

CORPORATE REAL ESTATE

LEADER

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EMC's Dan Fitzgerald and Eric Canale Driving New Approaches for Real Estate in Asia

Intel's enterprise Strategic Planning
Reinventing the Workplace
Embracing Change


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Empowering Corporate Real Estate
and Workplace Executives



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Getting Buy-In

Your Employees Can Embrace Any New Strategy

By Gershon Mader and Josh Leibner

When it's time to help a company make dramatic cost reductions and performance improvements, few executives are asked to carry as much of the load as those who manage a company's real estate. When the CEO and CFO wander the corporate halls hunting for cost reductions, the real estate group is one of the first doors they enter. Given real estate is a major cost area, there's good reason for this. Mergers and process optimization initiatives can result in consolidating and reconfiguring offices and other facilities. In many corporate change initiatives, real estate executives can bear much of the work.

This can pose major challenges to real estate executives. They must get their employees fully behind their strategies quickly and enthusiastically, whether it's to significantly reduce expenses, consolidate factories and warehouses, or scout for new, more cost-effective facilities and other locations. Real estate leaders at such companies as Lucent Technologies and Harris Bank have done exactly that — but only after taking a much different approach to leading their change initiative. They found ways to rapidly develop exceptional employee commitment to their strategy, a condition we refer to as strategic commitment. Their management approaches hold key lessons for corporate real estate professionals who must lead their departments through wrenching change.

To be sure, getting employees to follow any new strategy — whether to raise productivity, cut costs, adopt a new information system or other — is not easy for leaders of any business function in any industry. But corporate real estate executives have special challenges when they need their people to abruptly shift right or left. First, because corporate real estate expenses are such a huge line item, managers often look to real estate leaders first to reduce costs. Second, because companies increasingly want a common customer and employee experience across all their “touch points,” corporate real estate leaders can feel the pressure of globalization more than other company leaders. That is, they are increasingly asked

to manage their global portfolio of buildings to a consistent set of standards and to create a consistent customer and employee experience. Third, real estate leaders must get their people at all levels to shift right or left, from the building supervisors to the janitors (and especially the front-line workers) because they all play critical roles in creating favorable customer and employee experiences of their company's premises. All of this becomes especially difficult when a company has outsourced property management or other services. Getting a work force that is no longer employed by the company in line with a new strategy can be especially difficult.

Real estate leaders and their management teams cannot accomplish such strategies on their own. They truly must get buy-in from top to bottom. As Accenture's top real estate executive, Kathryn Bell, explains it, “The fact that we're asking more of our people requires them to be fully engaged about why they need to do things.” The real estate operations of the \$15 billion consulting, systems integration and outsourcing company have exploded over the last decade, reflecting the firm's tripling in revenue. “We need to work harder at getting people moving in the same direction,” Bell says. “In facilities and services, we have 1,200 people around the world managing more than 12 million sq. ft. (1.1 million sq. m.) of space in 48 countries. The way I describe my job is that rather than steering a big tanker, I need to guide a series of local speedboats in the same direction. That way, the local teams can add their own cultural flavor while heading in the general strategic direction. Corporate real estate needs to be setting the direction that the local teams follow.”

That is especially important for a function that isn't at the top of the corporate pecking order. “Corporate real estate usually doesn't get as much attention as other corporate functions,” says Dominic To, a director of corporate real estate at computer giant Dell Inc. “People always believe that managing real estate is easy, like buying a house.” Making sure his employees don't feel like “second-class citizens” and,



at the same time, providing them with solid career paths is a challenge. "It's vital to make sure they understand that real estate services are important to the company. Their contributions to cost savings go directly to the company's bottom line."

Executives like Bell, To, and others who have run real estate operations at such companies as Lucent Technologies Inc. and Harris Bank in Chicago show how it can be done. In our experience, when executives in real estate or other corporate functions have to implement a new strategy that requires wholesale adoption at all employee levels, they must take a different approach than the ones to which they're accustomed. To get employees to buy into what we call the "content" of the strategy — the plan, its rationale and their understanding of it — leaders must also address the "context issues" of the strategy. By this, we mean employees' assessments about the leaders behind the strategy.

Specifically, real estate leaders must deal with four factors that govern whether employees embrace their plans or resist. These are assessments about their leaders' sincerity, courage, competence and concern for their people. If leaders don't address such perceptions, they'll likely mandate a strategy

that, at best, generates compliance and, at worst, apathy or defiance.

Without this kind of "buy-in," real estate employees will only go through the motions. For real estate leaders who must make sizable cost reductions, major productivity improvements or other big strategic redirections, that kind of apathy or opposition is dangerous — to their companies and to their careers.

We've seen this firsthand. When Tony Marano ran the sprawling real estate operations of Lucent Technologies in the late 1990s, the company's CEO gave him the mandate to make major cost reductions and productivity gains in the telecommunication equipment maker's many facilities. But soon into the initiative, Marano ran into a wall. He had focused only on getting people to buy into the content of his strategy — creating a productivity improvement plan and a communication program for rolling it out. Members of the major union (the Communications Workers of America) resisted. Their historical suspicion of Marano and his managers led them to slow progress to a crawl.

Regarded as a strong yet temperamental leader, Marano was dealing with severe context issues. There

were no doubts about his competence or courage; employees had no question about his resolve at executing top management's orders to streamline operations. But their beliefs about Marano's sincerity and concern about them were in tatters. Previous layoffs and secrecy eroded Marano's credibility with unionized employees. Despite promising not to lay off people in the new initiative, Marano couldn't get workers to believe it. They didn't think he cared about their welfare or valued their ability to work more cost effectively.

It took numerous meetings and a far different leadership style for Marano to resolve the context issues of his strategy. Like many executives who see apologies as a sign of weakness, Marano had to mend fences with workers and even his own managers to overcome their doubts about his sincerity and concern. For example, at one milestone meeting, Marano and his management team came clean with past misinformation and misunderstanding; that prompted the union employees to do likewise. Marano and his team then explained why they had been guarded with sharing information. Some information was confidential, and giving it to workers in the past resulted in secrets being leaked. "The light bulb went on at both sides of the room," said union leader Jim Costigan. The distrust of Marano and his management team began to fade.

This meeting and many others helped Marano rebuild trust with the union. The CWA eventually agreed to workplace changes that enabled Marano to exceed his \$100 million in cost reductions, reduced the expense-to-revenue ratio to 2.5 percent, increased internal customer satisfaction levels to 95 percent and improve employee satisfaction measures to more than 80 percent.

Showing corporate real estate employees the leader's resolve at implementing a new strategy was the context issue that dogged John Parro of Harris Bank in 2000. Parro, who headed the regional bank's real estate division at the time, had to battle perceptions that he wouldn't follow through on a corporate edict to slash costs. One of Parro's direct reports was reluctant about the strategy. He thought his tenure, popularity and technical and professional competence would shield him from having to get on board Parro's initiative. After repeated attempts at trying to get his manager in line, Parro had to demonstrate his courage and resolve for the rest of his organization. He fired the manager for lack of support, which was a difficult

but necessary consequence. The result: Employees "got" Parro's resolve about making the program a success. Over the course of 18 months, he was able to cut tens of millions in costs because he had his whole organization squarely behind him.

For the foreseeable future, leaders of corporate real estate departments should expect their job descriptions to include directing the periodic major change initiatives — cost reduction, customer satisfaction improvement, productivity increases, and others. As long as their companies compete in a brutal global economy with demanding customers and fierce competitors, they should expect their bosses to have high expectations of the people who run their facilities. But getting employees to commit to such strategic initiatives demands more than a good plan, well communicated. It requires real estate leaders to address the context issues that make the difference between employees who go for the ride and employees who act as partners in driving change. **LEADER**

About the Authors



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