

THE CONCEPT OF THE PROCESS APPROACH IN CORPORATE REAL ESTATE MANAGEMENT

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Abstract

The paper presents the concept of the process approach in corporate real estate management (CREM). Its objective is to identify and attempt to define the corporate in: corporate real estate and the property management process. In its first part, the paper deals with corporate real estate management and the CREM process approach. The second part presents the concept of the process approach, defining the process of CREM in the context of its determinants and objectives. Further research is presented in the conclusion.

Key words: *property management, CREM process, corporate real estate.*

JEL Classification: *L85.*

Citation: Kłosowski S., 2018, *The Concept of the Process Approach in Corporate Real Estate Management*, Real Estate Management and Valuation, vol. 26, no. 4, pp. 05-11.

DOI: 10.2478/remav-2018-0031

1. Introduction

In the theory of organization and management, the assumption is made that each economic entity is different (KRZAKIEWICZ 2008, p. 7). At the same time, according to other authors, there are processes in every organization (NOWOSIELSKI 2008, p. 29; GRAJEWSKI 2003, p. 106), which, however, are not always identified, measured and improved. The concept of a process is determined differently by the authors; according to one of many definitions, it can be defined as a combination or sequence of permutational events occurring over time, captured in whole due to some distinguished features (PSZCZOŁOWSKI 1978, p. 185). According to NOWOSIELSKI, a process is a set of related and mutually interacting activities that process input data into output data (NOWOSIELSKI 2014, p. 448). Fragments of a hypothetical process, according to CHABEREK, consist of the following elements: 1) "implemented functions – a set of specific activities, 2) successive states (events) caused by actions, the states of which trigger further sequences of subsequent actions, 3) an organizational unit performing specific functions, 4) information, that every action needs and which is generated by each action." (CHABEREK 2005, p. 81).

Due to the increasing use of the process approach in enterprises, the paper attempts to present the concept of its application in the area of corporate real estate management¹. CREM is being analyzed in enterprises whose core business is not real estate management (RINNEBERG 2010; LINDHOLM 2008; FUERST 2009; NOURSE, ROULAC 1993). In connection with emphasizing the important role of corporate real estate (VEALE 1989, p. 18), often as a key resource of the organization², separated from other resources of an enterprise (WEIMER 1966, pp. 105-106) and contributing to the improvement of other

¹ CREM

² Increasingly, they are considered the fifth resource of an enterprise, after capital, employees, technology and information (LIOW 2007: 2). Corporate real estate management can be a source of competitive advantage (ZIEMBA et al. 2015: 85).

areas (OMAR, HEYWOOD 2014, p. 61; SINGER, BOSSINK, VANDE PUTTE 2007), according to the author, the process ought to be identified, researched and improved. The main purpose of the paper is to identify and attempt to define the corporate real estate management process. The paper consists of an introduction, two parts and a conclusion. The first part presents the results of literature analysis concerning the subject, and defines CRE, property management, CREM and issues regarding the application of a process approach in property management. The second part presents the author's own concept of applying a process approach in corporate real estate management and defines the corporate real estate management process. The conclusion presents the possible directions for further research.

The subject presented in the article is a part of wider research conducted by the author in the field of the application of methods and tools of controlling in the corporate real estate management process of Polish enterprises and the problems of the process maturity measurement of enterprises. The basis for the research work are two processes which will be measured, i.e.: controlling and corporate real estate management. For this reason, it is important to define both processes. Due to the limitation of consideration to the area of property management, the paper attempts to define only the CREM process.

2. Corporate real estate management in the theoretical approach

Corporate real estate is not clearly defined, as there is a broader and narrower meaning in the subject literature (KONOWALCZUK, RAMIAN 2014, p. 61). According to KOOYMANS, CRE is a term that is generally used in a broader sense in relation to real estate which is owned by an enterprise, regardless of whether for investment or for use (KOOYMANS 2000, p. 2). According to MANNING and ROULAC, a CRE is a property that is a productive asset of a traditional enterprise whose main activity is usually not related to the development, investment and financing of assets such as real estate (MANNING, ROULAC 1999, pp. 268-269). According to ZECKHAUSER and SILVERMAN, CRE is land and buildings at the disposal of enterprises whose main activity is not real estate management (ZECKHAUSER, SILVERMAN 1983, p. 111). Corporate real estate can be classified according to various criteria, e.g. subjective or economic use (KONOWALCZUK 2009). The paper assumes that CRE means the real estate of an enterprise, regardless of its legal title, that is operational, as well as investment real estate.

In scientific studies, few authors define the "process of property management" directly, limiting themselves to various definitions of the term "property management". Despite many approaches in the subject literature, there is no compact definition of the notion (RYMARZAK 2009, p. 40). According to KUCHARSKA-STASIAK, the notion of property management can be understood as a set of activities aimed at securing the capital (market) value of real estate and (when possible) to exceed it. The author assumes that, as a result of the management process, the individual value of the property should be close to the market value or (if possible) higher (KUCHARSKA-STASIAK 2016, p. 367). According to NALEPKA, "The essence of real estate management can be reduced to managing - in the majority of cases in conditions of uncertainty - complicated construction and technical facilities, performing various utility, economic and social functions, and to achieving specific goals set by the owner." (NALEPKA 2006, p. 26). Another issue is that the statutory definition of property management in the legal sense is no longer applicable in Poland³, but continues to form the basis for many authors defining the notion.

The specific conditions of property management are presented by ŚLIWCZYŃSKI and include: the requirement to implement long-term business objectives and the need to ensure the most stable effects of this activity, maintaining and increasing the value of real estate, and caring for various property attributes (location, architectural, construction-technical, economic) the preservation or improvement of which affect the value of the property, as well as formal attributes - property rights and liabilities - arising in the property management process and also co-determining their value (ŚLIWIŃSKI 2000, p. 23).

Corporate real estate management is also not explicitly defined in the subject literature. According to BON, CREM concerns the management of buildings and undeveloped real estate being at the disposal of private and public organizations whose main activity is not real estate management (BON

³ Based on Article 8, point 12 of the Act Amending the Acts Regulating the Performance of Certain Professions of 13 June 2013 (Journal of Laws 2013, item 829) was repealed as of the 1st of January 2014, among others article 185 sec. 1-1c of the Act of 21 August 1997 on Real Estate Management, Journal of Laws 2016, item 2147.

1994, p. 9). According to other authors, CREM deals with a broad aspect of corporate real estate management, starting from routine daily management activity, ending with activities in the field of strategic planning of CRE and asset management (ALI et al. 2008, p. 3). According to GROVER, SOLOVIEW and ZAKHARCHENKO, CREM includes tactical and strategic programs and plans, operational decisions, asset trading, contracts, investments and real estate development projects in order to effectively ensure the achievement of strategic and tactical enterprise objectives (GROVER, SOLOVIEW, ZAKHARCHENKO 2007, p. 206). Analysing the presented and other CREM definitions in the subject literature, they can be divided into broader ones (ALI et al. 2008, p. 3; HARTMANN, LOHSE, PFNÜR 2007; p. 12; GROVER, SOLOVIEW, ZAKHARCHENKO 2007, p. 206; KRUMM 1999, p. 46) and narrower ones (FUERST 2009, pp. 5-6; BON 1994, p. 9). In the paper, the corporate real estate management process will be considered in a narrower sense, with no activities related to the purchase and sale of real estate. The wider aspect of research of the corporate real estate management process, including its relation to the controlling process of enterprises, is the subject of a separate study.

Several authors draw attention to the process nature of property management. According to GAWRON, real estate management is a process of making the right decisions based on appropriate analyses and, consequently, activities ensuring: safety and efficiency of use in a non-deteriorated condition, proper economic and financial management in the facility, and justified property improvement, hampering the loss of its value and increasing its value over time (GAWRON 2010, p. 21). According to ŚLIWCZYŃSKI, real estate management includes all the processes of organization, planning, implementation and control of real estate (ŚLIWIŃSKI 2000, p. 23). Rymarzak defines the property management process slightly differently. In her concept, the author specified five processes: the analysis of real estate conditions, the planning process, organization process, the process of operation management and implementation of tasks, and the control process, at the same time indicating the external and internal surroundings of the real estate management area (RYMARZAK 2009, p. 43). Other authors consider restructuring as a part of the real estate management process (FORYS 2008, p. 71; BROUNEN, EICHHOLTZ 2005, p. 430), however, according to the author of this work, it should be considered as a separate process. The process includes changes in the structural archetype around which the resources and activities of an organization are grouped (GIROD, KARIM 2017, p. 130).

The use of critical literature analysis allowed for a gap in research to be identified, i.e. the lack of a clear definition of the corporate real estate management process in the subject literature.

3. Assumptions of the process approach concept in CREM

The starting point of the concept of the corporate real estate management process, in a narrower sense, is to carry out the management of real estate with due diligence, which is, on the one hand, its driving determinant, and on the other -the beginning of the process. In the concept of the CREM process, considering ŚLIWIŃSKI'S and RYMARZAK'S definitions and the assumption of due diligence, four main sub-processes constituting the corporate real estate management process were outlined, reflecting the classical management process: the sub-process of corporate real estate planning (CRE planning sub-process), sub-process of organizing corporate real estate (CRE organizing sub-process), sub-process of the implementation of corporate real estate (CRE implementation sub-process) and sub-process of controlling corporate real estate (CRE control sub-process). Assuming a three-level process system that consists of main processes (Level 1), sub-process level (Level 2) and functional level (Level 3) (CYFERT 2006, pp. 31-33), the CREM process will be included in the first level. The concept of the corporate real estate management process has been presented in Figure 1. The long-term objective of the CREM process is to ensure an increase of the economic efficiency of the entire organization.

As part of the due diligence of the real estate, the analysis is focused on, among others, to the following areas: the general economic and market situation, financial issues, legal issues, tax issues, human resource management, technical issues, organizational issues, psychological and ethical-moral factors, and information elements (MACZYŃSKA et al. 2004, pp. 48-49). In recent years, the environmental due diligence of real estate has become more and more important (GABREL 2013). The organization of the due diligence process is presented by KIZINIEWICZ (KIZINIEWICZ 2015, p. 29). Based on information from due diligence analysis, actions may be taken to purchase the real estate by an enterprise. Determinants of the corporate real estate management process were divided into external and internal ones (KŁOSOWSKI 2017). External determinants concern the economic environment (e.g. localisation decision, demand and supply on the real estate market, CRE risk, relation with suppliers),

legal environment (e.g. the act on spatial planning and management, local administration), the technical and technological environment (e.g. IT tools) and the socio-cultural environment of the real estate (e.g. customs, social norms, cultural norms). The internal determinants of the corporate real estate management process, among others, include: employees' skills, CREM strategy, tools (methods) used in CRE management style, organization size, the stage of the organization's life cycle (age of organization), and the stage of the real estate life cycle (age of the real estate). External and internal determinants, their changes and possible directions of changes should be taken into account at every stage of the corporate real estate management process. The objective of the process is to ensure the economic efficiency of CREM and, consequently, to increase the economic efficiency of an enterprise.

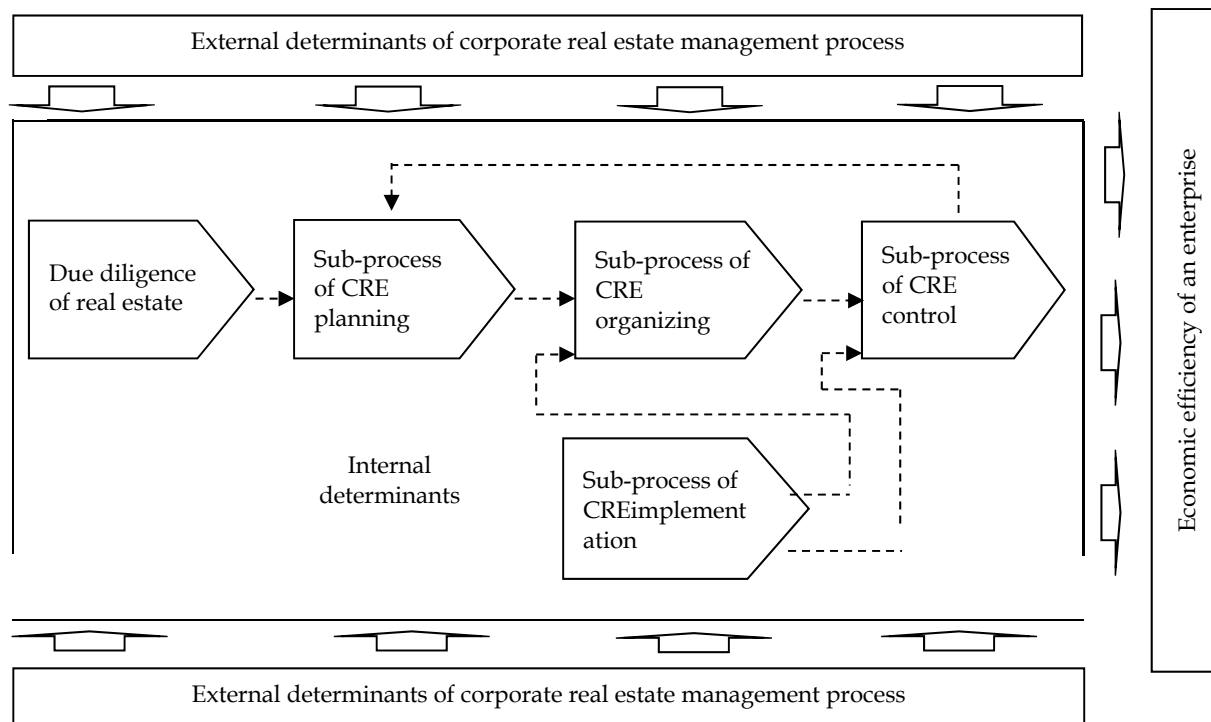


Fig. 1. Corporate real estate management process. *Source:* own study.

The CRE planning sub-process includes the strategic planning and operational planning. One of the basic documents to be drawn up is a property management plan, which fulfils an informative, prognostic, advisory and strategic function (GAWRON 2008, pp. 8-9). In the case of CRE, this should be a CRE management plan, which may be based, for example, on the layout of the property management plan (GAWRON 2008, pp. 14-15), containing strategic and operational elements. The corporate real estate management plan should include all the real estate, regardless of the legal title held by the company, in accordance with the definition of CRE adopted in the paper, i.e. operational as well as investment real estate which it owns or which it holds other rights to (e.g. lease, tenancy). In order to make the process efficient, it is important, among others, to determine its purpose and the qualifications of the person responsible for the process, adopt the methods for developing plans, and to establish IT tools used in the planning process.

The CRE organization sub-process concerns, among others, separation of the property management department in the organizational structure of an enterprise, defining tasks, powers and responsibilities of the department and individual workplaces, and relations with other organizational units of an enterprise as well as with senior management. The objective of the process will determine the other elements involved in the process, such as data and input requirements (what data will be needed? What services should be ordered to make the process efficient?), the qualifications of the persons responsible for and performing the sub-processes, and actions taken within the CRE organizing process.

As part of the CRE implementation sub-process, management plans are executed in cooperation with other organizational units of an enterprise (e.g. the economic department, the accounting department, the logistic department) and external service providers. Activities undertaken as part of the sub-process are aimed at the implementation of tasks included in the enterprise's CRE

management plan. In the case of atypical properties, proper selection and proper application of IT tools is important. The result of the process will be the basis for its evaluation and starting point for the last CREM sub-process.

The CRE control sub-process concerns, among others, research on the execution of CRE management plans based on measures and an assessment of the degree in which the assumed objectives were achieved. Its results are proposals of the actions to be taken in order to improve the CRE management process. It is essential, among others, to determine the purpose of the sub-process, data and input requirements and its scope, IT tools, and CRE managers' competence in the scope of conducting control.

To summarize the presented concept, the following definition was proposed: the corporate real estate management process consists of the due diligence analysis and CRE planning sub-process, CRE organizing sub-process, CRE implementation sub-process and CRE control sub-process. The strategic objective of the CREM process, which is conditioned by the external and internal determinants, is to ensure an increase of the economic efficiency of an enterprise.

4. Conclusions

The paper presents the concept of the application of the process approach in corporate real estate management, the key element of which is the definition of the corporate real estate management process. As part of the CREM process, a due diligence analysis as well as sub-processes of CRE planning, CRE organizing, CRE implementation and CRE control were distinguished. The presented concept is the subject of discussion and will be used for further research in the field of creating a model for measuring the level of maturity of the corporate real estate management process of Polish enterprises and its practical application. Additional detailed empirical studies require determinants of the CREM process, which, in the concept, are divided into external - independent from the enterprise, and internal - which can be shaped by the organization - ones. In the subject literature, attention is also drawn to the need to conduct research on measuring the economic efficiency of the CREM process (PITTMAN, PARKER 1989, p. 118).

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