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Jones Lang LaSalle: Reorganizing around the Customer

The mandate from Colin Dyer, CEO of Jones Lang LaSalle Incorporated (JLL), and Lauralee Martin, CFO and COO, was clear: "Establish a commanding presence in our core geographic markets while continuing to grow our profitable corporate account business." Although the mandate was no surprise, its execution would not be easy. Peter Roberts, CEO of JLL Americas division, was to be in charge and knew that how he managed the task would have a lasting impact on the organization. The next day he had to present a proposal for restructuring the Americas division to Dyer and Martin. The question was, which proposal? Roberts and his task force had already narrowed down the numerous options to two: (1) an enhancement of the account-focused integrated-product-based model put in place in 2001, or (2) a realignment of the firm's operations around geography and key accounts.

The decision was complicated by the fact that after several challenging years, JLL was currently thriving and appeared to have a successful formula in place. Customers were happy, the brand was strong, and the firm ranked among the largest and most successful global real estate service firms in the world. Throughout its history, JLL had focused on providing premier services to its targeted customer base. Originally, those customers had been corporate clients that needed real estate advice and transaction services in their operating locations. In the 1990s, however, American multinational companies (MNCs) were accelerating the expansion of their operations overseas, and they increasingly needed integrated real estate services across multiple geographies. As globalization continued into the 2000s, MNCs began outsourcing their entire real estate departments to professional, third-party real estate service providers.

Since 2000, JLL had focused on building an integrated service model that would appeal to large MNCs that needed multiple services across their global locations. This service model had proven successful for both JLL's clients and its bottom line. At its core, the firm was organized around three business units that retained their own profit and loss. These groups were overlaid with a Corporate Solutions Group, which ensured that the services were delivered to key corporate clients in an integrated way. The Corporate Solutions Group also had its own P&L statement. While the model was working, it was becoming cumbersome as the number of client accounts grew. In the words of one executive, "We weren't doing a good enough job of selling additional services into our accounts. We weren't doing a good enough job of bringing best practices to our accounts, nor extracting best

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practices from our accounts. [And] we weren't doing nearly a good enough job of bringing innovation to our clients. There were many things we needed to do to enhance our standing with our accounts. We were on a tack to do that, [but it was still a work in progress.]"

JLL's focus on large corporate accounts (or clients), had shifted its attention away from activities in regional or local markets. At the same time, boutique firms had gained market share in providing services to small and medium-sized companies in local markets, which further eroded JLL's local market presence. JLL's weak presence had led even its own large MNC clients to turn to more locally oriented firms for transactions in those markets. But starting in 2000, JLL conducted an experiment to expand its presence dramatically in one important local market, New York City. Subsequently, JLL managed to build a thriving local organization. Although this could be attributed at least partly to the post-recession rebound in the real estate market, JLL management recognized the impact that a focused presence could have, and they wanted to replicate the model elsewhere.

Yet while management agreed that building a local presence in certain core markets would benefit JLL and its corporate clients, they were naturally resistant to changing the firm's existing operating model. As one executive noted, "Success breeds success. This is going well. Why change it?"

Colin Dyer, who had joined Jones Lang LaSalle as its new CEO in August 2004, provided the impetus for change. He had built his career on the mission of customer service, and he vowed to give customers what they wanted. If they wanted local as well as global service, his firm would find a way to deliver. Dyer challenged Roberts and his team in the Americas to define a viable plan that would serve the dual purposes of continuing to grow and rationalize the corporate client business globally while building a respected and capable market presence in local markets.

After months of task-force meetings and analysis, Roberts and his team had narrowed the options to two, and the time had come for him to choose one to present to Dyer and Martin. He reflected on a comment Dyer had made months before: "What do our clients really want? How can we give them what they really need? Let's start with what we want to get to, and we can work out the details afterwards." Roberts was now in charge of those "details." He had spent long hours studying the two very different proposals before him.

Both offered the potential of realigning the organizational center around the customer. Each would have a service offering, a corporate client, and a geographic dimension. Yet the plans implied very different organizational architectures for interaction among business units. The 2001 restructuring in which they had created the Corporate Solutions Group had proven to management that synergies among the diverse activities at JLL existed and could be realized to achieve superior performance in providing premium services to clients. The question for Roberts was, how best to harness these synergies going forward?

Industry Background

In 2005, real estate accounted for an estimated 12.5% of the total U.S. gross domestic product. Leading up to that point, through most of the second half of the 20th century,¹ the industry had experienced a nearly continuous upward growth trend despite several periods of slower growth. In 2005, the U.S. commercial real estate sector was valued at \$6.6 trillion and comprised some 4.5 billion

¹ Bureau of Economic Analysis, Survey of Current Business.

square feet of office space.² JLL was one of eight U.S.-based global real estate service providers in this highly competitive market. (See Exhibits 1 and 2 for basic financials of JLL and a competitor profile.)

Effect of Globalization on Real Estate Industry

Over the prior decade (from 1995–2005), the U.S. commercial real estate sector had undergone one of the most significant transformations of its history. Industry growth had led to increased competition, in part because regional markets had become dominated by commission-based real estate service providers. As a result, service providers had to compete increasingly on price, which led to eroding margins. At the same time, the global expansion of many American companies in need of real estate services contributed to the demand for integrated, global service providers. Global reach was now replacing intimate knowledge of regional markets as the basis for competitive advantage, as MNCs chose real estate service providers based on their ability to work with them in disparate geographies in an integrated way. In fact, some of these MNCs realized that real estate was far from their core business and so began outsourcing their entire real estate departments to third-party providers to ensure consistent service worldwide, decrease internal real estate management costs and inefficiencies, and leverage the expertise of professional real estate service firms.

Along with this shift in demand, technological innovation dramatically expanded the geographical footprint that real estate firms could serve; the Internet gave real estate service providers access to information about regional markets (via online real estate databases) where they might not have an actual physical presence.

As a result of these trends, the same regional real estate firms that had dominated the U.S. commercial real estate service industry for decades by offering premium services found it increasingly difficult to compete. To make matters worse, a global recession began in 1999 that temporarily crippled many real estate markets, driving down values, increasing vacancy rates, and dramatically slowing new construction.

In response, starting in the late 1990s, premium providers like JLL attempted to sell a broader range of products and services to reduce costs, spread overhead, increase the volume of transactions, and differentiate their offerings. By integrating services, these providers hoped to offer greater variety to their clients and make up in volume what they had previously achieved in margins, while also differentiating their offerings as real estate “solutions” (where the sum of the parts added up to more than the individual parts). As these providers expanded their offerings, they began extending nationally and globally in order to appeal to the less price-sensitive MNCs that would pay premium prices for help with the development and implementation of global real estate strategies. Alliances and acquisitions among real estate providers became common as industry participants worked to expand their scale and scope.

By 2001, global real estate players were executing approximately one-half of all real estate service transactions worldwide. Bundled real estate service offerings replaced one-off transactions for this attractive market segment, and the large real estate service providers worked hard to orient their business models toward the growing needs of this expanding client base. By increasing their ability

² Federal Reserve Statistical Release, “Flow of Funds Accounts of the U.S.: Balance Sheet of Non-Farm, Non-Financial Corporate Business” (Table B.102, release date March 9, 2006); Jonas, Ilaina, “US office vacancy rate lowest in nearly five years,” *Reuters News*, 19 Jan 2006. 2006 Reuters Limited.

to deliver broad ranges of bundled services, these firms differentiated themselves from competitors and continued to grow through the difficult years during and after the recession.³

Competition for local markets In the early 2000s, despite the growth of firms offering integrated solutions to global clients, competition intensified on two fronts: the number of firms wanting to serve global clients increased, and local firms began to see a resurgence of business in their local markets. Large real estate service providers found that while global clients were willing to pay them a premium for integrated advisory services, these clients did not always rely on them to execute all of their real estate transactions. Local market presence and penetration had become increasingly important to companies choosing a real estate firm for a specific transaction, especially in prominent markets like New York. Global firms thus lost out to boutique firms on some transactions because the boutique firms had more “on-the-ground” resources in place and could execute the best possible deals. The large firms struggled to offer increasingly integrated global services while responding to their clients’ local needs. At the same time, by 2004, as economic health had returned to U.S. metropolitan markets, local markets had themselves become a significant growth engine due to the rapid expansion of local companies. As a result, large firms like JLL, which had shifted its focus to global clients, increasingly looked for ways to take advantage of this opportunity in local markets while not losing sight of their integrated services business.

Customer Centricity at JLL⁴

Throughout its history, Jones Lang LaSalle and its American predecessor LaSalle Partners had focused on offering premium services to its client base. Originally organized as a partnership of autonomous and discrete service-based businesses, the firm developed a reputation for specialized expertise in each of the service classes in which it operated. As the commercial real estate markets had evolved, JLL had adapted its premium-service model. The firm was an early mover in the bundled real estate “solutions” business and began transforming itself into a global service provider well before most of its competitors. This transformation began with the 1999 merger of its U.S.-based LaSalle Partners, a NYSE public company and London-based Jones Lang Wootton, an independent partnership, to globalize its operations. The combined firm was the world’s leading commercial real estate management company and the second-largest real estate investment-management firm, offering a complete range of real estate services in every major global market.

Phase 1: The U.S. Model—Corporate Solutions Group (2001)

In January 2001, the Corporate Solutions Group (CSG) was formed in the Americas division. (See Exhibit 3 for organizational charts before and after the 2001 restructuring.) The Corporate Solutions Group placed three formerly autonomous, service-based business units under a single entity and created a dedicated, corporate-level relationship manager function to coordinate the efforts of these units so global clients would have a single point of contact.

Initially, the three autonomous business units had little more in common than recognized expertise in their respective service areas and the corporate clients they served. The units were known as TRG, CPS, and PDS.

³ William C. Marks, *Real Estate and Property Services—Industry Overview*, JMP Securities LLC, January 9, 2002, January 16, 2003, March 23, 2004, December 13, 2005.

⁴ For a more detailed account of the 2001 restructuring at JLL, see Ranjay Gulati and Lucia Marshall, “Corporate Solutions at Jones Lange LaSalle,” HBS No. 409-111 (Boston: Harvard Business Publishing, 2009).

- The Tenant Representation Group (TRG)—managed every facet of the corporate leasing process for its clients, from global planning and space location to lease negotiation and risk tolerance assessment. The TRG was based on a local business model, which required on-the-ground presence, local market knowledge and savvy, and strong sales and deal execution skills. The TRG unit had long-term client relationships, strong operating margins, and highly compensated management.
- Corporate Property Services (CPS)—managed commercial space, ranging from company headquarters to data centers for its clients. Working in CPS required management and advisory expertise; and the skill sets of managers, unlike those of the TRG, were not location based. Competition in this business was fierce and margins were narrow. Management compensation, while competitive in the industry, was substantially lower than in the TRG.
- Project and Development Services (PDS)—handled real estate development projects for corporate clients by managing all phases of the construction process, from architect selection to building occupancy. Like the TRG, PDS was an advisory service but was not fundamentally location based. This was a strong and growing area of business for JLL and had healthy margins. (For a more complete description of these business units, see Exhibit 4.)

The quest for integrated solutions JLL's smaller clients that needed a single service in a single market (referred to in the industry as "1x" clients) continued to be well served by individual business units. However, global clients needed a completely different level of service because of their increasingly complex real estate needs. They required service providers who could diagnose and offer solutions to their comprehensive real estate problems, which spanned geographies and business units. JLL already had the talent and expertise in its ranks, but what it needed was collaboration among its different product areas to create synergies for these important clients.

As one global management team member noted, "Clients need solutions now, not products. If we can provide our clients with well-thought out, well-executed real estate solutions, we can grow our single-service clients into multiple-service accounts [or turn 1x accounts into 3x accounts within a region⁵—and on a global basis across the three business units of JLL, these could become 9x accounts]. But we have to make sure that all of our units are on the same page. We have to coordinate."

By partnering with its clients, JLL could become a centralized point of reference in the complex, global real estate market. Its services would simultaneously save clients money and increase JLL's own profitability, establishing a win-win relationship. Integrated solutions were, in the words of one executive, "all of those things that go into an occupancy decision: 'Do you really need 10,000 sq.ft. or 100,000 sq.ft.? Do you need to be downtown? Do we need to separate your business into two different parts because of risk management? Do you need to be in Chicago, or is it better to work out of Minneapolis? What's the location of your employees? How's the transportation situation?'"

JLL's formerly independent, service-based business-unit structure had worked effectively to develop and sell the best products within a specific service area, but it had not been able to provide bundled, integrated services that drew from the expertise of more than one business unit. Simply put, the old structure discouraged collaboration. There was limited mobility in the organization: once hired, most employees worked solely for and within their respective business unit. Compensation and bonus pools were determined within units and varied greatly among units, further reducing the incentive to cross-sell or to pass on leads. Thus, loyalty remained solidly with the business unit.

⁵ A 3x client was one that procured all 3 services offered by JLL.

In light of these structural limitations, the reorganization of JLL Americas in 2001 was seen as a necessary step in enabling it to serve its corporate clients more effectively. In the new organization, a corporate-level client management function (the CSG) would be created to sell bundled packages of all of the products and services that JLL offered, bringing in experts from individual business units as needed to provide specialized, high-quality services. The business units would continue developing products to meet client needs, but under the client manager's guidance, they would increasingly coordinate their work with the other units to provide clients with more innovative solutions. In this way, JLL would differentiate itself from its competitors and, at the same time, grow the size and loyalty of its clients. Meanwhile, smaller clients that purchased from only one business unit in one market (1x clients) would continue to be served directly by that group, with the hope that over time they could be grown into 3x corporate clients.

The Corporate Solutions Group was pitched internally as "a business philosophy or organizing principle we will use to reaffirm our client focus and solution orientation." As one senior JLL executive explained of the new structure, "We won't go to market as the Tenant Representation Group or the Project and Development Management. We'll go to market as Jones Lang LaSalle." According to a senior executive, the original corporate client manager assigned to JLL's important Bank of America relationship: "Clients view the account in its entirety. Clients want accountability. They want you to run the relationship as a business, not a product. We have been motivated by products sold, and now we need to integrate products into the business of account management to stop selling products and start selling solutions."

Now, client managers could focus on what was in the best interests of their clients without being hindered by the limitations imposed by the business-unit structure. Client managers would coordinate teams of business-unit staff (though these employees were not reporting directly to them) and create the appearance of a single, unified, multi-service team for the client. Meanwhile, the service-based units could be retained as the primary profit centers and central organizational element of the Americas division, continuing to provide numerous benefits in the areas of accounting, service-offering leadership, training, and employee development.

The matrix organization created by the vertical business units and the horizontal client function was supported by JLL's compensation structure, which, in essence, ensured that "the sum of the parts (client management plus integrated business-unit services) was greater than the parts alone." Compensation had been an important issue at the firm since its move to a non-traditional salary-plus-bonus model in the 1970s, which had been established to set JLL apart from its "commission-hungry" competitors. As a result of this compensation system, each employee's bonus came out of a pool that was allocated to the business unit in which he or she worked, and so bonus was tied to the performance of the unit. Accordingly, bonus pools were closely guarded by the business units. Under the new structure put in place in 2000, the business units were allowed to retain their independent compensation systems and bonus pools and were not required to share their pools with either client managers or team members from other units. This was particularly important to certain units because compensation varied greatly from unit to unit. Meanwhile, the client managers had to negotiate their salary and bonus structures directly with the clients as add-on advisory services, in much the same way that a consulting retainer might be structured. In other words, the client managers did not get any portion of the fees that were paid for services provided, and instead had to negotiate with the client for additional fees for their own services. At the same time, they would build a bonus pool for themselves by also negotiating certain performance-based bonuses from the client. In this way, client managers would be compensated for their ability to provide integration services, and their bonus would be directly tied to client satisfaction and mutually agreed-on targets.

Phase 2: The Transition Period (2001–2004)

Overall, the 2001 restructuring was viewed as a success. The global real estate market took off, and the CSG was well positioned to respond to its clients' needs. According to John Phillips, former CEO of the CSG, "There was truly an increased demand for [integrated] services, and we were better prepared to respond to that demand because of the Corporate Solutions structure. We were able to make decisions across the CSG for the good of the group because we were all part of one entity, even though each of those businesses still ran their own P&L."

By the fall of 2001, client managers had been assigned to the accounts for Bank of America, Microsoft, and Sun Microsystems. Over the years that followed, JLL won the global account management business of numerous other MNCs including Motorola, Proctor & Gamble, Kaiser Permanente, Honeywell, Host Marriott, MasterCard, Coca-Cola, General Motors, and Cisco Systems. (See Exhibit 5 for a sample of new and expanded relationships over the period.)

In the words of one client executive, "We selected JLL because they were the only service provider that offered consistent integrated service delivery . . . to streamline our real estate transaction and project management services worldwide." The Bank of America account provided a useful example. While leasing 70% of its office space in one particular market, the Bank owned the remaining 30% of its space in an aging building, which the Bank felt diminished its profile in the local financial community. Under the guidance of the client manager, JLL pulled together a strong, multi-disciplinary project team with financial analysis capabilities and market intelligence to support the Bank's decision-making process. Through the process, JLL was able to sell the owned property at a premium, negotiate a leaseback arrangement so that the bank would have timing flexibility in relocating its operations, lease new office space in a prime location at highly favorable terms, and achieve increases in space efficiency as well as facility cost savings due to expert space planning.

The Bank of America example was repeated over and over within the Bank as well as with other clients, and this translated into positive results for JLL and its clients. Earl Webb, former CEO of JLL Americas, remembered, "We did a little pioneering work, and starting in 2001, we won every RFP we competed for, for a while." (See Exhibit 1 for a financial summary.)

Information systems that were put in place after the restructuring enabled the firm, for the first time, to track profitability at the client level across the business units that serviced each client. As a client manager explained before the change, "Right now, business units have their own ways of deciding which are the good accounts. They may drop an account that they think is going nowhere, but in reality, their contribution could be the interaction that gets us in the door for a really big deal in another unit. By the same token, some accounts just don't perform for us. We invest a lot of time and talent, but they are just not growing for us the way we need them to. We've got to let those ones go." Under the new system, all interactions with a client went through the client manager and were tracked in a holistic fashion. Business units still tracked revenues and costs attributable to their specific unit, but they were now motivated to consider overall client profitability as well, because an emerging profitable client for the firm could translate into increased transaction volume and profitability for their unit over time.

Coordination challenges among groups As the Corporate Solutions Group and client management grew to keep up with exploding demand, they faced rising coordination challenges in serving large clients across business units and global markets. Among these was the ongoing tension between business-unit managers and client managers. One business-unit manager explained: "Account managers want to please their accounts. It is easy for them to promise the moon. Then they come back to us and expect us to deliver. We have a P&L. We have to think about profitability.

Sometimes we can't make money on these deals. It hurts us. It hurts my bonus. Sometimes the account managers don't think about that."

Conversely, one client manager retorted, "We spend a lot of time developing plans with our clients. Then we come back home to pass this by the business units. But it's not that easy. We have to negotiate with each business unit over the services they are going to deliver and the fees they are going to charge. My client expects lower costs for bundled services, but that's not the way it often turns out. The business units calculate their piece of a contract separately, and no one wants to carry extra costs for the sake of the deal. So they often come back with a package of services priced higher than if they had been bid by separate firms. I can't take this to my client. So I have to spend hours fighting with my own people to try to get a deal. My client wonders why it takes me so long to get them a bid." Another client manager expressed his concerns more succinctly: "I can bring in a deal that will clearly make money for the firm, and even then I have to fight so many battles to push it through. Why can't the business units just see the big picture?"

JLL management saw this tension as a healthy form of "checks-and-balances" between the two groups. According to one executive, "I think the push-pull is, candidly, quite healthy, between the buyers of the service and the sellers of the service. [For example,] you're a service buyer, and you say, 'I want A, B and C. And the seller says, "That's fine, but it's going to cost you X." And then, you say, 'Well, maybe I only want A, B, and half of C.' And that's the tension that we need in the system, and I fully expect it to be there."

Managing tradeoffs As JLL focused on perfecting its client-based, integrated service model, the real estate service market did not sit still. Competitors were copying JLL's client-based model and starting to offer integrated services, customized solutions, and global access. Competitors that could not take market share from JLL by winning the large MNC clients were attacking the firm's strong position from other directions—for example, by intensive penetration of important local markets.

Although JLL's employees were spread across numerous metropolitan markets throughout the U.S., the firm had not tried to integrate its business-unit employees within geographies. There was no regional office head, no explicit cross-service coordination within regions, and no regional marketing or sales plan. As a result, business units continued operating independently, supporting their corporate clients and selling to their own local, single-service (1x) clients.

At the same time, boutique firms located in these same markets and staffed with so-called "hunters"—experts with local knowledge, reputation, and sales skills—were able to go out and capture 1x clients, sometimes growing them into 3x clients. Since these competitors were not always multinational or even multi-location, they would not typically come to the attention of client managers at JLL.

And because JLL had positioned itself as professional advisors rather than "deal doers," some of its clients, while continuing to rely on JLL for strategic real estate guidance, began turning to these same local firms for select transactions in local markets. According to one executive:

A couple of our biggest corporate clients had major requirements in New York City. And these are clients that we did everything for—facilities, project management, leasing transactions—the whole shebang. And yet they had big assignments in New York City, and they didn't hire us to do them . . . [with one of them,] I took particular interest because it was a big deal and a long-time client, so I talked to these people. And the answer was, "We love the way you guys do business. We love the people that work on our account. We love the fact that you can do all these things, but . . . in a market like New York, what you guys don't have

is a local market penetration and the deal volume and, therefore, the 'clout' in that market to drive the transaction to its absolute optimal conclusion. And we feel that New York-centric businesses that are there can really create, through their market awareness, market knowledge, the fact that they lease 20 million square feet a year in New York: they know every street corner, every single floor on every building—they can drive the best solution. And so, therefore, thanks. We love you everywhere else, but not in New York City."

JLL could no longer overlook this segment. "We would win the strategy work and win the global alliance, and yet, [our clients] would carve out exceptions in New York and LA and San Francisco. And we realized, 'Hold it, that's the high profitability stuff.' We do so much consulting work and get paid nothing [to be positioned for the high-margin work, so] when the real gravy comes along, we don't want it to get handed off to somebody else."

Recognizing that a substantial growth opportunity was being missed, management encouraged all staff to focus harder on local market penetration. Yet performance for local clients continued to lag, and some of JLL's global clients persisted in taking certain work to local-market experts.

The New York City Market Experiment

In the spring of 2002, in response to the loss of the local business of several of its large corporate clients, JLL decided to build a more commanding presence in one local market—New York City. The customer perception of "We love you elsewhere, just not in New York" had to go. Business-unit leadership was skeptical, and the TRG (Tenant Representation Group) in New York felt threatened by the experiment. One senior executive commented on the reservations of TRG to this experiment: "They had [an attitude of] 'we'll go along with it under a certain set of understandings that this is the market we're going to do. We're not going to take this everywhere else. We buy the argument that New York is unique. But it's unique, and we're not going to let this happen anywhere else.'" This did not deter management, however. As one executive pointed out, "We had to prove the New York model out, to prove that it actually would add incremental revenue . . . that it would not cannibalize our business, which was the big fear." Departing from its historical business approach, JLL moved forward with its plan to "own" a geographic market.

In August 2002, JLL named Peter Riguardi, a former vice chairman of competitor Colliers ABR, to lead the effort. Earl Webb, CEO of the Americas at that time, stated, "Peter's proven track [record] with clients in New York positions us to significantly increase our market share in the largest office market in the United States. We are committed to rapid growth in this market and are confident that adding [Peter's] market knowledge and transaction skills to our already strong teams and client base will propel this growth."

Riguardi was a high-profile figure in the New York real estate market: if anyone could build a major local presence representing the full breadth of JLL's services, Riguardi could. He was given full authority to structure an organization that would optimally serve the New York metropolitan market. Wasting no time, Riguardi consolidated the New York-area resources of JLL into a single organization, hired a core team of local-market specialists and focused all efforts on responding to local market needs. Serving as a central coordination center, the New York office dramatically increased JLL's sales and client outreach efforts in the metropolitan market. Riguardi was also authorized to draw from business units not based in New York, although they were required to collaborate and share revenue with Riguardi's organization when projects and transactions were executed in the New York market. In cases where a corporate client required transactions in the New York market, the activities would continue to be overseen by the client managers and implemented

by the three business-unit managers, while at the same time being assisted by a New York regional manager assigned by Riguardi. The model was expected to work as follows:

- A large corporate client needed a certain amount of office space in the New York metropolitan area. First, a senior client manager would work with the client to define a strategy for expansion in the New York market. The client manager would then bring in a New York-based geographic manager who would work with the client to achieve its goals in the local market. The market expertise and clout of the local manager would help ensure that all aspects of the transaction were well executed. As the local manager was servicing JLL's corporate clients' needs in New York, the manager would aggressively seek to build the presence of JLL among New York-based firms and convert some of the firm's 1x clients into 3x clients.

Riguardi's team hit the ground running. Almost immediately, the organization saw a marked improvement in its ability both to capture business from New York-based clients and to serve the local needs of its corporate clients in the New York market. Global corporate clients that had switched to more transaction-oriented local firms were bringing their business back to JLL. At the same time, local-market client business also started to grow rapidly. The New York model caught the attention of JLL's management team. Within a year, the commercial real estate managed by JLL in New York City had grown nearly 25% to over 30 million sq.ft., making it the third-largest commercial property manager in the metropolitan area.⁶

Phase 3: A Call to Action (2005)

In January 2003, Peter Roberts,⁷ a seasoned company insider, was named CEO of JLL Americas. His mandate was to continue transitioning the firm to a customer-centric model and to stimulate higher growth of revenues and profitability throughout the Americas organization.

Roberts and his management team had set an aggressive performance goal—to achieve \$100 million in annual pre-global operating profit by the end of 2009,⁸ which would require double-digit growth in profitability year-over-year. Roberts wondered if the existing structure was robust enough to enable the firm to meet this target. This goal would require the firm to develop new client relationships and expand existing ones. Roberts projected that “if each individual client spends \$100 a year on real estate services [and] our capture of that spend is only 20%, we can grow our market share of that client's real estate spend tremendously.” The relative importance of local-market clients, and of more global clients whose service needs spanned multiple geographies, remained to be determined. (See Exhibits 6, 7, and 8 for information on U.S. and global real estate markets.) Roberts wondered whether his organization was delivering to clients what they were asking for. There were many questions to consider:

- Had JLL completed its transition from a product-based firm to one based on integrated client solutions?
- Was it doing enough to provide globally integrated services across its three major regions—the Americas, Europe, and Asia?

⁶ “New York's Largest Commercial Property Managers,” *Crain's New York Business*, April 5–11, 2004.

⁷ Roberts was the chief operating officer of JLL from January 2002 through December 2002 and served as chief financial officer from January 2001 through December 2001. Before that, he served as managing director of TRG.

⁸ Pre-global Operating Profit (PGOP) is operating profit for the Americas division before allocations from JLL's global organization have been calculated.

- Was JLL's organizational structure efficient enough to continue driving client value? Was it nimble enough to enable clients to achieve their growth potential?
- Was JLL staying ahead of its competition in terms of value delivery and execution?
- Assuming it made sense from a financial standpoint, was it possible to replicate the New York market model in other metropolitan markets?

Regarding the latter issue, Roberts knew that it had been complex enough to coordinate the "dotted-line" relationships between regional managers, client managers, and business-unit managers in this one market; yet it seemed to be producing results, and clients were happy. But what strains would be placed on the organization by establishing operations in other local markets that had growth potential, such as Boston or Washington D.C.? And how many other key markets should JLL expand into? Thus far, the coordination had been only between services within the U.S. market. What about the ultimate goal of coordinating all three service types across all three global regions for JLL's multinational clients?

By mid-2004, after months of observation and analysis, Roberts and his management team reached the conclusion that organizational change was indeed necessary once again. The firm's current organizational structure was becoming a stumbling block to its ongoing progress. It would need to be enhanced or altered to meet the growing needs of JLL's client base. "This was just absolutely obvious to everybody," according to one executive. "Now, the details of filling it in, and how you reorganize the reporting lines, and what sort of matrix you use, and who takes responsibility for what, how you pay people, all of that—this was the part that still needed to be worked out."

The change in 2001 had been an invaluable start to JLL's goal of becoming more responsive to customers. Now, after moving part way to that goal, the firm had proven its ability to reorient the actions of every employee to be more customer-focused. Yet the job was not complete. As one manager said at this organizational turning point, "Dealing with a large MNC cannot be done on a patchwork or local basis; it needs national and international coordination; you need a structure for doing that, which cuts across all previous boundaries. You need to be able to address the needs of both local clients and big, international clients and give them each what they want—nationally, across product lines, and also internationally."

In August 2004, as Roberts and his team were beginning to articulate options to streamline the operating structure of JLL, a new president and CEO of JLL Incorporated was appointed. Colin Dyer, an industry outsider with experience in consulting and retailing but no real estate background, had something that JLL's board considered more important than real estate seniority—expertise in customer service and experience in leading change. From the outset he was clear about his wish to "shake things up" at JLL. Dyer immediately challenged what he called "the sacred cows" of JLL's culture. In his words, "It was just a matter of pushing the organization or giving it the confidence to say, 'you can move forward and do these things.'" Dyer directed Roberts to get a proposal to him by September 2005 for how he would restructure his organization to accomplish the strategic objectives of the Americas' division.

Now it was September 2005 and Roberts was looking at the two proposals on his desk. He pondered the advantages and disadvantages of each.

Option 1: Build a Three-Legged Stool

The first option would introduce a series of measures to build on the existing structure while addressing its key areas of weakness. The firm would continue to be organized around its three core business units (TRG, PDS, and CPS), each of which would continue to manage its own P&L. This would be the first leg of the stool. (See **Exhibit 9** for the proposed organizational structure.) The client management function would be the second leg and would remain an overlay function, creating a matrix with the three business units; and the larger, multi-service clients would be overseen by corporate client managers. A concerted effort would be made to further streamline this matrix organization. Some of the improvements would come in the form of (a) enhancing shared IT systems to enable tracking of total client profitability; (b) empowering client managers (and potentially, regional managers) to make decisions that were in the mutual best interests of the clients and JLL; (c) increasing reliance on client-performance-based incentive compensation; and (d) enhancing communication and trust between client managers and those within the business units.

The key difference between this option and the existing organization was the addition of a third function (or third leg of the stool) in the form of a regional organization. Like the one that had been established in New York, this regional organization would be superimposed on the existing matrix structure. And like the client management group, the location-based units would have a client-facing, business development function, identifying and selling to clients in specific geographic locations. Market areas would be established in such locations by relying first on existing resources, and would be grown both organically and through strategic acquisition. Each market would have a regional head who would develop a regional strategy and build a local team to “own” the sales and marketing activities of that region. While these regional market heads would be given the autonomy to manage their regions, they would effectively have a dotted-line reporting relationship to the other two legs of the stool—the three core business units and the client managers who conducted business in their region. In turn, some of the staff working for one of the three business units that was located in a particular region would have a dual reporting relationship to their business-unit head and to the regional head. Client managers and regional managers would divide clients based on the geographic footprint of the services a client needed. Thus, in this model, the corporate client managers and the regional managers would serve as the client-facing, coordination forces for clients or geographies, enabling the three business units to focus their attention on actual service delivery.

Just as the client managers would “own” the corporate clients and serve as their advisors across all business units and global geographies, so regional managers would own local markets and the clients that executed transactions in a single market. The client managers would take the lead in coordinating activities that served the needs of a large multi-geography corporate client in a specific market. When a corporate client needed a transaction in a local market where JLL had a regional presence, the client manager would pull in the relevant regional manager and business units to deliver services on the client’s behalf. Conversely, when a small client in one of the local markets needed to execute a transaction in another market, the regional manager would take the lead. In this case, the local markets group would work with the relevant business unit to deliver services to the client. If the client’s needs moved beyond the local geography, the regional manager would coordinate with a client manager to ensure that the client’s needs were being met, and if the client’s needs continued to grow in scale and scope, the client would be passed on to another client manager to be coordinated from a broader vantage point. When each of these three groups (client management, business unit, and geographic organization) collaborated, they would share the credit for that transaction with each other using a pre-established formula to ensure that each was properly compensated for collaborating with the others.

In addition to shared decision-making, the reporting structure under this three-way matrix would be shared. The client function and the regional function would remain very lean groups, while the majority of the firm's staff would continue to reside in one of the three business units. As the client-facing functions sold work to their clients or within their geographic regions, they would pull together teams from one or more of the three business units. While the team members would be direct reports of their business-unit manager, they would also have dotted-line, or indirect, reporting relationships to the region in which they resided. In addition, if they worked for a corporate client, they would also have a dotted-line connection to the relevant client manager while deployed on a particular project. Once the project was complete, they would be reassigned to another multi-functional team. The roles and responsibilities of the different groups would be clearly defined, and the intersections among the groups would be closely managed.

The service-based business units would be retained as the central organizational units and would retain primary P&L responsibility within the firm. As one senior executive at the firm commented: "JLL has always been recognized for the strength of its products. That's what the brand stands for; that's what customers know they are getting." The business units would continue to serve as the foundation(s) of the organization. They ensured best-in-industry products and staff, and continued to define employees' identity within the firm. Revenues for a specific service offering would flow into the P&L of that business unit. Team members working to generate that revenue would be compensated by that unit and their bonus would be determined, in part, by their contribution to the revenue generation for their unit.

Nonetheless, the client managers and regional managers would also have parallel P&Ls that would help them manage their clients and markets profitably. Revenues for a particular client, regardless of service offering, would be recorded by the client managers on their P&Ls, and total client profitability would be determined after consideration of the inputs the client managers used from JLL. Client managers would continue to generate their own income from incremental work they did for their clients, and this would usually be tied to their achieving some specific goals for the client. Client manager compensation would be based on the total amount of this incremental income as well as overall client revenue and profitability. Regional managers would do the same, although they would manage P&Ls for all of the services provided in their region, and their compensation would be determined based on regional performance.

Incentive structures would be increasingly weighted in favor of client and market profitability and satisfaction, rather than on individual business-unit performance. Management would reward business units not only for their profitability as before, but also on how well they worked together to share clients and information, provide optimal service delivery, and grow client business across geographies and business units.

Option 2: Organizational Realignment

The second option Roberts was considering, more radical than the first, aimed to break apart the existing structure and start with a "clean slate." This proposal recommended dissolving completely the three traditional business units and establishing, in their place, two new client-facing groups: global client management ("Clients") and geographic market execution ("Markets"). (See **Exhibit 9** for a depiction of the proposed organizational structure.) The three core service offerings of the firm would continue to exist; but rather than operating as distinct organizational units, they would be embedded in the Clients and Markets groups. All of the former service-line employees would become staff members of either the Clients or Markets function, depending on their interests, skill sets, and career paths. In addition, a Central Business Services group would be established to

consolidate support activities including call centers, information technology, procurement, engineering and operations consultation services, quality control, and product training.

Clients group The Clients group would focus on marketing to and managing the firm's relationships with its large, multi-service clients. The client management role would remain similar to what it had been before the restructuring, with client managers working directly for client companies as the single point of contact for all of their clients' global real estate needs. Beyond just offering client-facing coordination of tasks, the new Clients organization would also encompass some service delivery activities as well. The former PDS and CPS units would be folded into this client-facing unit because in the prior organization, these units achieved their greatest leverage from working with corporate clients and managing multiple office sites or development projects simultaneously for a single client. As a result, it made sense for these specialists to work directly within the corporate Clients group. This meant that the new Clients organization would be responsible for both coordination and fulfillment of some of the services that JLL offered its clients.

Client teams would be assigned to specific client companies. Team members would be offered the opportunity to cross-train in other service offerings within their specific clients. They could also continue to enhance their original service domain of expertise by sharing best practices with their service counterparts in other client teams while receiving ongoing training and development.

Client managers would have P&L responsibility, hiring and firing authority, and full accountability for increasing client profitability. They would continue to be compensated based on the salary-plus-bonus formula, rewarding their staff based on total client-performance metrics. According to one of the members of the task force that made the proposal, this new organization would enable JLL to "focus on products that we've always had in the past, but we will also have a true focus now on managing our accounts as a business, taking our accounts to a much greater level."

Markets group The Markets group would "own" specific major metropolitan areas and would serve two primary functions. First, it would manage the local markets and serve as the primary sales force within these geographic areas, working to establish significant market penetration for JLL in core metropolitan areas. Second, its staff would execute transactions on behalf of single- and multi-service clients within specific markets. These would include its own clients who were primarily operating in local markets, as well as those of the Clients organization that encompassed global clients. Some service delivery employees would be retained within this organization. The employees of two former groups—the TRG and the Leasing and Management Group of the parallel Investor Services organization of JLL—would form the foundation of the Markets staff, since their expertise was derived from very specialized local market intelligence. In addition, some staff from former CPS and PDS groups would join the Markets staff to manage local projects in these service offerings. Additional resources would be developed or acquired as needed to ensure rapid market penetration. The New York office would serve as a model, which could be replicated in Boston, Washington D.C., and other U.S. metropolitan markets that JLL felt were key to serving the expanding needs of its corporate clients or deemed strategically important to building the firm's market share. As one task force member working on this proposal explained, "Our strategy is aimed at projecting a much larger footprint into the marketplace. We expect that this team could offer clients greater personnel depth, broader market coverage, and enhanced market knowledge and insight."

Like the Clients group, the Markets group would have dedicated teams of local market specialists "owning" their metropolitan areas and executing transactions across the service offerings of JLL. The "lead" on a specific client would be determined primarily by size, range of service offerings required, and geographical scope. For example, if a corporate client purchasing multiple services across various regions wanted office space in Washington D.C., the client manager (in the Clients group) would liaise with a Washington regional manager, who would execute the local transaction to JLL

standards. The local manager would “own” the local relationship, but would have a dotted-line reporting relationship with the Client Manager, who would ultimately oversee all aspects of the client portfolio and would be responsible for client satisfaction. Conversely, if a smaller, single-city client serviced by a local manager in Boston wanted access to the various products and services the firm had to offer, it would be handled by the Markets group. However, if the client wanted to grow into the New York market or perhaps a foreign market such as London, the local manager would liaise with the Clients group and the client would transition to a corporate client, while still maintaining a relationship with the local manager in the Boston market.

As with the Clients group, teams in the Markets group would have their own P&Ls, full-time teams made up of local market and product execution specialists, hiring and firing authority, and full accountability for growing market profitability. But unlike client teams, market teams would consist of both advisors who developed the local strategy and portfolio of options for a client, and “hunters” who executed transactions on a client’s behalf and sold new business for JLL. While the advisory positions would continue to be compensated under JLL’s salary-plus-bonus structure, the hunters would revert to industry-standard, commission-based compensation structures to instill the “fight and win” attitude that Riguardi had shown was important for achieving a commanding presence in a specific geographic area.

In order to ensure that the Clients and Markets groups were working together effectively, an incentive system would be created to reflect both client profitability and regional profitability, with extra benefits for sharing and growing service offerings to clients. For instance, for large, established corporate clients, regional managers would be provided with incentives for efficient, timely transaction execution in their relevant local markets. Regional managers would be rewarded for growing a local client beyond its primary geography. Although the regional managers would be effectively losing their clients to corporate client managers once the clients grew beyond their local markets, the regional managers would have succeeded in establishing a multifaceted, long-term client relationship for JLL.

Making a Decision

Roberts was pleased with the work of the task force and could see the merits of each option. Both were based on sound rationale, and both solidly aligned the firm’s activities around the clients’ emerging needs. To maintain its competitive edge, JLL needed to be globally and locally oriented at the same time, and playing this dual role would require distinctive skills. In the same way that JLL was considering how to change its client-facing activities, it needed to retain its deep product expertise within its three core business units. Both options recognized the complexity of a client-focused organization that also needed to be built on product excellence. Cut-and-dry distinctions between business units were a thing of the past. Yet there were still important questions that concerned Roberts:

- Was it better to build the new organization on the existing foundations, or start anew? Roberts knew that Dyer was not afraid to “shake things up,” but Roberts also knew how potentially disruptive it could be to an organization to shake things up too much.
- How strong was the need to build up a geographical organization, and in how many regions? Could a leader like Riguardi be found in every market? And if JLL pursued this goal, should it be done by acquisition or organically?

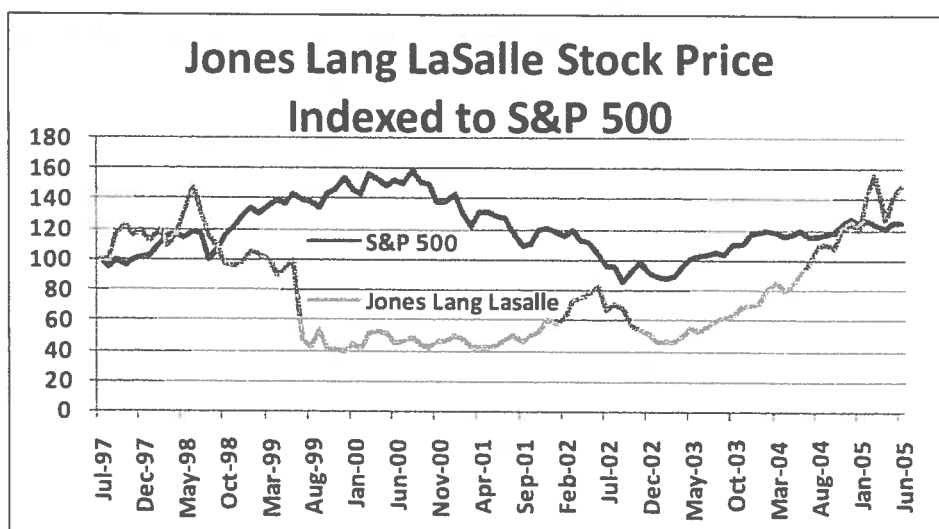
- How important was ongoing service-offering excellence going to be in the future, and which proposal provided the greatest assurance for maintaining an adequate level?
- Finally, how would either restructuring affect the morale of the organization—especially those who had spent their careers within a single service business?

As Roberts pondered these issues, he thought of even broader ones:

- How much organizational disruption was good for the firm? Was this a good time for radical change?
- How could Roberts best build on the momentum created by the 2001 restructuring?
- At what point would the “internal noise” of restructuring distract managers from their true task of serving their customers? Because the firm’s goal was to produce an outward-oriented organization, Roberts did not want the process of restructuring to have the unintended consequence of focusing the organization’s attention inward.

Roberts reflected on these concerns. Although he knew that Dyer and Martin supported the idea of restructuring, he knew they would question every aspect of the chosen plan. He repeated Dyer’s words in his head: “What do our clients really want? How can we give them what they really need?” Roberts felt he knew the answers: JLL’s clients wanted a partner, an advocate in helping them establish the best real estate strategy and portfolio locally, nationally, and globally. But which proposal would be best for achieving the desired results?

Exhibit 1 JLL Stock Price and Financial Information, July 1997–June 2005



Source: Thomson ONE Banker, accessed March 2009.

JLL Americas Annual Financial Highlights (\$ millions)

	12/31/2001	12/31/2002	12/31/2003	12/31/2004
JLL Americas				
Sales	327.9	290.9	313.5	371.2
Operating Expenses	277.5	240.1	257.8	303.5
Depreciation & Amort.	24.1	18.8	17.9	14.2
Operating Income	26.3	32.0	37.8	53.5
Operating Margin	8%	11%	12%	14%

Source: Company 10-Ks.

Note: The stock price before the merger in 3/1999 reflected the closing price of predecessor firms.

Exhibit 1 (continued) Annual Balance Sheet (\$ millions, except per share amounts)

	12/31/2001	12/31/2002	12/31/2003	12/31/2004	3/31/2005	6/30/2005
ASSETS						
Cash and Equivalents	10.45	13.65	63.10	30.14	27.94	21.34
Net Receivables	235.99	239.37	265.14	343.22	289.26	282.99
Inventories	-	-	-	-	-	-
Prepaid Expenses	11.80	15.14	18.87	22.28	-	-
Current Assets - Other	28.27	38.14	25.83	40.62	57.74	60.42
Current Assets - Total	286.51	306.30	372.94	436.26	374.95	364.76
Gross Property, Plant and Equipment	194.90	197.87	212.14	239.20	239.52	241.05
Accumulated Depreciation	102.40	116.21	140.52	163.67	167.77	169.58
Net Property, Plant, and Equipment	92.50	81.65	71.62	75.53	71.76	71.47
Investments at Equity	56.90	74.99	71.33	72.77	-	-
Other Investments	17.38	15.25	13.01	16.98	511.99	504.42
Intangibles	328.17	333.82	347.61	351.66	-	-
Deferred Charges	19.79	13.99	16.03	3.96	-	-
Other Assets	34.48	26.51	50.40	55.22	-	-
TOTAL ASSETS	835.73	852.52	942.94	1,012.38	958.69	940.65
LIABILITIES						
Long Term Debt Due in One Year	@NA	@NA	0.40	0.40	17.40	13.78
Notes Payable	15.50	15.86	3.59	17.93	-	-
Accounts Payable	116.97	92.39	96.47	130.49	111.19	96.28
Taxes Payable	-	-	-	-	-	-
Other Current Liabilities	155.17	160.94	184.95	278.25	160.10	164.69
Total Current Liabilities	287.64	269.20	285.41	427.06	288.70	274.74
Long Term Debt	207.39	199.15	207.82	40.58	131.30	139.19
Deferred Taxes	6.57	0.15	0.76	0.67	0.05	-
Investment Tax Credit	-	-	-	-	-	-
Minority Interest	0.79	-	-	-	-	-
Other Liabilities	18.49	17.07	16.85	35.68	41.09	40.72
TOTAL LIABILITIES	520.87	485.56	510.84	504.00	461.14	454.65
EQUITY						
Preferred Stock	-	-	-	-	-	-
Common Stock	0.30	0.31	0.32	0.33	0.34	0.34
Capital Surplus	457.89	476.96	497.79	541.80	564.31	575.24
Retained Earnings	(142.15)	(105.19)	(53.81)	25.28	7.58	12.70
Less: Treasury Stock	1.66	5.12	13.31	59.43	74.68	102.28
Common Equity	314.38	366.96	430.99	507.98	497.55	486.00
TOTAL EQUITY	314.38	366.96	430.99	507.98	497.55	486.00
TOTAL LIABILITIES AND EQUITY	835.73	852.52	942.94	1,012.38	958.69	940.65
COMMON SHARES OUTSTANDING	30.18	30.60	31.06	30.94	31.41	31.50

Source: Standard & Poor's Research Insight, accessed March 2009.

Exhibit 1 (continued) Annual Income Statement (\$ millions, except per share amounts)

	12/31/2001	12/31/2002	12/31/2003	12/31/2004	Quarter ended:	
					3/31/2005	6/30/2005
Sales	873.12	837.85	941.89	1,166.96	240.18	325.09
Cost of Goods Sold	744.07	733.74	848.35	1,038.70	243.72	285.53
Gross Profit	129.05	104.11	95.54	125.54	(3.54)	39.56
Operating Income						
Before Depreciation	129.05	104.11	95.54	125.54	(3.54)	39.56
Depreciation, Depletion & Amortization	47.42	37.13	36.94	33.38	8.31	8.34
Operating Profit	81.63	66.99	58.60	92.16	(3.54)	39.56
Interest Expense	20.16	17.02	17.86	9.29	0.33	1.36
Non-Operating Income/Expense	8.56	2.58	7.95	17.45	(0.89)	4.63
Special Items	(77.23)	(14.87)	(4.36)	(14.20)	1.57	(1.32)
Pretax Income	(7.20)	37.67	44.33	86.11	(11.50)	33.18
Total Income Taxes	7.99	11.04	8.26	21.87	(2.92)	8.43
Minority Interest	0.23	0.71	-	-	-	-
Income Before Extraordinary Items & Discontinued Operations						
Operations	(15.41)	25.92	36.06	64.24	(8.58)	24.75
Extraordinary Items & Discontinued Operations	-	1.19	-	-	-	-
Net Income	(15.41)	27.11	36.06	64.24	(8.58)	24.75
Preferred Dividends	-	-	-	-	-	-
Available for Common	(15.41)	25.92	36.06	64.24	(8.58)	24.75
Savings Due to Stock Equivalents	-	-	-	-	-	-
Adjusted Available for Common	(15.41)	25.92	36.06	64.24	(8.58)	24.75
EPS (Primary) - Excluding Extra Items & Disc Op.	(0.51)	0.85	1.17	2.08	(0.27)	0.74
EPS (Primary) - Including Extra Items & Disc Op.	(0.51)	0.89	1.17	2.08	(0.27)	0.74

Source: Standard & Poor's Research Insight, accessed March 2009.

Exhibit 2 Competitor Profiles

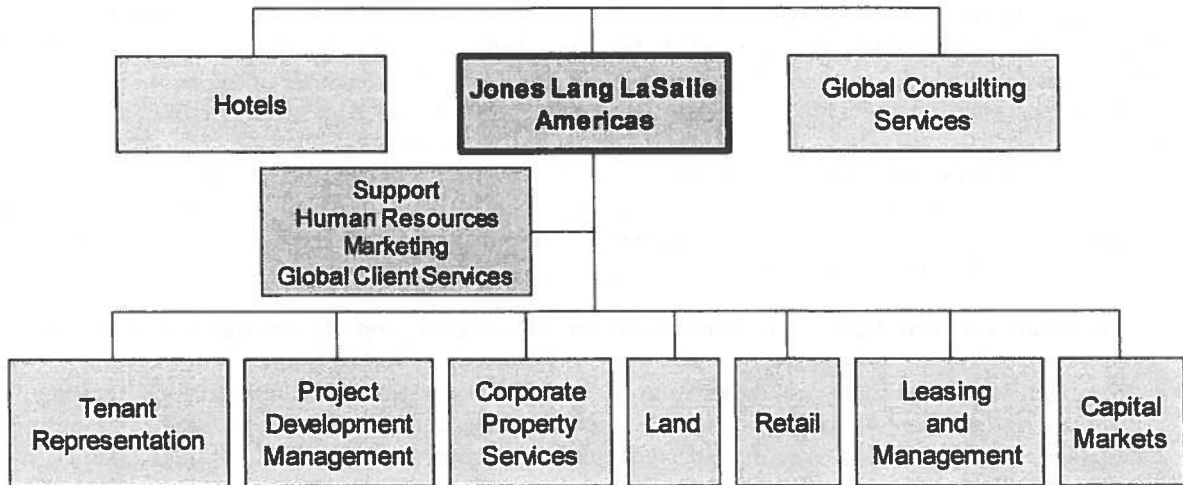
Real Estate Service Companies 12/31/2004 (Mkt. Cap. and Sales figures in \$ millions)

Company Name	Mkt Cap	Sales	Employees
Jones Lang Lasalle Inc	1,228	1,167	19,300
CB Richard Ellis Group Inc	2,363	2,365	13,500
Cosmos Initia Company Limited	208	1,847	2,931
Nexity	1,071	1,847	1,697
Pirelli & Co Real Estate	2,163	868	1,537
DTZ Holdings PLC	202	296	2,031
Relo Holdings Inc	205	314	340
Savills PLC	605	630	12,794
Sumitomo Real Estate Sales Company	1,379	474	2,534

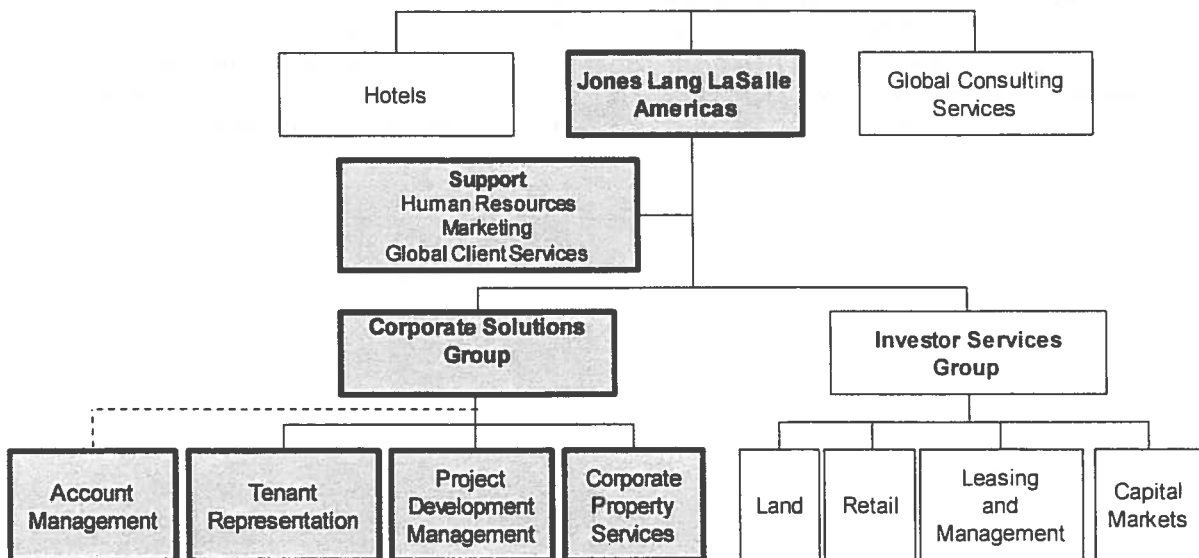
Source: Thomson ONE Banker, accessed April 2009.

Exhibit 3 Structure before and after the 2001 Restructuring

STRUCTURE BEFORE THE 2001 RESTRUCTURING



STRUCTURE AFTER THE 2001 RESTRUCTURING: FORMATION OF THE CORPORATE SOLUTIONS GROUP



Source: JLL company documents.

Exhibit 4 Business Units Comprising the Corporate Solutions Group

The **Tenant Representation Group (TRG)** managed every facet of the corporate leasing process for large companies, including planning, location of space, risk tolerance assessment, and lease negotiation. The group also provided benchmarking services, to measure productivity and profitability of leased space. More than 80% of the TRG's clients were long-term clients. These partnerships allowed the TRG managers to develop intimate knowledge about their clients' needs and requirements, and they allowed the TRG to provide consistent service. In the previous five years, TRG had lost only two major clients. The TRG maintained high service-quality standards and monitored its own performance using yearly client surveys. TRG executives were highly compensated, both with base salaries and bonus eligibility. In 2000, the TRG accounted for 41% of revenues from corporate real estate and had gross margins near 30%.

Corporate Property Services (CPS) was the world's largest property services provider, managing more than 9,000 facilities, totaling more than 350 million square feet of building space. CPS provided customized service delivery to more than 20 major corporations and institutions ranging from corporate headquarters to data centers. CPS was a lower-margin business than TRG. Competition in facilities management was fierce, and price comparison was easy. Often CPS was a loss leader utilized to gain a foothold with the client and commonly served as a point of entry to introduce other JLL offerings. CPS accounted for 23% of revenues from corporate real estate in 2000.

Project and Development Services (PDS) provided a wide range of services to clients building their office, industrial, and warehousing space. PDS handled many facets of development including negotiations with architects, engineers, and attorneys; construction and refurbishment; and occupancy of buildings. PDS offered clients multiple benefits including accelerated project timing and decreased costs. PDS, which accounted for 36% of JLL's revenues from corporate real estate in 2000, had healthy margins and approximately 130 ongoing project accounts under management.

Source: Casewriter.

Exhibit 5 Sample of New and Expanded Relationships, 2001–2005

New Relationships

Kaiser Permanente
Hospira
National City
VCU Health System
Alcatel
Honeywell
Sabre Holdings
Solectron
Madison Square Garden
Host Marriott Corporation
U.S. General Services Administration
Arizona State University

Expanded Relationships

NCR
MasterCard
Siebel
Coca-Cola
ADP
Union Bank of California
Cicso Systems
Hewitt
General Motors
Wind River

Source: JLL company documents.

Exhibit 6 U.S. Metropolitan Office Space Inventory, Downtown and Suburban, 3Q 2006

Metropolitan Area	Existing Inventory Sq Ft (millions)	Vacancy Rate (%)
New York, NY	222.2	14.2
Washington, DC	62.0	16.0
Dallas, TX	12.1	7.7
Los Angeles, CA	73.2	15.1
Chicago, IL	23.2	17.5
Houston, TX	167.5	19.7
Atlanta, GA	19.9	11.2
Boston, MA	62.1	13.2
Philadelphia, PA	251.4	20.1
Detroit, MI	46.3	21.7
Denver, CO	63.4	20.8
San Francisco, CA	23.5	19.0
Phoenix, AZ	286.9	18.9
Seattle, WA	128.3	17.3
Minneapolis, MN	142.3	15.7
Tampa, FL	29.5	7.3
Miami, FL	59.3	8.7
San Jose/Silicon Valley, CA	19.3	17.4
Sacramento, CA	44.6	19.7
San Diego, CA	233.0	15.8
Milwaukee, WI	47.4	18.1
Pittsburgh, PA	55.3	15.7
Baltimore, MD	67.5	19.7
Portland OR	43.9	9.7
St. Louis, MO	27.8	12.2
Kansas City, MO	261.8	11.3
Cleveland, OH	50.0	16.8
Charlotte, NC	82.0	9.1
Austin, TX	73.5	9.1
Orlando, FL	89.8	18.4
Ft. Lauderdale, FL	41.3	12.0
Jacksonville, FL	2,239.8	11.6
Pleasanton/Walnut Creek, CA	41.6	16.2
Memphis, TN	60.6	10.1
Raleigh, NC	150.8	14.2
West Palm Beach, FL	118.8	15.3
Indianapolis, IN	73.4	20.9
Cincinnati, OH	51.6	12.0
Hartford, CT	71.9	12.7
Las Vegas, NV	48.7	16.8
Oakland, CA	24.8	15.2
Nashville, TN	79.8	13.2
Fresno, CA	77.5	10.3
Little Rock, AR	123.8	15.8
Reno, NV	81.8	14.2
Columbia, SC	101.4	13.1
Boise, ID	69.2	15.8
Charleston, SC	83.8	10.7
Greenville, SC	334.3	9.9
Bakersfield, CA	47.8	8.0

Source: Created by casewriters using data from Colliers International.

Exhibit 7 GDP Growth Rates (%), annualized 2Q 2005

	2Q 2005
Americas	
Argentina	6.6
Chile	6.0
Peru	4.8
United States	3.6
Columbia	3.6
Mexico	3.5
Brazil	3.0
Canada	2.7
Asia Pacific	
China	9.0
India	6.8
Russia	5.9
Indonesia	5.6
Malaysia	5.0
Hong Kong	4.8
Philippines	4.5
Singapore	3.5
Taiwan	3.4
South Korea	3.3
Australia	2.3
Japan	1.7
Europe/Middle East/Africa	
Turkey	4.9
Czech Republic	4.2
South Africa	4.0
Hungary	3.7
Poland	3.6
Spain	3.1
United Kingdom	2.1
Denmark	2.0
Austria	1.9
Sweden	1.9
France	1.5
Belgium	1.2
Germany	1.1
Switzerland	0.8
Netherlands	0.4
Italy	(0.1)

Source: Created by casewriters using data from Colliers International.

Exhibit 8 High-growth International Real Estate Markets

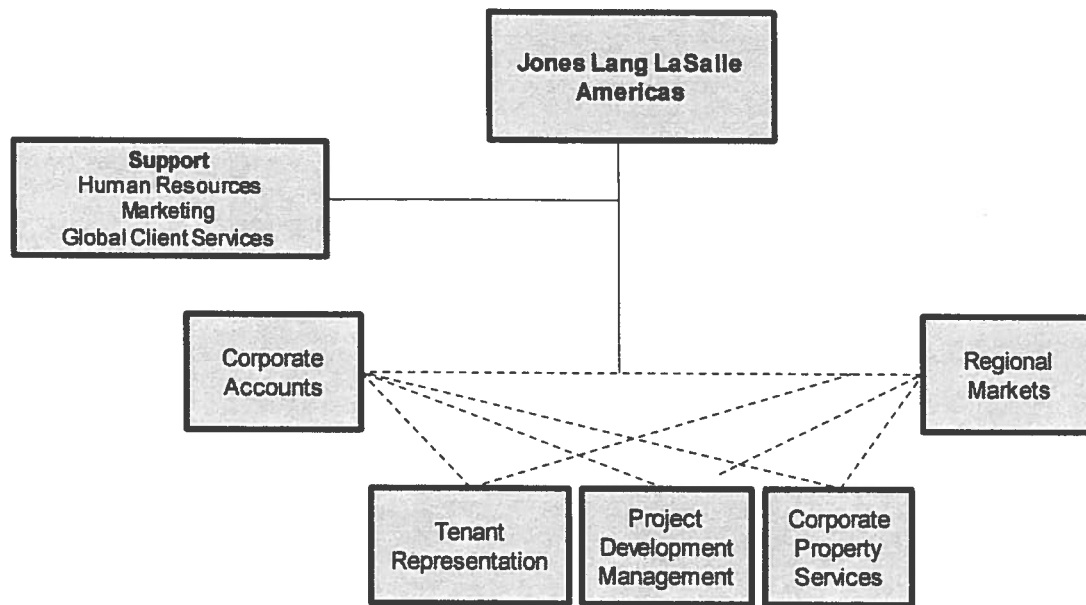
	Existing Inventory (sqft)	Vacancy Rate (%)*
Americas		
Bogota, Colombia	18.2	2.1
Calgary, Canada	32.1	5.4
Ottawa, Canada	13.6	5.4
Buenos Aires, Argentina	36.5	7.6
Vancouver, Canada	24.3	7.9
Washington, USA	109.2	8.3
New York (Midtown), USA	250.6	9.6
Asia Pacific		
Seoul, South Korea	19.9	3.7
Chennai, India	4.0	4.0
Hong Kong, China	23.3	4.4
Bangalore, India	11.2	5.0
Delhi, India	7.9	5.0
Brisbane, Australia	18.5	6.0
Tokyo, Japan	643.6	6.0
Shanghai, China	33.8	6.1
Wellington, New Zealand	11.4	7.0
Adelaide, Australia	9.7	7.8
Manila, Philippines	28.3	8.4
Melbourne, Australia	36.2	9.3
Auckland, New Zealand	12.4	9.5
Europe/Middle East/Africa		
Dubai, UAE	6.7	1.0
Geneva, Switzerland	16.7	2.0
Paris, France	172.2	5.5
Stuttgart, Germany	78.4	5.5
Zurich, Switzerland	23.5	5.5
Abu Dhabi, UAE	3.8	6.0
Belgrade, Serbia and Montenegro	5.4	6.0
Dublin, Ireland	14.9	6.2
Moscow, Russia	24.7	6.3
Cape Town, South Africa	4.5	7.3
Rome, Italy	129.1	7.4
Munich, Germany	172.2	7.7
Milan, Italy	118.4	8.0
Oslo, Norway	16.1	8.0
Hamburg, Germany	138.8	8.2
Copenhagen, Denmark	33.8	8.3
Bratislava, Slovakia	7.5	9.0
Istanbul, Turkey	14.3	9.0
Madrid, Spain	98.6	9.1
Berlin, Germany	194.8	9.3

Source: Created by casewriters using data from Colliers International.

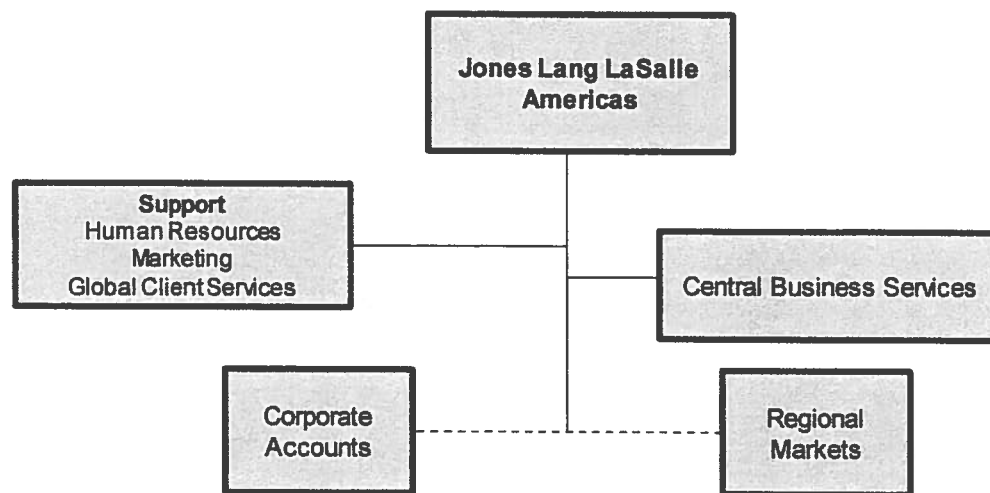
*Note: Industry average vacancy rate is 14.0%.

Exhibit 9 Organizational Structure of Corporate Real Estate Services Functions^a of JLL Americas

OPTION 1: CUSTOMER-ORIENTED SERVICE OFFERINGS



OPTION 2: ORGANIZATIONAL REALIGNMENT



Source: Casewriter.

^a Investment Services activities have been omitted for simplicity.

