CREM: From Task Bundles to Management Concepts

Dr. Annette Kämpf-Dern
I. **Introduction:** HOW manage corporate real estate effectively and efficiently?

II. **Management model:** The CREM Map

III. **Research Design:** Exploring the most advanced

IV. **Findings:** “Best Practice”-Principles, but “Best Fit”-Designs

V. **Outlook:** Identifying systematics of well-functioning configurations
Focus of Corporate Real Estate Management moves: From task manager …

MANAGEMENT TASKS

Operative (day-to-day) planning, organizing & controlling core tasks

CORE TASKS

Supply
- Leasing
- Acquisition
- Project Development

Usage/Operations
- Technical Services
- Infrastruct. Services
- Commercial Services

Recovery
- Letting
- Sale
- Project Development

SUPPORT TASKS
Communications, IT, HR, Accounting, Legal, …


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Focus of Corporate Real Estate Management moves: From task manager to strategically relevant function

MANAGEMENT TASKS

Def. of policies, objectives & standards, systems set-up, controlling & improvement ⇒ Governance
Assessment/determination of requirements, portfolio planning & controlling ⇒ Portfolio Management
Strat. planning, organizing & controlling building clusters/individual buildings ⇒ Asset Management
Operative (day-to-day) planning, organizing & controlling tasks ⇒ Property & Facility Management

CORE TASKS

Supply
• Leasing
• Acquisition
• Project Development

Usage/Operations
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• Commercial Services

Recovery
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SUPPORT TASKS

Communications, IT, HR, Accounting, Legal, …

CREM function addresses corporates’ real estate needs covering three perspectives

**Corporate Real Estate Management (CREM)**

“denotes the **planning, organization, implementing and controlling** of all those **real estate activities** necessary to provide, operate or liquidate **real estate assets** of **corporates whose business is not real estate**.

**Goal of CREM**

“**is to support the overall corporate strategy** acknowledging **user-oriented (cost-benefit ratio), financial (capital invested) as well as operative aspects**.”

*(In accordance to Pfnür (2011))*

Maximization of capital value invested in real estate

Maximization of cost-benefit ratio of real estate resources

Maximization of profit from producing real estate and real estate services

Source: Pfnür (2011)
As CREM needs to consider more and more aspects ...
Situation, Stakeholders, Needs and Responsibilities of CREM

Minimization of real estate costs, ROCE max.

Minimization of overall costs, maximization of productivity/output, compliance

Optimization of output quality (Functionality, individuality, service, …)

Maximization of staff satisfaction (Corporate culture, W-L-balance, War-for-Talents, …)

Ecological actions (CO₂-reduction, energy efficiency, …)

Financial responsibility + User responsibility + Producer/operator responsibility → High complexity

... complexity rises and further specialization and coordination are necessary.
⇒ Increase of demands regarding effective management.

Source: Kämpf-Dern/Pfnür (2012)
How can CREM be institutionalized to manage all CRE issues effectively and efficiently?

What we see: Set-ups that are highly diverse in every aspect!

What we want to know: Does a super ordinate “plan” for CREM exist?

What we are looking for: A systematic, theory-based recommendation

A CREM Management Concept

Guiding on: CREM strategies, structures, processes, qualifications, culture, KPIs, …
Numerous advantages of CREM management concept, but also significant challenges

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance for general setup and improvement</td>
<td>CREM function omni-present (\Rightarrow) context differs regarding industry, size, business model, local culture, market environment, etc.</td>
</tr>
<tr>
<td>Base for benchmarking</td>
<td>Role of CREM and positioning within corporate diverse</td>
</tr>
<tr>
<td>Explanation of performance differences</td>
<td>Relationships and interaction between parameters numerous and complex</td>
</tr>
<tr>
<td>Development of specific methodologies/techniques</td>
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<tr>
<td>Optimizing personnel management, IT, sourcing, …</td>
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Regarding the challenges: Can a CREM management concept exist? If yes: How does it look? If no: What can we do?
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“Institutionalization of Corporate Real Estate Management” means the whole complex of measures that are necessary to develop and implement a real estate strategy that fulfills the purpose and goals of CREM. This complex of measures includes

1. a congruent bundle of CREM objectives/targets that support the overall corporate charta,

2. a coordinated planning/strategy development process to achieve the CREM objectives,

3. an effective and efficient organization of real estate (management) tasks, and

4. an integrative information, reporting and controlling system”

(Developed from Pfnür (2002) and used for this study)

Several studies researched isolated issues of institutionalization, but none yet with holistic view needed for a management concept
CREM Map = CREM Management model structuring relevant institutionalization parameters
Model parameters & relationships further analyzed for CREM concept

Source: CREM Map of Forschungssenter Betriebliche Immobilienwirtschaft (FBI), Kämpf-Dern/Pfnür (2012)
General CREM trends are known, but further research needed to concretize institutionalization options

Research questions and relevant parts of management system

<table>
<thead>
<tr>
<th>General trends of CREM</th>
<th>Research Questions</th>
<th>System Part</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derive CREM targets/strategy from corporate targets/strategy</td>
<td>When choose which superior orientation/positioning?</td>
<td>Targets/Strategy</td>
</tr>
<tr>
<td>Increased engagement in efficiency of space/new working environments</td>
<td></td>
<td></td>
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<tr>
<td>Increased focus on core competence</td>
<td>Requirements of/impact on space efficiency?</td>
<td>Strategy</td>
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<td></td>
<td>Degree, type &amp; control of outsourcing?</td>
<td>Orga</td>
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<td></td>
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<td>Control</td>
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V. Outlook: Identifying systematics of well-functioning configurations
Research Design: Exploratory CREM-Benchmarking
Units of analysis: Large European corporates

Target of the benchmarking
Comparison of the institutional designs of the Corporate Real Estate Management from European large-scale companies (case studies), notably
- guiding target system and typical strategies
- integration of the CREM into company organization and organizational CREM-configuration
- CREM-relevant framework of the company
- CREM control system

Reference Companies
Selected by the following criteria
- advanced stage of CREM development
- great quantity of existing space and heterogeneous type of use (office-, retail- and/or service space)
- willingness to collaborate
### 10 European companies with highly diverse context parameters participating

<table>
<thead>
<tr>
<th>Context-Parameters</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industry</strong></td>
<td></td>
</tr>
<tr>
<td>Financial Services</td>
<td>2</td>
</tr>
<tr>
<td>Production/Logistics</td>
<td>3</td>
</tr>
<tr>
<td><strong>Business &amp; portfolio structure</strong></td>
<td></td>
</tr>
<tr>
<td>Office &amp; retail &amp; technology:</td>
<td>5</td>
</tr>
<tr>
<td>Office &amp; logistics respectively industrial:</td>
<td>3</td>
</tr>
<tr>
<td><strong>Size &amp; internationality</strong></td>
<td></td>
</tr>
<tr>
<td>Homeland</td>
<td>1</td>
</tr>
<tr>
<td>Several countries</td>
<td>3</td>
</tr>
<tr>
<td>Europe</td>
<td>2</td>
</tr>
<tr>
<td>Global</td>
<td>4</td>
</tr>
<tr>
<td><strong>Background &amp; experience with crises</strong></td>
<td></td>
</tr>
<tr>
<td>(Formerly) state owned, no crisis</td>
<td>2</td>
</tr>
<tr>
<td>Private, no crisis</td>
<td>1</td>
</tr>
<tr>
<td>(Formerly) state owned, crisis</td>
<td>3</td>
</tr>
<tr>
<td>Private, crisis</td>
<td>4</td>
</tr>
</tbody>
</table>

X = Number of companies by major characteristics
10 interviews between 105 – 180 minutes where conducted, recorded & transcribed (Ø150 minutes)

Data collection process

**Approach**
- Preliminary information ("teaser") & appointment setting by telephone
- Cover letter

**Interview**
- Interview-guideline
- Factsheets

**Post processing**
- Presentations, organigram, agreements, ...
- Transcript

**Digital recording of the interview**

Source: Kämpf-Dern/Pfnür (2012)
Heterogeneity of sample and in-depth-information require alternative method of analysis
QDA comes from Social Sciences, in business rather innovative

Qualitative Data Analysis (QDA)

- Research question / theory
- Definition of selection criteria and categories
- Review of material line by line: Subsumption or new category formulation
- Revision of categories after 10-50% of material review
- Final material review
- Analysis and interpretation

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“Those, who know the objective, can decide” (Konfuzius)
Framework for CREM target system and possible indicators

Real Estate Core business perspective
Increase core business productivity
Reduce user costs
Improve sustainability/ ecology

REAL ESTATE Financial perspective
“Add value / maximize return from real estate"
Increase cash-balance/ liquidity
Reduce operating costs
Professionalize CREM internally

REAL ESTATE Production perspective

Source: Kämpf-Dern/Pfnür (2012)
Diverse bundles of objectives...

Examples

**Real Estate Core business perspective**
- Increase core business productivity
- Reduce user costs
- Improve sustainability/ecology

**REAL ESTATE Financial perspective**
- Become “best employer”
- “Add value / maximize return from real estate”
- Increase cash-balance/cash
- Reduce operating costs

**REAL ESTATE Production perspective**
- Professionalize CREM internally

Source: Kämpf-Dern/Pfnür (2012)
... result in very different, but all well-functioning constellations

Examples

<table>
<thead>
<tr>
<th>Mandate</th>
<th>Efficient service contractor</th>
<th>Consultant &amp; “Last Call”</th>
<th>Global Partner, central control</th>
<th>CREM = BU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Center type</td>
<td>Cost centre</td>
<td>Revenue centre</td>
<td>Profit centre</td>
<td>Investment centre</td>
</tr>
<tr>
<td>Target system &amp; strategy prior.</td>
<td>MAX ROCE</td>
<td>MIN real estate costs</td>
<td>MIN cumulative costs</td>
<td>MAX core business</td>
</tr>
<tr>
<td>Target-ownership rate</td>
<td>Overall min!</td>
<td>Commodity min! Specifically higher</td>
<td>Overall &gt; 65%</td>
<td></td>
</tr>
<tr>
<td>CREM-board</td>
<td>Finance</td>
<td>Service</td>
<td>HR</td>
<td>BU/Operations</td>
</tr>
<tr>
<td>Organizational structure/ sourcing model</td>
<td>“Full-outsourcing”</td>
<td>“Managing Agent” REAM, REFM</td>
<td>Outsourcing REFM &amp; RES</td>
<td>“Managing Agent” REFM &amp; RES</td>
</tr>
<tr>
<td>Control of users</td>
<td>“Carefree total rent”</td>
<td>“Price element systems”</td>
<td>“Transfer of third-party costs”</td>
<td>Global CREM-budget</td>
</tr>
</tbody>
</table>

Produktionsunternehmen. Core business specific RE; high need for flexibility; high degree of own usage
FS-Companies (Retail). Predominantly commodity-usage. Corporate identity is important (Customers & staff).
Telco 2: State-owned background. Real estate-mix (many aren’t necessary anymore). Present core business is decreasing.
Although some guiding “principles” existent, specification of design parameters highly diverse

Overview of observations

<table>
<thead>
<tr>
<th>CREM-Map</th>
<th>“Best practice“ ⇒ “Principles” (universally valid trends increasing effectiveness)</th>
<th>Specification of individual design parameter depends on ... / varies with ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targets/Strategy</td>
<td>Distinctively derived from corporate objectives, corporate strategies and CREM-targets; written fixation and extensive communication</td>
<td>Content and focal points of corporate target system as well as time frame planned for</td>
</tr>
<tr>
<td>Strategy</td>
<td>Understand business &amp; provide integrated workplace</td>
<td>Individual business needs &amp; corporate culture</td>
</tr>
<tr>
<td>Orga</td>
<td>Maximal reasonable bundling of similar tasks, internal/external outsourcing</td>
<td>Size, CREM professionalism, experience with outsourcing</td>
</tr>
<tr>
<td>Control</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

Source: Results of interviews

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Conclusion & Hypothesis: Not one „Best Model“ – Instead: „Best Fit“-Approach needed
„Fit“ of Vision/Mission/Targets, Situation, Design Parameters

Next step research: Which parameter constellations make a “best fit”? Theoretical foundation: Configuration framework (Mintzberg, Miller/Friesen, etc.)
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Next step: Specifying and testing emerged hypotheses regarding well-functioning CREM configurations
Initial hypotheses regarding CREM institutionalization

<table>
<thead>
<tr>
<th>CREM-Map</th>
<th>Questions of research</th>
<th>Hypotheses regarding institutionalization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Targets/Strategy</strong></td>
<td>When choose which superior orientation/positioning?</td>
<td>Positioning depends mainly on industry &amp; portfolio structure; positioning drives priorities of professionalizing activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>Requirements of/impact on space efficiency/effectiveness?</td>
<td>Transparency of business strategies, requirements &amp; behavior major prerequisite for space efficiency (costs) &amp; productivity optimization</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Orga</strong></td>
<td>Degree, type &amp; control of outsourcing?</td>
<td>„Case-by-case-subcontracting if existing management competence &amp; national portfolio„, otherwise trend to general contractor</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Control</strong></td>
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</table>
CREM management concept not to be constituted on „best model“, but on „best fit configuration“

Summary & Outlook

Problem
- CREM’s role and purpose quickly developing and changing with many descriptive surveys but no integrated concept to guide institutionalization

Research question
- Identify or develop a CREM management concept that supports CREM to fulfill its (respective) purpose effectively and efficiently

Research design
- Develop a CREM management model based on general management research as well as CREM research
- Explore renown CREMs to validate & concretize model

Major findings
- Model structure & contents confirmed by interview partners
- General “principles” are followed by companies, but well-functioning constellations are highly diverse

Conclusion & Outlook
- No “Best Model” identified, instead configurational approach
- Next: Testing hypotheses emerged with larger number research
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