



HOW WE DO CREM?

“BEST PRACTICE” AND “BEST FIT”

The implementation of international CREM has already been realized by a large number of corporates. Even though hurdles, success factors and solutions ("best practice") are often comparable, the final result and the way to achieve it is highly company-specific ("best fit"). Everybody is talking about "best practice" and "best fit". But what is that?

PROJECT APPROACH: “BEST PRACTICE”?

The following project procedure is considered “best practice” when setting up international structures:

- a. Conceptual design, strategy phase | board mandate
- b. Preparation phase | governance & playbook
- c. Implementation phase | local implementation

Based on our project experience, the sequence is undisputed, but the design of the individual phases is highly individual in terms of time, content, depth and ultimately in the course of the project variable priorities.

This paper summarizes the three most important “best practice” pillars from a TME perspective for the implementation of international CREM structures in an individual and constantly changing eco-system.

“Best practice” principle 1: Top-down Management

“No implementation starts without board mandate”

Top-down communication

The cornerstones of the organization, real estate strategy and implementation roadmap must be approved by top management and communicated in a cascading manner from there. This may sound "streetwise", but without crystal-clear documented commitment, any coordination of process interfaces, accounting logic or reporting standards at any level in any country will motivate to question a global CREM

Ecosystem CREM

We are facing the fourth industrial revolution: the keywords are "digitization", "platform economy" and "disruptive business models". We already observe the effects today: Established market participants are disappearing, and new ones are appearing or pushing into existing customer relationships.

Product cycles become shorter, meaning that companies will have to develop products differently and faster in the future. This will have an impact on the structure and process organization of companies.

Flexibility is the new currency

A ten-year rental agreement that is set against a product cycle of two to three years implies more than 3 new products must be developed in order to map a rental agreement term.

As a result, CREM will have to align these new flexibility requirements with products and processes in order to continue to deliver added value to its core business and not to become dysfunctional.

logic. Before each local implementation, communication must be top-down from global to regional and from regional to local.

Top-down strategy

A global real estate strategy ([see also TME Paper „Real estate strategy follows transparency“](#)) with creation of clusters and different governance per cluster does not meet the individual circumstances of each individual address. Nevertheless, it forms the boundaries where a portfolio analysis and roadmap can be mapped on a desktop basis even before implementation. The adjustment for each address can take place on site in consultation with the stakeholders, e.g. warehouse in ownership.

Top-down organization

„Structure follows Strategy“: Structure defines the roles to be filled, roles lead to tasks, tasks to processes, processes in connection with quantities to capacities. This allows the resource estimation to be carried out very efficiently, which is usually already required in the strategy phase for the business case. A reversal of this sequence enormously inhibits the progress of the project and in case of doubt leads to regionally and locally different organizational situations, in which a global-regional-local reporting and communication client can no longer be efficiently controlled. As a rule, more than 95% of the local CREM organization is fed by the existing organization, so that both approaches – "Structure follows Strategy" versus "Structure follows Processes" – can at best give an initial indication of whether resource bottlenecks are to be expected.

“Best practice” principles 2: Global E2E management

“Without FM, CREM starves as a governor in the headquarters”

There are numerous publications on the detailed value chain in real estate management in the national and international context. International CREM according to our understanding includes all parts of value creation, all regions and all business units.

End-to-end management

- Asset and portfolio management can only make the right decisions if they are aware of local circumstances



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- Handovers to the operating phase require coordination of FM and Construction
- Demand Management needs an integral, lifecycle- and user-oriented perspective
- Exclusion of elements of value creation creates enormous interface problems: Is a renewal of the air conditioning system a project, landlord core business topic?

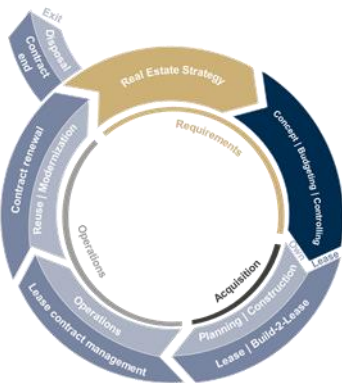


Fig. 1: Real estate life cycle

Ultimately: Without having a construction and FM mandate, local units send the implementation team back home.

Global management

We find global logics | business groups (BG) as well as local culture | legal entities in every corporate. The inhouse status of a local "king" is usually defined by the development of turnover over the last three to five years.

CREM must not make any exceptions and therefore be globally positioned:

- Structure analogous to all other corporate functions that are responsible for all corporate units on a global, regional, and in some cases local basis
- Enforcement vis-à-vis other BG | local corporate units is even more difficult if there are exceptions
- Scale effects, e.g. cross-country | cross-BG approaches are not feasible
- Global and regional reporting would always be subject to restrictions

Demand management

One of the most important processes for CREM is the management of the customer entry point: Where do the requirements of the core business meet CREM as soon as they arise? How are those requirements further processed?

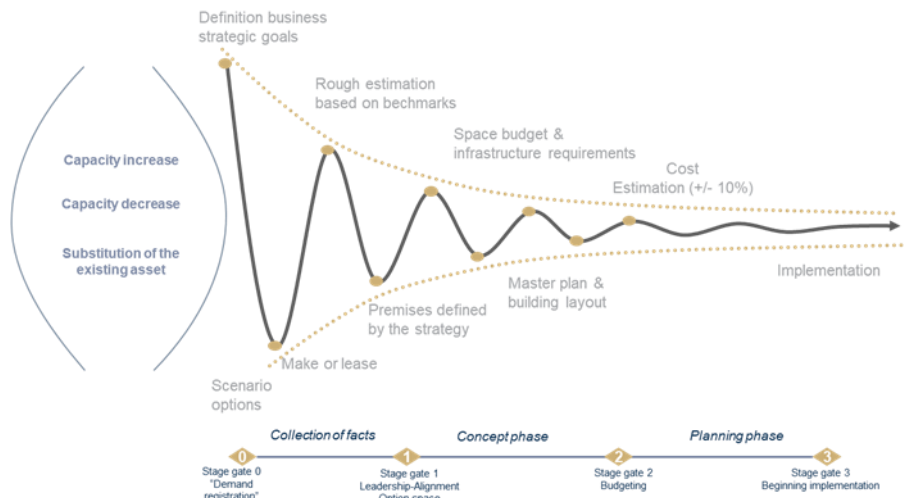


Fig. 2: Demand channel (stage gates)

We consider the proactive control of costs versus quality via professional demand management to be the most important success factor for an operational working CREM. In addition to smart and lean IT support, implementation also includes the necessary know-how in CREM and a robust corporate mandate (SOP, corporate guideline). The traditional, academic consented value chain does not yet know this discipline.

"Best practice" principle 3: Cost- & data-driven

At the beginning of each project, standardized project goals are defined. In very few cases the success of a project is measured against the achievement of these objectives. ALWAYS the focus is on financial impact.

The business case usually allows a start-up time for the organization and organizational success as well as quality improvements. Nevertheless, the topic IT | sustainable data management and in particular the implementation of uniform booking logic in the ERP must be treated with high priority right from the start of the project.

If this fails, each implementation report will be provided with many footnotes (disclaimers) as soon as numbers are generated. Ultimately, budgets, costs, resources and other figures will not be comparable.

WHAT IS "BEST FIT"?

At eye level with "best practice", "best fit" becomes a claim in recent international CREM projects. By definition, there are no superordinate, generally applicable principles for this.

„Are Forklifts CREM?“

Based on our project experience, "best fit" is based on three pillars and thus opens the range of options of how CREM is designed in the final structure:

"Best fit" Framework 1: Structure of CREM in the Group

A basic question, but with few exceptions in the project not really an option, is where CREM is located: Shared Service, CFO, Purchasing, etc. Nevertheless, there are implications of the suspension.

- Delivery-mandate:** from SSC mostly follows internal cost allocation combined with operational service delivery, from CFO suspension follows a stronger governance mandate combined with cost management
- Existing structure:** Strong countries | locations (=strong RE officer) versus strong corporate and regions (=strong RE manager; see organizational chart next page)
- Functional leadership:** Following the principle that the CREM organization feeds itself by 95% from existing resources, the suspension results in a "more" or a "less" functional leadership independent of the disciplinary suspension of the local employees
- Scope of CREM service:** The procedural interfaces from CREM to the core business and other corporate functions



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rarely follow "best practice" but must always be defined in a company-specific way. This includes, in particular, the function of facility management in distinction to local tasks of health & safety, security, but also to production tasks

- e. **Regional layer:** For local control, a "regional translator" is needed between headquarters and site managers. Existing BG and corporate function-specific solutions must be considered so that CREM does not manage local processes in isolation, but rather in an integrated way. In the future, digitization will take away the importance of the regional layer and reduce it to a minimum. By following this trend, CREM can also be a "front-runner" compared to other corporate functions

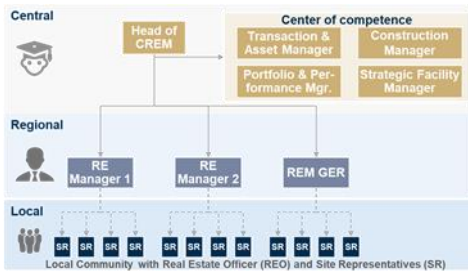


Fig. 3: Exemplary CREM organization

"Best fit" Principle 2:

Joint-Analysis of CREM organization, strategy & outsourcing level

Each business model has the appropriate means of production at its disposal and a corresponding mix of asset types. Mostly independent of that and rather culture-driven (shareholders, regions), there are given ownership structures in place. Based on this, an asset-driven real estate strategy always addresses the challenges of ownership and special real estate.

The resulting competencies and tasks for CREM cannot be determined independently of existing know-how, resources, value limits and planned depth of added value. We do this "joint analysis" to ensure the service delivery of CREM for the Go-Live.

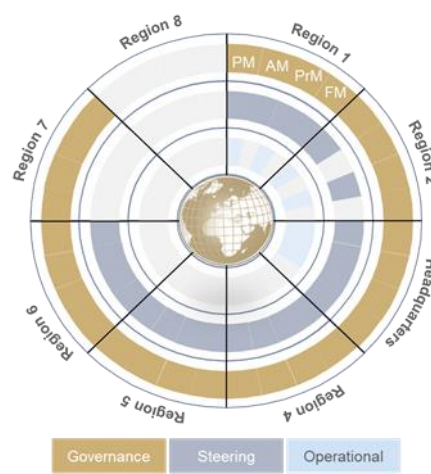


Fig. 3: Exemplary CREM organization

"Best fit" Principle 3:

Organizational culture & implementation

"Culture eats Strategy for Breakfast"

Consultants as well as top management must be aware, even without documentation in Playbook or SOPs, of the ecosystem in which the project will move during implementation and CREM after Go-Live. Key questions are:

- CREM self-image: Is CREM perceived as a proactive, operational doer or as a governance function and politician?
- Is it possible that, despite a strong CREM mandate, there will be a so-called "tolerance model" in which CREM will never be carried out on a par with other corporate functions and core business?
- What interpersonal skills do stakeholder representatives (SPOCs) have in core business?
- What is the speed of implementation, one or five years?
- How does the data generation take place during the implementation | preparation?
- Does CREM have to balance quality and cost or do solutions only focus on one or the other?
- How far is the group spirit in its outsourcing thinking and acceptance of external parties? How ready is CREM?

"Outside-In is not efficient"

The timely answering of questions in the corporate cultural context and addressing them with the right "best fit" proves to be more sustainable, faster, more enforceable and communicable than the "quick & dirty" "best practice" adaptation.

Author

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