

Engaging Key Decision Makers in a Major Real Estate Project

Leading Your Boss – How to Successfully Influence the C-Suite and Other Key Decision Makers During Major CRE Initiatives

Case Study: Office Depot Global HQ (2005 – 2008)

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The Case Study – Office Depot Global HQ

- Signature Project
- Target Population – 2,300 employees
- 630,000 sf - 2,000(+) parking spaces
- Mostly open plan workstations
- Significant support and amenity spaces – (greatly increased meeting space, auditorium, full corporate dining, fitness center, extensive A/V infrastructure)
- Significant change in work place (transition from private offices to open plan workstations)
- Quantum increase in number and type of collaborative spaces
- Robust standby power system - HQ could operate independently from FP&L power grid



Presenters

Mr. David Fannin - From 2005 until mid 2007, while serving as Office Depot's EVP and General Counsel, Mr. Fannin also was executive sponsor of the global headquarters project. In mid 2007, he began to work full time as Chief Project Executive and continued through completion of the project in November 2008.



Mr. David Stoutamire - Among many outside advisors engaged to assist Office Depot in the realization of its new headquarters project, David worked most closely with the Project Team, serving as Office Depot's "Owner's Representative" on the Project. Along with Mr. Fannin and key staff from HOK, David was one of the few advisors who worked on the project from start to finish.



Engaging
Senior
Management

Winning
Support



Engaging Senior Management – Key Decision Makers

- Executive Suite (C-Suite)
- Board of Directors
- Business Function Leaders
- Broader Corporate Community
- Key Advisors (outside counsel, significant lenders)

Engaging Senior Management – Types of Projects

- Signature Projects (new corporate HQ)
 - Require the greatest degree of involvement by senior management and the Board of Directors
 - Can be the most difficult to ‘sell’
 - Often do not show a positive financial return
- Strategic Projects (distribution centers consolidation)
 - Usually must show sufficient ROI to get approval
 - Cost savings often are the impetus
- Routine Projects (adding retail stores, smaller DCs, sales offices)
 - Often are part of annual budgeting process
 - Require alignment of operating management as well as C-Suite

Engaging Senior Management – Identifying Key Decision Makers

- Not always just the CEO or C-Suite
- Most major real estate projects require Board/Board Committee approval to spend the money
- Business section leaders, reporting to C-Suite but one or two levels down, will influence C-Suite leaders
- Depending on the project, may be critical to develop broad-based support
 - Cultural changes, such as going to open floor workspace
 - Introduction of significant changes in amenities, whether more or fewer

Engaging Senior Management – Who and How

Who

- CEO
- Other Executive Suite Members
- Board Finance Committee
- Board of Directors
- Business Unit Leaders
- Rank & File (if significant culture change)

How

- Financial analysis
- Needs/case for change
- Video presentations
- Mass meetings
- Newsletters (electronic)
- “Show & Tell”
- Virtual site visits

Engaging Senior Management – Boards of Directors & Board Committees

- CEO's unqualified support is essential to Board approval, but you have to help him/her make the case to the Board!
- The project often will be seen by a Finance Committee of the Board that must evaluate various ways of spending money. They are gatekeepers for the full Board.
- Key issue is demonstrating either a “return” or compelling “need”
 - Signature projects often are ‘at risk’ on the return side
- If financial “return” is not there, the case is harder
- Learn the impact of expenditures in terms of “pennies per share” for a public company

Engaging Senior Management – “Hot Buttons”

To win approval of a major project, you must understand the “hot button” issues

- Are they operational?
- Enhance efficiency
- Shorten cycle time
- Are they financial?
- Reduce overall cost to the organization
- Other factors?
- ERM - Reduce risk to the enterprise, such as weather exposure

Engaging Senior Management – Office Depot “Hot Buttons”

- Deteriorating conditions at existing campus
- Division of workforce among three separated buildings
- Inadequate parking
- Campus not up to current hurricane codes
- Lack of backup generator capacity to operate normally in power outages led to lost productivity in 2004-2005
- Lack of amenities
- Inadequate meeting space for internal and vendor meetings

Engaging Senior Management – Office Depot Financial Case

Financial analysis can be a major hurdle

- Like many signature projects, lack of a true financial “return”
- Case becomes more one of “necessity” rather than financial return
- Potential for loss of key employees
- Financial loss if shut down due to power outages or storm damage
- Effort to show “returns” in other ways, more intangible

Engaging Senior Management – Do your homework!!!

- Consider alternatives
 - Remodel?
 - Renovate and add to existing campus?
 - Rebuild on existing site?
 - Relocate HQ out of hurricane zone?
- Capture ALL hard & soft costs
- Include impact costs
 - Disruption of move
 - Loss of talent
 - Vendor relationships

Tools for Persuasion – Campus Tours & Financial Presentations

- Took Board members on tours of existing campus to see conditions first hand
- Financial presentations were essential
- You must enlist assistance of Finance Department
- You must show alternatives and why proposed alternative is superior in all/most respects
- Words help articulate the case for change, but video, photos and above all financial data can make or break the case

Tools for Persuasion – Video

- One of the tools used to persuade C-Suite members, Business leaders, Board Committees and full Board of Directors was video ‘evidence’ of then-current conditions that made new HQ necessary.

ROLL THE MOVIE!!

Engaging Senior Management – Critical Success Factors

- Understand hot button issues
- What is important to the CFO is not the same as what is important to the CMO
- CEO's often can envision project as a 'legacy' project and may be easier to get on board than others
- CFO wants to know the financial impact – you must know your numbers inside and out!
- Business leaders want to know how it helps their bottom lines and that it does not negatively impact their operating budgets

Building Momentum

*After you win
your case –
what is next?*



Building Momentum – It Takes a Team

Major real estate projects are developed and built through teamwork

- Some internal personal must ‘lead’ the team and champion the project
- Key internal constituencies must be engaged
 - But internal team needs to be small and nimble
- External advisors must be carefully chosen
 - Their experience and expertise may be crucial to making the case for the project

Building Momentum – Project Sponsor/Champion

- Successful projects have a senior leadership Champion!
- Sometimes can be CEO, especially for Signature Project
 - But he/she can be difficult to engage quickly during implementation
- Ideally, you need a ‘benevolent dictator’ below the CEO level, empowered to make decisions, but also accessible
- Depending on nature of project, key business leader can serve in this role
 - Example, head of logistics should “sponsor” distribution transformation project
- For Office Depot project, Sponsor/Champion was General Counsel – Your “Champion” may not always be obvious

Building Momentum – Project Sponsor/Champion

- C-Suite Sponsor need not be in direct chain of command with the CRE Officer
- He/she does need to be well respected and preferably with long service tenure
- Sponsor must believe in the project and be able to make the case for it
- Sponsor must devote the time necessary to champion the project
- Finding the right sponsor may be one of the most important decisions you will make

Building Momentum – Internal Project Team

- **Keep project team small!**
 - Everybody wants to get involved in a signature project
 - A small, dedicated team can get more done than a large unwieldy team that constantly is seeking ‘consensus’
 - Size and frequency of meetings can bog down project
 - Get consensus on the overall concept, not the details
- Involve representatives from key constituencies
- Utilize shared sites (e.g. Sharepoint) for documents, memos, ‘virtual’ meetings and other tools to avoid getting bogged down

Building Momentum – External Advisors

- Expertise and Experience commensurate with size and scope of the project
- Draw on existing relationships if you can. . .
- But expertise trumps “friendship”; get someone who has done this before!
- We engaged world class advisors
 - HOK Atlanta, Team Leader, Karen League, now with Jova/Daniels/Busby, Architects & Interior Designers, Atlanta
 - David Stoutamire - Cushman, then Sempai Services, now Mace North America Limited, Project Management Services, Atlanta
 - Proskauer, Rose LLP, Christopher Wheeler, expert in local regulatory processes

Building Momentum – External Advisors

- Outside assistance should be “onsite” or “virtually onsite” to maximum possible extent.
 - Stoutamire and his team were onsite frequently, “virtually” full time
 - HOK had actual full-time staffing once construction got to point critical to interior work
 - Proskauer-Rose was constantly on call – Ft. Lauderdale and New York
- Experienced advisors helped develop alternatives; compare and contrast using reference points of prior projects and experiences

Building Momentum – Developing Internal Support

Sometimes you do need to organize grass roots support

- Most important where major work space/cultural changes are contemplated
- Overcome “institutional inertia” – middle management resistance to change
- Very important to quell rumors, speculation as to the impact on individuals
- Important to be as open and honest with people as possible
- This phase comes only after first getting C-Suite and Business leaders on board
- When presenting to a broad audience, remember that each listener has only one question in mind: “How does this impact me?”

Building Momentum – Developing Internal Support

- Surveys, focus groups, etc. help you understand what is important to people.
- What people “want” and what the company can “afford” are often at odds
- For broader audience, sell the “sizzle” and the “workplace” experience
- Don’t promise what you cannot deliver
 - Day care
 - Medical care onsite
 - Pharmacy

Maintaining Control

“Keeping the train on the tracks”



Maintaining Control – Establish Key Principles

- Importance of retaining design control “where it mattered”
 - “Approval” of shell and core deemed sufficient
 - Office Depot insisted on its own design and execution team for interiors
- Emphasis on functionality
 - Cataloged organizational needs
 - Meeting space identified as a key need across functions
 - Stressed common amenities rather than individual workspace

Maintaining Control – Interiors and Furniture

- Furniture was huge percentage of overall budget and was critical for overall workplace – for the concept to work, furniture and interiors had to work together
- In parallel with the earliest stages of design of shell and core and interior space, Project Team was working with HOK team led by Karen League on selecting systems furniture and layout of floor plates
- Team members visited furniture factories and showrooms – important for “buy-in” of design
- Furniture vignettes were set up in space that Office Depot had leased in a building but was no longer using

Maintaining Control – Emergency Preparedness

- Key functional requirement was robust power infrastructure – Required extra effort by developer
- Responding to Specific Organizational Needs
 - Office Depot’s experience with tropical weather in 2004-2005 caused it to be particularly mindful of preparedness of new facility to withstand storms while remaining operational
 - Multiple standby generators helped assure continued operation during power outages
- New construction to latest Florida building codes also helped increase confidence versus old HQ

Maintaining Control – Working with the Developer

- In build-to-suit to lease, don't forget developer has multiple “masters” (investors, lenders, tenant) – collaborative partnership is key
- Need for at least “virtual” full time, onsite oversight
 - Role of David Stoutamire and team
 - Executive sponsor became full-time
 - Project executive, key members of Project Team and Sempai representatives attended all Project meetings
- Focused executive decision-making in a single “czar” empowered to make key decisions
 - Had to be very senior in the executive organization
 - Needed ready access to CEO as ultimate confirmation of decisions

Maintaining Control – Working with the Developer

Benefits of a small, nimble management team

- Project was on a “fast track” and required numerous decisions to be made in real time, often with very little advance notice
- Having a presence at the construction site as well as a senior level decision maker facilitated keeping the project on schedule
- As the project moved towards interiors phase, HOK had a full-time presence at the site, further enhancing communication between Office Depot and Developer/Contractor

Maintaining Control – Keeping Key Decision Makers Informed

- Lack of information makes senior executives “nervous” – They don’t need details, but they need confidence in the team – “On budget – on schedule” is the perfect report
- While all of these activities were underway – rather like a three-ring “circus”, Project Executive was keeping CEO, other senior management members and Board of Directors informed of progress on a regular basis
 - Better to anticipate questions than keep project “shrouded in mystery”
- Visits to construction site were tightly controlled, and Developer/Contractor were instructed to report to Project Executive any communications from other senior managers at Office Depot – No site visits without permission and supervision!!!

Project Team

- Office Depot, Inc. – David Fannin, Chief Project Executive
- Flagler Development Group/TIAA-CREF – Developer
- Balfour Beatty Construction – Construction Manager
- RLC Architects, Boca Raton – Shell and Core Architects
- HOK, Atlanta – Interior Architects, Interior Design, Furniture Selection, Karen League, Team Leader
- Sempai Services – David Stoutamire, Office Depot’s Project Manager
- Steelcase Inc. – Systems furniture, interior loose furniture
- Office Depot, Inc. – Interior seating
- Proskauer Rose, LLP, Boca Raton – Christopher Wheeler, Partner, Project Legal Counsel

Lessons Learned



Lessons Learned – Recipe for success?

- 30-second rule
 - Signature – Intangible
 - Strategic – Tangible and financial
- Small, focused, expert team with previous, proven experience
 - Individuals, not companies, do the work
- Clear goals, objectives, roles, and responsibilities
- Previous experience working together
- Existing relationships with client and one another
- Visionary client leadership
 - Accessible
 - Authority
 - Time

Lessons Learned

- Engage the best team you can, then let them do their jobs!
- Avoid the procurement department selecting the team
 - How do you feel about the low bidder performing your brain surgery?
 - How do you select your corporate counsel or corporate accountant?
- Decouple the project from the corporate “machine” if necessary
- Take the time to plan and prepare – “The battle is won/lost before the first shot is ever fired.”
- Relationships are the differentiator

Thank you!

Q & A

Addendum

Office Depot Global Headquarters

Boca Raton, Florida
Completed Fall 2008

Office Depot Global Headquarters Project: 2005-2008



Office Depot Global Headquarters Project: 2005-2008



Office Depot Global Headquarters Project: 2005-2008



Office Depot Global Headquarters Project: 2005-2008





East Side

East side of complex offers green space for gatherings and outdoor food services.



East Side

Another view with auditorium left foreground.



Parking Structures

Parking structure color scheme coordinates with main building.



Parking Structures

Landscaping makes the North garage virtually disappear.



Main Lobby

Lobbies feature very high quality finishes with stone floors and rich wood paneling. Whimsical “paper airplanes” contrast nicely with the quality of the finishes.



Auditorium

Former headquarters lacked assembly space. New campus auditorium allows seating for up to 1,000 persons at a time, yet is highly flexible and can be configured in many different ways.



Dining Facility

HOK team led by Karen League created dining space full of light and color. Note the full window wall facing the east. Carpet tiles in multicolors hide food spills and are easy to replace for serious damage.



A Picnic at Work?

Outdoor dining pavilion is very popular in mild weather of Florida Fall, Winter and Spring seasons.



Part of the Sizzle: New Fitness Rooms

Fitness center with locker facilities has proven to be extremely popular. It features cardio equipment as well as extensive weight training facilities.



Multi-purpose room

This facility allows space for classes such as pilates, group exercise and other types of group activities.

Typical Workstation

Selected design for workstations featured Steelcase workstations, with Office Depot's own brand seating.





Function Over “Fancy”

All Directors and Officers have identically configured offices except in the executive area. Steelcase furniture with Office Depot brand seating used in these areas as well.

Responding to Needs Expressed by Business Leaders

A major complaint from the old headquarters was lack of meeting space. In this slide, and the two that follow, you can see multiple sizes of meeting rooms. This photo shows a team hard at work in a large conference room. Table and other furniture are Steelcase products with Office Depot brand seating.



Office Depot Global Headquarters Project: 2005-2008



Business Leaders and Rank & File Wanted More Collaboration Areas

Each floor features a flexible collaboration area that can be changed in size and configuration to accommodate work groups of various sizes. Liberal usage of white boards and tackable wall surfaces makes the space highly functional, and access to exterior lighting gives an open, airy feel to these areas.



Ideas from HOK Team and Steelcase

Each floor also features a very informal collaboration area for impromptu meetings. These areas also serve for short breaks while encouraging employees to share ideas even while taking a break from their regular work routines.



Office Depot Global Headquarters Project: 2005-2008

Every conceivable open space is taken advantage of to encourage impromptu gatherings. This area, located outside four adjacent conference rooms also can function as breakout space while meetings are in progress in the conference rooms.





Main Street Core: Contribution from Key Advisor, HOK

A key design element carried forward from earlier designs is the use of “main street” along the east side of each floor, allowing for quick movement to meetings and easy wayfinding.