



CREM in the corset of Corporate Policies

Traditional CREM targets: optimal space, securing of operation and minimising real estate costs. The concrete specification of targets is mainly preset based on other Non-CREM-fields in the frame of so called Corporate Policies. These measures regarding issues such as staff and client retention, networking or corporate image follow company specific culture as well as mega-trends. For CREM the challenge is to select subjects with real estate relevance and to transform them to the space. This contribution summarizes major trends and implications for Corporate Policies. Management actions for CRE manager as well as the transformation of corporate policies into modern real estate standards are outlined.

Mega-trends drive the change

Beside company-specific, endogenous changes, mega-trends are above all influencing changes of corporate strategy and corporate policies. These mega-trends can be differentiated in societal trends (i.e. demographical change, new pattern of mobility, ...), changes of the economy (i.e. globalization, change of workplace, ...), technological trends (digitalization, integration of different technologies,) as well as environment (i.e. sustainability, energy and resources, ...). (Source: HSH Nordbank).

We identify the following trends with crucial implications for changes in corporate policies relevant for corporate real estate:

- Demography | working culture
- Network | digitalization
- Sustainability

For example, we interpret globalization rather as a topic of internationalization with CREM-internal need for change regarding real estate strategy and organization.

Momentum Demographie

Periodically statistics to demography and job market appear in the media. The opinions and conclusions are always the same and might be "old hat": Beside a moderate shortage of labourers, companies are above all facing an crucial shortage of high skilled employees.

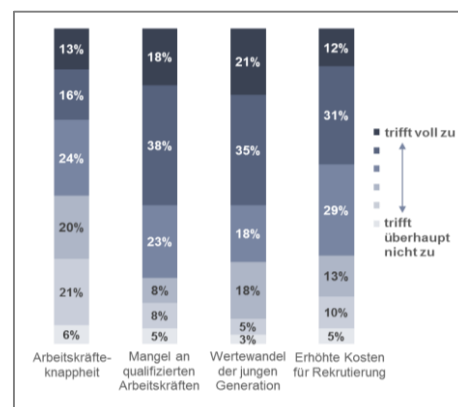


Abb. 1: Impacts of demography (Source: Kienbaum HR-Trend Studie 2014)

In the consequence the budgets for recruiting are increased in the first instance. However, the problem is more complex so that it cannot be solved solely by this.

Generation Y

- Born between 1980 and 1995
- Internet- und media-driven
- New values: Happiness & meaningful life more important than salary & power
- Expectations: good working atmosphere, Work-Life-Balance, Flexible working hours, ...

War for talents with Generation Y:

"[...] this generation was pretentious to believe they could claim all these things. But they know their market value. More money for less work: This does not only reflect the good boom after the end of the economic crisis. The trend is rather long-term: The graduates streaming from the auditoriums into offices and labs are members of 'Generation Y' which does not only focus on career but also appreciates Work-Life-Balance and claims these wishes towards the employers with self-confidence. On the other hand they know their market value and do not want to make financial compromises."

(Source: Spiegel)

"High price due to low number and high demand for generation Y"

Since the average employee does not only become older and older but at the same time a young generation with new moral values is growing up who are not at all ready to comply with the existing culture of labour. The recovering real economy combined with the demographic development allows the so called generation Y to put pressure on companies and their decision-makers. (Source: Hays | Oxford Economics)

"Generation mix as the central challenge for HR"

To be successful in the long run companies have to create a working atmosphere aiming for collaboration between young and older employees. Target is to grant an optimal mixture of modern | different ways of thinking and working on the one side and working methods based on working and life experience on the other side. (Sources: WiWo, Zeit)

Ongoing networking

"Internet changes the traditional structure of economic power. IT-professionalism is the central challenge especially for traditionally settled companies."

Internet

As transfer of know-how and communication are no longer limited by geographic distance, networks are generally regarded as an achievement. The adjustment of IT-infrastructure and communication channels is largely implemented.

Danger arises for companies which decided for a defensive strategy in this regard. This is due to the fact that networking of the world also jeopardizes the structure of economic power. New competitors attack traditional companies by using the advantages of the digital world of media and catch for market shares with innovative concepts. Amazon and Ebay grasped this opportunity and changed retail business forever.

Even at the world-wide most popular employers this image changes increasingly. The IT- and internet-firms seem to have conquered the job market. Google, Facebook and Co. now belong to the most preferred employers whereas traditional companies such as BMW or Roche lose acceptance. (WiWo)

Industry 4.0

Networking does not only play a role in the IT-business, creative professions or certain departments but now also enters the digitalisation of the fabrication and lays the

basis for the future of the industrial production: Locations are linked, information compiled and processed. The goal is to link the complete value adding process, i.e. from gaining of the resources up to the packing of the end product. This re-organisation has fundamental implications for all involved parties, locations and other resources. (Sources: Handelsblatt, Focus)

Social Networks

Finally, digital networks were established in the professional and private day-to-day life. In Germany alone, 74% of the human beings are members in a social network. By the implementation of new media, numerous potentials are generated for the companies such as a goal-directed approach of applicants as well as clients. (Source: Statista)

Ever hot topic: Sustainability

„Sustainability has reached all corporate divisions“

The idea of sustainability last for several decades, hence may be attributed as a lasting model of our future economy | way of doing business. Corporates make sustainability to an integral part of all economic activities, among others especially for image purposes.

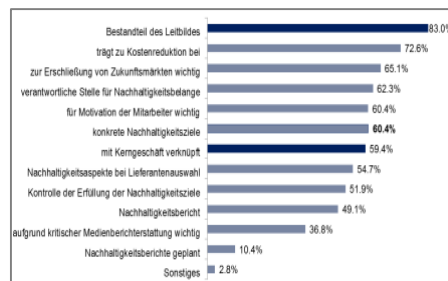


Abb. 2: Sustainability within corporates (Source: TME study 2014)

Management Actions of C-suites

The question arises how managers face the complexity of these subjects. Below possible actions of corporates' top management are summarised:

Human Resources

"HR employs modern, multi-faceted methods for actively steering discrepancy of actual and target corporate culture"

HR-Manager are directly confronted with the demands of the generation Y and, apart from the realisation, have to find company-tailored solutions for the generation mix. The promotion of the collaboration of young and old people is the basis. Further measures could be programs for

older employees as the recently discussed increase of vacation days, to satisfy "best ager" and keep them in the company. The integration of social networks in case of recruiting will not be sufficient in the "war for talents" – the challenge is to align the corporate culture proactively to the course of time.

IT

"If not already done, IT will receive an important voice in questions of corporate strategy"

For IT-executives a number of possibilities is generated by the compilation and analysis of client and market data.

Yet additionally an intelligent linkage is of great importance: Whether workplace-related with IT-integration up to the linkage of complete producing premises. So far not yet realised IT will play an important role in subject matters of corporate strategy.

Marketing

"Especially for traditional companies a rethinking in their marketing strategy is vital."

Upon the arising of social networks, a rethinking in marketing as well was generated. Now the focus lies more on web-marketing channels than on classic advertising. The demographic change also changes the target groups. Older population strata with high-income and high consumption are as well relevant as the young generation. The change in values of the generation Y and an increasing importance of Corporate Social Responsibility have impact on marketing to the effect that a positive and sustainable image is presented to the outside world. The signals of the employer's brand are moreover a key success factor for permanent attractiveness to high-qualified applicants.

Finance

"CFOs want to be convinced of positive effects"

Reorganisation of the world of work, modern IT-technology, development of new communication channels, progression of brand image require financial resources. By this Finance determines the decisive restriction for the above management actions.

On the other hand, also positive effects such as higher staff productivity or maintenance | increase of market shares stand against the required budgets. Here it is essential for HR, IT and Marketing, to clearly work these out towards the CFO of the company since an adjustment of the strategy | Corporate Policies regarding the challenges of demography, networking and sustainability is unavoidable.

Management actions of CREM

One predominant corporate function has been left aside in the above paragraph: Corporate Real Estate Management.

"Real estate will become more a matter of core business than ever before."

Traditionally a CREM-Manager will deduce his real estate strategy from the corporate strategy. In this 3 basic targets were pursued: Optimal space, minimising of operational disturbances and real estate-related costs.

Therefore adjustment of the corporate strategy means adjustment of the real estate strategy as well. As the Corporate Policies have mostly also implications on the real estate business. So they are the "corset" for CREM-Managers in the function supporting the core business.

In the scope of the transformation of the new strategic elements for companies the "transformation process" mainly concerns the policies of HR, IT and Marketing. Since Finance still concentrates on restriction of cost optimisation, core business requires an undisturbed operating process.

3 dimensions of space provision

"Success factor is the implementation of standards in one global logic in support of targets of HR, IT and Marketing"

The growing demand towards CREM for the performance of international governance-tasks has already promoted the establishment of standards. The reflection of Corporate Policies in real estate standards renders the establishment of international standards unavoidable. These contain essentially location, buildings incl. facilities and working environment. Thereby a neutral real estate decision is allowed on site.

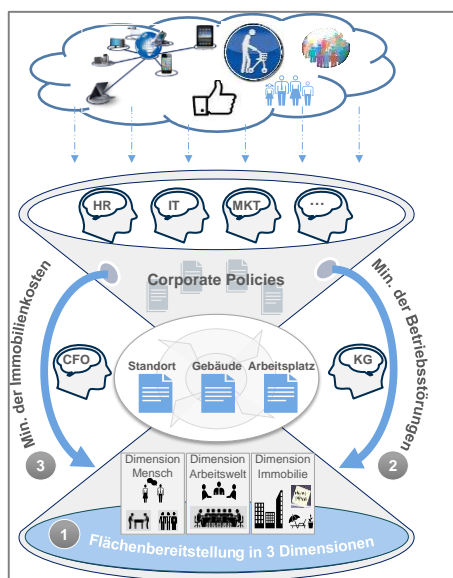


Abb. 3: Transformation process of CREM

In consequence only as much local flexibility as necessary is allowed (law, market conventions, custom, etc.).

Nevertheless CREM keeps the task of the provision of space. This has to meet a complex requirement profile covering 3 dimensions:

- Individuals | Workforce
 - Support of the worker and corporate culture
 - Consideration Work-Life-Relationship
 - Promotion Brand Image
 - ...
- Workplace
 - Working environment as manufactory of know-how
 - Space and infrastructure supporting target culture
 - ...
- Property
 - Location of property
 - Exterior appearance | Image
 - Sustainability
 - Service provider
 - ...

The combination of these 3 dimensions cannot be deduced via standardized templates. It addresses among others: discrepancies between actual and targeted corporate culture, existing as well as future generation mix or branding. The following applies:

Real Estate standards are always ...

1. ... individually formulated for THE company
2. ... centrally derived
3. ... Top-Down established | implemented

Other Restrictions

The two remaining targets in CREM are rather restrictions for the provision of optimal space.

Minimising of operational disturbances implicates that rather long-term solutions are preferred. This does not only reduce costs of removal, expansion and equipment but also signalises continuity to the outside world. Furthermore the rapidity of implementation of a modern working environment and shifting of portfolio is limited. Consequently the above described policies become only effective as soon as an "anyhow-business transaction" generates a renovation or a move.

For the optimisation of real estate costs standards establish the possibility to control company-wide via KPIs the land consumption as well as the Total Occupancy Costs. Vacancies and occupancy ratio are as well part of workplace-standards as location criteria, facility standards and energy monitoring.

Conclusion

Global real estate standards provide a central answer of the concrete contribution of real estate by facing the requirements of demography, networking and sustainability.

Authors

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