



How to hire a corporate real estate leader to support corporate strategies

BY PATRICIA L. CRUMLEY, MCR; KATIE M. BECKER; MARC FISCHER AND ED MENDENCE | FEBRUARY 2021

The challenge

The corporate real estate (CRE) world is currently witnessing an increased number of job openings for CRE executives across all industries. While many of these positions have been in existence for some time, we are also witnessing a proliferation of newly created positions for firms that are centralizing their CRE responsibilities for the first time.

Overwhelmingly, the hiring companies are seeking a CRE leader who can partner with senior management and key stakeholders to develop and implement CRE programs that support and help drive core business strategies and mitigate business risks.

At the same time, hiring firms seeking senior CRE executives are facing a market in which the demand exceeds the supply of qualified and experienced CRE professionals, a situation that is expected to continue over the next decade as:

- the Baby Boomers filling existing positions retire;
- the desire for increased technical and technological skills means a smaller pool of qualified candidates from which to choose; and
- the increased emphasis on strategic thinking, business acumen (particularly the ability to quickly understand a variety of core businesses), relationship-management capabilities and other soft skills narrows the pool of qualified candidates even further.

The challenge facing these organizations is how to find the CRE executive to support their business strategies in the face of an increasingly tight job market – and how to get the preferred candidate to select their company over other companies seeking the same expertise.

Attracting the right candidates

Prospective CRE executives want to be hired by a company that values their input and the role of CRE. Ideal candidates are typically seeking a place where those skill-sets can be fully utilized as well. Furthermore, most candidates want a clear understanding, not only of the expectations of the position, but also of the role CRE plays for the business and where it is positioned within the firm from an organizational and decision-making standpoint.

These candidates do not expect all CRE processes and strategies to be in place when they start. Rather, such senior-level executives often welcome the opportunity to develop and implement their own CRE delivery model, organization, and related programs. However, they are seeking confidence that the firm welcomes and values what they have to contribute and that it is prepared to allow them a seat at the table. To attract the best candidates, it is important to demonstrate that the organization has given careful thought and consideration to both the function and the position.

Evaluating the CRE function

Before embarking on the search for a CRE leader, we recommend the company first complete an evaluation process to validate what it wants from the CRE function. Whether the organization has a robust CRE function already or is just starting to build CRE capabilities, this is a unique opportunity to evaluate (or reevaluate) the role of CRE and to consider how the organization might approach CRE differently in order to improve the CRE organization efficiency and effectiveness.

This does not need to be a long process. Rather, it should be an exercise that ultimately answers five key questions and helps the organization establish consensus around what is required and expected from the CRE function and its leader.

Following are the five key questions to consider:

1. What role does CRE play in the company?
2. What scope of CRE services does the organization require?
3. How should the company ensure the CRE strategy is aligned to its current/future business strategies?
4. Where does CRE report and how does it integrate into the organization?
5. Which CRE activities should be retained in-house and which should be outsourced?

To provide a frame of reference for answering these questions, we have outlined each below.

What is the role of real estate in the company?

Depending upon the nature of the company's core business(es), CRE can play very different role(s). Before defining the current or ideal role CRE plays, the company should first identify what it is specifically that CRE contributes to the core business(es). Does it:

- enable work and maximize productivity?
- contribute to corporate culture?
- impact recruiting and retention efforts?
- reinforce and reflect brand identity?
- contribute to the "bottom line"?
- provide a sustainable and energy-efficient workplace?
- facilitate flow of supply chain?

A clear understanding of the role CRE plays for the company is fundamental to the other aspects to be evaluated.

Once the contribution of CRE to the specific core businesses is clearly understood, the employer should proceed to evaluate the role CRE does or should play for the company by considering the following:

- Is CRE an integral part of the core business delivery model? If not, can/should it be?
- Does CRE represent or contribute to a competitive advantage for the company? If not, can it?
- What type of risk does CRE represent to the organization?

- Is the company leveraging its CRE strategy to support/drive business objectives?

What scope of real estate services does the organization require?

The role real estate plays in its core businesses and the type of real estate a company uses (office, industrial, manufacturing, warehousing, retail, etc.) in part dictate which technical real estate services a company will utilize. Additional factors, including an organization's business cycle, the nature of its supply chain and the way the company financially positions its real estate (owned versus leased) will also significantly impact the company's approach to CRE; as will risks associated with the CRE portfolio or business operations.

While it is easy to say, "We need everything," it is important to prioritize the technical areas that are most critical and could have the most significant impact on the bottom line. This will help to shape the technical skill-set the organization should seek in its CRE executive.

How does the company ensure the CRE strategy is aligned to its current/future business strategies?

When CRE organizations are working effectively to align CRE strategies with the organization's business strategies, it can have a significant impact on the bottom line. Because of the long-term nature of real estate, it is sometimes tempting to allow CRE strategy to drive the business, rather than the other way around. This inevitably leads to regret. As executives consider what they want from their CRE team, they should consider how they can integrate CRE into the organization's strategic and tactical decision-making processes in order to facilitate alignment. This can happen in a number of ways, including process design, stage-gate approvals, or matrix management. It can also be reinforced by where CRE reports within the organization. It is important to identify what "languages" the organization uses in its decision-making processes: Is it all about financials or operational metrics, or is it a combination of both? Understanding how this strategic alignment process works and the languages of the decision-making process will contribute to determining both technical and soft skills



required of the CRE executive depending upon with whom and how the incumbent will interface with the organization.

Where does CRE fit in the organization?

Determining where CRE reports within an organization can significantly impact its effectiveness. Such a decision should be driven by the role CRE plays within the organization, the way decisions (especially relating to operating expense and capital allocation) are made by the organization, corporate culture and degree of innovation and entrepreneurialism allowed the CRE function. Often the type of risk CRE represents to the organization (financial or operational) influences where CRE reports as well.

For example, a manufacturing company may have CRE report to supply chain/operations in order to ensure that the CRE strategy is aligned to supply chain concerns/strategies and because investment decisions related to manufacturing operations can significantly impact CRE. Alternatively, a financial services firm or consulting company may elect to have CRE report to HR with a focus on integrating workplace and talent management practices. Most often we see CRE reporting to finance, supply chain/operations or corporate services and less frequently to HR, legal or procurement.

Which CRE activities should be retained in-house and which should be outsourced?

Once an organization has addressed the issues above, the next natural question is: How should the CRE functions be staffed? Service delivery models in the CRE industry have evolved over generations of outsourcing. There is

no one-size-fits-all solution. Partnership models are typically not all or nothing, but rather a hybrid, with some functions outsourced and others internally staffed. Often we see internal resources focused on strategy and integration into the core business with outsourced resources providing tactical execution. However, when unique, complex, or resource-heavy strategic activities arise (e.g. a merger or acquisition), outsourced partners are leveraged to provide specialized expertise and expanded resources. This is all dependent on the specific nature of the business(es) and the role CRE plays therein.

In the context of hiring a new CRE executive, it is not necessary to answer the in-house versus outsourced questions regarding the entire CRE function. A new CRE leader will welcome the opportunity to put their stamp on the organization and its processes. The exercise of considering this issue is really to help the corporation begin to develop a perspective on the topic (undoubtedly a question candidates will have) and, more importantly, to determine how much and what types of technical expertise and strategic acumen is required from the CRE executive position. This is an important decision as these requirements will feed directly into the CRE executive position description.

Defining what is desired in a candidate

To ensure the CRE position is filled appropriately, it is important to create a detailed position description. The position description will vary by company and scope of the role, but it is important all departments that work with the role have input and agree on appropriate competencies and the profile of an ideal candidate.

Outsource if:

- *the function or process is non-core and/or low risk to the business.*
- *there are cost advantages from outsourcing.*
- *there is limited/no opportunity for learning transfer across the business.*
- *the skill-set is not available in-house.*
- *the cost of monitoring/administering outsourcing partner is low.*
- *the service provider delivers comparable or better service levels.*
- *the demand for the resource ebbs and flows.*
- *the organization cannot utilize a particular skillset full-time, especially when particular skill-set is highly specialized.*
- *there is no upward career path for in-house employees.*
- *significant improvements in process and technology are desired.*

Maintain in-house if:

- *functions are critical or even core to the business.*
- *there are potential competitive advantages through knowledge transfer or, conversely, an increased business risk if the company loses institutional knowledge.*
- *the skill-set exists in-house – possibly even in other areas of the business with opportunities to leverage those skill-sets both within CRE and elsewhere.*
- *resource requirements are level and predictable.*
- *the cost to monitor/administer the outsourcing partner is prohibitive.*
- *the cost of outsourcing is prohibitive.*


Once the organization has completed its evaluation of the CRE function and gained consensus on what it wants from CRE, it can translate expectations into requirements for the CRE leader candidate.

Developing a position description

The position description should describe the overall scope of responsibilities and the vision for the CRE executive's role. The role CRE plays in the core business, the nature of the CRE assets employed and the types of risks CRE brings to the business should drive which skills are most critical. The position description should identify the specific technical, as well as soft skills required for to perform the job effectively. It should clearly delineate duties and responsibilities of the position. It should also identify qualifications and experience in a way that will help frame the role and identify the ideal recruit.

Securing sufficient experience

With the increased number of executive-level CRE job postings we are currently seeing in the marketplace, many employers are hiring CRE leaders with significantly less work experience than the responsibilities outlined in the position description would typically require. By way of example, we are frequently seeing position descriptions for CRE executives calling for five to seven years of experience. However, these positions are described as having roles and responsibilities requiring a degree of technical expertise,



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strategic thinking and other soft skills more aligned to someone with 10-15 years of experience.

This issue is a common occurrence and happening for a number of reasons:

- Given the national talent crisis, there simply are not enough experienced CRE executives to fill the demand for positions; consequently, companies are sometimes forced to fill positions with less-qualified candidates.
- Additionally, with the proliferation of automated resume screening functions, corporate recruiters have a significant role in sorting candidates before information about the candidates is sent to the hiring manager. Furthermore, while corporate human resources departments have great expertise with respect to hiring for their respective core businesses, they may not have experience hiring CRE professionals. Without a deep understanding of the marketplace for CRE professionals, prospective candidates can be removed from consideration before the hiring manager has a chance to evaluate the candidate's qualifications.
- Lastly, while many companies recognize the value CRE professionals play in maximizing their performance (financial and otherwise), there are still many organizations that see the CRE department as a cost center, and CRE leaders too often do not have a seat at the table when decisions are made. In some organizations, CRE skills are seen as "staff" positions,

less valuable to the company than the skills related to their core business. These companies often fail to provide a job grade with a sufficiently attractive salary and benefits package to entice the best of the best.

Then, when recruiters or search firms are engaged to fill the positions, the target salary and benefits packages translate to candidates with less experience.

The key is to ensure the candidate has the technical skills needed; the business maturity to recognize trends, issues, and risks; and the wisdom to put it all together to develop an effective strategic direction for the company's CRE function. As the company determines how much experience is required from the CRE leader, it should give thought to these questions:

- How many annual business cycles, and economic and real estate market cycles, has the ideal candidate lived through?
- Do they demonstrate the ability to anticipate and flex with unexpected business and market dynamics?

Attracting the best talent

Attracting the best talent should be the goal for every hire. Today, as a consequence of the mismatch of demand and supply, it is taking longer and longer to identify and secure the ideal candidate. In order to reach the best pool of prospects, the company must recognize that the top talent may not be actively looking for new employment or even passively searching job boards. Senior-level, successful employees often will not be aware of the opening unless they are contacted directly. When reaching out to this segment of the market, it is critical to understand what makes this opportunity unique and worth a possible job change.

Being able to demonstrate that the organization has given due thought and consideration to both the function and the executive leader role demonstrates the organization's commitment to both the CRE function and the position. Furthermore, if a company takes the time to generate consensus internally, prior to going out to market, they will decrease the time it takes to fill the position and greatly mitigate the risk of hiring the wrong person.