



Globalisation or Regionalism: What is driving CREM?

Due to the economic globalisation, Corporate Real Estate Management, too, had to internationalise. However, CREM-Units find – in compliance with their original region - different answers. Why is this? Which answer was the most successful? And more important for us, will the various CREM-Models assimilate or are companies to expect further regional differences?

Internationalisation is implemented

The Internationalisation of the world-wide economy has reached CREM for more than 10 years. Today companies -without any doubt - have to concentrate no longer only on the core production premises in their local markets but on the global provision and operation of production, logistics, and research and office spaces.

This has significantly changed the pre-conditions, requirements and solution approaches regarding CREM. According to the experience of now nearly 10 years different models can be compared and evaluated, and, even more important, possible ways of continued development can be outlined.

Cultural differences characterise CREM

In most companies CREM has developed step-by-step over the years particularly in compliance with endogen requirements. That means that every company has an individual self-understanding and individual management structures in CREM. Nevertheless one can observe differences between Anglo-Saxon, European and Asian companies.

In Europe CREM developed from the target of an Outsourcing of operational FM-employees combined with the desire to increase real estate values in the sense of Shareholder Value. Today these

targets have been nearly completely realised and new challenges have been taken, such as e.g. international performance, management of big locations, introduction of modern workplace-concepts or the active support of the core business by space provision. CREM is managed by a central unit near the management board. This is focused especially on a **consent-oriented harmony between core business and CREM**. Hereby technique and risk avoidance have priority.

In the Anglo-Saxon world CREM could develop ahead of Europe and got profit from a more comprehensive standardisation of general real estate provisions such as Asset, Property or Facility Management. This enabled companies to achieve a distinctly higher Outsourcing-Line. The last finance and economic crisis has further enhanced this development. Today Anglo-Saxon companies have mostly very lean and central CREM-Teams which, contrary to Europe, have also outsourced tactical and partly strategic tasks to service providers. In order to maintain this stringency in the internal structures, a small number of service providers is absolutely indispensable. Hereby the longer experience with standardised performance allows a concentration on few, if not only one service provider. The focus on a low level of encumbrance by headcount and other costs has lead to a **standardised Outsourcing-Model**.

In Asia Corporate Real Estate has emerged from the internal corporate culture, missing of local service providers and a distinctly delayed internationalisation in many companies. So many CREM-provisions at first remained in the local units with a correspondingly low Outsourcing-ratio. This, however, has tangibly changed in the last years. Today Asian companies have similar performance depth as in Europe.

Moreover, Asian CREM-units were allowed more to care for the modernisation and above all the expansion of the Portfolios than their American and European colleagues. Thus, single big transactions were in focus, centrally determined, yet locally prepared and realised. Based on this experience, Asian companies start only now the development of sustainable international organisational structures. These structures are mainly **built hierarchically and project-related**.

In summary we can speak of a **Consent-model** in Europe, of a **standardised Outsourcing-Model** in USA and of a **Project-related model** in Asia.

There is no clear winner

Each of the above models was developed based on the regional approach. Therefore, none of the models can convince 100%. Every CREM-philosophy has difficulties, when it shall be realised in other



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regions. This is especially due to the following:

- **Employees** from the country of origin are sometimes astonished about the local thinking or expect comparable structures on site. E.g. Asian companies can only slowly react on local issues due to the decision-making process.
- CREM-clients, also the **core business**, of European companies are sometimes surprised when lease locations come into focus of CREM-unit. Sometimes on site local expectations are resolved and realised on site with only little inclusion of the central unit.
- Especially Anglo-Saxon companies hit the limits of European or Asian **service providers**, what on the other hand leads to increased costs in operation.

Nevertheless the question arises which model would have the best preconditions for the coping with the new challenges. Below the models are analysed with advantages and disadvantages:

European Consent-model

- + Optimal support core business
- + Internal Portfolio- & RE-Know-how
- + Higher Flexibility
- Less cost efficiency
- More complex control efforts
- More difficult Transparency

Anglo-Saxon Outsourcing-model

- + Headcount- | cost reduction
- + More simple Servicer-interfaces
- + Realisation of global Standards
- High Servicer-dependency
- Less Flexibility
- Loss of Portfolio connection

Asian Project-related model

- + Concentration on transactions
- + Individualisation of solutions
- + Project-related Teams
- High project costs
- Longer project terms
- Missing project overview

In total all models naturally show strengths and weaknesses. It therefore has to be considered if and if yes how these models will be approaching each other.

Focused Professionalism

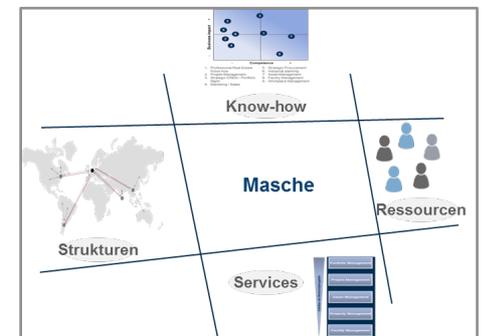
TME expects the regional CREM-models to further assimilate in the next years. This development arises less from the superiority of one of the models but rather on comparable exogenous changes of the basic parameters in the global context.

- Further **dynamic internationalisation** of Asian – especially Chinese – companies leads to a quicker alignment of the corporate structures to international organisational standards.
 - Progressing **Standardisation of Outsourcing-provisions** in connection with a continuously expanding development of global or at least regional range of services provides new placing options.
 - Progressing **"Digitalism"** changes the CREM-method of work regarding processes as well as transparency and control.
 - Increasing importance of **intercultural teams** with international places of action changes as well the type of management.
 - Increasing competition for well-educated employees (**war for talents**) forces into modified ways of decision-making and competencies.
 - Further increase of the speed of changes in global economy leads to an always **higher requirement of flexibility** around real estate and so also CREM.
- Due to these developments the current CREM-models will increasingly converge and thus generate a modified resp. new approach.

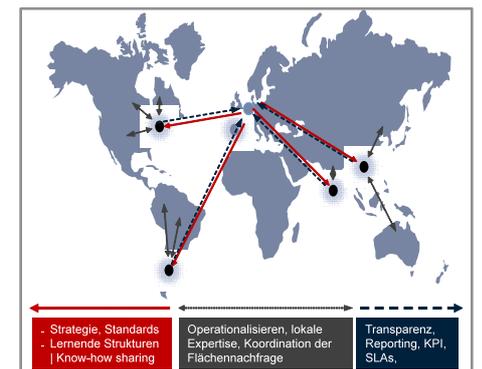
Often labelled as "Decentralised Centralisation", TME calls this organisational form **"Fischernetz"** (fisher net). Hereby the single „Maschen des Netzes“ (hooks of the net) can be adjusted individually to meet the local requirements. Decisive for the success is the individual alignment with the international structure of the company as well as with the local situation of the company, such as size of portfolio, headcount and kind of the local business (production, Back Office, sales

etc.), but at the same time with a global, centrally formulated holistic logic.

This approach is our reaction as we do not believe that all regional resp. cultural differences will fully assimilate within the next 10 years. We assume that it will come to an alignment yet no assimilation. Therefore this the so called "Fisher net" approach can be a good answer.

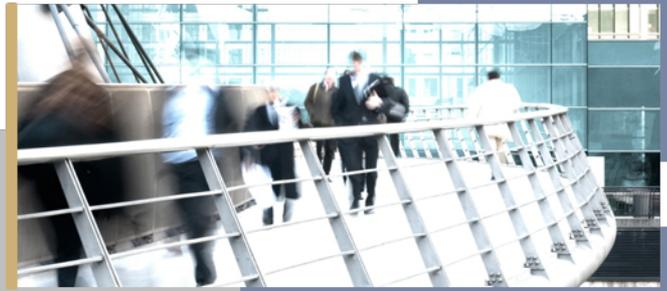


In spite of regionally different hooks (decentralised) CREM is centrally controlled. Herewith a decentralised "Reception" and "Operation" is combined with a central "Controlling". The regional responsibility with central control enables to integrate the regional models without losing the required centrality.



This approach means for CREM-units an orientation towards **learning and virtual organisation** which concentrates on value adding activities:

- CREM becomes a decision-making and consulting level more coordinating and by special Know-how leading for the core business and the management board. This requires the use of **virtual organisational structures** comprising CREM, core business, finances, HR,



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procurement as well as external service providers, such as broker and FM firms.

- The model of organisation absolutely requires **highly qualified experts** who, located in a **decentralised way**, understand users' needs and align them with the real estate strategy of the company.

The completion of such structure needs an adjustment of CREM-tasks which will focus in the next years more and more on strategic and tactic challenges:

- Provision of a **real estate strategy** and **international real estate standards** for permanent optimisation of the portfolios (costs, values, spaces, qualities, number of locations)
- Standardised provision of space and operation for user by **"simple" solutions**, i.e. users can move to spaces and continue working immediately ("Plug & Play"). This requires determined products of space, renovation, IT & telecommunication, safety, FM up to a standardised furnishing and needs a central coordination between CREM, IT, HR, finance, marketing and external service providers. Hereby CREM will have to extend further the controlling function under avoidance of operative activities.
- Realisation of the **corporate culture and brand statements in the property**, e.g. by modern workplace concepts
- Controlling of projects and external service providers as **principal**.
- Exercising a **fixed mandate** through management board to grant transparency, interpretation of the data, safety of processes and compliance

Furthermore, CREM will become in the next years more and more an internal Change Manager connecting the working premises of the company with the targets and visions of the company. Hereby qualitatively improved performance for the users can be generated without disregarding the profitability.

By this further focusing, capacities for operative tasks will be reduced and thus **increase the Outsourcing-Line**.

On the other hand this will lead to a more and more stronger **compilation of services** to one or few service providers which are managed purely **Output-oriented**. This development leads to a further step to professionalism of RE-Service Industry.

Internally CREM is also obliged to a further professionalization:

- Internationally educated **employees** die who have qualified Know-how in strategic and tactic issues
- Standardised decision-making, **Processes** and **Controlling** mechanisms in making use of advantages of digitalism
- Increased requirements in **Compliance** and **Transparency**
- A **strong mandate** with direct Reporting-Line to C-Seats
- Professional **Selection** and **Controlling of service providers**

This development will significantly increase the importance of CREM in the next years.

Apart of a higher acceptance CREM will be included more often and earlier in strategic decisions of the company which might be dealing with new production premises, adjustments in corporate culture, other regional or product-related focusing, M&A-transactions or the active operation of the brand. CREM must and shall hereby take on a vital task, therefore CREM needs a modern and adjusted Operating Model, notwithstanding whether the company is located in Europe, America or Asia.

Alteration always means also effort and uncertainty. Yet we believe that it will be worth it:

- Cost optimisation for core business
- Higher Qualities for the employees
- Higher CREM-acceptance the company
- Relief of bureaucracy and operative issues
- Improved Change Management in the company

- Faster reaction time and so increased planning security for the core business

As a result we retain that a more standardised and new CREM-landscape will develop. The changes have already started - it can be observed in our daily work on all three continents - but they are by far not completed yet.

Author

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