of-life roofs and HVAC equipment. Likewise, relocation of the group displaced by the call center added a janitorial burden at its new site in excess of available resources only recently negotiated in an outsource contract. Unfortunately for our client, it was difficult for its facilities group to argue that this was unplanned and should be funded as such when, along with the business unit, the planning and construction groups had planned this move well in advance of the annual budget cycle.

Magnified by geography, multiple business-unit clients, and truly unplanned work, similar scenarios can be played out in countless ways throughout most CRE&F environments, such as in the following ways:

- Construction teams install nonstandard equipment to save costs.
- Planners plan project and moves while unaware of site-specific infrastructure issues.

- Transaction teams are insensitive to IT or telecom requirements.

Despite the clear and often expensive impact of failures in integration, CRE&F organizations vary widely in their willingness to recognize or acknowledge these challenges. Over time, unfortunately, we find that the most dysfunctional of these characteristics can become embedded in departmental culture, attitudes, and personal relationships -- reinforced by mistrust, continued failures to meet expectations from area to area, and lack of appreciation and respect between functional areas. As a result, many CRE&F groups face dramatic organizational and personnel changes as an uncomfortable but necessary step to removing the barriers to any significant improvement.

Bias

Distinct from the mechanics of the characteristics described above, organizations have an underlying personality in the way they define themselves -- the roles each individual fulfills, the ways in which individuals are held accountable, and the manner in which organizations group various roles and responsibilities together. It is in large part how the members and the organization evaluate each other's success. We think of this as the organization's bias.

Organizations tend to have a bias that is either skill-based or function-based. Skill-based CRE&F organizations emphasize individual knowledge, capabilities, and performance as the locus around which things get done. While these individual capabilities typically fall along the lines of the commercial roles described earlier, this is not always the case (and can sometimes disguise poor technical skill sets). Function-based organizations, on the other hand, emphasize roles and responsibilities above individual skills or knowledge. These organizations focus on issue ownership and intradepartmental deliverables -- and in extreme cases can be procedure-rich but process-poor; doing what they are supposed to do but often without a sense of purpose.

Organizations are never exclusively skill- or function-based. It is the balance between the two that is important for the success of the organization, and the understanding of that balance is critical to identifying improvement opportunities. Regarding bias, we assume that the same failures can occur in each of these organizational types but for wholly different reasons and that successful intervention requires recognition of these underlying organizational personalities. Specifically, skill-based organizations struggle with a tendency to forgive omissions in compliance or procedures in favor of rewarding perceived expertise ("I know the customer's angry that Bob didn't make sure the scope was signed off, but he was under budget."). The inverse applies with function-based organizations whose tendency is to forgive (or ignore, if conversations with some of our clients are any measure) a perceived lack of industry skills in favor of being a "team player" ("I know Bob blew the budget again, but he's the only one who seems to be on top of things all the time and keeps everyone informed."). One can surmise from the two imaginary quotes that while in each case the project has gone awry, each circumstance requires a different type of intervention.

Alignment, integration, and bias are the three key attributes that shape the characteristics of CRE&F organizational behavior. The larger corporate environment (including geography, scale, corporate organization, product life cycle, and the unique corporate culture(s) of the businesses they serve) can and should influence the design of CRE&F. In particular, geography is the most obvious determinant of staffing levels associated with span of control and practically, therefore, with the management models needed to support that staff. Part Two of this article will explore the impact of the corporate environments within which CRE&F organizations operate.

The authors would appreciate your comments, criticism and insights regarding this article. Please forward your comments to dgarber@realign.com or dguthrie@realign.com or visit them at www.realign.com.

NEXT (in future issues of *Corporate Architects eNews*)

Part Two: The Corporate Environment's Influence on CRE&F Organizations

Part Three: The CRE&F Organization -- Four Models