

## DEFINING CORPORATE REAL ESTATE MANAGEMENT'S (CREM'S) BRAND

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### ABSTRACT

*Corporate Real Estate Management (CREM) is increasingly attracting attention from corporations. It is an evolving internal service provision that can be shown to make significant contributions to organisations' success. Despite its importance, CREM faces dilution in defining its brand to customers. There is gap between CREM's core competencies and customers' understanding that led to failure bettering its position within organisations. Meanwhile, branding knowledge provides a basis to define attributes of a CREM in building a strong brand. The study explores CREM branding using a case study approach from four industry sections that consist of telecommunications, logistics, retail, and education from an emerging real estate market (Malaysia) and a mature real estate market (Australia). CREM executives and CREM customers were interviewed to get feedback about CREM within organisations. The findings indicate that CREM supports the business by managing organisations' strategic real estate resources as its branding strategy within organisations.*

Keywords: Corporate real estate management, brand, branding strategy, internal service provision.

### INTRODUCTION

Corporate real estate management is perceived as a new area within the real estate and business communities. To some extent, it can be seen as overlapping other real estate areas. However, the term 'corporate real estate' can be traced back for the first time when Rabinowitz (1963) used in the paper 'Realism in corporate real estate' published in Harvard Business Review. In the paper, he argued about the economic justification for corporations interested in real property. Then, the term 'corporate real estate' has been popularly used since the early 80s, starting from Zeckhauser and Silverman (1983) who defined corporate real estate (CRE) as the land and buildings owned by companies not primarily in the real estate business.

Since then a variety of different definitions of CRE have been provided, for example including leased real estate for example Dresdow and Tryce (1988), Brown et al. (1993), Roulac (1999) and others. The inclusion of achieving corporate objectives or pursuing primary business missions also occurs as important parts of CRE's purpose, for example Brown et al (1993) defined the CRE term applies to real estate assets that are either owned or leased by firms to achieve corporate objectives. This led to a common definition that corporate real estate are the real estate assets either owned or leased by corporations in pursuit its primary business mission. There is no doubt that previous studies define corporate real estate and its management as incorporating the workplace, property management, and managing the facilities to support companies' core businesses. However, heading into the new century CREM's role has changed to be more than just providing workplaces for employees and finding suitable locations for organisation to do business. Senior management is now realising that CREM has the ability to contribute in many areas including human resources, financial, internal culture development, improving productivity, and marketing. These multiple roles played by CREM created confusion in its customers as to what constitutes a CREM brand.

Having a brand for corporate real estate management (CREM) can bring corporate real estate from being seen merely as the bricks and mortar of physical assets into being an important resource for organisations. Branding CREM as a resource for organisations could increase CREM's status from an operational management level to the strategic management level equal to what human resource and finance are experiencing. CREM has the strategic capability because its contributions are very significant to organisational success, especially in the form of mergers and acquisitions, capital spending, relocation, global expansion, marketing decisions, staff allocation, productivity improvement, team building, property management, handling facilities, reducing operating costs, and many other contributions ranging from operational levels up to strategic management levels.

As it has been stated that branding can be useful for CREM, it is then important for CREM to define its brand in order to have a clear communication strategy to its customers such as senior management, business units, and stakeholders. A brand simplifies communication strategies by providing a clear value proposition to the targeted customers (Ulrich and Brockbank 2005). Furthermore, an effort to increase CREM positioning status involves more than just presenting its technical performance but also involves relationship building strategies (Omar and Heywood 2010). The ability of CREM to communicate in accordance to organisations' goals and directions will increase acceptance from customers. At present, the age of broadcasting and mass-marketing to mass audiences is giving way to an era of narrow marketing that is customised to smaller segments (Nandan 2005). Therefore, having a CREM brand ensures consistency and uniformity in communication to be noticed, to change perceptions and to reinforce attitude that lead to deep customer relationships.

Branding in CREM has been mentioned in research by Roulac (2007) and Appel-Meulenbroek *et al.* (2010). However, both studies referred to physical branding rather than service branding. This study reported here is an extension of previous study by Omar and Heywood (2010) that adopted branding as a tool to understand CREM's positioning status within organisations. CREM has evolved from just supporting business operations into becoming an important resource in fulfilling its greater customers' demands in achieving organisation's goals. The focus has already changed from daily routine property activities at the operational level into various management levels across different functional departments in a variety of settings. The effectiveness of CREM relies upon synergising real property value with other organisational functions as one of the strategic resources for organisations.

As there is increasing interest from real estate researchers and practitioners in corporate real estate management, this study aims to contribute in providing an understanding of corporate real estate management within organisations. Specifically, this study aims to provide an explicit definition to CREM's brand drawn from the two perspectives of CREM executives and the CREM customers.. This will allow the CREM community and CREM customers to have better alignment of CREM's role within organisations.

## **Understanding of internal service branding**

Internal customers can be defined as individuals of other departments within an organisation that internal service provider serves (Minjoon and Shaohan 2010). In this sense, an organisation can be conceptualised as a chain of individual units that linked to together to satisfy external customers. Thus, the collaboration between work units consisting of service provider and internal customer ultimately impacts on the company's ability to meet or exceed external customers' needs and expectations. Some researchers have argued that internal customers are equally important as external customers in providing faster products or services to the market, lower waste and costs, and improved external customer service quality (Finn *et al.* 1996, Stanley and Wisner 2001, Stanley and Wisner 1999). Despite its strategic importance in sustaining competitiveness in the marketplace, the issue of internal customer satisfaction from internal service has received relatively little attention from researchers.

Branding an internal service requires more than just addressing the meaning of 'service' because the problem in defining a service is that it involves many degrees of intangibility (de Chernatony and McDonald 1998). A successful service brand derives from carefully nurtured relationships, which develop staff and customers' respect for certain functional and emotional values of the brand (de Chernatony and Dall'Olmo Riley 1999). A successful brand conforms to the following criteria:

- It has a name, symbol or design which identifies the product or service as having sustainable competitive advantage;
- It results in superior profit and market performance;
- It is only an asset if it leads to sustainable competitive advantage; and
- It, like other assets, will depreciate without further investment.

These elements identifiable as adding values in increasing profit and performance that lead to sustainable competitive advantage will then turn an internal service into an asset for the organisation. The specific nature of a service requires tailored concepts and approaches that are consistent, adding value, and accepted by the customers

(McDonald et al. 2001). To improve brand strength, service provider needs to shape this set of perceptions so that the targeted audience will think that the brand has a positive impact on them.

A challenge delivering internal service is whether the internal service's core competency align with expectations from internal customers in providing quality service to external customers because an internal service provider is actually under an unstated 'contract' with other departments to provide a specified level of service (Farner et al. 2001, Cannon 2002). Thus, it is crucial for the internal service provider to understand the expectations held by its customers in order to be accepted by customers within organisation.

### Core competencies in an internal service branding

An internal service branding is not only about building relationship with the internal customers who receives the services. There is a need to identify and integrate its core competencies in order to ensure cohesion and consistency in service delivery to the targeted audience (Harris and De Chernatony 2001). The core competencies can have a powerful impact on customers' perception to CREM's ability in fulfilling their needs. Furthermore, with the presence of technology stipulate the functional and characteristics of a service to be delivered during the service delivery process (de Chernatony 2003). The internal service values are communicated not just by advertising of its capability from the surface functions but through its core competencies happening during interaction with the customers.

What matters for CREM is turning knowledge into action by identifying and transferring its core competencies throughout the organisation, creating new knowledge and developing capabilities that set the stage for successful relationship building with the customers. One of the enabling steps to facilitate the service delivery during interaction process is by the engagement of core competencies with the customer expectations (Thite 2004). By defining the core competencies, CREM can dispose obsolete activities by replacing with them with a more relevant activities require by the customers.

Despite CREM being driven to make a significant strategic difference such described by Joroff et. al (1993) as being a 'Business Strategist', the CRE literature has rarely considered exploring CREM core competencies from both parties; CREM executives and customers. Identification of these competencies are one of the major ingredients in having competitive advantage for internal service branding especially for CREM (Heywood and Kenley 2008, Miciunas 2002, Price 2004). It is therefore crucial to look inside how service providers understand its perspectives with what the customers expected in order to align the internal service brand's desire values.

### METHODOLOGY

Based on the branding framework, this study used case studies from eight organisations with specific use of in-depth interviews and document analysis. The organisations were selected from four different industries consisting of retail, telecommunications, education and transportation. These organisations were selected from two real estate markets - developing (Malaysia) and developed (Australia). A reason to explore the two markets is to explore how CREM branding applies in different real estate markets in order to understand more generally how CREM branding works. The companies chosen are pseudonymous here due to the ethics requirements for this study.

The in-depth interview used the PCDL Model developed by Ghodeswar (2008) as the framework for this study. This model is part of branding theory for developing a strong brand. This paper focuses on the exploring CREM brand through its core competencies from the perspective CREM executives and CREM customers (refer Table 1).

**Table 1: Case selection for interviews**

	Retail		Telecommunications		Education		Logistic	
Malaysia	Case 1 (Chickbase)		Case 2 (TMC)		Case 3 (PMU)		Case 4 (MalLogistics)	
	CREM Executive 1	CREM Customer 1	CREM Executive 2	CREM Customer 2	CREM Executive 3	CREM Customer 4	CREM Executive 4	CREM Customer 4
Australia	Case 5 (Home Bakers)		Case 6 (TLT)		Case 7 (BMT University )		Case 8 (LL Logistics )	
	CREM Executive 5	CREM Customer 5	CREM Executive 6	CREM Customer 6	CREM Executive 7	CREM Customer 7	CREM Executive 8	CREM Customer 8

For document analysis, the study used published material from official company sources such as annual reports, official websites, and news published by the company to the public. This method works as a triangulation to the information found from the in-depth interviews. Through empirical exploration, this study intended to contribute a better understanding of the internal CREM service provider in improving its service to its customers.

## CREM CORE COMPETENCIES

Two perspectives were found to be useful to understand CREM positioning and in explaining the relationship between the service providers' side (CREM executives) and the users' side (CREM customers). Therefore, CREM's core competencies can be seen from the following two perspectives:

- CREM executives; and
- CREM customers.

An obvious core competence found for CREM was the role as custodian in safeguarding organisations' physical assets. To some extent, CREM can claim the custodianship of their organisation's physical assets as a 'super core competence'. Therefore, it is important to be able to identify sub-competencies for CREM in order to explain CREM's super core competency because these core competencies were understood differently from the CREM executive's and the CREM customer's perspective.

### CREM executives' perspectives

CREM functions earned the custodianship role from their organisations based on their knowledge and experiences in handling all property matters.<sup>1</sup> From the study it was evident that CREM as custodianship was pervasive encompassing areas of responsibility in property management, facilities management, and even strategic real estate management (refer Table 2). There was no clear boundary in defining custodianship's role for CREM because at some extent this role seemed overlapping with other competencies such as workplace management, space management, and physical maintenances. However, explaining CREM's custodianship role from the perspective of facility management, property management, and strategic real estate management provided some insight into this understanding.

**Table 2: CREM's core competencies from CREM executives' perspective.**

Area	Role	Function
<b>Facility Management</b>	Workplace planning	<ul style="list-style-type: none"> <li>• Space provider</li> <li>• Indoor air quality</li> <li>• Workplace environmental management</li> <li>• Team working coordination</li> </ul>
	Building operations	<ul style="list-style-type: none"> <li>• Security</li> <li>• Daily maintenance and cleaning</li> <li>• Physical upkeep</li> <li>• Energy consumption management</li> </ul>
<b>Property Management</b>	Property administration	<ul style="list-style-type: none"> <li>• Rental collection</li> <li>• Property reporting</li> <li>• Record keeping for property</li> </ul>
	Property marketing	<ul style="list-style-type: none"> <li>• Marketing spaces for let</li> <li>• Tenant selection</li> <li>• Rental schedules</li> </ul>
	Physical and environmental management	<ul style="list-style-type: none"> <li>• Renovation</li> <li>• Refurbishments</li> <li>• Maintenance and replacement of facilities</li> <li>• Health and safety</li> <li>• Environmental and sustainability management</li> </ul>

<sup>1</sup> My role in the group is that we look after all the property. We control the property for the company. Nobody can go out and just sign a lease out there without coming through us. So we check the legals, planning, and all sorts of things. (CREM Executive 8)

Area	Role	Function
<b>Property Management</b>	Property transactions	<ul style="list-style-type: none"> <li>• Property inspections</li> <li>• Property negotiations</li> <li>• Documentation</li> <li>• Purchase and dispose property</li> </ul>
	Property legal	<ul style="list-style-type: none"> <li>• Legal documentation assessment</li> <li>• Tenancy laws</li> <li>• Legal requirement for property</li> </ul>
	Procurement	<ul style="list-style-type: none"> <li>• Central purchasing function</li> </ul>
<b>Strategic Real Estate management</b>	Property support for business units	<ul style="list-style-type: none"> <li>• New outlets development</li> <li>• Property consultancy for business units</li> </ul>
	Central property decision-making	<ul style="list-style-type: none"> <li>• Property monitoring across business units</li> <li>• Part of team in company mergers and acquisition</li> <li>• Part of mergers and acquisition team</li> <li>• Cost control mechanism</li> </ul>
	Property master plan	<ul style="list-style-type: none"> <li>• Long term physical planning</li> <li>• Capital plan</li> <li>• Business relocation planning</li> </ul>
	Profit generation strategy	<ul style="list-style-type: none"> <li>• Unlocking idle land bank</li> <li>• Joint venture with property trust</li> <li>• Property disposition</li> <li>• Space rental to outsiders</li> <li>• Sale-and-leaseback</li> </ul>

### Facility management

There were two main roles conducted by CREM within the facility management area. They are:

- Workplace planning; and
- Building operations.

The main facility management role for CREM can be seen as the provider for space as workplace to house workers and running organisations' core business. This workplace involved more than just providing a basic office space for workers. CREM executives were expected to come up with solutions to changing working styles ranging from supporting knowledge workers, increasing team working and collaboration, independent workers, flexibility, reducing a management gap, being able to improve productivity, promote creativity, and many more. Besides being the space provider for workers, CREM was also responsible in providing spaces for running core business operations. For example, CREM executives in LL Logistics played an important role in making sure warehouses and distribution centres were properly managed.

Within the facility management area, CREM executives were also responsible for handling building operations such as security, daily maintenance, cleaning, and looking after the physical upkeep of organisations' space or physical assets. This covers all the physical assets owned by organisations to run their core operations. For example, besides office spaces, CREM executives from TLT were also responsible of maintaining all the telephone exchanges, mobile towers, retail outlets, data centres and other telecommunication facilities. One of the elements that has a significant contribution in highlighting CREM's image was energy consumption management. This can be in the form of cost savings, promoting green technology, and utilisation of organisations' energy resources. This element can be part of CREM strategies in adding value for organisations.

### Property management

CREM executive's involvement within the area of property management involved several main roles. Among of them were property administration, property marketing, physical and environmental management, property transactions, property legals, and procurement.

Property administration is directly related to rental collection, keeping records for physical inventories, and property reporting. This is for making sure all organisations' physical assets is well managed. It was a common practice in the studied organisations to have property database that able to track their inventory of spaces, lease expirations date,

location, and the physical condition of organisations' assets. The property administration can be more crucial and complicated when involving the many properties at different locations such as faced by retail organisations like ChickBase and Home Bakers.

The property marketing role provided CREM executives with the opportunity to venture into their 'own business'. This role also came with the ability to make selection of tenants and determine the rental schedules for rental spaces. Even though this role seemed small compared to property maintenance's, this role allowed CREM to demonstrate to customers and senior management CREM's ability to generate additional income for organisations.<sup>2</sup>

There were slight differences in the role of physical and environmental management in property management compared to the area of facility management. The scope of work involved larger scale projects such as renovation for new outlets, refurbishment, and replacement of outdated facilities outside the workplace. Environmental management within property management represented health and safety, environmental management, sustainability of physical assets, and space management. This role created an impact in organisations in terms of providing space at affordable prices. Balancing between reasonable costs and environmental sustainability was about looking at the long term impact from the physical assets, especially related to environmental and health requirements and costs in operating the building.<sup>3</sup>

As an expert in real estate matters, CREM executives played an important role in handling property transactions within organisations. Among the property transactions activities that required CREM executives input were property inspections, property negotiations, documentation, and purchase and disposal of property. Property inspections were among the earliest process for every property transaction.<sup>4</sup> Property inspection activities allowed for the assessment of a property's suitability for conducting the organisation's core business in terms of size and working conditions for the employees. Property negotiation was the stage of bargaining a price with the owner or their agent. At this stage the understanding of hidden costs involved with property transactions was an important consideration in getting benefit from the property transaction. Property negotiations cannot be measured tangibly. It is a skill gained from experience in handling property matters such as through estate agency, property development, property management, property maintenance, or property mergers.<sup>5</sup> On top of property knowledge, knowledge about finance, feasibility studies, and development processes confirmed CREM executives as the right people to undertake property negotiations for a company.<sup>6</sup>

In this study, the involvement of CREM executives in property legal was crucial for organisations, especially when there were many property transactions or in mergers and acquisitions. These activities need people with property technical knowledge, like CREM, because these activities involve transferring property rights and legally binding agreements that can have a big impact on organisations. The practice in some studied organisations was that every property transaction that involved legal binding documents had to go through the CREM function for assessment.<sup>7</sup> Legal documentation assessment was a crucial part in property transaction processes. It was time consuming and business units did not have the time and knowledge to understand these legal documents and their impact on organisation in the future.<sup>8</sup> Activities in legal assessment for leases were involved with outgoings agreement, land tax, terms of payments, responsibilities of each party, and other charges that are involved. Making sure a property

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<sup>2</sup> *We have instructions from the ministry to the university as a whole to let our facilities to the public to generate income, but the income does not belong to us. It will go into the university treasury. (CREM Executive 7)*

<sup>3</sup> *It is sensible to have property integrated into the business because you take a longer term viewing on how you build and operate. It doesn't have to be the cheapest building in it because you have to look for balance between a reasonable cost in the construction side but also how you can save in the cost of operational side especially in the health and environmental sustainability. (CREM Executive 7)*

<sup>4</sup> *Before we commit to any site we will go for a site inspection and then later on we will negotiate with the landlord on the terms and condition and liaise with our operation functions to do a feasibility study to access that area. (CREM Executive 1)*

<sup>5</sup> *I am a licensed estate agent by training. That's how I became an industrial estate agent and my specialisation in warehouses, then I got into property development then I became interested in that. Then I became a development manager and built a lot of warehouses. So my specialisation is leasing and warehouses, negotiation, and dealing with people. I think maybe being a real estate agent is good in connecting with people. (CREM Executive 8)*

<sup>6</sup> *It's handy to know numbers and understand feasibility. A lot of people don't get that. A lot of people don't understand how property developments are put together. That's what I am good at and I know if a developer is asking for AUD60 per square meter building, I can see what it cost him and how much money actually they make. (CREM Executive 8)*

<sup>7</sup> *We've got the franchising code to follow and we just can't let them sign up to something that I know that they going to broke with. Later they will take me to the court, even though they told me to sign up, they will take me to the court later. They will sue me saying they go broke because of me. (CREM Executive 5)*

<sup>8</sup> *Businesses don't certainly know all those things because they are running trucks and logistics, and moving things. They are not good at property. So, it is important for a lot of top companies to have a property professional because so much money can be made and so much money can be saved just by doing simple things. (CREM Executive 8)*

transaction is right in the first place was a key to this safeguarding of organisations' interest and preventing legal implications.

CREM procurement's role was in the form of handling centralised support services that is related directly to property matters. For example, CREM functions in BMT University and TLT were responsible for buying stationery, fleet management, and material for health and safety matters. The CREM function got involved with this role mainly because CREM was frequently part of the finance department within the organisational structure (3 out of 8 cases). This role provided CREM with an opportunity to expand its capability beyond physical management only.

### **Strategic real estate management**

Apart from the facility and property management mentioned above, the CREM function was also involved in the strategic real estate management in organisations. In this area, the focus was more toward aligning physical assets and spaces with organisational core business. At a strategic real estate management level, normally CREM contributions were embedded into organisations' overall strategy and it was difficult to identify which strategy belonged solely to CREM's role. A strategy may be initiated or driven by CREM executives but the whole strategy itself involved other parties such as the finance function, the human resources department, and also the business units. This role involved long term and on-going commitments and contributed impacts to organisations on a larger scale. Among of the roles within this area were:

- Property support to business units;
- Central property decision-making;
- Develop a property master plan; and
- Generating profit from property.

As a support function, CREM's main objective is always to support business units' activities, such as opening new outlets, and property consultancy for business units. There were organisations such as ChickBase, Home Bakers, and MailLogitics that have specific task in these areas for their CREM function such as opening a number of outlets for business units. However, many organisations still allowed a strategic role to be a diverse role ranging from providing advice, lease management, doing feasibility studies, site selection and many other physical related activities being handled by CREM.<sup>9</sup> The main intention of being a strategic function was to make CREM a property point of reference for business units.

CREM contributed to strategic real estate management by playing a role as central property decision-makers, especially involving legal binding transactions.<sup>10</sup> The central property decision-making allowed an organisation to monitor real estate activities across business units in the organisation. The ability to monitor these property activities by business units provided an opportunity for organisation to use property as a cost control mechanism. For example, space charging helped organisation to save costs and pushed business units to rethink their space usage. In addition, CREM executives were part of the team in merger and acquisition activities to provide input from a property perspective in this strategic real estate management.

Another strategic role of CREM was CREM's involvement in developing property master plans for organisations.<sup>11</sup> The development of a master plan was highly used by organisations that directly depending on physical assets and space to run their core business, such as PMU and BMT University. In this situation, a physical database also played an important part in providing the input to organisations in making justifications in proposing a project.<sup>12</sup> Having a complete database also allowed for space audits inside organisations and allowed for space monitoring across business units.

Lastly, CREM's strategic management's role was to generate profit for organisations. This study found that the CREM function was able to contribute profit for organisations from unlocking an idle land bank for development, joint ventures with property trust companies in managing organisations' property portfolios, property disposal, space rental

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<sup>9</sup> *Whatever you do, we will support you (the business units) but we can't support you blindly because there are possibilities that we can't deliver later. So, we will always give our views and opinion. Or else it will give us a lot of headaches later. (CREM Executive 5)*

<sup>10</sup> *Every agreement or real estate legally binding negotiation will go through the real estate function for assessment, then the final document will be prepared by the legal function and the document is signed by the managing director of this company. (CREM Executive 1)*

<sup>11</sup> *I am looking after everything to do with the university's property. Within the group we purchase and dispose of property, we do all the strategic planning for property, the campus master plan, and then we develop the capital plan for the property component for the university. (CREM Executive 7)*

<sup>12</sup> *We developed our own database for our asset management. Inside there we have all the copies of land registrations, profile of the building, tenants' profile, and images of our buildings. (CREM Executive 2)*

to outsiders, and sale-and-leasebacks. However, CREM had trouble in highlighting any profit generated from these activities because there was no separation in financial reporting between profit generated by CREM and other business units.<sup>13</sup> Therefore, CREM has strategic contributions but the challenge was to demonstrate this ability as an individual entity.

### CREM Customers’ perspectives

This section presents the CREM core competencies from the perspective of their customers. An understanding on how customers perceive CREM provides a comparison with CREM executives’ perspective. There were similarities and differences between these two in building the relationship within organisations.

CREM customers also perceived the CREM function as the custodian of an organisation’ physical assets. However, the core competencies for CREM functions from their customers’ perspective had differences from what the CREM executives perceived themselves. The customers’ perspective showed more stress on the importance of supporting the business units and providing property solution to them in running their core operations. The core competencies from CREM customers’ perspective can be divided into three main categories (refer Table 3).

**Table 3: CREM’s core competencies from CREM customers’ perspective**

Core competencies	Activities
<b>Business unit focus</b>	<ul style="list-style-type: none"> <li>• Supporting business units’ core operations</li> <li>• Property search for business units</li> <li>• Provide property input for the strategic plan.</li> </ul>
<b>Property service provider</b>	<ul style="list-style-type: none"> <li>• Property maintenance</li> <li>• Workplace management</li> <li>• Property legal administration</li> </ul>
<b>Act as property owner for organisations</b>	<ul style="list-style-type: none"> <li>• Space allocation</li> <li>• Reduction of property footprint</li> <li>• Space charging</li> </ul>

#### Business unit focus

Strong evidence of a business focus was found in CREM core competencies from CREM customers’ perspective. Customers expected CREM to play its role without separating CREM into property specialisations such as facility management, property management, property investment or any other specialisations. CREM’s role in supporting business units were:

- Supporting business units’ core operations;
- Property search for business units; and
- Provide property input for the strategic plan.

Supporting business units’ core operations was about CREM functions supporting business units to achieve the units’ goals. The main objective for business units in their core operations is to satisfy their own consumers who received their services or products. This consumer is the main source of income for business units.<sup>14</sup> Apart from the importance of satisfying the consumer, business units saw their success as a joint success with CREM functions because both parties came from same organisation.<sup>15</sup>

Interestingly, property searches for business units were an activity where customers highly depend on CREM functions.<sup>16</sup> CREM executives have the ability to search for property that suits the needs of business units, especially in creating competitive advantage.<sup>17</sup> In this process, CREM functions acted like a property agent for business units in fulfilling their customers’ request. Based on CREM’s property knowledge and understanding of the nature of the

<sup>13</sup> *The profit we generated always ends up to the business anyway. In the end of the day there is only one profit and loss, and one balance sheet. (CREM Executive 8)*

<sup>14</sup> *My customers are those that pay us to deliver the product to the market. (CREM Customer 8)*

<sup>15</sup> *I suppose that at the end of the day you have joint success. Our common goal is to succeed and grow. We are here to develop the business and do things a better way. (CREM Customer 8)*

<sup>16</sup> *In our company, the main role for the real estate function is to find good locations for our restaurants. (CREM Customer 1)*

<sup>17</sup> *We’ve got competitors in the market where we want to be. So, I will take that issue to property team. I told them, ‘Guys we need this to happen because we need competitive advantage in the market. We need your help to find the property’. They will go and execute the task. The strategy comes from business unit. (CREM Customer 6)*



business boosted customers' trust in CREM finding suitable property for them. However, a request for a property search strictly comes from business units and never came from CREM functions as business units are the one that will be using and funding the property acquisition.

Strategic planning with the input from the CREM function allowed business units to share the same goal. Customers in this study found that it was important to include CREM executives in their strategic planning because a physical project normally involved huge costs and was a long-term investment. Having CREM functions in the strategic planning process helped to define what are the detailed operational activities needed for a specific goal.<sup>18</sup> A project needs to be right from the beginning as once it began it has to work.<sup>19</sup>

### Property service provider

Customers perceived CREM as a provider of property service to them. This competency played a big part in understanding customers' perception because CREM is an area that involves technical knowledge. Among the services customers noted that they received in this study were:

- Property maintenance;
- Workplace management; and
- Property legal administration.

Property maintenance played a big part in the services provided to customers.<sup>20</sup> Activities in property maintenance were varied depending on the nature of the business' property and the nature of business and included looking after cooling and heating systems, cleaning, and fixing broken doors. It was encouraging to find that property maintenance costs also became a part of customers' justification in requesting a building or new spaces to support their core businesses.<sup>21</sup> This made the CREM function an important part of making decisions about supporting business units. However, failure in delivering proper property maintenance, as expected by customers, had a negative impact on relationship building with customers. For example, a customer in the TMC case (an external tenant in this case) was unsatisfied with the property services provided by the CREM function.<sup>22</sup> Customers expected fast responses from the CREM function in relation to property maintenance to prevent disruptions to their core business.

The other services provided by the CREM functions to business units were in terms of workplace management or working environments.<sup>23</sup> This covered several activities ranging from energy consumption management, indoor air quality, lighting, and health and safety management as part of the services that customers were looking from CREM functions in providing supportive workplace environment. The workplace management included doing building fit-out according to business conditions and requirements.<sup>24</sup>

Property legal administration in business units' projects were handled by CREM executives as this matter is considered as part of CREM technical expertise. It was found that organisations prevented business units from making any legal binding agreement for property transactions without the documents being assessed by CREM function.<sup>25</sup> This was because property legal matters can have a big impact on organisations and the organisation is exposed to many risks if not properly managed.

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<sup>18</sup> *The way we work together is to ensure we define what we want to achieve operationally. We have to set out the operational parameters of the business and corporate property will provide all the skills in terms of infrastructure build, how they are built, how they source it, how they negotiate the building contract, purchasing of land, and regulatory authorities for development approval. (CREM Customer 8)*

<sup>19</sup> *You have to have a good working relationship with property people to be able to do a project because it is a big investment, a long term investment. Once you do it, that's it. There are no options. It just has to work. (CREM Customer 8)*

<sup>20</sup> *The big one of services we received from the property function is maintenance. These included maintaining the building's cooling and heating system or fixing broken doors. If something happens we call property. They know what the problem is and they contact the contractor to fix it. (CREM Customer 7)*

<sup>21</sup> *We are dealing now with buildings that are old. The buildings are approaching 60 years old; a lot of renovation has taken place. They are getting towards the end of the usefulness of their lifespan. So, it is incredible important for us to have the right type of buildings. (CREM Customer 7)*

<sup>22</sup> *Actually, property people don't provide us with any service. We receive cleaning services from that glass door up to that glass door only. In terms of breakages, its what soever based on our expense because they outsource to another party and it takes too much protocol which make the process too slow. For example, I told them about a leakage in our kitchen, but its still not settled yet. We employ our own technician to look after building maintenance in the building. I don't depend too much on the property function. (CREM Customer 2)*

<sup>23</sup> *The property environmental input into our building includes emissions and energy efficiency. For example, what sort of lighting, windows, tanks and all those environmental issues that relate to the building are important outcomes for us. (CREM Customer 8)*

<sup>24</sup> *Their knowledge and ability, I suppose, is to fulfil your specific property requirement. It ranges from finding your property, fit out of the buildings, facility maintenance, and anything related to property. (CREM Customer 6)*

<sup>25</sup> *They got the expertise to do that. All obligations will always go through them because we are subsidiary of TLT, therefore a business unit cannot and doesn't have authority to deal with any leases. It's all has to be through TLT Properties. (CREM Customer 6)*

## Act as property owner for customers

Customer also trusted CREM to act as their property owner. Having the responsibility as an owner provided CREM with several roles. There were:

- Space allocation;
- Reduction of property footprint; and
- Space charging.

In this study, customers were aware that space allocation was based on the business size and number of occupants. This means that if a business unit houses more staff then probably they were entitled to demand more space from CREM. For example, in the case of PMU, the customer requested more space given to his business unit as they housed more students and staff compared to others. But to some extent, this ratio between size and space is also based on the nature of activities. Business activities that involved warehousing, such as LL Logistics, required more space in terms of storage compared to TLT and TMC that required office space to house their knowledge workers.

Because so much of CREM relates to management of assets and direct control of costs of an organisation, it has financial control elements, especially through the property footprint. This control can be shown from the reduction in property footprint as a strategy to reduce costs by business units. Property footprint reduction also resulted from a space charging process being implemented to business units.<sup>26</sup> When they have the responsibility to pay for the space they use, when they find ways to minimise their property costs at the same time they will increase their profit. Apart from savings for space cost for one organisation, reduction in footprint through consolidation of sites provided justification for a new office environment. This new office brought enthusiasm to many staff and at the same time, the CREM function was able to make an impression in managing the organisation's physical matters.<sup>27</sup>

The idea of space charging was part of a strategy to control costs because of the misuse of space provided to business units.<sup>28</sup> By charging for spaces that were being allocated for business units this helped to increase the awareness of space usage and increased the organisations' efficiency in managing their spaces. In this study, though not widely used, where it was used the business units welcomed the space charging effort even though they have to pay for the space they used. At some stage, this activity forces business unit to act and think like a business entity in terms of profit and loss in managing their spaces.<sup>29</sup> With a space charging approach, business units have an incentive to use their own initiative to optimise, consolidate, or surrender back the space to the CREM function to dispose or hand-over to other business units.

## Defining the brand for CREM

Extracting information from the literature and empirical evidence from the study found that a CREM brand consists of three elements (refer Figure 1). They are:

- i. CREM as a resource for organisations;
- ii. CREM supports organisations' core business; and
- iii. CREM supports through real estate functions.

This study defines the CREM brand as:

***“CREM supports the business by managing strategic real estate resources”.***

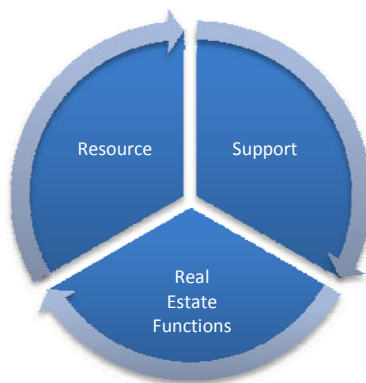
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<sup>26</sup> At the end of the day, we are responsible for the space cost and this affects the group as well. If we don't need it, we consolidated the space and brought it up to the property function and then it's up to them. Sometimes they said that if the business unit doesn't need it its easier for them to get rid of it. (CREM Customer 6)

<sup>27</sup> Last time we have 4 big offices in different locations. The CEO at the time said to the head of the property function that we want an office in the city. The property function then took that request, negotiated the property, and at the end of the day we consolidated into brand new fit out here. At that time this office was the best office the company can provide. Everybody wants to be in the new office. That's probably the biggest property function impact I can remember so far from our perspective. (CREM Customer 6)

<sup>28</sup> Space charging is something like a supply and demand concept. If the space is left idle then we have to pay the rent. I think it is a good idea they introduce this kind of concept because, now, many faculties and functions that are operating do not want to share their empty space because they don't pay anything. It is also indicating how efficient you are. (CREM Customer 3)

<sup>29</sup> Obviously we use as effectively as possible the space that we have but now we are not looking for downsizing, we are looking for a new building. The space that we require from the new building is greater than what we have. Therefore, the space cost is going to increase. (CREM Customer 7)



**Figure 1: Elements in the CREM brand**

First, CREM as a resource for organisation means that CREM is part of the factors or an input of production to produce goods or services. There are already many debates from the perspective of classical economics or modern economics about what is meant by factors of production. These factors range from land, labour, capital, entrepreneurship, technology, intellectual capital, human capital, natural resources and more depending on the school of thought in the different perspectives. All these resources, however defined, are put together by organisations in order to produce tangible and intangible outputs. A common feature found in blending these inputs to produce outputs is that it requires the physical aspects of, space and location. CREM plays an important role by being a custodian of organisations' physical assets. As an important resource, CREM has the potential to be a permanent agenda item at the strategic management level.

Second, CREM supported organisations in variety of ways including core business and non-core businesses. For physical activities, CREM was found to be involved with, at least, a wide range of activities within organisations ranging from property transactions, interior fit out, renovations, refurbishment, space rental, land development, mergers and acquisitions, team building for employees, energy saving, marketing, distributions, property master plans, lease management, fleet management, security management, and procurement. Apart of making sure physical activities are properly managed, CREM is also responsible in supporting other business activities that moves beyond the physicals. These roles include, at least, promoting human resource functions, increasing productivity, providing flexibility financially, and promoting a marketing message. Organisations may outsource the supporting activities whether physical or non-physical to external service providers but they still require internal coordination and alignment to suit the organisations' objectives. The coordination between internal and external services is CREM's main support to organisations as the physical custodian.

Third, CREM existence can be seen mostly through real estate functions. However, given the definition of real estate one can understand that real estate is more than just the 'bricks and mortar' elements. Real estate involves both physical and non-physical management. Physical real estate involves, at least, buildings, internal facilities, interior fit out, furniture, storage, and building materials. Meanwhile, the non-physical elements include managing spaces, property transactions, property legals, ownership, lease management, goodwill, location, team building, and culture development. Therefore, CREM's responsibility is not limited to physical activities only but also incorporates these physicals with non-physical activities.

Being branded as a support function means CREM faces the risk of replacement if not able to perform as expected by customers or organisations. Customers could find external service provider as a replacement in order for them to operate their core business. An understanding of CREM's core competencies and capabilities help customers to utilise CREM in achieving organisations' missions. In this situation, communications play important role to convey CREM messages to increase the understanding to customers on why and how CREM is an important resource to organisations. Branding issues in CREM appeared to be the way to move forward in gaining competitive advantage not just for organisations but also for CREM to be accepted as a strategic resource for organisations. In developing a successful CREM brand, a more persuasive action is required to gain senior management and staff attention about the importance of CREM to the organisations.

## CONCLUSION

The difference of what CREM executives perceived about themselves with the customers' perspective, ones can conclude that CREM customers have limited understanding in the detail of CREM functions. Most probably, they lack interest in the detail because the main concern for them was how CREM supports and helps their core operations. This limited understanding about CREM's potential had prevented customers from making full use of CREM's capabilities.

As a strategic real estate resource, CREM supports organisational core businesses as an input of production for the organisations. CREM contributions move beyond physical contribution into intangible roles including human resource and financial contributions. Myopia from senior management which foresees CREM as a physical provider only led to misunderstanding of other CREM contributions in supporting organisational goals. This indicates that CREM executives need more effort to communicate its capabilities to the customers.

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