Switching Corporate Real Estate Service Providers – By Vik Bangia

Is there delight at the end of the tunnel?

The proverbial "grass is greener" mindset causes many Corporate Real Estate (CRE) departments to consider launching an RFP process and switching service providers. For those companies that have newly outsourced or outsourced for the first time, the feeling can come well before the relationship has fully matured – usually sometime within the first two years of a five-year contract. For companies that have long-term outsourcing relationships, the decision is usually procurement-led or based on a protracted degradation (or perceived degradation) of service over time.

The question is: Does switching service providers have greater benefits the long run versus keeping the existing relationship? If you are an end-user, before you make the decision to switch and start over, consider the following:

Revisit Your Company's Goals

Remember, the initial decision to outsource was based on several qualitative and quantitative factors. Surely, you haven't forgotten the Request for Proposal (RFP) process and the countless hours poring over proposals, responses, qualifications, references, scope documents, etc. Chances are, your desire to switch is based on only one or two emotional factors. Stop, take a step back and reassess your decision by checking it against some of the original measures such as:

Workload – is your service provider handling the workload adequately? Are they understaffed to handle the load? Overstaffed? Is there a way to realign the resources without disrupting the engagement? Sometimes boosting performance is simply a matter of placing the right resources at the right place and the right time.

Process improvement – has the service provider proposed more efficient and effective ways of doing business? Have you taken steps to implement their recommendations, or at least made an attempt to? Would a third party critique of the existing process be helpful? If there is a gap between knowing the right thing to do and actually doing it, then the problem may be solved by focusing efforts on process rather than people and bringing in outside help.

Value-add – are you getting your money's worth? Today, service providers can bring transaction resources in-house, and through fee-sharing and reduced fees, the out-of-pocket costs to a client are non-existent or very limited. Consider whether a different service provider will make a significant difference to something that is fast becoming a "commoditized" plug-and-play service. Instead, focus more on the ancillary services – such as valuation and advisory, research, lease administration and others. What truly sets a service provider apart is the ability to extend the client's reach by responding quickly and appropriately to their needs. But, as the client, it's incumbent on you to specify those needs. Service providers are not mind readers and maybe a re-structured agreement or service model is all that's required.

Revisit your Outsourcing Philosophy

Perhaps you outsourced your CRE as a defensive move to avoid larger cuts in staffing because CRE is not your company's "core business." If so, is your service provider really at fault for your current situation or is it a direct result of the morale in your department? Sometimes employees in a CRE department feel threatened by the service provider because their leadership did not present the outsourcing initiative as a "win-win." If morale is low, perhaps you can strengthen the relationship so that the service provider feels part of the client team and vice versa. Off-site team building workshops can be beneficial. These workshops can improve communication and decrease the stress of change. Behavioral assessment tools and techniques have evolved and some now provide a multi-lens view into team dynamics. An improvement that can be put to immediate use with outcomes that are tangible and can be measured.

Here are two "hot buttons" – attributes most companies look for in a service provider. If, during your reassessment, either of these items is missing or lacking, I agree you'd be wise to consider a switch.

Reputation – Your service provider must have a solid reputation in the business. Ask for references and follow up with those references – not only during the RFP and bidding process but regularly. Are new customers satisfied? What about long-standing customers? With the number of mergers in our industry, you'd be wise to check in with references every six months to a year. Make sure they're delighted with their outsourcing arrangement. If not, find out why not. Compare notes to make sure you're getting what they're getting. Which leads to:

Consistency – You'd stop visiting your favorite restaurant if the food was not consistently up to par. Likewise, make sure your service provider gives you consistent, reliable service and delivery. The provider's employees should have skills that are highly developed and maintained. They should bring an approach to their delivery model that is unique and built on solid, leading-edge technology. Clearly, if the service provider relationship is not reducing your workload or adding value, by all means consider making changes. But before you do, make sure you are not just making change for the sake of change. Like any good relationship, small adjustments can often lead to big improvements.

Are you thinking about making a change to your real estate service provider? Wondering if maybe a "tune-up" is all you need? You might consider having the existing relationship evaluated by a third party...think of it as "CRE marriage counseling"