SURVEY: Locatee and CoreNet Global

No Guts, No Glory.

CRE embracing new ways of thinking and working will revive workplace performance in a hybrid era

Locatee

The Corporate Real Estate (CRE) industry is experiencing an evolution if not a revolution around flexible workplace strategy. CRE departments are shedding their status of support function and transitioning into a strategic function, hopefully beyond the pandemic, as their decisions are having greater impact on key C-suite agendas.

As an industry, we need to leave behind the sole reliance on static, quantitative measures such as the number of full-time employees multiplied by a factor for square meter or square foot consumption. Additionally, workplace solutions based on industry benchmarks are losing significance and giving way to workplace solutions that are unique to the company and personalized to fit individual company visions and goals.

CRE management is evolving to include employee experience and new performance metrics. CRE is becoming much more employee-centric and CRE managers need to cultivate a growth mindset to build agility into the scope of their workplaces for the medium and long-term to survive and thrive in the changing landscape. Agility, in the scope of this report, means to incorporate more impermanent workplace solutions allowing for experimentation around the future of work and new purpose of the office.

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Survey Methodology

This survey was developed by Locatee and conducted by CoreNet Global. 97 CoreNet Global members responded to the 20-question survey on how decisions are made within CRE and to what extent CRE managers all over the world are incorporating agility into their approaches. Over half of respondents were located in the U.S. and all respondents came from a variety of company sizes, industries, job levels and department functions. See Figures A-E for an overview of the respondents' profiles.
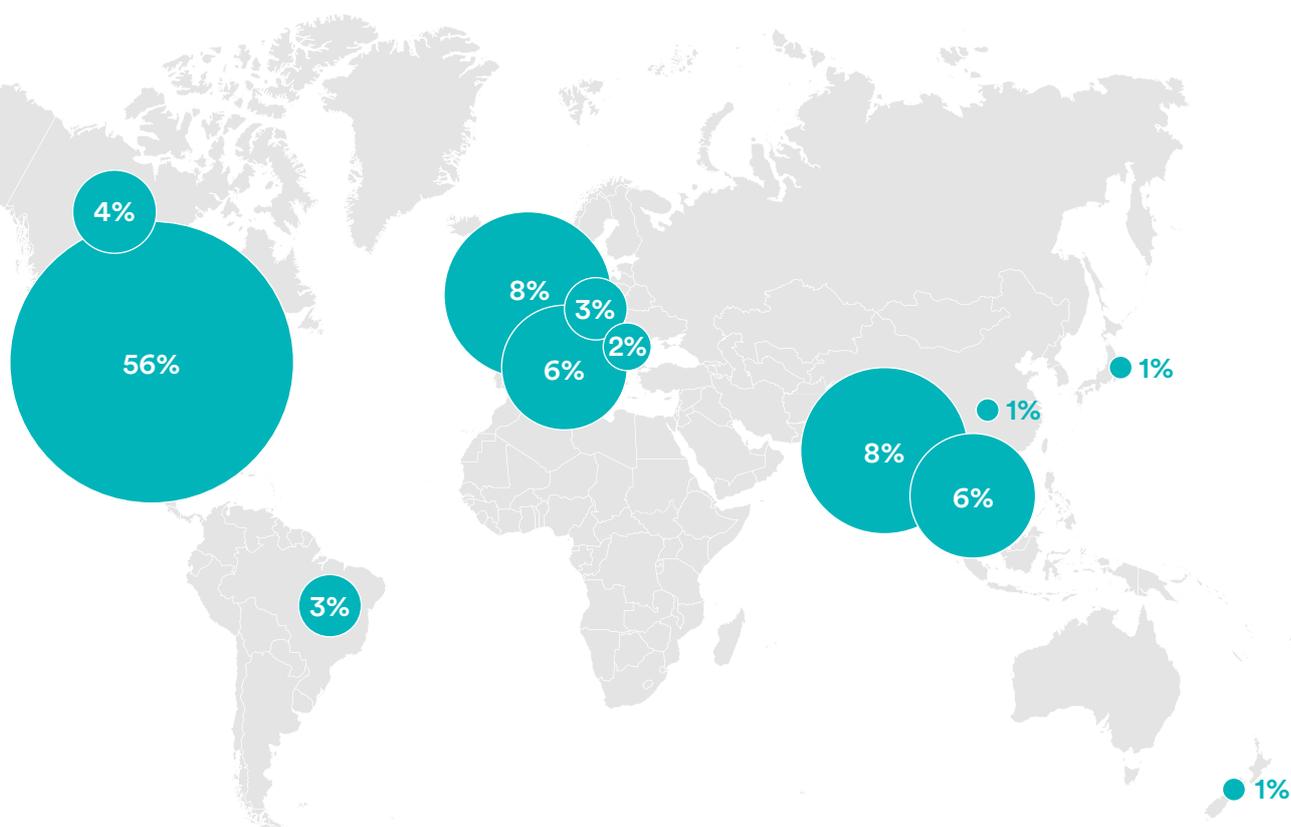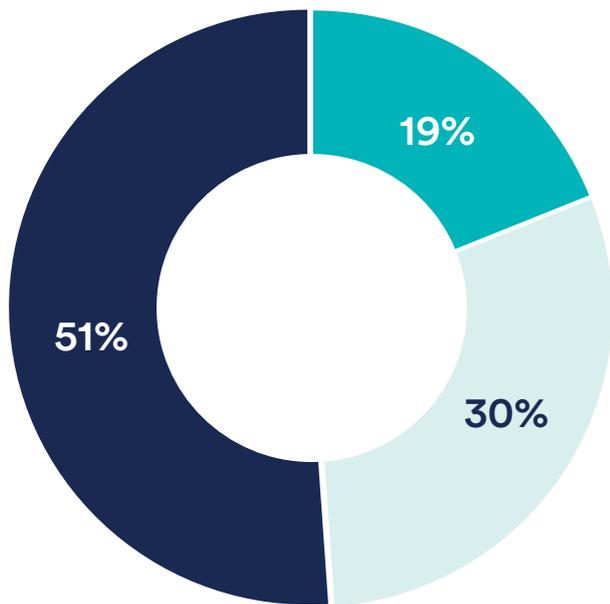

Figure A Where are you based?

Location Results

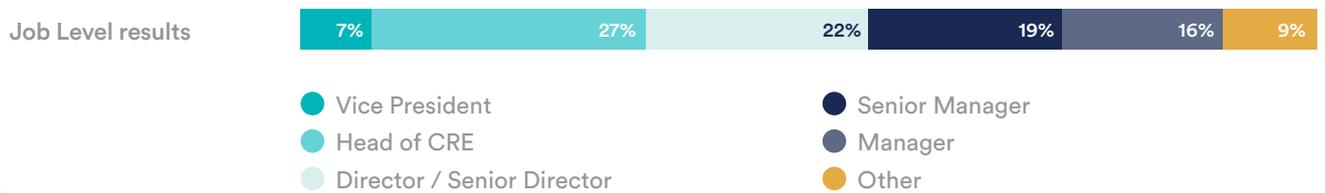|			
56%	USA	**3%**	BeNeLux
8%	UK	**3%**	South America
8%	India	**2%**	Southern Europe
6%	Central Europe	**1%**	China
6%	South-East Asia	**1%**	Japan
4%	Canada	**1%**	New Zealand

Figure B In what industry does your firm operate?

Industry results

9%	12%	3%	15%	5%	34%	12%	10%

- Chemicals/Pharma/Healthcare
- Consumer Goods
- Energy
- Financial Institutions

- Insurance
- Technology & Telecommunications
- Professional Services
- Other

Figure C How many employees does your firm have?

Number of employees

- Fewer than 10,000 employees globally
- Between 10,000 and 25,000 employees globally
- More than 25,000 employees globally

19%

30%

51%

Figure D What function does your job role fall under?

Job Function results

- Facilities Management
- Real Estate
- Workplace Strategy or Management
- Other

13%

12%

28%

47%
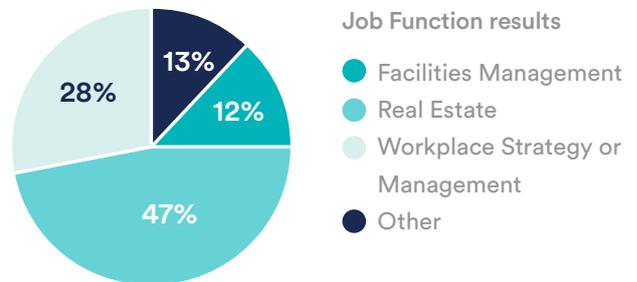
Figure E What is your level in the organization?

Job Level results

7%	27%	22%	19%	16%	9%

- Vice President
- Head of CRE
- Director / Senior Director

- Senior Manager
- Manager
- Other
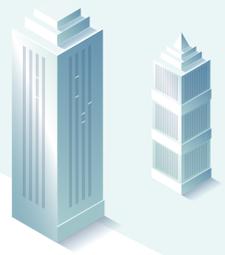
Plans to "Go Agile" with Hybrid Work

As it has been widely discussed in the past year and is generally acknowledged, CRE is facing a major turning point. Hybrid and flexible work models are becoming favorable for staff and organizations alike, therefore CRE needs to follow suit. When asked to what extent their organizations would incorporate a flexible work arrangement going forward (Figure F), 85% of respondents said they will move to 2-3 days of remote work (partial flexibility) or full flexibility. The latter allows employees complete autonomy in deciding when they would like to go to the office and when they would like to remain at home.
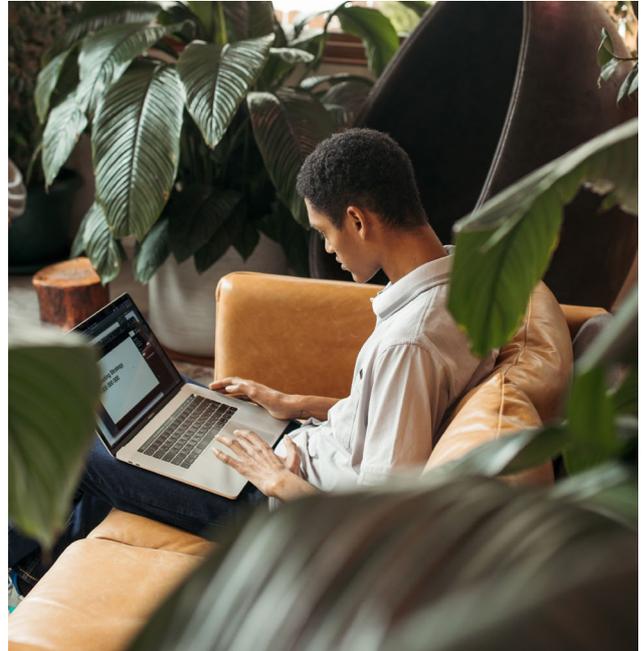

Figure F Will your organization allow for flexible work schemes going forward?

- Implementing work policies of 2-3 days remote work
- Going full flexibility
- Still undecided
- 1 day of remote work

4%
11%
32%
53%
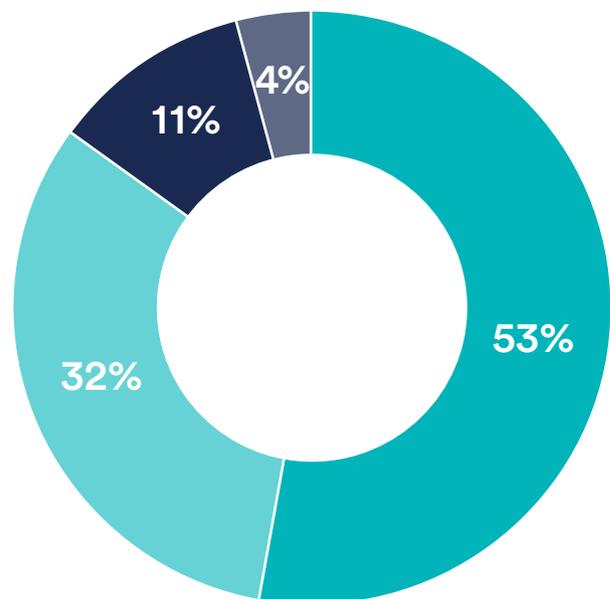
Inflexibility in CRE Portfolio Structure: A Barrier to Benefits Derived from Hybrid Work Models

In light of the increased flexibility and hybrid work models that nearly all companies are considering or actively implementing for the long-term, it is important to note that agility in the area of where and when employees perform their work does not automatically translate into a CRE portfolio that can respond quickly to changing company mandates.
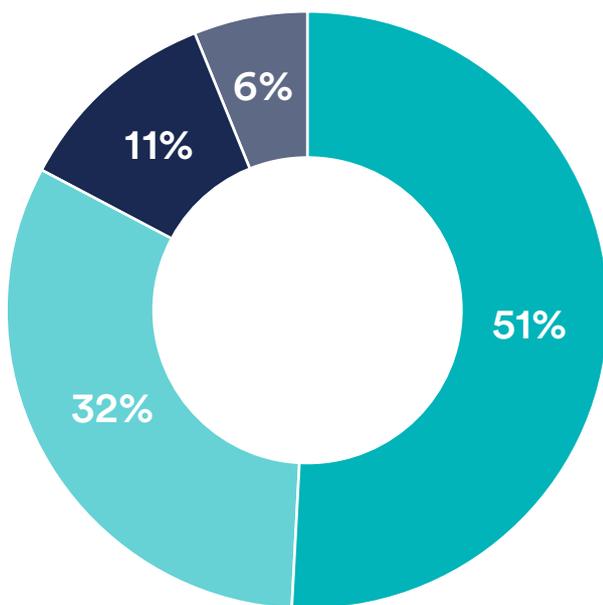
The implications of this on CRE include:
· What to do with the underutilized office space?
· To what extent will company real estate be utilized in the future?
· What are the potential savings of a consolidation scenario?
· Do we need to expand our real estate footprint for social distancing regulations in order to get everyone back to the office?
· How can we redesign the workspace to recruit and retain talent in the midst of threats like The Great Resignation?

In attempt to answer questions like the above, CRE managers need to build a robust data model starting with the assessment of portfolio opportunities – the flexibility to consolidate, redesign or expand within the current footprint. 51% of respondents have CRE portfolios structured in "mainly long-term leases" and another 11% have structured their portfolios in "mainly owned offices" (Figure G).

Figure G How is your real estate portfolio structured?

- CREMs have CRE portfolios structured in mainly long term leases
- CREMs have CRE portfolios structured in mainly short term leases
- CREMs have CRE portfolios structured of mainly owned offices
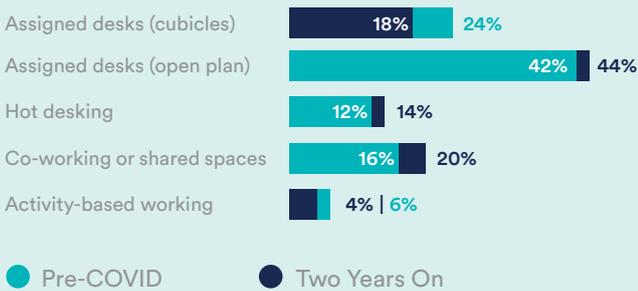- CREMs have CRE portfolios structured in flexible lease options

The potential issue with this is that inflexibility in portfolio structure – characterized by long term leases, unfavorable lease options to terminate leases or redesign workspace, wholly-owned space that can be difficult to sell, and space that can be difficult to sublease at favorable rates – will limit the ability to achieve cost savings, employee wellness and/or productivity gains.

For companies that have made and continue to make enormous investments in their real estate, having decided that the office is central to their company culture, it remains to be seen whether such massive investments in the central office, campus or megaplex, which is a decrease in CRE portfolio agility and a headwind for remote work flexibility, fulfills its intended goals and objectives or turns out to be a mistake.

Most Common US Office Workspace Configurations

Which of the following configurations is most common amongst your workspaces?

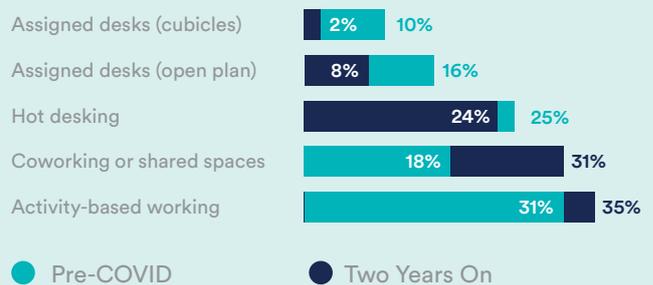| Configuration	Pre-COVID	Two Years On
Assigned desks (cubicles)	24%	18%
Assigned desks (open plan)	42%	44%
Hot desking	12%	14%
Co-working or shared spaces	16%	20%
Activity-based working	6%	4%

● Pre-COVID   ● Two Years On

In a Locatee commissioned study conducted by Verdantix at the beginning of the year, it was found that a majority of CRE professionals, all from the US, were planning to continue *assigned* seating configurations, whether that be cubicle or open plan, in the next 2 years. Just as the structure of your CRE portfolio can hinder or enhance your company-wide agile strategy, so too can your decision to remain in assigned seating or transition to unassigned seating arrangements.

The same study was replicated for the [European market](#) and surfaced that, pre-pandemic, a majority of European companies had already moved to unassigned seating – meaning hot-desking, coworking/shared space and activity-based space – and benefited. "Non-assigned workspaces were considered more effective across many traditional areas, such as achieving cost efficiencies and maximizing workforce productivity, as well as emerging categories such as increasing employee satisfaction and enabling flexibility in the working model." It was, therefore, unsurprising that this report found that as a result of Covid-19, what was once already a majority had grown to become 90% of European firms planning to have unassigned seating configurations within the next two years.

Which of the following configurations is most common amongst your workspaces?

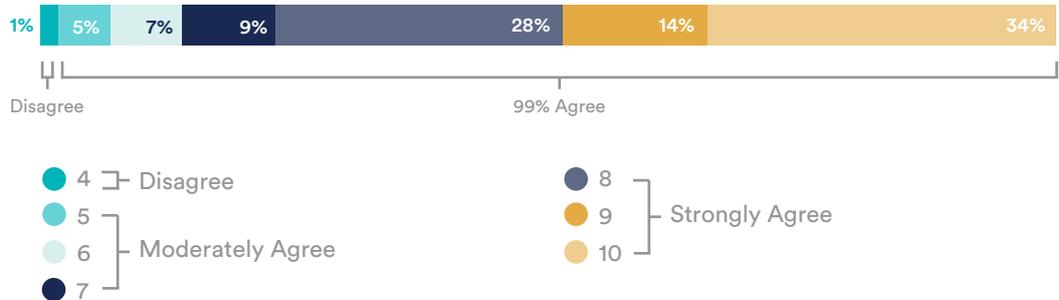| Configuration	Two Years On	Pre-COVID
Assigned desks (cubicles)	2%	10%
Assigned desks (open plan)	8%	16%
Hot desking	24%	25%
Coworking or shared spaces	31%	18%
Activity-based working	35%	31%

● Pre-COVID　　　　● Two Years On

The APAC region recognizes the benefits of a flexible work environment as well. A [May 2021 CBRE article on Asian Occupier Sentiment](#) said Asia:

· intends to incorporate more unassigned seating in the next 2 years

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· is supportive of hybrid work with guidelines

· Full flexibility, however, is not the goal.

"72% [of respondents] said they apply guidelines to remote work eligibility and schedules… [This] survey found that respondents continue to believe that compared to remote working, the office is more effective in supporting collaboration, team productivity, employee engagement, innovation and employee learning and development…underlining why companies are so keen for employees to return to the office."

On a scale of 1 to 10, to what extent would you say it is true that facing current developments and a more flexible workplace, CRE needs to become more agile?

| 1% | 5% | 7% | 9% | 28% | 14% | 34% |

Disagree   99% Agree

- 4] Disagree
- 5]
- 6] Moderately Agree
- 7]

- 8]
- 9] Strongly Agree
- 10]

With the move to hybrid work creating opportunities to capture significant benefits, it's clear to the vast majority of CRE managers that CRE must also go agile or risk losing out on those opportunities.

In Figure H, 76% of respondents on a scale of 1-10 – 10 meaning absolutely in agreement that CRE needs to become more agile selected 8, 9, or 10 – 99% selected 5 or a higher number reflecting the industry-wide agreement that agility is the future of CRE.
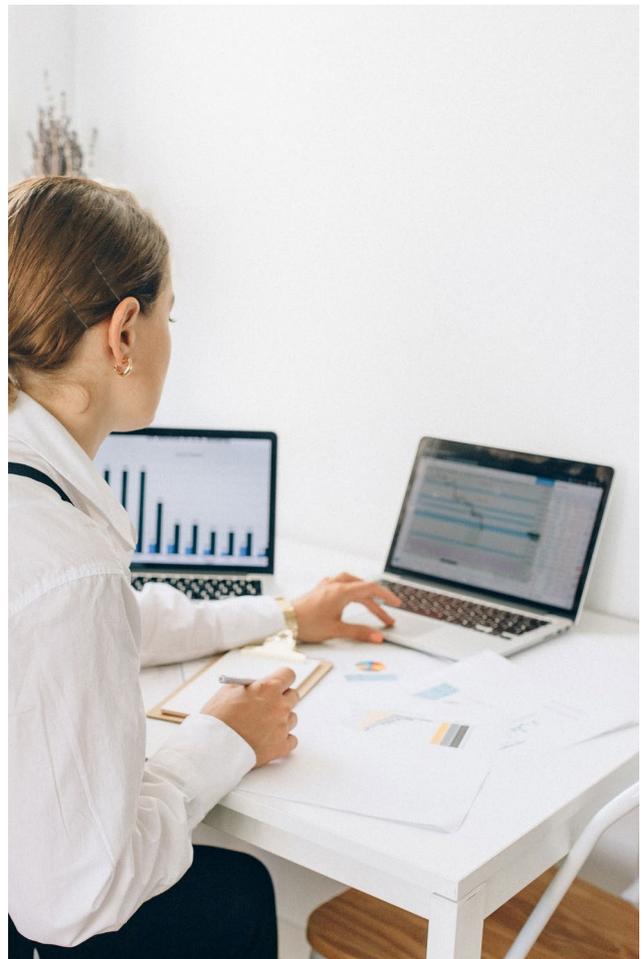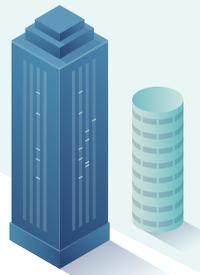
CRE Disruption: From Benchmarking to Scenario Planning

One of the reasons remote work continues to disrupt the CRE industry is that it's impossible to stick to traditional benchmarking for space planning. The industry is moving away from saying, for example, "Financial services companies are doing A,B,C..." because it is now very dependent on individual company values, strategy and departmental management.

CRE managers consequently reported that future space demand will be determined by (**Figure I**) Scenario Planning (47%) and Based on Functions and Workplace Types To Be Provided (35%). However, these new ways of space planning will not be heavily performed in the CRE industry until more managers and teams have the skills required. Accordingly, more than half of CRE managers (54%) say they would like to build on or expand their Scenario Modeling skills (**Figure S**), which will be further discussed in *Bridging the Gap to Agility* on page 14.

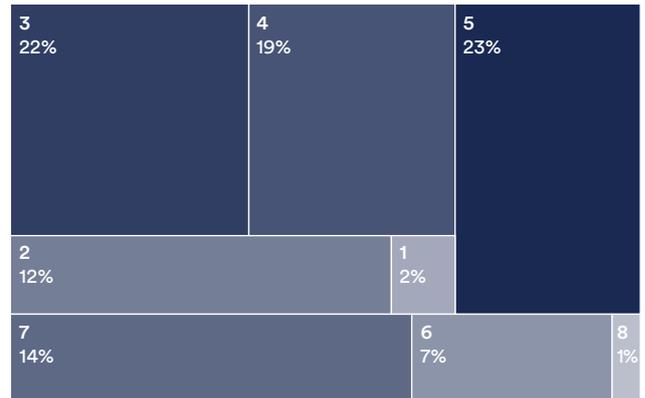"[Difficult decision making in CRE] is the nature of the beast."
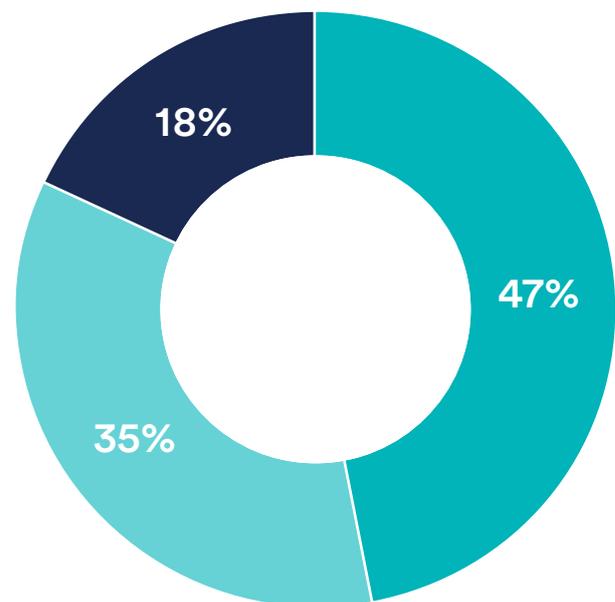
Figure I How are you intending to determine future space demand?

- Will use scenario planning with employee flexibility rates
- Will base future space demand on functions and workplace types to be provided
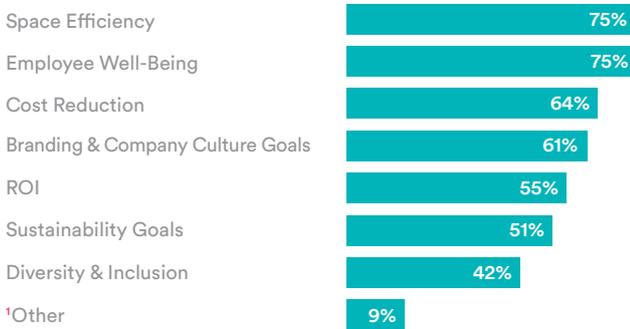- Don't yet know how they will determine future space demand

Agility starts with being able to make decisions fast and effectively. Unfortunately, in CRE it is "the nature of the beast" as one respondent noted that decision making requires factoring in so many criteria and liaising with numerous stakeholders because CRE decisions have reverberating impacts on the company at large.

The CRE decision making process remains complex going forward as shown by Figure J where 86% of CRE managers are taking between three and eight criteria into account before making decisions. What plays out as a bureaucratic process of filling out forms, pre-approvals from line managers and jumping through hoops with stakeholders is a headwind on agility. The types of criteria taken into consideration are shown in Figure K.

Figure J **Number of Criteria used for Decision Making**

3	4	5
22%	19%	23%

2
12%

1
2%

7
14%

6
7%

8
1%

Figure K **What are the key criteria that need to be met for decision making?**

Criteria	
Space Efficiency	75%
Employee Well-Being	75%
Cost Reduction	64%
Branding & Company Culture Goals	61%
ROI	55%
Sustainability Goals	51%
Diversity & Inclusion	42%
[1]Other	9%

[1]
· Consumers / Clients
· Location decisions are tied to population growth
· Engagement and productivity
· Training and development needs
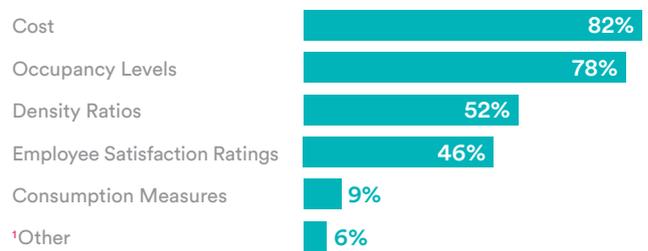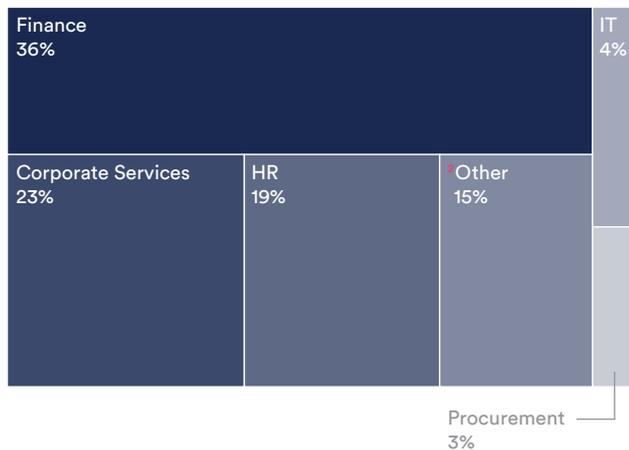· Safety
· Flexibility

CRE & Finance's Strong Partnership: A Headwind on Agility

Additionally, there is misalignment of decision making criteria, KPIs, and important decisions. 75% of CRE managers note Employee Well-Being is an important criteria in their decision making process (Figure K), but when it comes to forming opinions in order to make and assess decisions, only 46% use Employee Satisfaction Ratings as a KPI. Instead, CRE performance is judged primarily or solely by cost, as 82% of respondents said (Figure L). This doesn't come as a surprise as 36% of CRE professionals still sit under Finance and 76% stated that Finance is involved in their decision making (Figure M).

Figure L   Which KPIs help you form an opinion?

Cost	82%
Occupancy Levels	78%
Density Ratios	52%
Employee Satisfaction Ratings	46%
Consumption Measures	9%
[1]Other	6%

Figure M   Where does CRE sit within the organization?

Finance 36%
IT 4%
Corporate Services 23%
HR 19%
[3]Other 15%
Procurement 3%

Figure N   Which company stakeholders are involved in Real Estate decision making?

Finance 76%
Internal Customers / Business Lines 66%
C-suite 65%
HR 62%
IT 33%
Legal 22%
Procurement 17%
Worker's Council 11%
[3]Other 5%

[3]
· Admin
· Primary Decision Making
· Operations Department
· Compliance
· Corporate Board Members
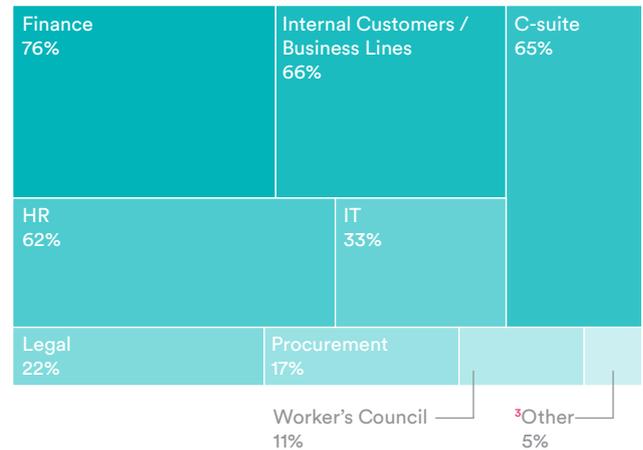
[1]
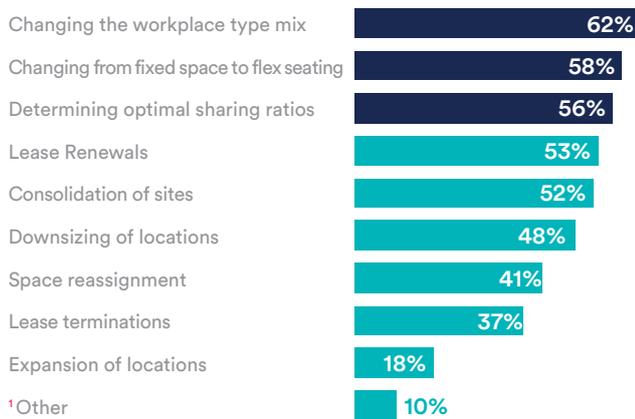· Proximity to customers and employees
· On-line parcel growth volumes and locations
· Business revenue goals
· Other financial / economic valuations
· Optimal Workforce talent geographies
· Location to Customer

[2]
· HR and Finance
· Enterprise Strategy
· Law Department
· Legal
· Global Operations
· Chief of Staff
· Data
· Administration
· Operations
· Real Estate Division

Top 3 Important Decisions for CRE Managers Right Now

The problem with using cost as the sole or primary KPI is that it often tells you little to nothing about whether you are making the best decisions for your company and for the objective at hand. Respondents told us the top three important decisions they are making right now are: Changing Workplace Type Mix (62%), Changing from Fixed Space to Flex Seating (58%), and Determining Optimal Space Ratios (56%) (Figure O).

When queried about which workplace insights were desired to have more informed decision making (Figure P), 55% would like to have Employee Feedback insights, which suggests a move to improve the misalignment between employee-related criteria and KPIs mentioned above. The majority of the industry (82%) is still looking to Headcount Projections. However, 75% would like to tap into Utilization Data to inform CRE strategy. Currently, organizations still fall short in exploiting available data sources to fill the gaps of traditional data with only 35% of CRE managers having already explored Ethernet/WiFi as a data source. Shown in Bridging the Gap to Agility on page 14 (Figure R).

Figure O — What are the most important decisions you need to take currently?

| Decision	%
Changing the workplace type mix	62%
Changing from fixed space to flex seating	58%
Determining optimal sharing ratios	56%
Lease Renewals	53%
Consolidation of sites	52%
Downsizing of locations	48%
Space reassignment	41%
Lease terminations	37%
Expansion of locations	18%
[1] Other	10%

[1]
· Future of Work
· Align portfolio to optimize workforce talent locations
· Growth
· Relocation
· New site locations
· Getting the office ready for the new way of working
· Migration to pay-go flexibility
· Restacking
· Implementing Sustainability & Smart Technology

Figure P — Which workplace insights would you wish to have for more informed decision making?

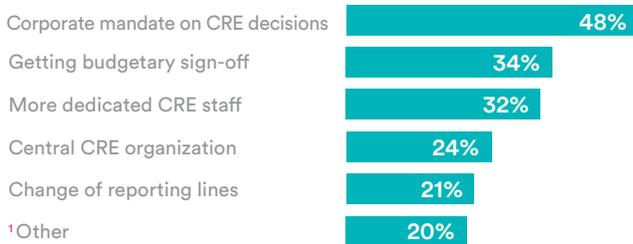| Insight	%
Headcount projections	82%
Space utilization data	74%
Employee feedback	55%
Mobility	44%
Market data	37%
[1] Other	4%
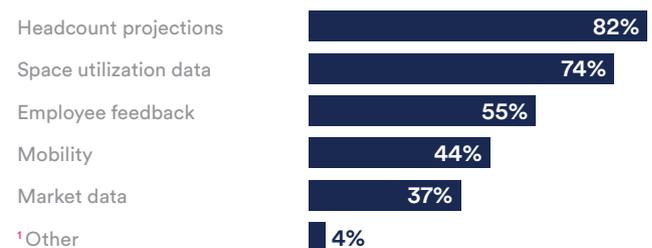
[1]
· Business Strategy
· Talent Strategy

Bridging the Gap to Agility

The CRE function has expanded over the years, most dramatically in 2020 as a result of the pandemic. With this expansion of responsibility, has come elevated prominence, expectations, and influence of CRE professionals to design a CRE portfolio that best conforms to the uncertain times and evolving corporate mandates. When looking to improve performance at the organizational level, the top three next steps (**Figure Q**) were unsurprising as the common plight of all CRE leaders is more staff, more budget, and more power.

Figure Q Which organizational changes would help you to perform better / be more agile?

Corporate mandate on CRE decisions	48%
Getting budgetary sign-off	34%
More dedicated CRE staff	32%
Central CRE organization	24%
Change of reporting lines	21%
[1]Other	20%

[1]
· Stream lining the approval process so less onerous
· Transparency and agility
· Upskilling of CRE
· Better Headcount data
· Better forecasts for hiring by location
· Better alignment with IT
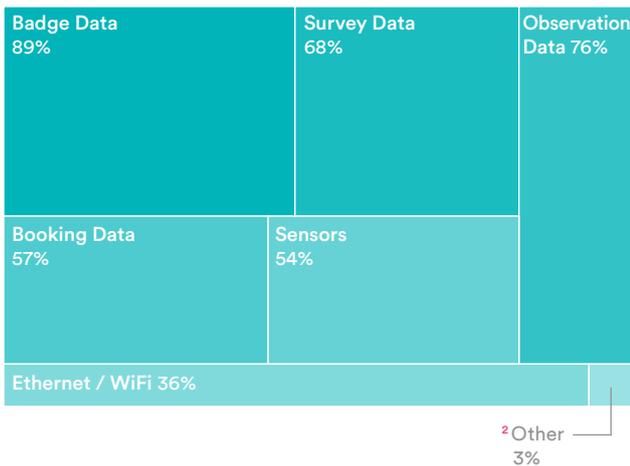· More data
· Clarity on direction
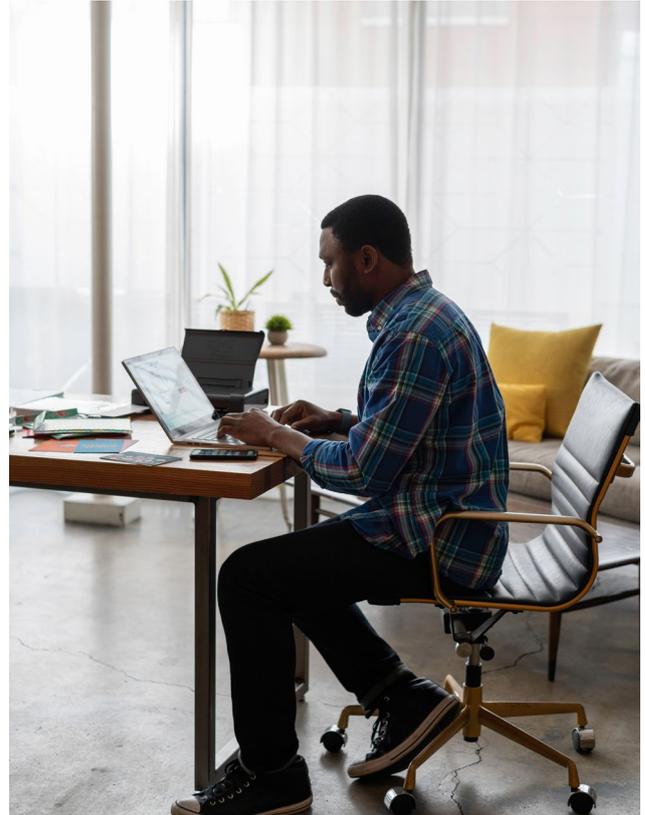
48% of CRE executives see Having a Corporate Mandate on Real Estate Decisions as the most important step to developing an agile CRE portfolio. CRE managers with reduced bureaucracy, for example the reduction or elimination of pre-approval requirements, would be empowered to streamline the decision making process.

Additionally, CRE is looking to build or expand their skills in scenario modeling, design thinking, and technology to support these changes (**Figure S**).

The most desired skill – Scenario Modeling – is for mapping out the various possibilities of where employees will work, when, and how often. Then determining which of those possibilities are most desirable, most /least likely, the most potentially impactful on the company KPIs, etc.
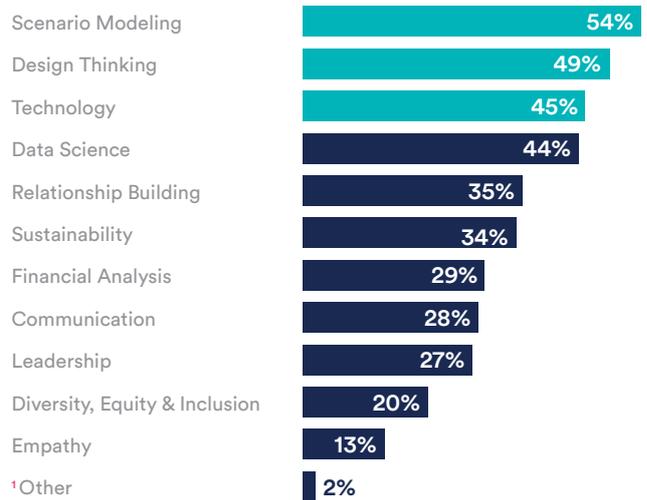
What kind of tools and data sources do you know or have tried to explore?

Badge Data 89%

Survey Data 68%

Observation Data 76%

Booking Data 57%

Sensors 54%

Ethernet / WiFi 36%

[2] Other 3%

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[1]
· Smart Building Engineering

· Wellness factors

[2]
· Other alternative sources such as catering

· What is required to service of Customers

Which skill sets would you like to build or expand in the CRE organization?

Skill	%
Scenario Modeling	54%
Design Thinking	49%
Technology	45%
Data Science	44%
Relationship Building	35%
Sustainability	34%
Financial Analysis	29%
Communication	28%
Leadership	27%
Diversity, Equity & Inclusion	20%
Empathy	13%
[1]Other	2%

Second, is Design Thinking for imagining and planning the workplace layout and organizational changes to achieve objectives such as social distancing, increased productivity, employee wellness, and satisfaction.

Technology is the third of the top three skills CRE managers want to incorporate in the future looking at the increasing speed of digitalization in a hybrid work world where real estate, oftentimes, has been falling short in the prior years.

What the CRE Evolution Will Look Like

In order to navigate the realization of hybrid work and to determine the purpose of office space for the future, CRE professionals must adopt new ways of working. There is no blueprint that you could go by and consequently there must be a willingness to experiment and learn in the organization as a whole, but also with individuals. It will be inevitable to fight resistance at times and that's why it will be crucial to come thoroughly prepared and follow a couple of underlying design thinking principles:

· Understand existing systems and processes to bring change underway
· Look at issues over and over again and involve different stakeholders to represent different priorities
· Acknowledge that you might not get it right the first time
· Consider all actions tentative and reversible

It lies within the nature of the business that decision making doesn't come easy. But building an encompassing workplace insights model and equipping your CRE staff to adapt new skill sets will make the difference.

CRE professionals willing to adopt a growth mindset need to equip themselves with traits of organizational psychologists, data scientists, and marketers to be able to read from the emerging workplace insights centering around employee experience. Organizations sticking to their old ways and a narrow cost view will risk driving their workforce away, and risk company culture and community.

To enable these changes CRE can start with outlining the pressing needs of their organization, workers, customers, and other stakeholders going forward in the short, mid, and long-term. They need to draw from corporate goals and objectives of internal stakeholders to reconfirm or revise CRE goals and objectives, and then consider how the current organizational structure and the available workplace options could facilitate or detract from achieving those goals.

Next is to assess how the current portfolio structure can enable or prevent agility. It is also crucial to look at current KPIs and explore new metrics that truly reflect a holistic view on workplace experience while avoiding limiting paradigms, like the only important KPI is cost.

It will be helpful to then explore what technologies are available to efficiently, accurately, and dynamically assess the data points needed for a quantified workplace. Because only those who measure will truly be able to manage and master a new workplace world.

Locatee

"No guts, no glory. That means you need to be brave in order to achieve things. You will, in a corporate environment, always meet resistance...There are thousands of reasons not to do things. And in Corporate Real Estate, the business is always on the stronger side... Unless you're brave enough to stand up for your visions."

Thomas Glatte
Director Global Real Estate, *BASF*
The Workplace Leader Podcast

No matter what route your organization will take in the end, only those who truly listen to their employees and build an inclusive workplace looking at succinct and holistic success metrics will win.

It's Locatee's mission to enable workplaces that employees love by providing the workplace insights you need to make confident decisions in line with your company's goals and employee needs.

Contact us to learn more.

Locatee

Locatee is the leading workplace analytics solution that transforms data into insight.

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