

Trends in Outsourcing: How Real Estate, Facilities and Procurement Can Maximize Value

In recent years, corporate real estate has shifted focus from tactical delivery to a realization that the organization's real estate portfolio needs to be strategically and critically linked to its success. This has driven an increased desire for strategic partnerships that have a collaborative, mutually accountable service delivery framework with service level expectations aligned to desired outcomes. While fully integrated solutions continue to grow in popularity, this shift in focus has many global enterprises questioning how the delivery model should look.

How do you decide what's right for your organization? How do you select which services you should outsource and which are better managed or developed in-house? How do you select the right partner in a fast-moving and quickly-evolving marketplace? And how do you ensure that you maximize the value of your provider relationship and achieve desired outcomes?

Answering these questions is particularly difficult if:

- You don't have the expertise and/or the resources in-house to conduct the proper data collection and analysis in order to develop and implement strategies that will achieve desired outcomes.
- Your organization has a large, globally dispersed real estate portfolio
- Data on your real estate portfolio and services is not centralized
- There is no centralized communication strategy to coordinate efforts, collect and disseminate information, or build and maintain trusting relationships across divisions or geographies

Start with the Right Service Delivery Strategy

Developing the right service delivery strategy is deceptively complex. The steps may be straightforward, but the devil, as they say, is in the details. Regardless of the size or complexity of your organization, you need to:



- **COLLECT** data and information to conduct a current environment analysis.
- **COMPARE** your results against industry benchmarks.
- **RESEARCH** the marketplace to understand supplier capabilities and reach.
- **SYNTHESIZE** the information to develop recommendations for organizational redesign and service delivery strategy.
- **ALIGN** your new service delivery strategy with your organization's business objectives.
- **SOURCE** your service provider or service providers based on your new service delivery strategy.

Use the Right Contract Structure

Organizations typically go through generational stages in the outsourcing process, starting with more transactional models, and transitioning to more relational models as:

- Their experience managing external providers increases
- The relationship with specific suppliers matures
- The desire for innovation becomes more critical and early cost savings are more difficult to achieve

Investment (Uncommon for corporate real estate & facilities services.)

- Best for critical processes where no one wins unless both do.
- Ensures high level of trust and interdependence.

Relational (Use increasing for corporate real estate & facilities services.)

- Works for long-term, interdependent, complex relationships.
- Enables shared mission and shared gains/losses.

Transactional (Common in 1st-generation outsourcing relationships.)

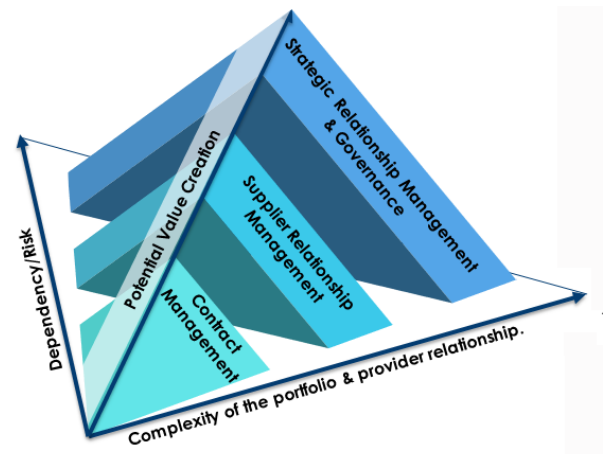
- Works best for tactical outsourcing of standardized, repeatable tasks.
- Enables commoditization of activities with interchangeable suppliers.

MATURITY

Strategic Relationship Management & Governance

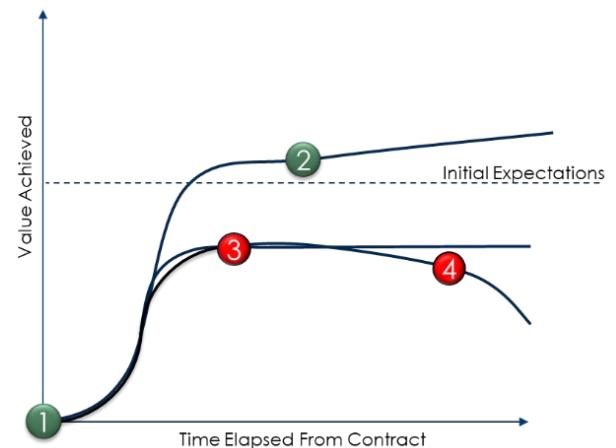
Strategic Relationship Management & Governance is particularly critical as the complexity of the portfolio and provider relationship increase, as the level of dependency and risk increase, and when the overall potential for value creation is high.

At SIREAS, we've developed three levels of Strategic Relationship Management & Governance to support the needs of organizations with complex strategic relationships. We refer to these levels as **ACTIVATE**, **ENGAGE** and **THRIVE**.



Most organizations consider Strategic Relationship Management & Governance at one of four critical junctures in the relationship:

1. During initial planning and implementation (Best time)
2. When you want to create even more value out of a good relationship
3. When you hit a value plateau that is below your expectations
4. When the relationship is running into trouble



Regardless of when you choose to implement Strategic Relationship Management & Governance, here is how the three levels of service, as we've defined them, break down.

ACTIVATE Your Service Provider Relationship

At the basic level, our goal is to implement effective performance management and reporting to achieve real strategic alignment and continuously refocus the parties on the intent of the deal. It is important to analyze, fine tune and periodically review the performance management program and reporting to optimize performance. Best practice includes careful implementation and utilization of a performance management platform that provides secure access to all relevant stakeholders across the enterprise in real-time.

ENGAGE all stakeholders in the relationship

Lock in the benefits of ACTIVATION by fully ENGAGING all stakeholders to achieve greater efficiency, effectiveness, transparency and collaboration. At this level, we closely monitor performance, support and strengthen your communication strategy, conduct continuous market research, and refer to our database of industry benchmarks to develop recommendations that keep the relationship operating at peak efficiency.

Position Your Relationship to THRIVE

To elevate the relationship and empower strategic results, we provide additional, neutral coaching and counseling to all parties and conduct periodic, joint, on-site sessions to maintain alignment of interests over the long-term. We conduct periodic relationship reviews and serve as a Standing Neutral to the strategic relationship.



When you ACTIVATE your relationship, ENGAGE all stakeholders and position your relationship to THRIVE, value soars!

Learn more about SIREAS and how we support the worlds most respected organizations and brands with incomparable real estate advisory services on our website:

www.sireas.com

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