



VerumConsulting

Sound business strategies for the road ahead.™

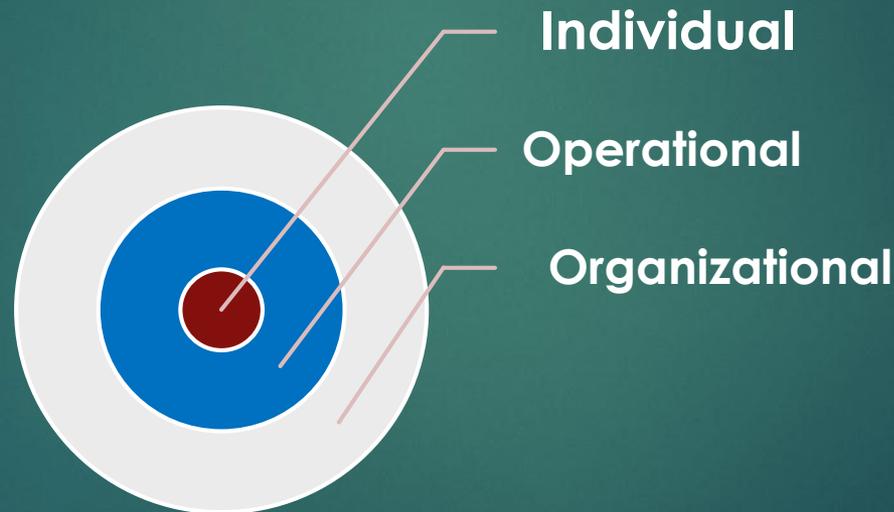
The 9 Steps to a Healthy Real Estate Service Provider Transition

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About Verum Consulting, LLC

Verum Consulting is a Minneapolis-based corporate real estate consulting firm that helps clients solve complex issues of organization and team dynamics so they can develop sound business strategies for the road ahead.



Why Outsource CRE in the first place?



According to CoreNet Global's research, the primary driver for most Corporate Real Estate outsourcing initiatives is to reduce cost.

The secondary driver is to allow the company to focus on more strategic activities.

The top three deterrents are: organizational resistance, a lack of providers in the marketplace, and the transfer of risk.

Real Estate Outsourcing

If you go through a proper vetting process and accurately define your scope of services, selecting a service provider can be a relatively mechanical process. Once you've made the decision, the key success factor for a healthy ongoing relationship...is the transition.



Items to cover before transition...

- How much do your people understand about the drivers behind the decision to outsource?
- Does the team clearly see a rationale for the decision and have they had an opportunity to provide feedback?
- Does the team understand that this is a strategic initiative fully supported by senior management?
- Will the installation of the new service provider team result in downsizing of the team? If so, and there are to be job losses, what steps are being taken?

Items to cover before transition...

- ▶ Does the company intend on transferring some of its employees to the service provider?
- ▶ Does the company intend on re-interviewing candidates for their current positions?
- ▶ Has a schedule of regular, formal briefing meetings been established for your employees to discuss their concerns and expectations?
- ▶ Once the transition begins, what will the new way of working together look like and how will it differ from the company's current operating procedures?

Healthy Transition – Step #1

ASSIGN A CHANGE LEADER

A single point of contact with the accountability and latitude to make decisions and set direction.

Ensures delivery “as promised” by setting clear expectations.

Responsible to develop the transition plan, validate the scope of services, negotiate the contract, and communicate to the organization about changes along the way.

Healthy Transition – Step #2

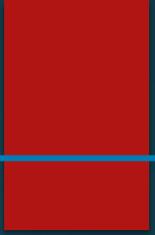
CONTINUE TO KEEP EVERYONE INVOLVED

Keeping employees engaged allows time to establish relationships through sharing of ideas, culture, needs, goals, processes and technologies.

Employees not actively engaged can undermine and sabotage the outsourcing.

Result is cynicism, rumors and derailment.

Healthy Transition – Step #3



COMMUNICATE, COMMUNICATE, COMMUNICATE!

Be open and up front with the service provider on your company's strengths, weaknesses, needs and cultural capacity for change.

Service provider can then adequately configure the service delivery platform that both parties can fully understand and buy into.

Healthy Transition – Step #4

HAVE A TRANSITION PLAN

A typical transition plan would cover the following:

- The Service Agreement
- Resource Plan
- Communication Protocol
- Reporting Requirements
- Project Planning
- Corporate Governance
- Tools – Strategic Plans, Business Case Templates etc.
- Technology
- CRE Team's Objectives
- Training
- Quality Assurance
- Strategic Planning
- Process Improvement
- Performance Measurement

Healthy Transition – Step #5

FOLLOW THE TRANSITION PLAN

Believe it or not, too often, service providers and clients create a detailed transition plan and abandon it once the transition begins.

They get into the Business of Busy-ness...

Healthy Transition – Step #6

BUILD THE RELATIONSHIP

Everyone must agree this is not a typical “vendor” outsourcing initiative. The service provider must be empowered to act with reasonable latitude.

The level of responsiveness and commitment from the provider should become indistinguishable from CRE.

Successful partners quickly find and maintain a relationship around this point.

Healthy Transition – Step #7

SUPPORT DUE DILIGENCE ACTIVITIES

Transparency - service provider must have access to the client's portfolio, existing processes, CRE staffing and roles, vendor contracts etc., in detail.

This is critical in establishing budget/cost save targets.

If procurement-led, good chance that the initial RFP documentation sent to market was inadequate.

Healthy Transition – Step #8



ESTABLISH AN OBJECTIVE BASIS FOR PERFORMANCE MEASUREMENT

Subjective measure to gauge performance can lead to complacency or surprise backlash.

Set performance management early, and clearly.

Measure and modify quarterly (at least).

Healthy Transition – Step #9

INVEST FOR THE FUTURE

A thorough transition takes 90-120 days depending scope.

Budget appropriately for costs associated with transitions:

- ▶ Staff salaries
- ▶ Employee retention costs
- ▶ Training
- ▶ Computer hardware/software
- ▶ General operating costs and travel related expenses.

Be wise: Thousands saved during transition can result in millions lost during the term of the contract.

Healthy Transition – A Final Word

The old adage, pay now or pay later applies significantly to corporate real estate outsourcing.

You are likely to see business improvement from outsourcing no matter which real estate service provider you select.

However, if you apply these 9 steps and can formalize, finance, and follow through on a transition plan, you'll never have to look back at outsourcing with regret.

9-Steps slides adapted from the White Paper "Making a Case for Transition Management" by Vik Bangia and David Forbes.



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