



**CUSHMAN &  
WAKEFIELD**

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# **SO YOU THINK YOU HAVE A STRATEGY?**

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## WHAT IS “STRATEGY”?

A key ingredient of successful leadership is the ability to develop and communicate a strategy. Simply put, strategy is an integrated, externally-oriented plan that guides how a business will achieve its objectives. When properly developed, strategy sets enterprise objectives, reveals the actions required to achieve those objectives, and aligns employees and resources against those actions.

The best corporate leaders spend an inordinate amount of time on strategy since it ensures the execution of a particular vision. Without strategy, companies would:

- Waste time and money on the wrong activities
- Make decisions that do not align with the enterprise’s core mission and goals (and potentially damage delivery against the mission and goals)
- Face difficulty motivating employees

In most industries, a core challenge is aligning the long-term nature of real estate assets with the short-term nature of business events. A real estate strategy is essential for getting this right. Unfortunately, actual strategies for managing corporate real estate are shockingly rare.

### MOST COMPANIES DO NOT HAVE A REAL ESTATE STRATEGY

A company’s corporate real estate portfolio requires a carefully developed strategy because it can make meaningful contributions to top corporate concerns including human capital, operational excellence,

innovation, customer relationships, corporate brand and sustainability. When properly developed, a real estate strategy can also provide operating flexibility – a key requirement in the ever-shrinking business life cycle. Absence of a strategy will typically result in a quagmire of poorly-suited real estate commitments that can inhibit growth, create company-wide inefficiencies, jeopardize hiring, taint the company brand and ultimately hurt the bottom line.

After reading this, executives anxious about not having a real estate strategy may take some comfort in knowing they are not alone. When the Real Estate Executive Board surveyed a cross-section of companies on this topic, they found that only 18% possessed a long-term real estate strategic plan that aligned real estate with overall business goals. This misstep has resulted in unnecessary costs, operational inefficiencies and increased risk, all of which can harm other business initiatives.

Typically, the absence of a real estate strategy can be narrowed down to two root causes: thinking a strategy exists when it actually doesn’t and a conscious choice not to create a strategy.

*The biggest shortcoming of operating plans is that senior business executives are rarely integral to the process, ensuring a constant gap between company strategy and real estate execution.*

#### ROOT CAUSE #1: YOUR “STRATEGY” ISN’T ACTUALLY A STRATEGY

In most instances, companies mistake an operating plan for real estate strategy. The same Real Estate Executive Board survey found 95% adoption of an operating plan that accommodates near- to medium-term real estate needs for timely space availability.

Operating plans have significant merits, but they ultimately fall short in creating an effective roadmap due to a piecemeal approach in addressing a company’s real estate needs. Operating plans are typically reviewed annually with quarterly check-ins by the corporate real estate (“CRE”) department and upcoming real estate decisions are made accordingly. As a result, CRE teams are continuously facing fire drill situations in which the company’s physical space must somehow accommodate changing headcount projections, departmental shuffling or new corporate mandates. The biggest shortcoming of operating plans is that senior business executives are rarely integral to the process, ensuring a constant gap between company strategy and real estate execution.

Broad goals are also sometimes mistaken for strategy. Clearly, a strategy isn’t the same thing as “keep real estate costs low” or “have an office in all fast-growing U.S. markets”. These are broad, feel-good statements that may convince leadership that all is well. However, they don’t drive real results because they only identify an ideal future state without any of the details of how to get there. Broad goals without an underlying roadmap for action are always insufficient.



#### ROOT CAUSE #2: A STRATEGY DOESN'T EXIST, AND WE'RE AWARE OF IT

Some CRE teams occupy the other camp: they know that they don’t have a real estate strategy, and they haven’t tried to build one. This decision can often be traced to three key challenges commonly faced by CRE departments. The first challenge is the perception of ability, or lack thereof. The notion of a holistic strategy that aligns real estate with the rest of the company is viewed as a monumental task. They don’t believe they have the right attributes for success, including influence with senior corporate leaders, depth and breadth of data and the correct frameworks to develop a strategy.

The second challenge is having the right resources in place. Unfortunately, the CRE department is often operating on a different plane than their partner business units which are relied upon regularly for data and feedback. While the real estate department plans around long-term assets, other business units are moving quarter to quarter, reacting to immediate concerns like changing headcount growth projections and shifting customer preferences. Furthermore, CRE leadership is often buried deep in a corporation’s organizational chart, tasked with putting out fires and only being noticed when real estate fails to perform. This lack of structure to regularly inform the CRE department of business unit needs is at odds with the basic inputs required to develop strategy. Frequently, CRE is set up to fail from the start.

Finally, whether they have already tried or have yet to start, many in CRE lack the will to develop a strategy. Both new and seasoned professionals aspire to have a strategy but feel discouraged, often due to lack of knowing where to start or how to align against disparate and diverse company objectives. Others have resigned themselves to a Band-Aid approach to real estate after trying to develop and execute a strategy, but ultimately failing.

# WHY A REAL ESTATE STRATEGY IS ESSENTIAL FOR BUSINESS SUCCESS

The gap between corporate objectives and real estate strategy can result in at best, missed savings opportunities and at worst, a real estate portfolio that limits company growth. The solution for overcoming this gap is to change the mindset from “nice to have” to “essential for business” by highlighting the substantial benefits:



Transform real estate from an inhibitor of change into an enabler of growth.



Enable a quicker decision-making process that incorporates established company strategy in real estate decisions.



Reduce real estate cost and prevent poor space utilization by evaluating ongoing business unit requests against the strategy.



Expedite comprehensive planning of financial expenditures by location and department.



Optimize the performance of each facility against stated company space utilization, business enablement or revenue goals.



Improve talent attraction and retention through a strategy-led workplace that encourages employee wellness, enables collaboration and promotes company brand.



Promote regular realignment of the real estate portfolio during contractual lease renewals and resizing opportunities.



Improve flexibility in the real estate portfolio to meet the occasional bumps in the road.



Enhance risk mitigation through thoughtful capital placement on justifiable matters.

## CASE STUDY

Several of these benefits are demonstrated in a recent Cushman & Wakefield study for an education technology company. By adopting a real estate strategy, the company realized transformative change after years of acquisition resulted in a bloated and inefficient portfolio. The company launched the strategy on the concept of realigning their portfolio around core employee hubs to insert strategic objectives on driving performance, enhancing culture, enabling growth and using space efficiently. The company adopted a center of excellence model to rationalize a portfolio of redundant operations. The model was used to evaluate the footprint for labor skill requirements, targeted demographics and access to target customers. The result of the realigned portfolio was an annual savings of 40% over the base case scenario and reengaged employees from new amenities, improved collaboration, enhanced culture and renewed energy.



# HOW TO BUILD A REAL ESTATE STRATEGY

In order to build a real estate strategy, CRE leadership should enact a process that systematically aligns company goals and real estate criteria to develop a repeatable framework for decision making. Cushman & Wakefield suggests the following four steps when building a strategy:



1

## Mission & Goal Alignment

During the first step, key CRE stakeholders need to define the company's mission and the goals required to achieve that mission. It is essential that CRE stakeholders push their thinking and ensure that the full potential of the company today and in the future is included in the stated goals.

2

## Real Estate Solution Criteria

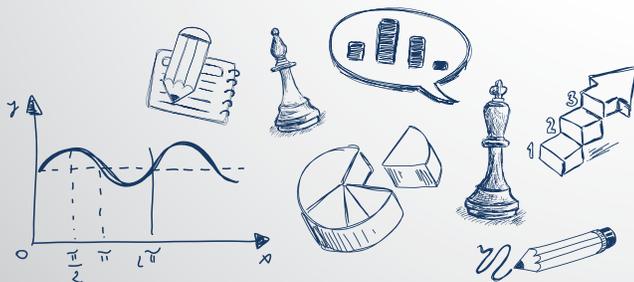
The second step is to take the goals and translate them into specific real estate criteria that will enable the company to evaluate future decisions based on measurable data points. Criteria may include cost, access to labor, client access, brand and visibility, risk, transportation infrastructure, departmental organization, and workplace design standards.



3

## Criteria Weighting

Following criteria creation, leadership must weigh each of the criteria according to relative importance. This ensures current and future real estate options are evaluated and compared according to what matters most to the company's mission and are not subject to bias and preconceptions.



4

## Strategic Scorecard Creation

In the final step, the company should be able to construct an interactive, weighted scorecard to compare different locations and ultimately make a decision based on a transparent quantitative and qualitative analysis. The relative merits of any real estate scenario, both portfolio-wide and individual properties, can be examined using a comprehensive and endorsed set of criteria.





While the four steps to building a real estate strategy appear straightforward, a successful strategy will also have several distinct attributes to address and overcome the two major root causes for lacking a strategy. The process of bringing the strategy to life begins with consistent data reporting (which is rarely aggregated and analyzed in one place) to understand the current state. Location, asset value and space utilization are significant cost and operational baseline data points for any company with a real estate portfolio consisting of multiple departments across wide-ranging geographies. The missed opportunity of understanding even basic performance is demonstrated in a survey conducted by the Real Estate Executive Board - only 14% of CRE departments knew how their current real estate spaces were being utilized!

After data consistency, multiple company departments need to be regularly engaged to share any relevant plans or issues that could affect the real estate strategic plan. Whether departmental or company-wide, issues like growth forecast variation and management change can quickly modify the current strategic objectives of the company and derail the real estate strategy. Lack of engagement and accessibility dooms CRE management to make the same mistakes leading to unnecessary costs and failure to link real estate requirements to company-wide goals. Executive sponsorship of the strategy helps to drive cooperation among business units if it did not exist before. CRE management can also proactively meet with department leads to help them understand the real estate decision making process and the importance of lead time and regular check-ins.

An effective real estate strategy must adapt to changing internal and external forces. Internally, transformative events like a merger, new senior leadership, and departmental restructuring can introduce a series of challenges to the strategy's framework and established success criteria. Externally, the strategic value of a company's offices, warehouses and customer-facing centers can evolve based on

changing factors such as employee demographics, supply chain cost and consumer tastes. A properly developed strategy ensures its survival by allowing new criteria to be evaluated using the same goal and criteria weighting framework. The strength of the strategy in the face of potentially sensitive and contentious matters is its defensible, informed, and data-supported decision-making process.

For those that think they have a strategy but don't, comparing the current plan to the essential

What, Where, Why components is the ideal stress test. Simple but direct questions like "what do we plan to achieve?" or "how will we obtain our returns?" will lay bare any deficiencies in the current solution. For those that don't think they have the skill, resources or will to build a strategy, the steps above are designed to base all decisions on the ultimate core objective of the company, drive alignment across stakeholders, and remove bias and preconceived ideas from clouding the decision process. This process-driven approach puts CRE at the center of strategy development - increasing visibility and connecting business units.

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## WHAT SUCCESS LOOKS LIKE

Companies frequently use the What, Where, Why strategy components to enact change across the organization. In one recent example at a major health insurer in New York, company leadership used a real estate strategy as a strategic differentiator – that is, letting the real estate be a contributor to organizational success. Initially, the portfolio of more than 30 offices lacked the flexibility, attractiveness to talent and efficiency needed to realize corporate objectives.

Cushman & Wakefield developed a strategy starting with the What, which was to align the portfolio with existing long-term goals to better support work activities while realizing cost savings from efficiencies in increased space utilization. The Where focused on tactical, location-based suggestions including consolidation, relocation and placement of hard-to-fill occupations in growth markets. The solution was to identify functional redundancies, separate client-facing functions from support and reallocate critical operations to markets of high value. Lastly, Cushman & Wakefield provided the Why by quantifying the investment and identifying each recommendation's opportunity to affect positive change.

The real estate strategy was aligned with healthcare industry changes and relied upon internal resources that would ensure the plan was implementable. The approved recommendations resulted in productivity improvements, better deployment of employees allowing for growth in customer-facing clinical space, and access to target labor markets. The client's long-term benefit is expected to yield increased market share from maximizing accessibility to potential patients, thereby increasing overall revenue goals.

### CASE STUDY: 1



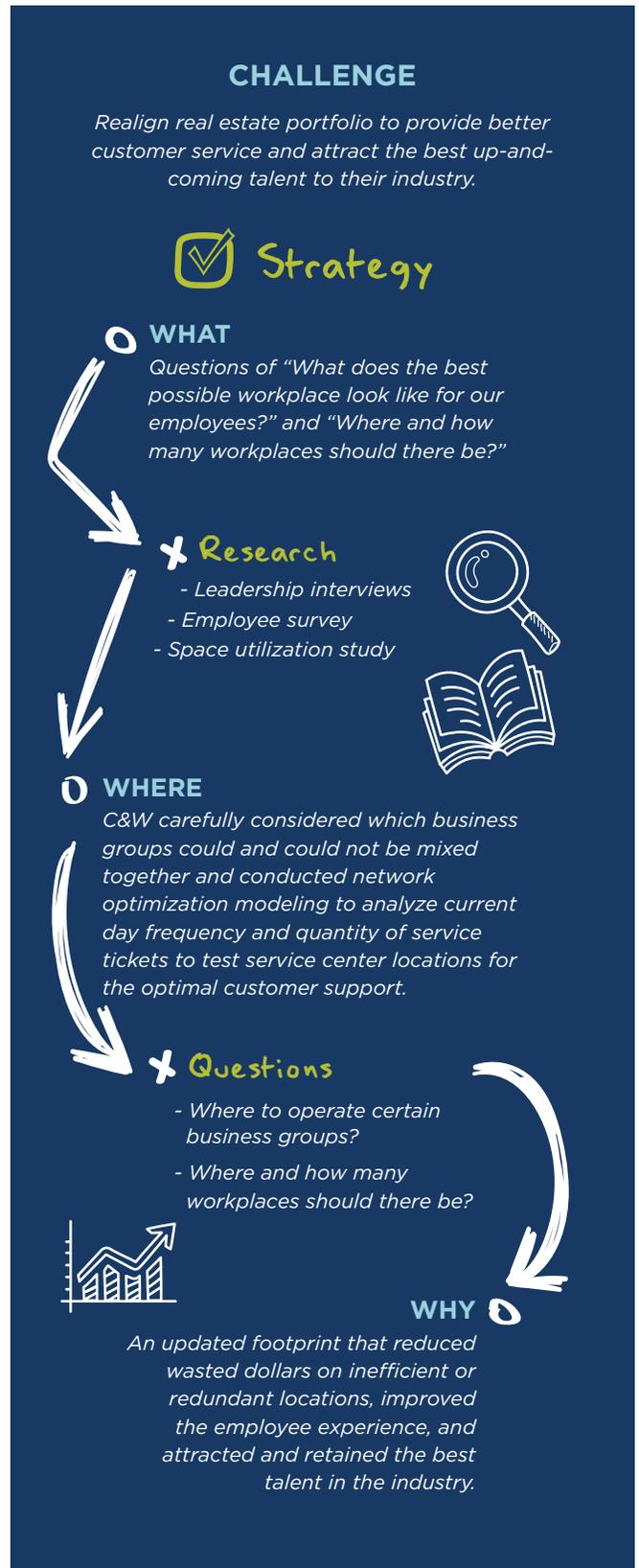
In another example, a major utility faced the challenge of providing consistent, reliable electric service to markets with varying levels of demand. Being part of a highly-regulated sector, the company also faced aging infrastructure that was unable to provide critical service to its customers every day. Company leadership recognized that they needed a strategy to realign their portfolio to provide better customer service and attract the best up-and-coming talent to their industry.

Cushman & Wakefield helped the company formulate how to think long term about their real estate portfolio of almost 500 properties (more than 5.1 million square feet) ranging from office parks to unimproved land. A strategy was developed in the form of a playbook that laid the groundwork for how capital should be allocated over 10 years to achieve operational performance, employee experience and talent attraction goals.

At the core of the playbook is the What built on the foundational questions of “What does the best possible workplace look like for our employees?” and “Where and how many workplaces should there be?” Research included leadership interviews, an employee survey and a space utilization study. The collected data was then compared against benchmarks and established industry best practices from leading peer companies.

The Where question asked where to operate certain business groups and where to locate both critical and service center facilities. C&W carefully considered which business groups could and could not be mixed together and conducted network optimization modeling to analyze current day frequency and quantity of service tickets to test service center locations for the optimal customer support.

The playbook ends with a discussion on economic logic - the Why - to support the recommendations. The answer for the company was an updated footprint that reduced wasted dollars on inefficient or redundant locations, improved the employee experience, and attracted and retained the best talent in the industry. These three major achievements also had a trickle-down effect contributing to the goal of providing great customer service.



## IN SUMMARY

The influence of real estate on a company's success is often underestimated and misunderstood. However, an incredible opportunity exists to recast real estate as an important foundation of a company's success by instituting a strategy with the essential What, Where, Why components. These three elements form a coherent roadmap to let real estate help the company achieve its objectives and eliminate the frequent practice of piecemeal, disparate activities.

The good news for CRE leadership is that strategy is completely achievable if the prescribed goal, criteria, and scorecard development steps are followed. Strategy creates a huge opportunity to connect good data, input of business partners and a clear understanding of business objectives to make real estate a driver of company success instead of an impediment. Remarkably, few have seized the opportunity to adopt a true real estate strategy addressing how real estate inertia and constantly shifting external forces hinder the ability to compete and survive. Companies investing the upfront time and energy along with the property framework will result in immediate cost savings, an improved employee experience and the long-term ability to better compete, adapt and ultimately thrive.

## METHOD CASE STUDY

Eco-friendly cleaning supply company Method is known for pushing the envelope in the business community for activities like making products from recycled Pacific Ocean plastic litter and promoting a work culture of "imagination plus execution". The strategy to embody positive impacts in everything they do resulted in the first LEED platinum factory certification for Method's first U.S. manufacturing plant on Chicago's south side. The chosen location allowed Method to positively influence the impoverished neighborhood by creating jobs for local residents. Sustainability also drove the site selection process to a former brownfield site which now includes a refurbished wind turbine and a solar array to generate about half of the plant's annual electricity. The factory is covered in a green roof and provides fruits and vegetables for local businesses and the community. The factory is truly clean in production and energy - the perfect complement to their "people against dirty" marketing campaign.

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## ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield is a global leader in commercial real estate services, helping clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provides deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of \$5 billion across core services of agency leasing, asset services, capital markets, facilities services (branded C&W Services), global occupier services, investment management (branded DTZ Investors), tenant representation and valuations & advisory. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @Cushwake on Twitter.