

Reinvention under pressure: cutting costs without cutting the future



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Business leaders have long talked about transformation; today they must deliver it at speed and under pressure. Reinvention has moved from aspirational programme to continuous transformation, pursued amid rising costs, constrained investment, geopolitical realignment, heightened stakeholder expectations, and softening near-term revenue confidence. For many organisations, the question is no longer whether to transform, but how to reinvent without undermining the foundations of future performance.

The scale of change and why it's happening

Strategic migration is well underway. Four in ten companies in the most recent PwC CEO survey report entering new sectors over the past five years, often centred on technology. Among those planning major acquisitions, half expect to buy beyond their current industry. Geographic reinvention is also quickening, with just over half of CEOs planning an international investment in the year ahead. This is not exuberance; it reflects a sober assessment that many established business models have reached the limits of their historical growth engines. Technology disruption, climate risk, demographic shifts, geopolitics and fresh competitive dynamics are among the factors redrawing profit pools and forcing transformation.

There is also clear financial logic. Firms that grow a greater share of revenue from new sectors tend to enjoy higher margins. Done well, reinvention is profitable.

Five Key Themes

1. Reinvention = transformation under constraint

Reinvention has shifted from ambition to necessity amid cost inflation, tighter capital, geographical fragmentation and eroding legacy profit pools.

2. Strategic migration is accelerating

Firms are transforming across sectors, geographies and operating models, reallocating capital to new engines of value.

3. Dual mandates

Organisations must cut costs and transform simultaneously; doing one at the expense of the other destroys value.

4. Cost control = investment triage

Winners protect strategic muscle, eliminate structural drag and deliberately reinvest savings. All amplified by AI and data.

5. CRE is a transformation lever, not a cost centre

It aligns capital allocation, enables flexibility, supports talent and makes strategy physically real.

The paradox: transform and tighten

The push for reinvention is occurring under some of the most demanding operating conditions in decades. Organisations face sharply rising costs in wages, materials but also in energy, compliance, cyber-security, and the organisational overhead required to manage regulatory and geopolitical complexity. Capital expenditure is subject to far tougher scrutiny as investors demand quicker returns, balance sheets are tested against higher volatility, and lenders impose stricter thresholds on leverage and liquidity. Even the technologies most widely expected to fuel the next productivity cycle require substantial upfront investment in infrastructure, data quality, workforce capability, and risk management. The near-term payback profile remains uneven, meaning leaders must place significant bets at a time when certainty is in short supply.

This combination creates a structural tension: companies must execute transformation programmes that are becoming increasingly expensive while at the same time reducing the overall cost base. It is no longer possible to sequence these activities by cutting costs first and then investing in transformation. Both must now happen at the same time. The risks on either side are acute. Cut too deeply and organisations strip out the very capabilities, expertise and cultural cohesion required to reinvent themselves. Invest too aggressively and scarce capital is consumed before benefits materialise, eroding organisational confidence and inviting external pressure to retrench. This imbalance can easily derail long-term strategy.

The paradox is therefore not simply financial; it is organisational. Leaders must preserve the capacity for innovation, protect critical talent, build new technological foundations and maintain operational resilience, all while demonstrating near-term discipline. The companies that navigate this tension most effectively are those that recast cost control as a strategic act rather than a defensive one: a way to sharpen priorities, focus investment, remove structural drag and redirect resources toward capabilities that will fuel the next decade of performance. This balancing act has become the defining leadership challenge of the 2020s, a test not of intent but of execution under constraint.

How organisations are executing transformation under pressure

To navigate this challenge, companies are reshaping portfolios by exiting structurally weak areas and reallocating capital to markets and capabilities with greater long-term potential. Transformation is also being accelerated through mergers, divestments, fissures and partnerships that allow organisations to acquire capabilities at speed rather than build them organically.

Internally, organisations are rewiring their operating models to enable faster decision-making, simplified governance and empowered teams closer to the customer. Workforces and workflows are being redesigned to support agility, productivity and resilience. AI plays a prominent role as a tool that can reshape core processes, from predictive maintenance and energy consumption to R&D, marketing and customer service.

Across all this change, the human element looms large. On the human side, employees are navigating what Gartner has described as “ungovernable change.” Shifts that, if not executed correctly, exhaust attention and corrode trust. Successful change programmes are taking employees on “the journey” and embedding a culture of continuous change.



Recent examples of corporate reinvention

Company	Reinvention
Tesla, SpaceX and xAI	Elon Musk is reportedly analysing multiple merger scenarios in an attempt to bring his space, energy, and AI activities under a single strategic structure.
Xerox	Currently undergoing a major, multi-year business transformation, officially termed “Reinvention” – aimed at shifting from a traditional hardware-centric print company to a diversified, digitally driven technology firm.
Novo Nordisk	Cutting 9,000 employees across its global workforce, while boosting its focus on ‘performance culture’ and decision-making speed and reallocating resources towards growth opportunities.
BASF	Strategic restructuring called “Winning Ways” is underway. Measures include strategic divestments, such as the sale of its oil and gas business while pivoting towards sectors and geographies that include emerging technology materials and China.
Accenture	Initiated a large-scale business optimisation and reinvention programme. Reorganising the business to prioritise AI-driven transformation services.
Intel	Undergoing a significant restructuring that is being driven by the need to eliminate inefficiencies, simplify management layers, and sharpen focus on core chipmaking and AI-centred products. Intel is abandoning planned manufacturing projects in Germany and Poland, while shutting down assembly and test operations in Costa-Rica, with sites in Vietnam and Malaysia expected to pick-up the slack.
Nestlé	New CEO is planning a strategic overhaul to refocus the multinational around four product categories – coffee, pet care, nutrition and health and food and snacking.

Implications for corporate real estate



For CRE, the implications are profound. Real estate is no longer simply an operational necessity; it is becoming an active enabler of transformation. As organisations redirect investment towards new sectors, markets and capabilities, property portfolios must shift accordingly. Locations tied to legacy operations will be scaled back, while those supporting new strategic priorities require renewed and often elevated investment.

During mergers and acquisitions, early involvement from CRE can accelerate integration. Rationalising combined footprints, aligning location strategy with the operating model, and using the physical environment to reinforce a unified culture can significantly improve post-merger performance.

Flexibility has moved from desirable to essential. Organisations undergoing continuous transformation require portfolios that can adapt rapidly, whether through shorter lease commitments, modular workplace design, or versatile buildings capable of supporting evolving work patterns and technologies.

The human dimension is equally critical. Transformation depends on attracting and retaining skilled people, sustaining productivity, supporting reskilling and embedding new ways of working. Real estate plays a direct role in these outcomes, shaping the daily experience of employees and influencing their willingness to engage with change.

On the cost side, Prop Tech offers a potential solution. Continuous utilisation sensing enables dynamic reconfiguration; building management technology reduces energy and maintenance costs; integrated data platforms allow real-time insight into cost, occupancy, experience, and performance.

Yet CRE must avoid the danger of over-correction. A footprint reduction that appears efficient on paper can later result in higher attrition, weaker collaboration or reduced productivity often because space quality deteriorates or densities rise beyond sustainable thresholds.

For CRE leaders, this environment demands a new posture. They must be present in strategic conversations from the outset, capable of translating business ambitions into spatial and investment decisions. They must operate at the tempo of transformation, and they must build legitimacy through a clear narrative explaining why real estate must change and how it supports the organisation's broader reinvention agenda.

A five-step plan for CRE-enabled transformation

1. Strategic intent before spatial intent

Leaders must first understand what forms of transformation the business is pursuing, whether entering new sectors, exiting legacy markets, accelerating AI adoption, or reshaping the operating model. Only once this intent is clearly articulated can portfolios be aligned in ways that support new value pathways rather than reinforce old ones.

2. Portfolio truth-telling

Effective transformation requires a rigorous assessment of the existing estate. This means distinguishing assets that represent "structural drag" - locations that are misaligned with future strategy, capital-intensive or chronically under-utilised from those that serve as "strategic muscle." Decisions become clearer when portfolios are viewed through the lens of future performance, rather than legacy footprint.

3. Optionality over optimisation

In a world of continuous reinvention, the most resilient portfolios are not the leanest, but those with built-in optionality. This may involve shorter leases, modular layouts, or locations that can pivot to new uses. The aim is to maintain the capacity to absorb strategic shifts without triggering costly, disruptive restructuring every time the business changes direction.

The Knight Frank View

"Reinvention is now the operating system of business, not a programme. For CRE leaders, this means stepping into the centre of strategic decision-making. The organisations that thrive will be those whose real estate can drive efficiencies while creating the conditions for transformation, including flexibility, talent advantages, and operational speed."



James Maddock
Executive Director, Strategic Client Development

4. Considered cost savings

Cost savings should never be treated solely as bottom-line gains. The organisations that transform most effectively deliberately channel a portion of those savings back into future-facing capabilities. Equally CRE strategy needs to balance necessary cost-cutting with the need to maintain productivity, innovation, and employee engagement.

5. Narrative and legitimacy

Transformation succeeds when employees understand not only *what* is changing but *why* it must change. CRE plays a visible and symbolic role in this narrative. Leaders must articulate how workplace changes support reinvention, improve ways of working, and ultimately enable the organisation to compete more effectively. Without this legitimacy, even well-designed CRE strategies encounter unnecessary resistance and slow transformation down.

Conclusion: transforming without amputating the future

Reinvention has become the operating rhythm of modern enterprises. Transformation under pressure, continuous rather than episodic, and undertaken with limited capital and rising expectations. The organisations that succeed in this environment will be those able to renew their strategies, operating models and portfolios without cutting away the capabilities that make transformation possible. This requires discipline to separate structural inefficiency from strategic muscle, courage to prioritise future value over legacy comfort, and rigour in treating cost management as a way to concentrate ambition rather than constrain it.

For CRE, this marks a pivotal shift in role and positioning. Real estate must move upstream, shaping the transformation agenda rather than reacting to it. When aligned with strategy, CRE becomes a lever for organisational speed, cultural cohesion, talent attraction and operational resilience. When treated purely as a cost to be minimised, it becomes a brake on performance.

The challenge is no longer choosing between efficiency and innovation. It is mastering the balance. Cutting costs without cutting the future and building the enduring capacity to transform again and again as the world demands.



The Knight Frank View

“For CRE teams, the challenge is no longer about optimisation alone. It’s about building portfolios that can move with the business, absorbing strategic pivots, supporting new value pathways, and turning cost discipline into an enabler of reinvention. The leaders who succeed will be those who treat CRE as a dynamic capability, not a fixed asset.”



Francesco Demarco
Head of Global Portfolio
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In practice, this means:

- Start with strategic clarity and align the portfolio accordingly.
- Build flexibility and resilience into the estate.
- Use cost savings to accelerate transformation, not to starve it.

The organisations that emerge stronger from this period of turbulence will be those that treat real estate as a lever for transformation rather than a legacy cost to be trimmed. CRE has the power to shape strategy, accelerate change, support talent, and make reinvention tangible. When deployed with intent, it becomes a driver of organisational speed and resilience; when overlooked, it becomes a hidden drag on performance. The challenge now is to adopt a posture of continuous reinvention, cutting costs without cutting the future and building an estate capable of evolving as fast as the business it serves.

We like questions; if you've got one about our research,
or would like some property advice, we would love to hear from you.



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