The organisational structures of the CRE department - a research into five multinational firms.

Linda Matser
In front of you lies my thesis concerning the organisational structures of the multinational CRE department. After a graduation process of undivided attention and intensive work, I can safely say that this is a research and subject in which I have put my entire heart. Born from a deep personal interest in organisations and their people, processes and structures, the research ended in me learning more than I could have imagined up front. However, the research additionally illustrated that yet, there is much more to learn. I am looking forward to the challenges ahead, as well as the many opportunities to expand my still limited field of knowledge. For now, I can only hope that the thesis will provide you, its reader, with the same opportunities to gain knowledge.

That leaves me with the opportunity to show my gratitude to my mentors Herman Vande Putte and Haiko van der Voort: many thanks for the continuous interest, support and challenging discussions in the past year.
SUMMARY

Research framework
In order to establish efficiency and effectiveness and by this, create competitive advantage, firms constantly change the organisational configuration of their Corporate Real Estate (CRE) department. The ‘best fit’ of organisational variables such as structure, culture and staff, is mostly dependent on the CRE department’s particular situation and therefore, often differs per firm. Although indeed, CRE departments often differ from each other, CRE professionals can learn from organisational decisions of their fellow-practitioners of Corporate Real Estate Management (CREM). However, due to the relatively short existence of the discipline CREM, not much research is performed into this configuration of the CRE department. TU Delft researcher Peter Krumm detected this gap of knowledge early on and addressed this by the performance of a PhD research (1999) into the configuration of CRE departments within multinational firms. However, this research was performed almost twenty years ago whereas CREM has developed strongly since then.

Therefore, this research aims to fill the remaining gap of knowledge concerning the configuration of the CRE department by continuation of Krumm (1999)’s research. The organisational configuration of the same multinational CRE departments is researched, but now for the period the since the turn of the century to now. Furthermore, as it can be assumed that the case firms’ CRE departments as well as CREM have experienced a form of maturing since Krumm (1999)’s research and matured organisations tend to rely more on organisational structure, this research focuses on that particular organisational variable.

Following the above statements, it can be stated that the aim of this research is to:

a) contribute to the field of knowledge concerning the configuration of CRE departments and by this, b) contribute to the decision-making processes of firms regarding this configuration, by c) the recording and analysing of the organisational structures of CRE departments of five multinationals in the period since the turn of the century to now.

After a first literature review, the conclusion is drawn that the organisational structure of the CRE department consists of three distinct variables: the ‘position’ of the CRE department within its firm, the ‘form’ of the CRE department and the ‘sourcing’ of CRE activities. Between the level of that of the entire firm and that of the CRE department, the variable ‘role’ is positioned. This aspect cannot be designated as a distinctive variable of the organisational structure itself, but moreover, tells us something about how this structure is put into working. A synthesis of the research aim, the research of Krumm (1999) and the first literature review, results in the following main research question and sub-questions:

“How is the CRE department of the multinational firm configured in terms of position, form, sourcing and role since the turn of the century?”

From this main research question, the following sub-questions can be derived:

* Which position does the CRE department have within the multinational firm?
* What is the form of the CRE department in the multinational firm?
* Which form of sourcing is applied by the CRE department in the multinational firm?
* Which role does the CRE department have within the multinational firm?
Methodology
In order to derive at an answer to the formulated research questions, an inductive research approach is applied in which first, observations are made before these are substituted into a final conclusion. Therefore, the research lacks a predefined hypothesis. Furthermore, as the research is of a descriptive nature, a qualitative natured research is performed. The applied research method is that of a case study: the CRE departments of five multinational firms are recorded and analysed for the period since the turn of the century to now. The case selection is similar to that of Krumm (1999) and covers five of his in total eight case firms, namely Ahold (Delhaize), AkzoNobel, ING Group, Philips and Shell. For data collection, different qualitative techniques are used, being a literature review, an archival review and qualitative interviewing. Figure A illustrates how these different techniques are applied in different phases of the research. Firstly, a literature review is performed in order to obtain a background on the basic concepts and theories concerning the research subject. Furthermore, this literature review forms the basis for the synthesis of an Analysis Framework which is subsequently used to guide the archival review and interviews. The data collected by these techniques are used for the formulating of a case subscription per firm. Finally, the Analysis Framework is again used to guide an analysis per CRE department and the execution of a cross-case analysis based on the formulated case descriptions.

Synthesis Analysis Framework
As was explained, the results of an extensive literature review into the position, form, sourcing and role of the CRE department are combined into an Analysis Framework. After the conduction of the first interviews, the preliminary Analysis Framework was altered slightly, resulting in the Analysis Framework as visualised in Figure B. As can be seen, the Analysis Framework consists of eight rows which represent seven distinctive dimensions: external centralisation, concentration, internal centralisation, organisational model, outsourcing, evolution and authority. In this context, external centralisation represents the extent of centralisation or decentralisation of the position of the CRE department within its firm. Concentration represents the spreading of CRE activities: are these all concentrated in one position or spread amongst the entire firm? Internal centralisation stands for the internal positioning of decision-making and operational CRE activities: are strategies and processes determined at a centralised level or are all the CRE activities performed separately in an autonomous manner? Furthermore, the form is determined by the focus aspects of the CRE department’s organisational model. The dimension outsourcing represents the extent of outsourcing of CRE activities versus the in-house management of CRE activities. The role of the CRE department amongst others, depends on its evolution, which represents its responsibilities, activities and maturity. Finally, authority represents the relationship between the CRE department and the other organisational units: are the latter required to ask permission if their actions affect the CRE of the firm?
As was mentioned, the Analysis Framework formed the basis for the performance of several case analyses and a cross-case analysis. For these analyses, the developments of the CRE departments of Ahold (Delhaize), AkzoNobel, ING Group, Philips and Shell in the period since the turn of the century to now, are recorded. The subsequently formulated case descriptions and analyses are too detailed to include in this summary. However, the main findings of these analyses are explained in the next paragraph.

### Conclusion

Firstly, it was concluded that no singular answer can be formulated towards the main research question: all structures of the researched CRE departments were configured differently and additionally, changed throughout the researched period. However, some similarities could be detected in the organisational structures of the CRE departments of Ahold (Delhaize), AkzoNobel, ING Group, Philips and Shell.

Considering the position of the multinational CRE department, a strong upward moving trend could be detected. Around the turn of the century, most of the researched CRE departments reported on a decentralised position in their firm, to national units. However, currently, most CRE units report on a global level. Furthermore, all CRE departments reported in the reporting line of operations at some point in the researched period. Finally, for the entire period, all firms applied a deconcentrated model of CRE department in which they spread their CRE activities amongst different positions in the firm.

The just mentioned centralising movement of the multinational CRE department can also be detected in its form. Around the turn of the century, all firms applied a decentralised form of CRE department in which both decision-making as well as operational CRE activities are performed from decentralised positions.
However, later in the researched period, all firms initiated a coordinated CRE unit in which decision-making CRE activities are performed on a centralised position, whereas operational CRE activities are performed decentralised. Furthermore, the firms most often applied geographic and function focused models. Finally, it could be noted that some firms have a grouping based on the type of real estate as their production properties are handled by other CRE units than their other properties are.

Considering the sourcing of CRE activities, the research illustrated that all researched firms have increased their outsourcing of CRE activities within the researched period. Furthermore, it showed that around the turn of the century, strong differences existed in the extent of outsourcing per multinational firm. However, currently, this duality has disappeared as all firms have outsourced almost all their operational and tactic CRE activities to external service providers.

Considering the role of the multinational CRE department, it could be noted that all researched CRE departments have experienced some form of evolution during the researched period and that this evolution was often enabled by a change of form or position.

Discussion
The research was mainly focused at the organisational variable of structure, as it was presumed that due to the maturing of the firms, their CRE departments and CREM, those tend to rely more on organisational structure. Furthermore, the research was mainly focused at ‘how’ natured questions: how are CRE departments configured throughout time? The research only briefly touched ‘why’ natured research questions. Due to the limited case selection, only covering five of the eight case firms of Krumm (1999) and only multinational firms, the findings of the research cannot be generalised. Finally, it should be noted that the applied type of qualitative research tends to be subjective for the opinions of its researched, several measurements were taken to limit this subjectivity.

Prior to the research, it was stated that it aimed to serve both a scientific as well as practical purpose. Scientifically, the research can be considered as a first qualitative step towards the development of more knowledge concerning the configuration of the CRE department. Practically speaking, the research can be considered a good stepping stone for the conduction of further research after which it can have much value for CRE professionals. To indeed achieve this value, it is recommended to further research the subject by: expanding the case selection, researching firms with a different nature, researching other aspects of the organisational configuration of the CRE department and further develop and apply and test the developed Analysis Framework.

Most of the findings were in line with what could be expected following the statements given by literature and general practice. Remarkable however, was that none of the researched firms applied a fully concentrated or centralised model. This can however can probably be attributed to the multinational nature of the researched firms as well as their size. Furthermore, it was remarkable that although predicted of wide application by literature and practitioners, none on the researched CRE department had applied an integrated model in which different services such as CRE, HR and IT are combined in a shared service centre. Furthermore, it can be stated that one of the most principal findings of the research, namely the centralising movement of the CRE department, is part of a general and continuous organisational process. Due to the multinational nature and size of the case firms, this centralisation and decentralisation of CRE currently occurs in a moderate form. However, as the form of the CRE department is heavily influenced by strong trends of outsourcing, it is expected to decrease in size in the future and additionally, again stronger centralise in the future. Thus, it can be expected that although in the future, the centralisation of the CRE
department within the overall firm will occur in a moderate manner, the CRE department itself will return in more heavily centralised forms in the future.

Finally, a review of the motivation of research was performed as the perceived maturing of the CRE department and CREM were assessed. The findings of the research illustrated that all researched CRE departments have indeed experienced some of maturing within the researched period. Additionally, the greater part of the researched CRE department can now be considered as mature. Moreover, the findings and observations of the research showed that indeed, a link can be detected between the extent of maturity and the reliance on organisational structure.
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research framework
1 INTRODUCTION

In their search for competitive advantage, organisations aim to meet their goals in the most efficient and effective way as possible (De Jong et al., 2013, pp. 31, 32). To establish these goals, they constantly modify their organisational variables such as strategy, structure and culture (Daft, Murphy, & Willmott, 2017, pp. 24-27; De Jong et al., 2013, p. 39). As the organisation is constantly affected by both internal and external factors, the optimal configuration of these variables changes. In essence, the success of an organisation depends on its capability to adapt to its particular situation. This moreover implies that, as every situation differs, no (well-functioning) organisation is the same.

The above also applies to the Corporate Real Estate (CRE) department. The CRE department constantly adapts its organisational configuration in order to contribute as much to its mother firm as possible. And although indeed, CRE departments often differ from each other, CRE professionals can learn from organisational decisions of their fellow-practitioners of CREM. However, not much research is performed into the configuration of the CRE department. This is mostly the result of the relatively young state of CREM, which arose just in the midst of the nineteenth century. Although since then, many researchers and practitioners have contributed to the discipline, their studies mostly concerned the more practical and operational facets of CREM. However, other aspects are less addressed. TU Delft researcher Peter Krumm (1999) detected this gap of knowledge early on and reacted to this by the performance of a research into the configuration of the CRE department within the multinational firm. In his PhD thesis “Corporate Real Estate Management in Multinational Corporations: A comparative analysis of Dutch corporations”, he links the position and role of the CRE department to the lifecycle of its mother firm.

However, Krumm (1999)’s research was performed around the turn of the century, whereas in 2008, Frederix & Krumm predicted that the development and maturing of CREM would continue much stronger in the future. Therefore, this research aims to fill the remaining gap of knowledge concerning the configuration of the CRE department by continuation of Krumm (1999)’s research. The organisational configuration of the same multinational CRE departments is researched, but now by the reporting and analysing of their organisational structures in the period since the turn of the century to now.

But why research organisational structure? As a firm matures and grows, so does the complexity of its activities. To overcome this complexity, firms tend to rely more on the formalisation of activities and relationships which is often reflected by the organisational structure. (Mintzberg, 1979, pp. 227-235). As both Krumm (1999)’s case firms as well as the CREM discipline have matured since the turn of the century, the organisational variable seems to be most suitable to research.

Therefore, a research is performed into the organisational structures of the CRE department by the recording and analysing of five multinational CRE departments in the period since the turn of the century to now.

1.1 Problem statement

As explained in the former paragraph, a gap of knowledge can be identified concerning the configuration of the CRE department, especially since the year turn of the century. This is unfortunate, since more in-depth knowledge concerning this configuration can potentially help CRE professionals to make more considerate decisions concerning the configuration of their CRE department in the future.
The further formalisation and development of the discipline of Corporate Real Estate Management since the turn of the century, as well as the appointed gap of knowledge, represent a clear motive for the constitution of this research.

Therefore, the aim of this research is to:

a) contribute to the field of knowledge concerning the configuration of CRE departments and by this, b) contribute to the decision-making processes of firms regarding this configuration, by c) the recording and analysing of the organisational structures of CRE departments of five multinationals in the period since the turn of the century to now.

1.2 Relevance
This intended contribution to the field of knowledge concerning the configuration of the CRE department aims to serve a scientific as well as a practical purpose.

Scientific purpose
On a scientific level, the presumed gap of knowledge concerning the configuration of the CRE department can be detected within our own department of Management in the Built Environment of the Delft University of Technology as well as in the entire sector of Corporate Real Estate Management. After completion of the research and related literature review, the finalised research thesis can support students and professional scientists who intend to explore similar subjects within their studies.

Practical purpose
Additionally, after completion of the research and related literature review, the research can support CRE professionals who participate in decision-making processes concerning the configuration of their firm’s CRE department. The descriptions of the changing configuration of the CRE department and the by this provided knowledge about structural decisions made in the past, could provide great arguments for such choices to be made in the future.
2 RESEARCH QUESTIONS

As explained in Chapter 1, the research concerns the organisational structures of the multinational CRE department. A first literature review resulted in the assumption that the organisational structure of the CRE department can be differentiated into three distinct variables: the ‘position’ of the CRE department within its firm, the ‘form’ of the CRE department and the ‘sourcing’ of CRE activities. Between the level of that of the entire firm and that of the CRE department, the variable ‘role’ is positioned. This aspect cannot be designated as a distinctive variable of the organisational structure itself, but moreover tells us something about how this structure is put into working: what kind of activities does the CRE department perform and which level of power and authority does it have?

A synthesis of the problem statement described in Paragraph 1.1, the research of Krumm (1999) and the first literature review, leads to the following main research question:

“How is the CRE department of the multinational firm configured in terms of position, form, sourcing and role since the turn of the century?”

From this main research question, the following sub-questions can be derived:

* Which position does the CRE department have within the multinational firm?
* What is the form of the CRE department in the multinational firm?
* Which form of sourcing is applied by the CRE department in the multinational firm?
* Which role does the CRE department have within the multinational firm?

The sub-questions are used to thoroughly analyse the organisational structures of several case firms’ CRE departments and by this, formulate an answer towards the main research question. To be able to obtain a full understanding of the organisational structures of the CRE department, the analysis covers a time frame of almost twenty years, handling the period since the turn of the century until now.
methodology
3 RESEARCH APPROACH

3.1 Research phases
The research consists of four distinctive phases: a literature review, a case analysis, a cross-case analysis and a conclusion phase (Figure 3.1). In the first research phase, a literature review is performed into the theoretical concept CRE(M) and its history and that of organisational structure. The Section 'Theoretical background' contains the results thereof. Furthermore, a literature review is performed into the position, form, sourcing and role of the CRE department which eventually leads to the synthesis of an Analysis Framework. The Section 'Synthesis Analysis Framework' contains the results thereof. In the second research phase, being the case analysis, the organisational structures of the CRE departments of Ahold (Delhaize), AkzoNobel, ING Group, Philips and Shell are recorded and analysed. This analysis covers the period since the turn of the period until now and is performed using the previously developed Analysis Framework. The Section 'Case analysis' contains the results thereof. In the third research phase, a cross-case analysis is performed, covering the position, form, sourcing and role of the researched CRE departments as an attempt is made to identify similar patterns or trends in the development of their organisational structures. The Section 'Cross-case analysis' contains the results thereof. Finally, in the last research phase, the findings of all previous research phases are substituted into a conclusion. The Section 'Conclusions and afterthoughts' contains the results thereof.

Figure 3.1: The four distinctive phases of the research (own illustration).

3.2 Type of research
Since the aim is of the research is mostly of a descriptive nature, a qualitative natured research is performed. As Bryman (2016, p. 375) describes it, “qualitative research tends to be concerned with words rather than numbers”. In this quotation, the ‘numbers’ are a synonym for quantitative research, which is another frequently applied research method and is positioned opposite to qualitative research. Some clear distinctions between both methods are provided in Table 3.1.

Generally speaking, qualitative research consists of six distinctive steps (Figure 3.2). Step 1 and 2, which reflect the formulation of the research questions and the first search for literature, comply with the first phase of the four distinctive phases of the research (Figure 3.1). Step 3 complies with both first two research phases. The interpretation of data as described in step 4, occurs in the third phase of the research, in which an attempt is be made to identify patterns or similarities within the development of the organisational structures of the case firms’ CRE departments. Finally, step 5, the development of conceptual and theoretical work, occurs in the fourth phase of the research. So does step 6, the writing up of findings and conclusions (Bryman, 2016, pp. 378-380). The right side of Figure 3.2, visualised in grey, represents moments of evaluation and reassessment of research questions and collected data, which occurs continuously throughout the whole research.
Within the qualitative research, an inductive approach is applied (Figure 3.3). In an inductive approach, a theoretical standing is developed after a period of observation, analysis and substitution of findings. This is opposite a deductive approach in which observation, analysis and findings are used to prove an already substituted theory (Bryman, 2016, pp. 21-24). Figure 3.4 gives a visualisation of the processes of both approaches.

3.3 Methods

The primary applied research method is that of a case study. A commonly made mistake is the assumption that case studies are most suitable for exploratory research. Contrary, it can be stated that most (explorative) case studies are in essence also of descriptive and explanatory nature (Eekels in Krumm, 1999, p. 7; Welman, Kruger, & Mitchell, 2005, p. 23). In an attempt to capture the true meaning of the case study method, Schramm (in Yin, 2014, p. 15) almost one-on-one described the goals of this particular research: “The essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or a set of decisions: why they were taken, how they were implemented, and with what result.” Table 3.2 illustrates that a case study is most appropriate in case of a ‘how’ or ‘why’ type of research.

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1 Tutoring from Herman Vand Putte (2 October 2017).
question, a lack of need of control of behavioural events and a focus on contemporary events. The formulated research questions typically fall under a ‘how’ type of questions as the research aims to capture ‘how’ the multinational CRE department configures itself. Following this reasoning, a case study method indeed seems appropriate. However, as the research does not fully focus on contemporary events, an archival review is incorporated within the case study. The performed case study is an embedded multiple-case analysis: all cases are individually analysed before a synthesis of similar patterns and findings is used to formulate a conclusion (Yin, 2014, pp. 50-65).

<table>
<thead>
<tr>
<th>experiment</th>
<th>form of research question</th>
<th>requires control of behavioural events?</th>
<th>focus on contemporary events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>survey</td>
<td>who; what; where; how many; how much</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>archival analysis</td>
<td>how; why</td>
<td>no</td>
<td>yes/no</td>
</tr>
<tr>
<td>case study</td>
<td>how; why</td>
<td>no</td>
<td>yes</td>
</tr>
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Table 3.2: Relevant situations for different research techniques (COSMOS Cooperation in Yin, 2014, p. 9).

3.4 Case selection
The PhD thesis of Krumm (1999) is used for the selection of cases: five of his in total eight case firms are again studied within the research. The selected firms are Ahold (Delhaize), AkzoNobel, ING Group, Philips and Shell. These firms all originate from the Netherlands but sustain global-wide presence and are therefore labelled multinational corporations. The case firms are active in the financial, services and product sectors and therefore reflect a diversity of operation.

3.5 Data collection
Data is collected by the application of different research techniques, namely a literature review, an archival review and qualitative interviewing. A distinction is made between research techniques used for the development of an indication of findings, and techniques which serve as confirmation of findings (Figure 3.3). The literature review, which is not named in this table, is used for the creation of a solid theoretical background needed for the further set-up of the research. Also, this literature review is synthesised into an Analysis Framework, used for analysis of the case firms’ CRE departments.

<table>
<thead>
<tr>
<th>level of analysis</th>
<th>data collection</th>
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<tbody>
<tr>
<td>position</td>
<td>indication: archival review</td>
</tr>
<tr>
<td></td>
<td>confirmation: interview CRE professional</td>
</tr>
<tr>
<td>form</td>
<td>indication: archival review</td>
</tr>
<tr>
<td></td>
<td>confirmation: interview CRE professional</td>
</tr>
<tr>
<td>sourcing</td>
<td>indication &amp; confirmation: interview CRE professional</td>
</tr>
<tr>
<td>role</td>
<td>indication &amp; confirmation: interview CRE professional</td>
</tr>
</tbody>
</table>

Table 3.3: Use of different data collection techniques on different levels of analysis (own illustration).

Literature review
For the review of literature, scientific journal articles and books are used, as well as publications from commercial parties. The scientific articles are found by the use of search engines such as Scopus and Google Scholar. Most cited authors are G. Dewulf, H. de Jonge, P.J.M.M. Krumm and S.F. Valenziano. The majority of the books are retrieved from the BK Library, the Central Library and the bookshelves from the department of Management in the Built Environment, all located on the TU Delft. Some were bought for personal use. Intensively cited book authors are B. de Jong, R.L. Daft, G.J. Hoendervanger and H. Mintzberg. The publications from commercial parties are retrieved from CoreNet Global and mostly origin from CoreNet Global, Cushman & Wakefield, Deloitte and Jones Lang Lassalle.
Archival review
For the archival review, use is made of the full case descriptions of Krumm (1999) and Kreijkes (2009), the annual reports of the case firms and private documents provided by the case firms.

Qualitative interviewing
Furthermore, one CRE professional is interviewed per case firm. The outlines for the interviews are determined after the performance of the archival review and differ per firm.

3.6 Data analysis
The collection and analysis of data occur in several continuous steps, as is visualised in Figure 3.5. First of all, the literature review forms the basis for the synthesis of the Analysis Framework. Secondly, guided by the Analysis Framework, a review of archival documents is performed in order to acquire a first understanding of the organisational structures of the case firms’ CRE departments and formulate the relevant questions for the interviews with the CRE professionals. After these interviews are conducted, preliminary case descriptions are, which are communicated with the CRE professionals for confirmation.
After acquiring this confirmation and possible comments, the final case descriptions are developed, which form the basis for the performance of the case analyses, in which it is determined how the different CRE departments are positioned within the dimensions of the Analysis Framework. Finally, a cross-case analysis is performed in which the results of all case analyses are compared to each other in order to find similarities within the development of the organisational structures of the case firms’ CRE departments.

3.7 Data plan
With respect to the FAIR guiding principles (Wilkinson et al., 2016), several actions are taken to make the collected data Findable, Accessible, Interpretable and Reusable. This collected data occurs in two distinctive forms, namely in that of the completed thesis and in that of the used sources for the formulation of the thesis. The thesis incorporates a literature review, case descriptions, case analyses and a cross-case analysis. To make the thesis Findable and Accessible, it is published in the graduation repository of the TU Delft, which is publicly accessible. The thesis will be accompanied by several key-words and key-concepts to improve its findability. The document is named after the author, as well as after the subject of research. To make it Interoperable and Reusable, English is the working language throughout the whole thesis. Used theoretic concepts are explained in a separate section to make the story more understandable (Section ‘Theoretic Background’). Observations and conclusions are clearly linked and explained to improve the Reusability of the thesis. With respect to other authors, the APA 6th style of referencing is used to honour their work as used throughout the thesis. The sources used for the formulation of the thesis, incorporates literature, annual reports, newspaper articles and audio files of the interviews. These sources
are gathered within one folder and transmitted to the department Management in the Built Environment of the TU Delft.

3.8 Ethical considerations
When the research with accompanying research subject, research methodology and handling of data sets are considered from an ethical perspective, some aspects can be set under discussion.

The organisation is made up of human beings
The subject of research mainly focuses on the organisation and the organisational structure as a system of components. In addition, it mainly considers the institutionalised interests of the organisation, such as its goals to operate efficient and effective. In reality however, a firm is made out of people, which all have their own interests and objectives. A risk which lies in the formulated research, is that the ‘human factor’ of the organisation is not taken into account. And indeed, the research mainly focuses on the CRE department as a system. However, by the conduction of the interviews with the CRE professionals, an attempt is made to create a certain awareness of the persons operating within the firm.

Protection of individuals and institutions versus accountability of scientific work
To counter the risk of individuals being personally assessed on the pronouncements they make within the interviews conducted for the research, the decision could be made to handle these interviews in a private manner and never publish the names of the interviewees. The same accounts for the firms: the publication of the organisational development of the case firms can possibly lead to the leaking of private information which normally contributes to the competitive position of the firm. Again, the decision could be made to never publish which firms were included in the research.

However, the suppressing of such information affects the accountability of the research and its conclusions: the reader cannot check whether the data used for the formulation of conclusions, originates from a reliable source and is of true nature. Therefore, in the research, this information is made publicly. However, this only occurs after proper consultation with the interviewees and the firms.
4 RESEARCH OUTPUT

4.1 Goals and objectives
The goal of the research is to contribute to the field of knowledge concerning the configuration of the CRE department. Therefore, the position, form, sourcing and role of the CRE departments of five multinationals are researched. This contribution to knowledge is intended for the discipline of CREM in general, that of the department Management in the Built Environment of the TU Delft as well for my individual level of knowledge. The thesis itself should provide new theoretical insights for researchers, a useful reference work for students to perform future research on similar subjects as well as in arguments for practitioners of CREM which have to make organisational decisions.

4.2 Deliverables
The aimed result of the research is a completed thesis report which answers the research questions as set in Chapter 2. The obtained data sets, namely summarised literature and extensive case descriptions which are derived from the archival review and the qualitative interviews, supply in useful material for other researchers, students and other interested. These are all included within the thesis.

4.3 Dissemination and audience
The research knows three different audiences amongst two groups, namely a theoretical and a practical one.

Theoretical
As mentioned in Paragraph 4.1, the research aims to fill a theoretical gap of knowledge for the discipline of CREM in general as well as for the department Management in the Built Environment of the TU Delft. Therefore, for the theoretical group, both professional researchers, as well as students are addressed. To make the piece readable for the latter, basic concepts which are presumably well-known by the professionals, are discussed and explained briefly. The attempt made to bring together different theoretical concepts and bridge the gap between theory and practice, reflects the value of the research and thesis for the professional researcher. For the students, the thesis can form a base for the conduction of further research and a reference work for relevant literature and research.

Practical
Furthermore, the research aims to fill a practical gap of knowledge by providing CRE professionals and the strategic top of its overall firm an argumentation for organisational decisions to be made in the future, concerning the CRE department.
theoretic background
The research explores the configuration of the Corporate Real Estate (CRE) department. However, what is CRE exactly and how can the concept be defined? CoreNet Global, the global association for CRE professionals, defines CRE as follows:

Corporate real estate refers to the real properties that house the business activities of an organization that owns or leases and manages real estate incidental to its primary business, which is not real estate. Corporate Real Estate can be contrasted with commercial real estate, where the business is real estate. The goal for commercial real estate is to generate a return and the goal for Corporate Real Estate is to support the business. (CoreNet Global, 2015, p. 1)

In short, CRE concerns real estate which supports the core business, whereas commercial real estate is intended to generate a direct return. The management of CRE forms the basis for the discipline of Corporate Real Estate Management (CREM). Dewulf, Krumm, and De Jonge (2000, p. 33) state that CREM concerns the demand side of real estate whereas the management of commercial real estate management, namely Real Estate Management (REM), lies on the supply side of real estate. However, that one particular property can be positioned on both sides of the management of real estate. For the project developer constructing it, the property is commercial real estate whereas for the firm buying it with the aim of using it to support its business processes, the property is CRE. Dewulf et al. (2000) define the discipline as follows:

The management of a corporation’s real estate portfolio by aligning the portfolio and services to the needs of the core business (processes), in order to obtain maximum added value for the businesses and to contribute optimally to the overall performance of the corporation. (Dewulf et al., 2000, p. 32)

It can be reasoned that the above description merely describes CREM in the scenario of optimum performance of the discipline. In practice, this is not always the case: CRE is not always as much aligned with the corporate strategy as be might be expected or desired.

Therefore, it should be noted that within the research, all activities which concern the management of CRE properties are considered CRE activities, whether these indeed ‘create added value’ for the business or not.

In addition, much discussion exists about the relation between CREM and Facility Management (FM). Although some practitioners and academics aim for the integration of both disciplines, this is often firmly repelled by others (Van der Voordt, 2017 #20). The disciplines differ in terms of origin, history and objectives. Practitioners and academics of FM mostly consider this discipline as “the total management of property, plant and human resources to improve service quality, reduce operating costs and increase business value to provide competitive advantage.” (Price in Van der Voordt, 2017) The practical differences between both disciplines mostly lie in their focus on the life-cycle of real estate, the nature of their activities and most importantly, their perspective towards real estate. Whereas CREM considers real estate as a physical and economic asset, FM has a broader focus including space, infrastructure, and people. Therefore, many scientists and practitioners advocate a strict separation of both management forms (Van der Voordt, 2017 #20).
However, FM and CREM do have some characteristics in common. For example, they both support the effectivity and efficiency of the firm’s core business processes by the provision of high-quality buildings, facilities and services. In addition, they both integrate various management forms such as general management, cost management, quality management, asset management and workplace management. Due to these similarities, some scientists and practitioners expect a unification of CREM and FM in the future (Van der Voordt, 2017). Furthermore, in practice, the differences between both disciplines are not always easily noticeable. Sometimes firms, have separated the disciplines into different departments, but very often they have not. Where does the boundary then lie between CREM and FM? Which activities are considered to be strictly CREM and which are FM activities? This separation is not made easily. Also, it can be questioned whether this separation should be even made as both disciplines concern the performance of activities which affect the existence and performance of CRE.

Therefore, within the research, all activities which concern the management of CRE properties are considered as CRE activities, both CREM related activities as well as FM related activities.
6 CRE(M) UNTIL 2000

As was explained in Chapter 1, one of the motives for conducting this research is the relatively young state of CREM and its (expected) process of development and maturing. Although the research focuses on the period from the turn of the century to now, in the following chapter the previous period, from 1930 to 2000, is discussed. This period formed the subject of research for Krumm (1999) and still marks a significant period of development and maturing of CREM, strongly influencing the position and role of the CRE department. Table 7.1 provides insight into the evolution of CREM as well as that of the CRE department, which is further explained below the table.


<table>
<thead>
<tr>
<th>position CRE department</th>
<th>role CRE department</th>
<th>practitioners</th>
<th>view on CREM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930 - 1969</td>
<td>centralised, just beneath general management</td>
<td>constructing; maintenance and ad hoc construction of real estate</td>
<td>technical people</td>
</tr>
<tr>
<td>1960 - 1980</td>
<td>decentralised to national departments</td>
<td>consulting; advising general management on CRE decisions</td>
<td>architects and engineers</td>
</tr>
<tr>
<td>1980 - 2000</td>
<td>decentralised to national departments</td>
<td>coordinating; linking internal and external providers together</td>
<td>CRE professionals</td>
</tr>
</tbody>
</table>

At the beginning of the twentieth century, the first specialised CRE departments were founded. Firms such as ABN Amro, Philips and Unilever were early adopters of this development as their CRE departments date back to the nineteen-twenties. A major expansion of business, enabled by emerging large-scale production, formed the motive for this sudden formalisation of CREM. In support of these expansions, the real estate portfolio needed to grow as well. At that point, many firms realised that they lacked profound knowledge concerning real estate. Also, the owners of the firm, who were formerly entrusted with the planning of real estate, did no longer have the time to be occupied with such activities. As a solution for these problems, the formalised CRE department was introduced. These premature CRE departments were generally positioned under the direct supervision of the general management, alongside other organisational units. Decisions about real estate were taken on an ad hoc basis and mostly concerned the maintenance of existing real estate and the construction of new real estate. The real estate strategy was formulated by the general management, and not by the CRE department itself. Within the CRE department, technical professionals were contracted, taking over the CRE responsibilities. Although the necessity of CREM was now partly acknowledged by the general management, the overall view on the discipline was critical: real estate was considered as a costly expense of doing business, one which had to be minimised as much as possible (Dewulf et al., 2000, pp. 27, 28; Krumm, 1999, pp. 97-103; 2001).

Until long after the Second World War, most CRE activities were limited to the home country. In the nineteen-sixties however, the growth of firms continued beyond the national borders. To conquer these unknown markets, many firms changed their traditional functional structure to one that was geographically based. Services such as CRE were fitted within these new-born structures and were decentralised. Often, these became the responsibility of the national units of the firm. In addition to this change of position, also the role of the CRE department changed, as it was heavily influenced by two factors. First of all, the decentralisation of the CRE department had resulted in a loss of power, as this was no longer obtained by its hierarchical position within the firm. Secondly, the further professionalisation of the real estate market as well as the emergence of professional consultants, formed a direct competition for the internal CRE department (Dewulf et al., 2000, p. 28; Krumm, 1999, pp. 103-111; Krumm et al., 1998, 2000).
Due to these both factors, the CRE department was pressured to prove its (Financial Times, #105) value to the rest of the firm. Furthermore, it acted in a more consulting role, advising the general management on CRE related decisions. Simultaneously, the discipline of CREM further evolved. As Krumm (2001, p. 279) stated, up until the sixties, “Corporate Real Estate Management was in its infancy”. Therefore, until then, the required skill set of the employees responsible for CREM was minimal. However, due to the changed position and role of the CRE department, a more specialised skill set became needed. Within the CRE department, the technical employees were replaced with more specialised professionals such as architects and engineers. This evolution of CREM also brought about a new general perspective towards the discipline. Instead of being considered as an expense only, CRE was now considered as a means of doing business: a necessity which did not only bring expenses, but also benefits (Dewulf et al., 2000, pp. 27-29, 105; Krumm, 1999, pp. 103-111; 2001; Krumm et al., 1998; Page & Valenziano, 2001).

In the nineteen-eighties, the CRE department was again subject to severe changes. Due to the collapse of the Japanese bubble economy, the oil crisis of 1973 and the overall economic recession in the mid-eighties, firms were forced to review their business process and the cost of doing business (Dewulf et al., 2000, pp. 27-29, 105; Krumm, 1999, pp. 103-116; Krumm et al., 1998, 2000; Scheemaker & Kooijman, 1997, pp. 1, 2, 5). In 1982, Tom Peters foresaw a drastic change in the operating of organisations in general (in Scheemaker & Kooijman, 1997, p. 2). He predicted firms to fall back to- and fully concentrate on- their core business. As a result of this renewed focus on core-business, firms were disposing activities, slimming their staff supply and enabling a more autonomous operation of organisational units. The CRE department’s authority and autonomy grew as it became responsible for its own costs and benefits. Due to the rise of accommodation costs, the general pressure on costs as well as the further professionalisation of the real estate market, more CRE activities were outsourced to external providers. This put the CRE department in a coordinating role, hiring and supervising internal and external service providers. CRE professionals were hired instead of the architects and engineers. (Dewulf et al., 2000, pp. 27-29, 105; Krumm, 1999, pp. 103-116; Krumm et al., 1998, 2000; Scheemaker & Kooijman, 1997, pp. 1, 2, 5). Due to the turnaround in corporate strategic thinking as well as the rise of accommodation costs, the professional CRE practitioners were forced to look beyond real estate as a simple financial transaction. Krumm et al. (1998, p. 374): “In order to be able to contribute to the overall result of the corporation, real estate has to be looked upon as a strategic asset.” However, this approach was not widely adopted yet and CRE remained undervalued (Frederix & Krumm, 2008).

In 1995, a turnaround of this reasoning was set in motion by the research ‘Wasted Assets, a survey of corporate real estate in Europe’ (Frederix & Krumm, 2008). This was strengthened by the IDRF report “Strategic management of the Fifth Resource: Corporate Real Estate” in which real estate was appointed as an essential resource alongside capital, people, technology and information (Joroff, Louargand, Lambert, & Becker, 1993). From that moment on, real estate was considered as an opportunity of adding value rather than just an expense or means of doing business (Frederix & Krumm, 2008; Krumm et al., 1998).
7 ORGANISATIONAL STRUCTURE

Kor, Wijnen & Weggeman (in De Jong et al., 2013, p. 39) state that an organisation exists of six variables: strategy, management approach, culture, staff, structure and systems. Those variables are strongly interdependent, and the sum of those distinctive variables define the full functioning and operation of an organisation. Daft et al. (2017, pp. 24-27) refer to these variables as dimensions and also name six: structure, size, organisational technology, environment, goals and strategies and culture. The research is mainly focused on the structure side of the organisational configuration.

7.1 Definition
How can organisational structure be defined and which components does it contain? According to Mintzberg (1979, p. 2), “the structure of an organisation can be defined simply as the sum total of the ways in which it divides its labour into distinct tasks and then achieves coordination among them.” Bemelmans (in Scheemaker & Kooijman, 1997, p. 23) formulates it a bit more complex, defining organisational structure as follows: “An organisational structure exists out of the formal and informal relations between the several members of the organisation, which arise from the allocation of responsibilities and tasks. In an organisational structure, persons are grouped into organisational units or departments and employer-employee relationships are determined.”

The definition of Scheemaker and Kooijman (1997) explicitly addresses the existence of both formal as well as informal relationships between participants of an organisation. Early literature mainly focused on the formal relations of the organisation, documenting the prescribed procedures and the configuration of formal authority within a firm. This is often referred to as the ‘framework’ of an organisation and is often represented in organisational charts. In the midst of the 20th century, researchers shifted their focus, mainly considering the personal relationships amongst organisational participants. This is often referred to as an organisation’s social system or the pattern of ‘interactions’ (Daft et al., 2017, p. 96; Mintzberg, 1979, pp. 10, 11; Ranson, Hinings, & Greenwood, 1980). Around 1980, Mintzberg (1979) and others (Galbraith in Mintzberg, 1979; Bourdieu and Gidens in Ranson et al., 1980) concluded that although the two concepts of formal and informal relationships originate from a different perspective towards organisational structure, in reality, these are often intertwined and indistinguishable: together these form the organisational structure. In the research, the definition of Scheemaker and Kooijman (1997) is adopted and thus it is assumed that the organisational structure exists of both formal as well as informal relationships which are often indistinctly intertwined.

7.2 Changing configuration
For several reasons, organisations can decide to change the configuration of their organisational variables and thus their organisational structure. A lack of organisational efficiency and effectiveness forms the main driver for organisational change as this negatively influences an organisation’s competitiveness (De Jong et al., 2013, p. 32). Efficiency concerns the amount of input needed to produce a certain output (Figure 7.1): “if one organization can achieve a given production level with fewer resources than another organization it would be described as more efficient.” (De Jong et al., 2013, p. 31) Effectiveness concerns the extent to which the organisational goals are achieved. These two aspects are independent, which is illustrated in the following example. A firm which produces toothbrushes in a cost and time efficient manner can be considered efficient. However, when we state that the goal of that same firm was to produce chairs and not toothbrushes, the firm cannot be considered effective: its pre-determined goals were not established.
When the levels of efficiency and effectivity of an organisation do not reach a pre-determined desirable result, organisations can decide to change themselves and adapt their organisational configuration.

![Diagram of efficiency and effectivity in the organisational process]

The levels of efficiency and effectivity of an organisation are influenced by (mostly) uncontrollable factors, often referred to as contingency factors. Mintzberg (1979, pp. 215-297) names four groupings of contingency factors: the organisational age & size, its technical system, its environment and the forms of power concerning the organisation. Daft et al. (2017, pp. 67-70) distinguish five: strategy, environment, size and life cycle, technology and organisational culture. Valenziano and Kious (2005) use the theory of Galbraith, who states that four key forces shape the organisation: buyer power, variety, change and speed. Valenziano and Kious (2005) state that in addition to these ongoing factors, singular events such as mergers, the downsizing of a firm and change of management can influence the design of the organisation. Ranson et al. (1980) refer to contingency factors as constraints and make a distinction between two groupings: organisational characteristics and environmental characteristics. Size, technical maturity and resources form the first, whereas the latter consists of the organisation’s socioeconomic and its institutionalised environment. The socioeconomic environment refers to physical, economic and social characteristics. The further conditioning of the organisation occurs due to its institutionalised environment: “as a result of pressure to do things in a proper and correct way, the formal structures of many organizations reflect the expectations of the environment rather than the demand of work activities” (Daft et al., 2017, p. 200). In essence, Ranson et al. (1980) make a distinction between internal and external contingency factors. Concluding this, it can be stated that the performance of an organisation merely depends on its capability to adapt its organisational configuration to the particular situation it is positioned in. As Daft et al. (2017, p. 69) state, “structural changes reflect new strategies or react to contingency factors”. Furthermore, this implies that as every situation differs, no well-performing organisation is the same. As Daft et al. (2017, p. 10) state: “Diversity tends to be overlooked when it is assumed that one ‘model’ of organization is equally relevant and successful for grasping the salient features of very different kinds of organization. Or that one, ‘dominant’ model is readily applicable to all organizations.”

### 7.3 Interpretation of the decision-maker

The previous paragraph illustrated that many factors can drive organisational change and by this, influence the structure of the organisation. However, (different) contingency factors do not always call for similar measurements: conflicts can arise. For example, a declining economy often makes organisations long for control, whereas an outsourcing of activities (in which this control is transferred to third parties) to increase efficiency, is often also necessary in such difficult times. The weight given to the several contingency factors and to the necessary measurements differs per firm and per individual (Mintzberg, 1979, pp. 224-226). This given illustrates another factor influencing the organisational structure: the individuals or groups which make the decisions concerning this organisational variable (Figure 7.2).
7.4 Typology of organisations by Mintzberg

In his well-known book “The Structuring of Organizations”, Henri Mintzberg (1979) developed a typology of organisations. In the book, he distinguishes five distinctive parts of the organisation (Figure 7.3). The body of an organisation is formed by the operating core, the strategic apex and middle-line management. In this terminology, the operating core represents the employees which use their labour to transform raw material into a product or service. One could state that these employees reflect the heart of the organisation, as they perform the primary process. The employees of the strategic apex are responsible for the formulation of strategies and the overall coordination of the organisation. Also, they need to keep the owners of the organisation satisfied by ensuring that the organisational goals are met in an effective and efficient way. The middle-line managers form the administrative connection between the operating core and the strategic apex: they supervise the workforce of the operating core. Besides these three kinds of employees, Mintzberg distinguishes two more: the technostucture and the support staff. The former is occupied with the analysis and standardisation of the organisation’s primary processes, whereas the latter performs activities in support of this process (Hoendervanger, Wijnja, & Van der Voordt, 2017, pp. 324, 325; Mintzberg, 1979, pp. 18-34; Van der Voordt, 2017). The provision of real estate is a good example of the activities of the support staff: real estate accommodates the primary process but forms no goal on its own.
Figure 7.4: The five typologies of Mintzberg with corresponding characteristics and advantages and disadvantages (interpretation of Hoendervanger et al., 2017, pp. 323-328; Mintzberg, 1979).
The configuration of those five parts merely depends on the strategic choices of an organisation as well as its contingency factors such as the outside environment and field of operation. In his book, Mintzberg has developed a typology of five distinctive organisations, being the Simple structure, the Machine bureaucracy, the Professional bureaucracy, the Divisionalised form and the Adhocracy. These all have their own characteristics and principles. A summary of the different types of Mintzberg as well as an overview of their characteristics, advantages and disadvantages, is given in Figure 7.4.

Relation to the CRE department
The typology of the overarching firm influences operation of the CRE department. As the focus of the CRE department is often closely aligned with that of the overall firm, the goals and objectives of an organisation influence the activities of the CRE department (Chirgwin, 1999; Daft et al., 2017, p. 67; Krumm et al., 1998, 2000). For example, when an organisation strongly focuses on cost-efficiency, its CRE department will probably have a similar main focus, whereas an organisation's focus on control influences the extent to which its CRE activities are outsourced. In addition, the authority of the CRE department is affected by its organisation's attention for support activities. In for example the Adhocracy type of organisation, the support staff plays an important role, whereas, in other organisations, it almost plays no part. This does not automatically imply that CRE activities are always considered as support activities. In reality, the CRE activities are sometimes positioned within other parts of the organisation, such as the operating core.
8 ORGANISATIONAL STRUCTURE AND THE CRE DEPARTMENT

In the previous chapters, some theoretic background was provided about the concepts CRE(M) and organisational structure. Also, Paragraph 8.4 posed some dilemmas concerning the organisational structure, such as: how to position the different organisational parts compared to each other, how much authority to give them and to what extent to outsource activities of an organisation’s primary- or support processes?

These are all general organisational theories and dilemmas which can also be applied to the level of the CRE department. Paragraph 6 already touched on some of the variables of the CRE department, namely the positioning and the role of the CRE department. In addition, other variables such as team structure, internal organising, staff resourcing, standing, control and authority are often named in studies concerning the organisational structure of the CRE department (Hoendervanger et al., 2017; Krumm, 1999; O’Mara, Page, & Valenziano, 2002; Valenziano & Kious, 2005).

In an attempt to grasp these different variables of the organisational structure of the CRE department into one, comprehensive model, it is concluded that in essence, the organisational structure of the CRE department consists of three different levels. First, there is the ‘position’ of the CRE department within its overall firm, then the ‘form’ of the CRE department itself and finally, the sourcing of CRE activities (Figure 8.1). However, these three levels do not include the just mentioned variables of role, standing, control and authority and additionally, do not say much about how the determined organisational structure works in reality. Therefore, although it is not actually a part of the CRE department’s organisational structure, the variable ‘role’ is included in the model. This latter variable is particularly important as this represents the actual motive of the research: it was stated that as an organisation matures, its organisational structure becomes more important. The role of the CRE department includes this level of maturity, and therefore, a consideration of the role of the case firm’s CRE departments seems necessary in order to determine whether the focus on organisational structure within the research was justified or not.

![Figure 8.1: The three variables of the organisational structure and the role of the CRE department (own illustration).](image)

These four variables of the organisational structure of the CRE department form the basis for the formulation of the Analysis Framework. The following chapters discuss the theories and considerations of different authors concerning these four distinctive variables, which eventually leads to the synthesis of the Analysis Framework.
synthesis
Analysis Framework
9 POSITION

The variable ‘position’ refers to the configuration of organisational units within the overall firm. It says something about how the line of authority and decision-making flows throughout the organisation, but also about how the different units stand and perform in relation to each other. Moreover, it gives insight in which way a firm chooses to group its employees. One of the key dilemmas of organisations is how to create organisational synergy through the alignment of its operating units which is in coherence with other concepts and dilemmas such as centralisation and concentration. Below, a short explanation is given of these concepts, after which these are linked to the CRE department.

Synergy, alignment, centralisation and concentration

Synergy is a concept based on the Gestalt Theory, which believes that “the whole is more than the sum of its parts” (Hergenhahn in Benecke, Schurink, & Roodt, 2007). In lines with this, Argenti (in Krumm et al., 1998) defines synergy as “the concept that the combination of two or more different businesses, activities, or processes will create an overall value that is greater than the sum of the individual parts.” Although the definition of Argenti already briefly touched the relation between synergy and the organisation, this is even better determined in the definition of (Benecke et al., 2007), which state that “Synergy is a concept that describes the systemic processes whereby business units of diverse, complex organisations will generate greater value through working as one system than working as separate entities.” Summarising, synergy reflects the sharing and transferring of knowledge and skills (Porter in Krumm et al., 1998), which results in the creation of added value. Through the proper alignment of activities, benefits such as economies of scale and scope, the lowering of risk and the obtaining of scarce expertise can be achieved. In the organisation, synergy is created either by the alignment of the organisational units and the corporate headquarters or by the improvement of the interchange between the different organisational units. The former process is also referred to as vertical synergy, whereas the latter represents horizontal synergy (Figure 9.1).

Figure 9.1: Horizontal and vertical synergy (adaptation of Weijers in Krumm et al., 1998)

Alignment has a certain coherence with the concept of centralisation: although it is possible to create a state of horizontal synergy in decentralised organisations, synergy is usually easier established in highly centralised organisations. When someone mentions a centralisation of activities, one refers to a situation in which that activity is located directly under the highest decisive unit in an organisation, usually the general management. Decentralisation refers to quite the opposite: those activities report to another organisational unit positioned lower in the hierarchy, which can be for example a national organisation. In summary: when decision making occurs at a top level, an organisation is centralised. When the final decision making is delegated to levels lower down the organisational hierarchy, it is decentralised (Daft et al., 2017, p. 25; Hoendervanger et al., 2017, pp. 332-334; Krumm et al., 1998, 2000).
However, centralisation should not be confused with concentration. Concentration refers to a situation in which all activities of one type, in our CRE activities, are concentrated at one point within an organisation, instead of being spread or deconcentrated, amongst the entire firm (Hoendervanger et al., 2017, pp. 335-339; Krumm et al., 2000).

9.1 Centralisation

In a centralised CRE department, all CRE activities are positioned within one organisational unit which is usually located at the central headquarters (Figure 9.2, Centralised CRE department). In this organisational model, the CRE department stands under direct supervision of the general management and the amount of reporting levels between the CRE department and the general management are limited. A Centralised model knows several advantages. First of all, it is easier for the general management to retain direct control over the CRE department. Also, due to the short line of reporting, decisions can be made more easy and faster. Furthermore, benefits of economies of scale can be established and information can be shared more easily. Moreover, synergy can be created by the coordination of the demand for real estate of the organisational units. The organisational distance between the CRE department and the end-user is an obvious disadvantage (Cleveland & Cotter Fuchs, 2014; Hoendervanger et al., 2017, pp. 332, 333).

When a firm decides to decentralise its CRE activities, the CRE department becomes the responsibility of another organisational unit lower down the hierarchy, for example, a national- or a staff department (Figure 9.2, Decentralised CRE department) (Krumm et al., 2000). By the appliance of this model, the number of reporting levels between the general management and the CRE department are increased. Organisations decentralise due to the fact that general management can not do everything (Mintzberg, 1979, p. 182). As the complexity and size of a firm’s activities increases, the burden of the general management needs to be lightenened.

9.2 Concentration

As was explained, an organisation also needs to decide on its extent of concentration of CRE activities. In Figure 9.3, a visualisation of the Concentrated, the Deconcentrated and the Integrated CRE department is provided. In a Concentrated model, all activities concerning CRE are clustered within the same organisational unit, often positioned at the central headquarters. In a Deconcentrated model, the CRE activities are spread upon the different organisational units of the overall firm. In an Integrated model, the CRE department is closely collaborating and grouped with other service activities, for example the IT or the HR department. This often occurs in a shared services centre (Hoendervanger et al., 2017, pp. 336-339).
9.3 Position changes together with the life-cycle of the firm

Following Krumm’s research into the configuration of the CRE department (Chapter 6), Krumm et al. (2000) concluded that the position of the CRE department depends on the life-cycle of its overall firm, which is in line with statements of Mintzberg (1979) who concluded that the ‘typology’ of a firm among others depends on the state of maturity of the firm.

According to Krumm et al. (2000), the CRE department usually starts at a position alongside other organisational units (Figure 9.4, Phase 1), just below the general management. After an increase of activities and complexity within the firm, this horizontal alignment fades and the model of the firm becomes either product or geographically focused. Following this change, the CRE activities are either moved away from the other organisational units but remains positioned just below the general management (Figure 9.4, Phase 2), or the CRE activities are decentralised to the firm’s product- or national organisations (Figure 9.4, Phase 3). Furthermore, Krumm et al. (2000) predicted that CRE would more and more become a integrative part of corporate services, in close collaboration with other services such as HR and IT (Figure 9.4, Phase 4).
9.4 Two levels of centralisation

The conduction of the first interviews with the CRE professionals of the case firms showed that for the extent of centralisation of the CRE department, a distinction can be made between its external level of centralisation and its internal level of centralisation. First, the concept of centralisation can be applied to the CRE department’s external level, namely the CRE department’s reporting line within the rest of the firm: does it report on a centralised or on a decentralised position within the firm? Paragraph 9.3 illustrates this appliance as it showed that the CRE department can for example report to the general management or to a national organisation. Secondly, the concept of centralisation can be applied on the internal level of the CRE department: how does the reporting occur inside the CRE department. However, this can be considered more as the form of the CRE department instead of its position and is therefore further elaborated upon in the next chapter concerning form.

9.5 External centralisation

Following the interviews with the CRE professionals, it was concluded that the position of a CRE department within its overall firm consists of both a vertical as well as a horizontal centralisation of CRE activities. The vertical centralisation is represented by the CRE department’s reporting level. This dimension
knows a geographic side as well as a functional side. On the geographic side, the CRE department can report on a global, a regional or a national level. On the functional side, a CRE department can report to an operating unit or to a service unit. In reality, it is also possible that the CRE department reports on both sides, for example to the service unit of a national unit. The horizontal centralisation is represented by the CRE department’s reporting line. The CEB Real Estate Leadership Council (2016) states that CRE departments most often report in the line of the CEO, finance, HR, operations or in the line of services.

9.6 General practice
The respondents of a 2014 Deloitte survey (Acoba, Levine, & Reiser, 2014, 2016) indicated that CREM is one of the most common functions to be added to a shared services model, together with IT and procurement. This integration of services complies with the Integrated model of Paragraph 9.2 and the Phase 4 model of Krumm et al. (2000). In a 2008 research, this close collaboration with other services was less noticeable. Although 45% of the then respondents indicated to collaborate with other services occasionally, only 15% of the respondents took part in a routine collaboration with other services (Bouri, Venable, & Acoba, 2008).
10 FORM

The variable ‘form’ again refers to the configuration of organisational units. However, in this case, it does not compromise the level of the firm as a whole, but that of the CRE department internally. Similar design parameters play a role such as centralisation and concentration. Decisions need to be made concerning the type of organisational units and about how these units relate to each other (Daft et al., 2017, pp. 96, 106-108; Mintzberg, 1979, p. 67). In the next paragraph, it is explained how these dilemmas are expressed in relation to the form of the CRE department.

10.1 Internal centralisation

As was explained in Paragraph 9.4, later in the research, it was concluded that the CRE department also knows an internal level of centralisation. Some basic models exist for this internal centralisation (Figure 10.1). In essence, a distinction is made between decision-making CRE activities and operational CRE activities for these models (Fallon; Scheemaker & Kooijman, 1997, pp. 23-34).

![Diagram of internal centralisation models](image)

Figure 10.1: Basic models for the internal centralisation of the CRE department (interpretation of Hoendervanger et al., 2017, pp. 333, 334; Scheemaker & Kooijman, 1997, pp. 23-34)

In the Centralised model (Figure 10.1, Centralised model), both the decision-making and the operational CRE activities are performed centralised. Advantages of this model are a guaranteed coordination of policy and execution and an increase of efficiency, economies of scale, synergy of real estate demand and specialisation (Hoendervanger et al., 2017, pp. 333, 334; Scheemaker & Kooijman, 1997, pp. 23-34).

In the Central coordination model (Figure 10.1, Central coordination model), the CRE activities are deconcentrated; the decision-making CRE activities are centralised whereas the operational CRE activities are performed from decentralised positions within the firm. Advantages of this model are again an increase of efficiency, economies of scale, synergy of the CRE demand and specialisation. A risk of this model is an increased distance between policy makers and executioners (Scheemaker & Kooijman, 1997, pp. 23-34).
In the Decentralised model, both the decision-making CRE activities as well as the operational CRE activities are performed decentralised (Figure 10.1, Decentralised model). Advantages of this model are an improved controllability due to its smaller scale, availability of more, and more detailed information, opportunities of quick acting and the model is usually experienced as more democratic by the end-user. Disadvantages are a decrease of economies of scale, a lower level of specialisation and professionalization, differences in quality delivery and a more short-term focus on activities (Hoendervanger et al., 2017, pp. 333, 334; Scheemaker & Kooijman, 1997, pp. 23-34).

10.2 Focus aspect

![Diagram of focus aspects of the CRE department](image-url)
Although many hybrid and derivative forms occur, in essence, five different basic models can be distinguished for the form of CRE department (Figure 10.2), which are all driven by different aspects. The staff units are only visualised by an outer line as these are not always part of the CRE department itself: sometimes, organisational units of the overall firm provide such services. Additionally, although Figure 10.2 appears to imply that these models can only be applied in a centralised sort of CRE department, this can also occur in a coordinated or decentralised manner: in reality, the different CRE units with certain focus aspects do not necessarily report to one global head. Therefore, also the CRE directors are only represented by an outer line.

The Functional model consists of units in which all members focus on the same particular activity, such as real estate transactions. The Real Estate model is configured similarly, however, in the units of this model, all members focus on the same type of real estate. In the described Process model, the division is based upon the executed process. Examples of this are exploitation, strategy and mutation. The Market/customer model is substituted around different relationship managers who maintain communication with the organisational units or internal ‘clients’ of the overall firm. Finally, in the Geographic model, a basic structure is repeated for every region in which the firm operates. Although the model in the visualisation constitutes out of a functional basis, one could imagine that this repeating of structure per region could also be established with the other described models (Bayne-Jardine et al., 2011; Hoendervanger et al., 2017, pp. 336-339).

10.3 General practice
More than half of the CRE professionals who responded to a CoreNet Global 2007 survey (Bowles, 2007; Hoendervanger et al., 2017, p. 335; Kadzis, 2007), indicated that their CRE department’s form had changed in the last three years. Furthermore, they stated that their CRE departments were moving to a more centralised form of reporting. Mentioned reasons were a desired reduction of costs and increase of consistency. Most of the CRE departments had a functional focus, followed by geography and organisational unit/product. Although the latter group was of the lowest size, those seemed to be most satisfied with their structure. Additionally, more than 40% of the respondents indicated that the form of their CRE department was similar to that of their overall firm.

In 2014, a Deloitte survey (Acoba et al., 2014, 2016) showed that indeed, the CRE departments made a centralised movement. Three-quarters of the respondents declared that all CRE professionals within their firm reported through one global CRE director. However, this does not necessarily imply the application of a Centralised model, but does mean that at least, some central coordination of CRE activities occurs such as in the Central coordination model. For the focus aspects of the CRE departments, nothing particularly remarkable could be detected in 2014. Almost 35% of the interviewees of a Cushman & Wakefield survey took part in a CRE department with a hybrid form, whereas 32% of the CRE departments were functionally focused. About 27% knew a geographic division. It should be noted that in the 2007 survey, the indication of a ‘hybrid model’ was not included as answering option. This makes a comparison between both surveys fairly impossible. However, within the technology and financial sectors, still, a majority of the participating firms made use of a functionally oriented model. (Cleveland & Cotter Fuchs, 2014).
11 SOURCING

The variable 'sourcing' refers to the allocation of activities which can be either in-house or externally. When these activities are allocated externally, one speaks of outsourcing. Outsourcing refers to the mechanism in which a firm chooses to contract other, specialised firms, to take-over activities which are part of the firm’s production- or supporting processes (Daft et al., 2017, p. 123). These external parties are often referred to as external service providers. Firms like the Machine bureaucracy of Mintzberg are not likely to outsource many of its activities as by outsourcing, less control is retained (Hoendervanger et al., 2017, p. 325). This example illustrates that the opportunity of outsourcing brings along many dilemmas such as: how many activities to outsource, what kind of activities to outsource, how many outside providers to contract? Also, outsourcing requires another skillset of the internal CRE professionals as they now need to coordinate the external service providers (Seshadri, 2005). Ever since the further professionalisation of the housing market in the nineteen-seventies, the dilemma to outsource or to in-house manage CRE activities is a central point of discussion within firms. In times of economic tightness, CRE departments often decide to outsource CRE activities to external service providers and by this, operate more cost-efficient (Chapter 6). However, the spectrum of possibilities for outsourcing is endless: some firms only contract external cleaning companies, whereas others even outsource a strategic choice of location. Below, some thoughts concerning the sourcing of CRE activities are provided.

11.1 Models for sourcing

De Jong et al. (2013) distinguish three basic models for the sourcing of facilitating activities such as CRE (Figure 11.1). In the Administrative model, almost all activities are in-house managed. The CRE department is structured by the services and products to be delivered and contains several specialists. Only when large real estate projects are managed, external advisors are hired. When all operational activities and many tactic activities are outsourced, De Jong et al. (2013) speaks of the Coordinating model. In this model, the relationship to the internal client stands central. The responsibility of the internal CRE professional lies in connecting a specific demand to the available offer, which often comes from external service providers. In a Demand model, only the strategic activities of the CRE processes are managed in-house. Usually, one external service provider is attracted, which takes responsibility for all tactic and operational activities. The responsibility of the internal CRE department lies in the coordination and monitoring of the external service provider as well as taking part in strategic decision-processes concerning CRE, together with the general management. (De Jong et al., 2013, pp. 18, 19).
Cushman & Wakefield (Cleveland, 2013; Van Pelt, 2015) also distinguishes three distinctive models for the outsourcing of CRE activities. However, their stated ‘levels’ or ‘generations’ of outsourcing are mainly focused on how the outsourcing occurs and not on which activities are outsourced. They state that the level of outsourcing depends on the level of professionalisation, the number of outsourced activities and moreover, the dependency on external service providers. One could state that as CRE departments move up this ladder from 1st generation (Experimental) to 2nd generation (Refinement) to 3rd generation (Transformational), their professionalisation level concerning outsourcing increases, as well as the efficiency of outsourcing and dependency on external service providers.

11.2 Advantages and disadvantages of outsourcing
Table 11.1 illustrates that the outsourcing of CRE activities knows both advantages as well as disadvantages. The decision to outsource or not, mostly depends on the strategic objectives of the firm and its market of operation: some operational fields simply require a stronger focus on the core process than others do. Also, in some fields, cost efficiency is a leading performance measurement while in others, the quality of a delivered product plays a vital role. However, many CRE professionals do encourage a balance in which at least the ‘tip of the strategic iceberg’ is kept in-house (Frederix & Krumm, 2008; Hoendervanger et al., 2017, pp. 343-345; Scheemaker & Kooijman, 1997, pp. 115, 118).

<table>
<thead>
<tr>
<th>Arguments in favour of outsourcing</th>
<th>Arguments opposing outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>more attention can be given to the primary processes</td>
<td>a gap can arise between the primary and non-core processes</td>
</tr>
<tr>
<td>a specialised provider can execute the activities</td>
<td>in some cases, an external provider is not cheaper due to a loss of tax deductions</td>
</tr>
<tr>
<td>more cost efficient</td>
<td>the pressure to produce cheap can result in a decrease of quality delivered by the external provider</td>
</tr>
<tr>
<td>a specialised provider can deliver better quality</td>
<td>considerations to improve the labour market participation of the physically and mentally disadvantaged</td>
</tr>
<tr>
<td>positive influence on the shareholder value and image of the company due to less employees care for good and professional staff is transferred to the market</td>
<td>loss of substantive knowledge and experience</td>
</tr>
<tr>
<td>more flexibility in the appealing or attracting of activities</td>
<td>less flexibility in case of unexpected organisational changes</td>
</tr>
<tr>
<td>opportunity to learn from other companies their real estate processes</td>
<td>risk of leaks of confidential information</td>
</tr>
<tr>
<td>less administrative load</td>
<td>loss of energy and time due to the difficult process of selecting an external provider</td>
</tr>
</tbody>
</table>

Table 11.1: Considerations regarding outsourcing of activities (aggregation of De Jong et al., 2013, p. 18; Scheemaker & Kooijman, 1997, pp. 112-115).

11.3 Close to core versus non-core processes
Valenziano and Kious (2005) developed a framework which elaborates on which CRE activities to manage in-house and which to outsource (Table 11.2). This framework is in line with the statements provided in Paragraph 11.2, which advised to manage strategic CRE activities in-house. Moreover, it can be seen that Valenziano and Kious (2005) steer towards a sourcing model alike the Coordinating model of De Jong et al. (2013) as they advise to outsource the operational CRE activities concerning CREM.

<table>
<thead>
<tr>
<th>Hold closer</th>
<th>Push away</th>
</tr>
</thead>
<tbody>
<tr>
<td>leadership</td>
<td>administration</td>
</tr>
<tr>
<td>strategy and planning</td>
<td>real estate and project functional activities</td>
</tr>
<tr>
<td>customer relationships</td>
<td>specialised knowledge or skills</td>
</tr>
<tr>
<td>business case analysis &amp; presentation</td>
<td>management of activities</td>
</tr>
<tr>
<td>management of outcomes</td>
<td></td>
</tr>
</tbody>
</table>

Table 11.2: Framework for outsourcing by activity (Valenziano & Kious, 2005).
11.4 General practice

Several surveys were conducted into the outsourcing of CRE activities. In one of these surveys, almost 75% of the respondents indicated that the outsourcing of activities was neutral to very important for their organisational structure. Strategic planning is one of the CRE activities which is mostly kept as an in-house activity. An average of 65% respondents of all surveys indicated that the entire process concerning the formulation of their CRE strategy occurs internally. Next up is the management of the portfolio, of which also many professionals indicated a form of in-house management. On the other side of the spectrum, lie CRE activities such as transaction management and facilities management, which are often outsourced to external service providers (Acoba et al., 2014, 2016; Bouri et al., 2008; Bowles, 2007). These results confirm the thought that strategic activities are mostly kept in-house, whereas operational activities are more often outsourced to external providers.

For consideration of the outsourcing of CRE activities throughout time, two surveys, the one conducted in 2008 (Bouri et al., 2008) and the other one in 2014 (Acoba et al., 2014, 2016), can be compared. The outsourcing of strategic planning activities by the respondents seems to remain constant within this time period: a steady 5% of the questioned CRE professionals indicated that the formulation of their CRE strategy was entirely outsourced to external providers. The remaining part of the CRE departments chose to fully keep the strategic planning in-house or to outsource only some distinctive activities. For the management of the portfolio, an increase of outsourcing could be observed: although the in-house management remained important, more firms seemed to outsource (some) of their portfolio management related activities in 2014. For both the management of transactions as well as that of the facilities, a comparison of both surveys implies an outward moving trend: firms either outsource more activities in 2014 opposing to 2008, or they have decided to maintain more activities in-house. A scattered outsourcing of activities is less noticeable in 2014.
12 ROLE

The variable ‘role’ refers to the behaviour of an individual or a group of individuals, for example, an organisational unit or department. It entails its responsibilities and activities but also the power and authority it holds. As was already explained in Chapter 6, the general role of the CRE department seems to have changed drastically in the past 70 years: whereas these units were formerly only responsible for the ad hoc supply of CRE, they are now more involved in the strategic processes concerning CRE. Some theory about the role of the CRE department is provided in the paragraphs below.

12.1 The five roles of Joroff

In the book ‘Strategic Management of the 5th Resource: Corporate Real Estate’, Joroff et al. (1993) describe the development and maturing of the CRE department as a continuous path of evolution which exists of five distinct stages (Figure 12.1). Many authors acknowledge and make use of this typology of the role of the CRE department (Dewulf et al., 2000; Frederix & Krumm, 2008; Mattousch, 2010; Van der Voordt, 2017). As mentioned, Joroff et al. (1993) consider the evolution of the CRE department as a subsequent build-up of stages: skills and tools acquired in a former stage, form the building block for the next one. So, the different stages are not interchangeable: they represent a form of growth. However, this does not necessarily imply that this growth always occurs regularly and in a linear form:

The growth in capacity does not have to be linear. These stages of development do not have to be achieved consequently. New goals or policies can propel a unit to acquire the skills of more than one additional stage at a time. Multiple skills can be hired. And, of course, life is never as orderly as a model. But relentless corporate change happening in many facets of the company once are often creating the need to ‘layer’ several stages simultaneously. (Joroff et al., 1993, p. 27)

Below, an explanation is given of the evolution stages Taskmaster, Controller, Dealmaker, Intrapreneur and Business Strategist (based on Dewulf et al., 2000, pp. 30, 31; Joroff et al., 1993, pp. 21, 26-33; Mattousch, 2010, pp. 17-19).

![Figure 12.1: The evolution stages of Joroff et al. (1993, p. 27).](image-url)
Stage 1: Taskmaster
At this stage, CRE professionals are mainly responsible for meeting the daily demand for CRE. They do so by the provision of space and the qualitative maintenance of that same space. Their value is not considered a cost nor a benefit and is not measurably expressed to general management or other business units. The skill set of the CRE professionals is mostly technical, and their work is not under the attention of general management.

Stage 2: Controller
In the role of Controller, the CRE department performs tasks similar to that of a Taskmaster. However, a new dimension is added to its line of activities, namely that of cost reduction. By collaborating closely with senior management, opportunities for the reduction of costs of CRE are explored. To be able to do so, analytics skills for the professionals are required, mostly in the field of accounting.

Stage 3: Dealmaker
CRE departments which are situated in this stage of evolution, maintain intensive communication with its firm’s organisational units. By standardisation of the CRE demand and the provision hereof, the CRE department competes with the external market and creates financial and organisational value. The Dealmaker is demand-oriented and works in a pro-active and consulting manner towards the general management.

Stage 4: Intrapreneur
The Intrapreneur acts as an individually operating CRE department and is responsible for its own costs and profits, with an eventual aim to gain (little) profit. To indeed establish this, the relation with other organisational units is formalised: the CRE department’s internal clients pay rent for their use of space. The Intrapreneur’s results are measurably presented to the (mostly) CFO and benchmarked against external providers. Most importantly, CRE is no longer considered piece by piece, but at the level of the complete CRE portfolio.

Stage 5: Business Strategist
A Business Strategist-like CRE department considers the provision of CRE mostly on a strategic level. Compared to the Intrapreneur, it even more acts as an individually operating department. By measuring and monitoring its own impact, it aims to contribute to the total value and competitive position of the firm. For this professional, the alignment between the CRE strategy and the overall business strategy is the key to success. Therefore, this CRE professional needs strategic competencies in order to complete the tasks and responsibilities in this stage fruitfully.

12.2 Authority and power
In their research paper, O’Mara et al. (2002) give several suggestions regarding the measurement of the level of authority and power of the CRE department. For the aspect of power, they allocate the insensitivity of the relationship between the CRE director and the general management as an important aspect. Indicators of this aspect are the amount of reporting levels separating the CRE director from the CEO, and the regularity in which the CRE director meets with the general management. The level of authority of a CRE department can be derived from the CRE department’s relationship to its firm’s other organisational units: are these units required to ask for permission if their decisions or actions affect the (facility) management of the firm’s CRE portfolio? For this authority, three levels can be distinguished. The lowest level of authority is Consultative, in which the CRE department is only asked for input of its expertise when uncertainties arise or when the organisational units want to lower the risk of failure of applications. In the
second level, named Collaborative, the use of the CRE department is not explicitly mandated by the general management, but coerced through financial controls or channelled through administrative procedures. In the highest level of authority, being Controlling, the other organisational units are mandated by corporate rules to use the CRE department when a major facility decision is considered (O’Mara et al., 2002). One can state that the signing authority of the CRE directors is another indication of the level of authority: how much expenses can a CRE director make without needing to explicitly ask permission to the general management?

12.3 Practice in general
In a 2014 survey by Deloitte (Acoba et al., 2014, 2016), CRE professionals were questioned about their CRE department’s role within the firm (Figure 12.2). For this research, different descriptions of the role were used than those of Joroff et al. (1993) or O’Mara et al. (2002). However, a clear line of similarity can be drawn. Almost half of the respondents indicated to act as a Strategic Manager, designing CRE portfolio strategies, which can be compared with the Intrapreneur stage of Joroff et al. (1993). Furthermore, a small part of the respondents indicated to work as a Task manager, a role comparable with the Taskmaster of Joroff (Acoba et al., 2014, 2016; Cleveland & Cotter Fuchs, 2014). This is remarkable since a 1995 research of Prins (in Frederix & Krumm, 2008) concluded that the larger part of the Dutch CRE departments was still operating as a Taskmaster. This indicates that the CRE department has undergone a significant shift of role in the intermediate period. Finally, it was stated in the Deloitte research (Acoba et al., 2014, 2016) that more and more professionals are starting to value CREM, a change of perspective which contributes to the opportunities and responsibilities of the CRE department. However, it was also mentioned that many CRE departments which have the ambition to perform as a Strategic partner of Visionary, are challenged to do so by the rest of the firm.

Figure 12.2: The role of the CRE department in support of the customer (Acoba et al., 2014, 2016).
13 ANALYSIS FRAMEWORK

In Chapter 7 it was concluded that organisations all configure their organisational structure differently: they adapt their structure to their particular situation. Furthermore, the theory provided in the former chapters of this section illustrated that firms have many opportunities to do so: the organisational structure of the CRE department offers an endless array of possibilities for configuration. However, although maybe this was not directly noticeable within the prior chapters, a red line can be detected within this wide array: all decisions concerning the organisational structure of the CRE department concentrate around some central themes or dimensions. These structural dimensions and their coherent theories form the basis for the synthesis of the Analysis Framework.

This Analysis Framework is of value for the research in two distinctive ways. Firstly, the Analysis Framework provides a useful scope of research in the case analysis, as the Analysis Framework’s dimensions form the focal point for the archival review and qualitative interviews in the second phase of the research. Secondly, the Analysis Framework provides the opportunity to compare the organisational structures of the case firms’ CRE departments in a comprehensible manner in the third phase of the research, the cross-case analysis.

13.1 Preliminary version of the Analysis Framework

![Diagram of Analysis Framework]

Figure 13.1: Preliminary version of the Analysis Framework (own illustration).

Figure 13.1 visualises the preliminary version of the Analysis Framework. As can be seen, this version consists of six distinctive dimensions: level of centralisation, level of concentration, the focus aspect of the structure, the extent of outsourcing, the role of the CRE department and its level of authority. The
dimensions centralisation and concentration are both indicators of the position of the CRE department within its overall firm. The dimension centralisation is measured by the number of levels between the CRE director and the CEO. The models of Paragraph 9.2 are used to measure the dimension of concentration. For the form of the CRE department, its focus aspect is determined. The basic models of Paragraph 10.2 form the basis for this dimension. For the sourcing of CRE activities, the basic models of De Jong et al. (2013) are used to measure the sourcing of the CRE department. Finally, the role of the CRE department within its firm consists of two different dimensions, based on the evolution stages of Joroff et al. (1993) and the levels of authority by O’Mara et al. (2002) (Paragraphs 12.1 and 12.2).

13.2 Reformulation of the Analysis Framework
The Analysis Framework was slightly altered after the conduction of the first interviews showed that the particularly the dimension of centralisation, was not suitable for the correct measurement of the multinational CRE department. It was concluded that in reality, centralisation is applied on two distinctive levels: an external and an internal level (Paragraph 9.4, and). As was explained in Paragraph 9.5, for the external centralisation of the CRE department and thus its position, a distinction can be made between vertical centralisation and horizontal centralisation. These two dimensions and their coherent values are incorporated in the Analysis Framework. For the dimension of internal centralisation and thus the form of the CRE department, use was made of the models explained in Paragraph 10.1. The final version of the Analysis Framework is visualised in Figure 13.2.

Figure 13.2: Final version of the Analysis Framework (own illustration).
case analysis
14 AHOOLD (DELHAIZE)

Ahold Delhaize is a large multinational which mainly operates in the retail food industry. Besides supermarkets, the firm also operates hypermarkets, convenient stores and discount stores. The firm is currently active in 11 countries, mainly concentrated in the United States and Europe. It operates brands such as Giant, Food Lion, Albert Heijn and Delhaize. In the Netherlands, Ahold Delhaize is mostly known by the exploitation of brands such as Albert Heijn, Gall&Gall, bol.com and Etos (Ahold Delhaize, 2018, pp. 14-20; Chung, 2010, p. 33).

14.1 Development of Ahold (Delhaize)

As the merger between Ahold and Delhaize took place only in 2015, the following story starts with the developments and big events surrounding Ahold.

Just after the turn of the twenty-first century, the sales of Ahold were doing well. In 2001, the firm’s turnover even increased by almost 30% compared to the year prior (Ahold, 2002, p. 3). Ahold was active in 28 countries and employed 450,000 persons worldwide, sustaining a dominant position in the retail food market (Ahold, 2002, p. 1; Chung, 2010, p. X). This success was also reflected in the firm’s strategy, which was striving “to be the best local food provider whatever, wherever and whenever our customer’s needs are” (Ahold, 2002, p. 7). Large subsidiaries such as Giant Food Stores (Wilkinson et al.), Albert Heijn (NLD), ICA (Wilkinson et al.) and Ahold Supermercados (ESP) were a regionally focused structure, consisting the divisions USA-retail, USA-Foodservice, Europe, Latin America and Asia (Figure 14.1) (Ahold, 2002, p. 9).

![Figure 14.1: Structure of Ahold in the period 2001 to 2003 (Ahold, 2001, pp. 78, 79).](image)

The year 2003 marked the start of a difficult period for Ahold. In February, accounting firm Deloitte detected inconsistencies in the bookkeeping of several subsidiaries: the reported profit of 2000, 2001 and 2002 turned out to be overstated (Ahold, 2003, p. 4; Koops, 2003). As a result of this event, investors lost their faith in the firm: the stock prices of Ahold went down tremendously. Compared to the year prior, its market capitalisation fell for two-thirds, to just 10% (Chung, 2010, p. 34). In order to reassure the firm’s stakeholders and by this, stabilise its financial situation, Ahold had to take drastic measurements (Ahold, 2003, p. 5).
First of all, the overall debt of the firm was reduced by the reduction of capital expenditure and the divestment of non-core and underperforming assets. In April, Ahold announced to withdraw itself from the underperforming activities in South America (Chung, 2010, p. 34). Additionally, other assets such as its Indonesian and Malaysian operations and the brands De Tuinen (NLD), Jamin (NLD), Santa Isabel (CHL), Golden Gallon (Wilkinson et al.), were divested (Ahold, 2003, p. 5).

Secondly, Ahold changed its strategic direction. The firm’s new strategy ‘Road to Recovery’, aimed to restore Ahold’s financial health, re-engineer the retail food business, make the U.S. food services profitable again and improve the firm’s accountability, controls and corporate governance (Ahold, 2003, p. 6; 2004, pp. 5-7). As part of this program, new board members were appointed and the existing structure was simplified, enabling transparency and a reduction of overhead costs. A grouping based on the ‘arena’s’ (similar product forms in nearby areas) Central Europe arena, the Albert Heijn arena, the Giant-Carlisle-Tops arena and the Stop&Shop/Giant-Landover arena, formed the basis of the new structure (Ahold, 2003, p. 5; 2005, p. 51; 2006, p. 28).

In the meantime, also Albert Heijn was struggling with the difficulties facing its mother company Ahold. In an attempt to restore its loss of customers, the Dutch retailer started a price war with its direct competitors (Thijssen, 2004). Furthermore, the subsidiary decided to move its headquarters to Amsterdam to show its customers that “Albert Heijn is a division of Ahold and thus not the same as Ahold” and by this, differentiate itself from the actions of the overall firm.

In 2006, Ahold decided to review its strategy and organisational composition in order to facilitate growth, in the United States in particular. Firstly, the firm decided to refocus its portfolio into retail food and in markets in which it could position itself as the number one or two retailer. Therefore, it divested the U.S. Foodservice and its operations in Poland and Slovakia. Secondly, Ahold’s structure was again

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2 Full case description Royal Ahold by Mark-Jan Kreijkes (2009).
For 5 years, Ahold continued its operations in line with the last made changes and despite the economic recession of 2008, the results of the firm were good. However, as a reaction to both the rapidly changing customer demand as well as the rise of technology in the retail environment, in 2011, the firm introduced a new strategy ‘Reshaping Retail’. The strategy contained measurements to increase customer loyalty and broaden the firm’s offering, geographic spread and online sales and by this, further accelerate the firm’s growth (Ahold, 2012, p. 10; Behrenbeck, 2013). This online presence was indeed expanded with for example the acquiring of online giant bol.com in the Netherlands (Ahold, 2012, p. 33; bol.com, 2012). Another remarkable event within this period was the sale of the remaining stocks of ICA supermarkets and by this, the ending of a long period of activity in Sweden and Norway (NOS, 2013). In 2014, Ahold again announced a restructuring of its organisation. However, the geographic focus was maintained. In the new model, more attention was given to the Czech Republic as Ahold was planning on expanding its activities in that area (Ahold, 2014, p. 53). This structure is visualised in Figure 14.3.

The year 2016 was important for Ahold as this marked the moment of its merger with Delhaize. Reason for this bundling of forces was the intention of Ahold and Delhaize to expand their activities in the United States, an area in which both firms were already very active. The stakeholders of Ahold received 61 per cent and the stakeholders of Delhaize 39 per cent of the new firm ‘Ahold Delhaize’ (Ahold, 2016, pp. 15, 135; Smal, 2015). Naturally, this merger of firms again set in motion a change of strategy and structure as both organisations needed to be blended into one. The aim of the new strategy, ‘Better Together’, was to create one organisation out of two by combining benefits of scale while sustaining strong local brands. The structure remained to be geographically focused, combining the areas of operation of both Ahold and Delhaize: Ahold USA, Delhaize America, The Netherlands, Belgium and Central and South-eastern Europe Figure 14.4 (Ahold Delhaize, 2016; 2017, pp. 21, 81).
Below, an overview is given of the development of the net result, the number of employees and the global activity of Ahold (Delhaize) within the researched period (Table 14.1).

<table>
<thead>
<tr>
<th>Year</th>
<th>Net result</th>
<th>Employees</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>900 million euros</td>
<td>420,000 people</td>
<td>24 countries</td>
</tr>
<tr>
<td>2005</td>
<td>169 million euros</td>
<td>247,000 people</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>853 million euros</td>
<td>213,000 people</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>851 million euros</td>
<td>236,000 people</td>
<td>5 countries</td>
</tr>
<tr>
<td>2017</td>
<td>1817 million euros</td>
<td>369,000 people</td>
<td>11 countries</td>
</tr>
</tbody>
</table>

Table 14.1: Net result, number of employees and global activity of Ahold (Delhaize) in the period 2000 to now (Based on Ahold, 2001, pp. 1, 2, 7; Ahold, 2006, pp. 3, 7; 2011, pp. 2, 61; 2016, pp. 3, 28; Ahold Delhaize, 2018, pp. 16, 20).

Estimation of the eventual net result, as the reported net result of the Annual report 2000 turned out to be overestimated.

### 14.2 Development of Ahold (Delhaize)’s CRE department

Figure 14.5 provides an overview of the development of Ahold (Delhaize) and its CRE department in the period since the turn of the century until now. The development of Ahold (Delhaize)’s CRE department was divided in several periods, in which a major change in position or form of the CRE department formed the starting point of a new era. The following paragraphs describe the different eras of Ahold (Delhaize)’s CRE department.

#### 14.2.1 CRE department in the period 2000 to 2003

**Position**

Around the turn of the century, Ahold ran national boards under the level of its regional divisions. The CRE department of that time was fitted around that geographical structure: CRE activities were performed locally, by individually operating units. At that time, Ahold Real Estate (NLD) and Ahold Real Estate (Wilkinson et al.) were the largest and most influencing CRE units. Although the other regions of operating had their own CRE professionals, these were often coached by either one of the two. This way, Ahold Real Estate (NLD) was involved in Portugal, Czech, China and Indonesia. Ahold Real Estate was responsible for the coaching of countries in South America. In the case of exploration of new business markets in an unknown area, one of the two large CRE units would be enlisted to coordinate the prospecting activities concerning CRE. When the area would indeed show promising, local CRE professionals were hired to create a local CRE organisation again.³ To be able to profit from economies of scale despite the scattering of operations and services and additionally, exchange knowledge within the firm, Ahold initiated the Ahold Networking program. The program aimed to establish communication amongst several experts of the firm and CREM was one of its focus points (Ahold, 2002, p. 31). As little is known about the operation of the

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³ Full case description Ahold by Peter Krumm (1999); full case description Royal Ahold by Mark-Jan Kreijkers (2009).
foreign CRE units, the following paragraphs concerning the position, form, sourcing and role of Ahold’s CRE department, mainly focus on the firm’s Dutch CRE activities.

Within the given period, the CRE activities in the Netherlands were performed by two separate units: Ahold Real Estate (NLD) and Albert Heijn Store Development. The former was responsible for the supply of the “outer shell” of CRE, whereas Albert Heijn Store Development was responsible for the layout and interior of the stores. Both units reported to the department Support Services, which was part of the Albert Heijn BV and on its turn reported to the Dutch board of Ahold (Figure 14.6).⁴

Figure 14.6: Reporting line of the Dutch CRE units around the turn of the century⁵.

**Form**

In 2000, Ahold Real Estate (NLD) consisted of approximately 65 employees, grouped according to performed process. As can be seen in Figure 14.7, the unit consisted of four distinctive units, being: Prospecting Specialty Stores, Prospecting Albert Heijn, Location & Consumer Analysis and Development & Investments. The first two units were responsible for the acquisition of retail locations for both Albert Heijn as well as the specialty stores such as Etos and Gall&Gall. The unit Location & Consumer Analysis was responsible for the predicting of consumer behaviour and the exploration of possible locations for expansion. The unit Development & Investments was responsible for the actual development of CRE on the chosen retail locations.⁶ Unfortunately, not much is known of the form of the unit Albert Heijn BV Store Development at the time.

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⁴ Full case description Ahold by Peter Krumm (1999).
⁵ Based on full case description Ahold by Peter Krumm (1999); Ahold annual report 2001 (2002).
⁶ Full case description Ahold by Peter Krumm (1999).
Sourcing

During the formation of Ahold Real Estate (Wilkinson et al.) which was managed by Ahold Real Estate (NLD), the Dutch CRE unit gained much knowledge from the American real estate market. In the United States, CRE professionals often developed real estate, sold it to investors and leased it back. There, this was particularly interesting due to the low return on real estate investments there. Although in the Netherlands this return on real estate was way more profitable, it did feed the initiative to indeed sell and lease back some of the retail properties of Ahold. This development initiated the start of intensive collaboration with local real estate brokers which then became responsible for putting Ahold’s properties on the real estate market.  

As was explained, Ahold Real Estate (NLD) contained an organisational unit which was responsible for the development of retail locations. However, in reality, the activities executed by this unit were of a coordinative nature: most developments were established in collaboration with external real estate developers. Many other activities concerning Ahold’s CRE, such as portfolio management, asset management, real estate emergency number, lease administration, maintenance activities and construction activities were still managed in-house. At the time, Ahold Real Estate (NLD) named several benefits of the in-house real estate department: this unit always works in the best interest of the operating units, has much knowledge of the company and its interests, is able to make accurate estimates of the possible turn-over in particular locations and finally, is always striving for a lowering of costs.  

Role

Ahold Real Estate (NLD) was responsible for the supply and management of all retail locations in the Netherlands. Non-core business locations such as distribution centres and offices did not fall under the unit’s direct responsibility and were solved on an incidental basis, for example by the establishment of a temporary construction team. Ahold leased its properties to its franchisers in line with market rents and thus established profit.  

For a long time, Ahold’s properties were considered as an investment product which had to be turned into financial value. However, around the turn of the century, some tension between Ahold Real Estate (NLD) and the firm’s brands resulted in a turnaround of perspective for the CRE unit. As Marcel Kokkel, then director of the unit formulated it:  

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7 Full case description Ahold by Peter Krumm (1999).
8 Full case description Ahold by Peter Krumm (1999); interview with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (20 February 2018).
9 Full case description Ahold by Peter Krumm (1999); interview with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (20 February 2018); e-mail contact with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (15 May 2018).
10 Full case description Ahold by Peter Krumm (1999).
11 Full case description Royal Ahold by Mark-Jan Kreijkens (2009).
It also was a rescue mission in order to keep Ahold Real Estate (NLD) alive. From that moment on, the real estate portfolio and the results shifted to the second place, while supporting the core business became number one priority. With this change, Ahold Real Estate (NLD) was completely adding value and supporting to the core business of Ahold.\textsuperscript{12}

From that moment onwards, Ahold Real Estate (NLD) closely collaborated with Ahold’s operating units to support them and thus the core-business as much as possible. In general, the operating units of Ahold were the ones initiating investment proposals. However, the Dutch CRE unit often assisted in finding the most appropriate location and with the formulation of the necessary plans. Investment proposals of the operating units did not have to be authorised by Ahold Real Estate (NLD), but extremely high investments required the approval of a selected company of board and staff members, a group in which the head of Support Services, the mother unit of Ahold Real Estate (NLD), took part.\textsuperscript{13}

14.2.2 CRE department in the period 2003 to 2006
The inaccuracies in Ahold’s bookkeeping also affected Ahold Real Estate (NLD), the Dutch CRE unit. Before the event, the plan was initiated to create a centralised CRE unit for entire Europe. As the local CRE units in USA and Asia were functioning quite well and independently, it did not seem necessary to include these in the plans. However, after the events, the plans were aborted and the CRE activities were brought back to every individual country in Europe. Additionally, Ahold Real Estate (NLD) and Albert Heijn Store Development, were slimmed down severely in a major re-organisation. This affected the latter in particular, which was downsized from 300 employees to 60 employees.\textsuperscript{14}

Position
As was explained, Ahold changed its structure after the accounting problems which also influenced Ahold Real Estate (NLD) and its reporting line. Whereas formerly, Ahold Real Estate (NLD) reported to the Support Services department which on its turn, reported to the Albert Heijn unit, it now reported to the board of the Albert Heijn Arena. A logical choice since Ahold Real Estate (NLD) already operated in favour of the specialty stores Gall&Gall and Etos, not only for Albert Heijn itself.\textsuperscript{15} Unfortunately, not much is known about the then reporting line of Albert Heijn Store Development.

Form

\begin{figure}[h]
\centering
\includegraphics[width=0.5\textwidth]{ahold_real_estate_form_2009.png}
\caption{Form of Ahold Real Estate (NLD) in 2009.}\textsuperscript{16}
\end{figure}

\textsuperscript{12} Full case description Royal Ahold by Mark-Jan Kreijkes (2009).
\textsuperscript{13} Full case description Ahold by Peter Krumm (1999); full case description Royal Ahold by Mark-Jan Kreijkes (2009); interview with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (20 February 2018).
\textsuperscript{14} Full case description Royal Ahold by Mark-Jan Kreijkes (2009); e-mail contact with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (15 May 2018).
\textsuperscript{15} Full case description Royal Ahold by Mark-Jan Kreijkes (2009).
\textsuperscript{16} Based on the full case description Royal Ahold by Mark-Jan Kreijkes (2009).
Although Ahold Real Estate (NLD) remained to be process focused, the grouping of its units changed slightly (Figure 14.8). In this period, Ahold Real Estate (NLD) counted approximately 100 persons, a significant growth compared to the 65 persons in the previous period. This growth had occurred primarily within the Project Development and Research units. The Albert Heijn Store Development unit of this period also knew a process grouping and mainly consisted out of a Store Construction unit and a Service Management unit.\(^{17}\)

**Sourcing**

A more intensive collaboration with external parties was the main reason for the downsizing of the Albert Heijn Store Development unit. Contracts with municipalities, project developers and investors were closed according to the principle ‘Next Week open’: Ahold aimed for a shorter closing of its stores in case of a refurbishment. Whereas previously, this could take up to 2 months, the newly contracted strategic partners were now given the assignment to establish the renovations within one week.\(^{18}\)

### 14.2.3 CRE department in the period 2006 to 2011

**Position**

In 2006, the position of the Ahold Real Estate (NLD) again changed due to a change of the Ahold’s structure which implemented a more geographically focused structure: the firm’s brands were now grouped per continent (Ahold, 2007, pp. 7-9; Behrenbeck, 2013). After that change, Ahold Real Estate (NLD) again reported to Albert Heijn BV, whom on its turn reported to the continental management group of Ahold.\(^{19}\) Unfortunately, not much is known about the then reporting line of the Albert Heijn Store Development unit.

### 14.2.4 CRE department in the period 2011 to 2014

**Position**

After the implementation of the continental structure in 2006 (Ahold, 2007, pp. 7-9; Behrenbeck, 2013), Ahold aimed to centralise the European services of the firm (Meijsen, 2010).\(^{20}\) This also affected the CRE activities. In 2011, the Dutch CRE units Ahold Real Estate (NLD) and Albert Heijn Store Development were combined into one organisation and positioned on a regional level, reporting to the CFO of the European board of Ahold (Te Pas, 2011).

**Form**

![Diagram](Figure 14.9: Form of Ahold (Delhaize)’s European/Dutch CRE unit as of 2011\(^{21}\)).

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\(^{17}\) Full case description Royal Ahold by Mark-Jan Kreijkes (2009); Interview with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (20 February 2018).

\(^{18}\) E-mail contact with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (15 May 2018).

\(^{19}\) Interview with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (20 February 2018).

\(^{20}\) E-mail contact with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (15 May 2018).

\(^{21}\) Based on documents provided by Ahold Delhaize.
The new unit was downsized noticeably, but as can be seen in Figure 14.9, the grouping of the now European CRE remained process focused.

**Sourcing**
Besides the change of position and form, the year 2011 also marked a significant turning point for the sourcing of CRE activities. An outsourcing program was initiated in which more CRE activities were transferred to external parties. This simultaneously forms one of the main reasons for the downsizing of the CRE unit. From this moment, several activities, such as the real estate emergency number and the lease administration became automated and were outsourced. Furthermore, Ahold started to make use of external parties for the execution of activities such as project coordination, service management, development and property services. For the outsourcing of these CRE activities, Ahold (Delhaize) sustains a network of fixed strategic partners.\(^{22}\)

**Role**
Due to the change of position, the European unit became responsible for the CRE of all Ahold’s European countries, mainly positioned in the Netherlands, Belgium and Czech. Furthermore, the new position enabled a more strategic perspective and thus role towards the firm’s CRE portfolio. A good example of the changing role of the European CRE unit lies in the change of activities of the Expansion managers. Whereas formerly, the Expansion managers simply drove around the country in an attempt to find useful sites for retail locations, they now did this more directed and efficiently. First, a strategic direction was set out for the retail locations, after which they researched the areas surrounding the proposed expansion locations.\(^{23}\)

14.2.5 CRE department in the period 2014 to now
In 2014, Ahold again restructured as it wanted to increase its focus on the Czech activities. Simultaneously, the responsibilities for CRE were again decentralised to the firm’s national organisations. Currently, the cooperation between local CRE units is limited, as many of the obtained knowledge can only be applied in one particular local region. However, about some subjects, such as the estimation of turnover, communication appears. Also, sometimes, when different CRE units cover similar areas of business, they exchange useful and promising site locations.\(^{24}\)

The former European unit was again positioned under Albert Heijn, supplying that particular operating unit and the specialty stored Etos, Gall&Gall and AH to go. The Dutch CRE unit called Real Estate, Construction & Franchise Albert Heijn reports to the director Retail and Distribution of the board of Albert Heijn, which on its turn reports to the general board of Ahold Delhaize.\(^{25}\)

**Role**
Since the repositioning of the now Dutch again CRE unit, it became responsible for all countries in which Albert Heijn and the related brands are operating, namely The Netherlands, Belgium and Germany. In order to compensate for the loss of responsibilities due to the decentralising movement, the CRE unit also obtained the responsibility for the brand’s franchisers, an activity which lies outside the spectrum of CRE activities. The merger between Ahold and Delhaize in 2015 did not affect the local CRE unit as Delhaize has no locations in the Netherlands. In Belgium, the Dutch CRE unit has the responsibility for supply of retail locations for the Dutch brands (Albert Heijn, AH to go. Etos, Gall&Gall) only. Delhaize’s CRE unit is

\(^{22}\) Interview with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (20 February 2018); documents provided by Ahold Delhaize.
\(^{23}\) Interview with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (20 February 2018).
\(^{24}\) Interview with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (20 February 2018).
\(^{25}\) Interview with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (20 February 2018).
Figure 14.10: Analysis of Ahold (Delhaize)'s CRE department in the period since the turn of the century to now (own illustration).
responsible for the supply of Delhaize stores in that particular country. Local Facility Management units handle the facility management activities for distribution centres and the offices. The supply of distribution centres and factories are often handled by the operating units themselves. Sometimes, large-scale projects like this are supported by the Dutch CRE unit. An example of this is the construction of the parking deck for the head offices in Zaandam: the local CRE unit consulted the Facility Management unit of the headquarters on the coordination of the project and the selection of contractors.26

Collaboration of the operating units with the local CRE unit is not mandated by corporate rules but usually occurs naturally as every investment proposal touches the field of CREM: every expansion requires the establishment of CRE. The local CRE unit then acts as a centre of knowledge, advising the operational units on the development and maintenance of their real estate. The results of the CRE unit are monitored by the application of clear and communicated KPI’s, which are similar for every individual internal unit and all team members.27

14.3 Analysis of Ahold (Delhaize)’s CRE department

The information of the Paragraphs 14.2.1 to 14.2.5 concerning Ahold (Delhaize)’s CRE department in the period since the turn of the century to now is analysed by means of the Analysis Framework. The result of this analysis is visualised in Figure 14.10. It should be noted that the hard transitions of changing dimensions, that of the evolution of the CRE department, in particular, do not always give a fair representation of reality. In reality, these transformations often occur in a more gradual manner. However, due to the limited manner of data collection, this exact process could not be recorded. Therefore, noticeable changes within the CRE department such as a change of form, are often linked to the transformation of other dimensions. Below, a further explanation is provided on how the CRE department of Ahold (Delhaize) and the configuration of its structural dimensions, in particular, has developed in the researched period. Furthermore, it should be noted that little is known about the foreign CRE activities of Ahold (Delhaize). Therefore, in order to determine the form, sourcing and role of the CRE department of Ahold (Delhaize), information concerning the local CRE unit here in the Netherlands is used. For the position and form of the CRE department within Ahold (Delhaize), it is taken in notice that this CRE department consists out of several local CRE units. Below, a further explanation is provided on how the CRE department of Ahold (Delhaize) and the configuration of its structural dimensions in particular, has developed in the researched period.

Period 2000 to 2003
In this period, Ahold’s CRE activities were performed on the level of national operating units (Figure 14.10) The CRE units in the Netherlands, being Ahold Real Estate (NLD) and Albert Heijn Store Development, both reported to the Support Services unit of the operating unit Albert Heijn BV and thus in the line of operations. Remarkable, since both CRE units provided all Dutch brands of Ahold (Delhaize), not only Albert Heijn. Albert Heijn BV on its turn, reported on a national level, namely to the Dutch board of Ahold (Delhaize) (Ahold, 2002, pp. 78, 79). Furthermore, some CRE activities were performed in the line of operations, namely by the operating units themselves. Ahold (Delhaize)’s CRE department knew a large extent of deconcentration: CRE activities were performed locally, independently by every country or region. Furthermore, no coordination between the local CRE activities occurred and processes, products and results were not determined on a global level: the authority and operation of CRE activities were both heavily decentralised. Due to the geographic spread and performance of CRE activities, the primary focus of

26 Interview with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (20 February 2018); e-mail contact with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (15 May 2018).
27 Interview with Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn (20 February 2018).
Ahold’s CRE department was geography. The national units themselves mostly had a process focus. Furthermore, a distinction was made per type of real estate handled: distribution offices and other production properties were managed by other CRE units than the retail locations. Considering the sourcing, it was explained that Ahold Real Estate (NLD) did collaborate with external parties such as brokers. However, many other CRE activities, for example, Ahold’s real estate emergency line, were managed in-house. Therefore, it can be concluded that within the given period, this CRE unit was behaving in the Administrative model of De Jong et al. (2013, p. 17). Considering the evolution stages of Joroff et al. (1993, pp. 21, 26-33), Ahold Real Estate (NLD) can be appointed as a real ‘Dealmaker’: due to the valuation of CRE as an investment product, the unit was prompted to reduce its costs and that of the provided real estate. Additionally, it collaborated closely with Ahold’s operating units to create organisational value. However, due to the unit’s limited role in the development of investment proposals, it did not get the opportunity to take the development of its CRE portfolio to the next (strategic) step. This limited role is also expressed by its limited authority within the firm: Ahold (Delhaize)’s operating units take the initiative for expansion, and the CRE unit is only called in for her expertise concerning CRE. Furthermore, Ahold Real Estate (NLD) did not evaluate or approve the investment proposals of the operating units and therefore, the Dutch CRE unit was operating at the ‘Consulting’ level of authority by O’Mara et al. (2002).

Period 2003 to 2006

In this period, the CRE unit Ahold Real Estate (NLD) operated in a slightly different setting (Figure 14.10). First of all, the position of the CRE unit changed: instead of reporting to the Services Unit of the Albert Heijn BV, it now reported directly to the board of the Albert Heijn arena, a unit consisting of several brands, such as Albert Heijn, Etos and Gall&Gall arena and which reported on a global level (Ahold, 2003, p. 5; 2005, p. 51; 2006, p. 28). Because of this, the unit’s reporting line changed, from reporting to services and operations, to reporting entirely to operations. Furthermore, Ahold Real Estate (NLD) changed form but remained process focused.

Period 2006 to 2011

At the start of this period, the position of the Dutch CRE unit again changed (Figure 14.10). Ahold’s the arena-based structure was replaced for a regionally focused structure. From that moment, Ahold Real Estate (NLD), again reported to Albert Heijn BV, which was now reporting on a regional level instead of a global one.

Period 2011 to 2014

In 2011, Ahold Real Estate (NLD) and Albert Heijn Store Development were merged into one organisation. The prior Dutch CRE units were centralised to a regional level and became responsible for Ahold’s entire European retail portfolio (Figure 14.10). The European unit reported to the CFO of the European board (Figure 14.10), thus in the line of finance. However, the CRE activities for the distribution centres and factories were still performed in the line of operations. Although Ahold’s CRE activities remained to be deconcentrated, the initiation of the European CRE unit implied that some form of central coordination was applied. Furthermore, due to the merger, the Dutch CRE unit again changed form but remained to be grouped according to the executed process. Furthermore, as the unit started an extensive outsourcing program in which many CRE activities were outsourced to external service providers, it moved from operating in the Administrative model of De Jong et al. (2013, p. 17), to the Coordinating model. Finally, the European CRE unit took up a more strategic perspective towards the firm’s CRE portfolio, which was well-illustrated by the example concerning the unit’s location managers. Due to the already present cost awareness, the aim for the creation of investment value and a constant monitoring of CRE trends and its own performance, the Dutch CRE unit of the time is evaluated as a Business Strategist (Joroff et al., 1993, pp. 21, 26-33).
Period 2014 to now
In 2014, Ahold’s CRE activities were again decentralised to a national level (Figure 14.10). The former European unit again became the responsibility of Albert Heijn and was limited to the supply CRE for that particular operating unit and its related brands. As it now reports to the director Retail and Distribution, its reporting line became completely operational.

Driving factors
The most drastic changes for the Dutch CRE department were driven by firm-wide re-organisations: in 2003, 2006 and 2014 this was the case. The constant change of form of the CRE units can probably be most attributed due to the leadership of the CRE unit itself, which was always looking for the best fit for the then circumstances. Finally, the outsourcing program of 2011 was mostly prompted by a change of leadership of the unit, namely to that of Anneke de Vries, Senior Vice President Real Estate, Construction & Franchise Albert Heijn.
15 AKZONOBEL

AkzoNobel is a production firm which provides clients all over the world with its specialised products. Although formerly, AkzoNobel also provided products for the healthcare and chemical sectors, currently, it is mostly focused on its paint and coatings product lines (Akzo Nobel, 2001, p. preface; AkzoNobel, 2018, pp. 20, 21).

15.1 Development of AkzoNobel

Since the merger between AKZO and Nobel in 1994, AkzoNobel was formed as a business organisation in which authority and operations were strongly decentralised to the firm’s operating units, which all reported directly to AkzoNobel’s general management30. In 2000, this two-layer structure was built around three sectors active in 75 countries: Pharma, Coatings and Chemicals which were all supported by a Corporate Centre (Akzo Nobel, 2001, pp. preface, 31). In this period, the firm’s strategy was merely focused on ‘Value Creation’, aiming for an expansion of the firm’s Pharma and Coatings sectors and an improvement of its Chemicals sector’s profitability. In order to establish the set goals, the firm divested some of its underperforming operating units and only acquired activities which suited its particular specialism (Akzo Nobel, 2001, pp. 5, 8). As a result of though sectoral conditions, in 2001, AkzoNobel announced a re-structuring of its Coatings and Chemicals divisions, influencing the employment of 3500 persons. Also, the operating units Diagnostics and Printing Inks were disposed of (Akzo Nobel, 2002, pp. 14, 17). Simultaneously, AkzoNobel renewed its strategic focus, giving priority to business growth and a transformation of its product portfolio. In line with this goal, the firm again divested activities, such as the greater part of its Chemicals sector. Furthermore, the firm’s workforce was again reduced, this time resulting in 2500 employees losing their job. Since the start of the restructuring programs in 2001, the firm had already dismissed approximately 9000 people (Akzo Nobel, 2004, pp. 20, 28; 2005, pp. 4, 25; AkzoNobel, 2011, p. 20).

In the start of 2006, AkzoNobel announced its plans to split into two independent companies: Akzo Nobel and Organon BioSciences (Akzo Nobel, 2007, p. 4). This divestment of its pharmaceutical activities was part of a long-term goal to further develop its specialism in the Coatings and Chemicals sectors. In 2007, the Organon Biosciences branch was sold to Schering-Ploughn, a United States-based pharmaceutical company (Financial Times, 2007). After this transaction, the firm’s activities were concentrated around the sectors Decorative Paints, Performance Coatings and Specialty Chemicals (Akzo Nobel, 2008, p. 16).

Another critical step for AkzoNobel’s development was the acquiring of Imperial Chemical Industries or ICI. For approximately 11.5 billion euro’s, AkzoNobel obtained this chemical giant of British origin. The firm considered this step essential for entering fast-growing markets such as Asia and Latin America and for the expansion of its portfolio, workforce and knowledge (Akzo Nobel, 2008, pp. 8, 12; Davoudi & Spikes, 2007; DutchNews.nl, 2017). The acquisition set in motion a period of change for the firm. Firstly, to emphasise the integrated firm it had become, the firm was rebranded from Akzo Nobel to AkzoNobel (AkzoNobel, 2008). Secondly, AkzoNobel moved its headquarters from Amhem to Amsterdam: as a prime location, Amsterdam better reflected the firm’s status as a world player31. Thirdly, it adopted a new strategy, ‘Tomorrow’s Answers Today’, which aimed for value creation and sustainable solutions by the improved integration of AkzoNobel’s operating units. To indeed establish this integration, the firm re-organised into a more centralised structure, which also achieved significant cost-savings. Finally, AkzoNobel again initiated another program of divestments (AkzoNobel, 2009, pp. 6, 21, 22).

28 Full case description AkzoNobel by Mark-Jan Kreijkes (2009).
29 Full case description AkzoNobel by Mark-Jan Kreijkes (2009); interview with Roland Huitink, Director Real Estate AkzoNobel (22 March 2018).
In 2013, AkzoNobel introduced a new vision as it aimed to acquire “leading market positions by delivering leading performance” by carrying out a high focus on performance improvement and sustainability (AkzoNobel, 2014, p. 14). Soon after, the firm announced its intention to incorporate ‘Global Business Services’ within its organisation as it wanted to standardise service processes and become agiler towards its continuously changing operating environment. In 2015, the Global Business Services were actually put into working (AkzoNobel, 2016, p. 9). As the firm stated:

> In support functions – Human Resources (HR), Information Management (IM), Finance and non-product related Procurement – we continue to make progress towards a Global Business Services (GBS) approach. In all four functions, we are moving away from a decentralized approach to a more cohesive, centralized approach allowing far greater consistency and synergies across the company. (AkzoNobel, 2016, p. 30)

The year 2017 marked the start of a difficult period for AkzoNobel. In March of that year, American competitor PPG prompted a bid of 26.3 billion euros, planning to take over the control of the firm. Although AkzoNobel’s general management refused the offer, the firm was heavily pressured by its shareholders to further engage in negotiations with PPG. At one moment, an organised group of shareholders even tried to repel the CEO of AkzoNobel. Still convinced to reject the bidding, AkzoNobel took several measurements to overcome the negative effects of these events. The firm installed a new general board, considered collaborating with competitor Axalta Coating Systems, implemented a new structure and finally, adopted a new strategy. This strategy contained a proposal to juridical split its Paints and Coatings activities from its Chemicals activities in order the lower risks. This split is planned to be completed in 2018 (AkzoNobel, 2018, pp. 8, 9, 20, 82; Brown, 2018; DutchNews.nl, 2017). PPG eventually departed from the negotiations midst 2017 (Sterling, 2017). The current in which the Specialty Chemicals activities are indeed legally separated from the rest of the firm, can be observed in Figure 15.1.

Below, an overview is given of the development of the net result, the number of employees and the global activity of AkzoNobel within the researched period (Table 15.1).

![Figure 15.1: Structure of AkzoNobel in 2017 (AkzoNobel, 2018, p. 82).](image)

<table>
<thead>
<tr>
<th>net result</th>
<th>employees</th>
<th>activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>966 million euros</td>
<td>68,000 people</td>
</tr>
<tr>
<td>2005</td>
<td>961 million euros</td>
<td>61,500 people</td>
</tr>
<tr>
<td>2010</td>
<td>754 million euros</td>
<td>56,000 people</td>
</tr>
<tr>
<td>2015</td>
<td>679 million euros</td>
<td>46,000 people</td>
</tr>
<tr>
<td>2017</td>
<td>832 million euros</td>
<td>46,000 people</td>
</tr>
</tbody>
</table>

Table 15.1: Net result, number of employees and global activity of AkzoNobel in the period 2000 to now (Based on Akzo Nobel, 2001, pp. preface, 18; 2006, pp. preface, 3, 4; AkzoNobel, 2011, pp. preface, 10, 79; 2016, pp. preface, 181; 2018, pp. preface, 6, 34)
15.2 Development of AkzoNobel’s CRE department

Figure 15.2 provides an overview of the development of AkzoNobel and its CRE department in the period since the turn of the century until now. The development of AkzoNobel’s CRE department was divided in several periods, in which a major change in position or form of the CRE department formed the starting point of a new era. The following paragraphs describe the different eras of AkzoNobel’s CRE department.

Figure 15.2: Timeline of AkzoNobel and its CRE department (own illustration).

15.2.1 CRE department in the period 2000 to 2010

Position
In the given period, the CRE activities of AkzoNobel were performed on two levels: the corporate level and that of the operating units.30 As Roland Hultink, Director Real Estate, stated, the latter is not very surprising when you consider that AkzoNobel’s operating units held a very high level of autonomy. In addition, many of the operating units’ employees had a technical background and were therefore perfectly capable of understanding and managing real estate. Furthermore, the firm had always been very factory oriented. The site directors of the operating units had the best and most specialised knowledge concerning the production processes and therefore, the demands for the supporting CRE.31

At the corporate level, an Akzo Nobel Engineering unit was active which reported directly to the general management, to the person responsible for Strategy & Technology. Also, on this level, a Service Unit Akzo was responsible for the firm’s headquarters in Arnhem. Finally, some sectors of AkzoNobel ran their own, internal Technical Departments and many operating units had their own Facility Managers.32

Form
As can be seen in Figure 15.3, the Akzo Nobel Engineering unit consisted out of three main units: the Operations Arnhem unit, the Group Account Management unit and the Operations Obernburg. At the time, AkzoNobel Engineering counted approximately 280 employees. The Technical Departments of the operating units usually existed out of two main components, namely a Maintenance unit and an Engineering unit.33 Unfortunately, not much is known about the form of the Service Unit Akzo at the time.

30 Full case description AKZO Nobel by Peter Krumm (1999).
31 Interview with Roland Hultink, Director Real Estate AkzoNobel (22 March 2018).
32 Full case description AKZO Nobel by Peter Krumm (1999).
33 Full case description AKZO Nobel by Peter Krumm (1999).
Sourcing

Although some CRE activities were outsourced to external service providers within the given period, in general, almost all activities concerning CRE were managed by Akzo Nobel itself. Even the catering employees and the persons staffing the reception were contracted directly by the firm.\(^{35}\)

Role

In general, the operating units were the ones taking the initiative for expansion or adaptation of CRE. The directors of the operating units decided on improvements, demolishing or investment proposals which concerned the CRE properties of that particular operating unit. These were supported locally by internal Facility Managers and by Akzo Nobel Engineering, which designed and constructed CRE for the operating units. In addition, the Pharma and Coatings divisions ran own engineering departments, supplying the relevant units with CRE. This difference in policy can be most attributed to the different nature of these divisions: for the Fibers and Chemicals divisions, the focus lied mostly on their products, whereas for the Pharma and Coatings divisions, this focus lied on the entire production process: the real estate had to become more specialised and custom-made. Furthermore, Service Unit Akzo was responsible for the construction, maintenance and services of the Arnhem headquarters.\(^{36}\)

Although the operating units operated autonomous, for investments above 5 million euro’s an approval of the general management was required. Additionally, investments above a certain amount of money had to be discussed with the Akzo Nobel Engineering unit. Simultaneously, many operating units had to ask their relevant Technical Department for permission in case of any acquisition or expansion. The costs of the central Akzo Nobel Engineering unit, Service Unit Akzo and the Technical Departments, were all allocated to the operating units using their services. In general, these were all non-profit organisations, providing real estate at the lowest price as possible.\(^{37}\)

At the time, no consistent CRE strategy existed: the choice concerning leasing or buying was based on the specific circumstances of a particular investment. Roland Huitink, Director Real Estate, furthermore states that although the site directors indeed seemed to be most capable in providing the operating units in their demand for CRE, the scattering of CRE activities also had some negative effects. For example, no insight was obtained on the costs and use of the firm’s CRE portfolio and services, sometimes resulting in extremely inefficient.\(^{38}\)

\(^{34}\) Full case description AKZO Nobel by Peter Krumm (1999).
\(^{35}\) Interview with Roland Huitink, Director Real Estate Akzo Nobel (22 March 2018).
\(^{36}\) Full case description AKZO Nobel by Peter Krumm (1999); interview with Roland Huitink, Director Real Estate Akzo Nobel (22 March 2018).
\(^{37}\) Full case description AKZO Nobel by Peter Krumm (1999); interview with Roland Huitink, Director Real Estate Akzo Nobel (22 March 2018).
\(^{38}\) Full case description AKZO Nobel by Peter Krumm (1999); interview with Roland Huitink, Director Real Estate Akzo Nobel (22 March 2018).
15.2.2 CRE department in the period 2010 to 2015

Position
In 2010, AkzoNobel initiated a new CRE unit at a global level. Several reasons can be appointed for this action. First of all, AkzoNobel was amidst a process of divestments (AkzoNobel, 2009, p. 6), and the necessary closing of the relevant factories pointed out that it was not very convenient to have all the knowledge about CRE locked down within the operating units: the employees most capable of selling it (such as the site director and local facility managers) were just dismissed\(^39\). Furthermore, this centralising movement was in line with a firm-wide re-structuring towards a more centralised structure (AkzoNobel, 2009, pp. 6, 21, 22). However, although this new CRE unit did receive some responsibilities concerning CRE, many CRE activities remained to be performed on the level of the operating units, which were remained to be supported by the Akzo Engineering unit. The new CRE unit reported to the head purchasing, who reported to the head Supply Chain\(^40\).

Form
At the time, the just initiated CRE unit consisted of three persons: two specialised CRE professionals and a purchaser. Additionally, the unit closely collaborated with the local Facility Managers of the factory sites. One of the CRE professionals was responsible for the activities here in the Netherlands whereas the other was responsible for the CRE activities in the United States\(^41\).

Sourcing
After the foundation of the centralised CRE unit, AkzoNobel decided to outsource more CRE activities to external parties, especially at the main sites in Amsterdam and Arnhem. The contracts of the internal receptionists and catering employees were transferred to a third party, Eurest, which then became responsible for the provision of these services on AkzoNobel’s sites\(^42\).

Role
This new global CRE unit had a twofold assignment. First of all, it had to sell the firm’s abundant factory sites. Secondly, it was expected to create more insight in AkzoNobel’s cost for accommodation and subsequently, try to lower these. In order to establish the last assignment, it took over the responsibility for the Facility Management and maintenance of all properties of AkzoNobel. Additionally, it became responsible for the planning and construction of all large offices (over ten persons) of the firm. This, for example, resulted in a significant reduction of space usage on the Arnhem headquarters where redundant space was subleased to other firms. Additionally, from on that moment, permission had to be granted by the global CRE unit for the establishment of offices for over ten persons. The site directors of the operating units remained responsible for the planning and construction of the factory properties\(^43\).

15.2.3 CRE department in the period 2015 to now (transition phase)

Position
As a result of the initiation of the Global Business Services program (AkzoNobel, 2016, p. 9), the position of the centralised CRE unit within AkzoNobel changed. The position of the centralised CRE unit within AkzoNobel changed was changes in 2015. From that moment, the unit reported to the head of Global Business Services which on its turn reports to the CFO of the global board.

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\(^{39}\) Interview with Roland Huitink, Director Real Estate AkzoNobel (22 March 2018).

\(^{40}\) Interview with Roland Huitink, Director Real Estate AkzoNobel (22 March 2018).

\(^{41}\) Interview with Roland Huitink, Director Real Estate AkzoNobel (22 March 2018).

\(^{42}\) Interview with Roland Huitink, Director Real Estate AkzoNobel (22 March 2018).

\(^{43}\) Interview with Roland Huitink, Director Real Estate AkzoNobel (22 March 2018).
Form
In 2016, the global CRE unit was expanded by the attraction of a Facility Management director The Netherlands. After that, another FM professional was hired as well as an administrative employee, bringing the total size up to 6. At the moment, the centralised CRE unit is positioned in a transition phase, moving to a more enlarged form, holding more responsibilities.44

Sourcing
Currently, AkzoNobel is amidst the process of tendering a global assignment which all Facility Management related activities will be outsourced to one external service provider. With this, the firm aims to standardise its Facility Management processes and products and by this, operate more cost-efficient. The provider itself will determine the required services and products per site location: this is part of the assignment. The external provider will eventually be responsible for the local management of the services, but this will occur in collaboration with the local AkzoNobel Facility Managers.45

Role
As was explained, the global CRE unit already holds the responsibility of AkzoNobel’s large office sites and the Facility Management and maintenance of the factory sites. The construction and planning of the factory sites remained in the hands of the site directors: they have the most knowledge of the specific demand for real estate by the operating units. The operating units are supported by Akzo Nobel Engineering, which designs and constructs their investment proposals. In the future, the global CRE unit desires to also take responsibility for the firm’s smaller offices (under ten persons). The eventual goal is to merge some of these local offices and by this, again, provide in a more cost-efficient accommodation.46

15.3 Analysis of AkzoNobel’s CRE department
The information of the Paragraphs 15.2.1 to 15.2.3 concerning AkzoNobel’s CRE department in the period since the turn of the century to now is analysed by means of the Analysis Framework. The result of this analysis is visualised in Figure 15.4. It should be noted that the hard transitions of changing dimensions, that of the evolution of the CRE department, in particular, do not always give a fair representation of reality. In reality, these transformations often occur in a more gradual manner. However, due to the limited manner of data collection, this exact process could not be recorded. Therefore, noticeable changes within the CRE department such as a change of form, are often linked to the transformation of other dimensions. Below, a further explanation is provided on how the CRE department of AkzoNobel and the configuration of its structural dimensions, in particular, has developed in the researched period.

Period 2000 to 2010
In the given period, AkzoNobel’s CRE activities in the Netherlands were performed on two different levels: on the corporate thus global level, and on the level of the operating units (Figure 15.4). At the global level, the CRE units reported to the person responsible for Strategy & Technology, thus in an operational reporting line. Naturally, the reporting to the operating units also occurred in the line of operations. Furthermore, the CRE activities within AkzoNobel were deconcentrated, occurring in many different positions within the firm. Furthermore, as both the decision-making processes and operational CRE activities were decentralised to the firm’s operating units, the CRE department of the time can be considered as decentralised. The spread of CRE activities amongst AkzoNobel occurred mostly on a geographic basis: the employees were often

44 Interview with Roland Huitink, Director Real Estate AkzoNobel (22 March 2018).
45 Interview with Roland Huitink, Director Real Estate AkzoNobel (22 March 2018).
46 Interview with Roland Huitink, Director Real Estate AkzoNobel (22 March 2018); telephone contact with Roland Huitink, Director Real Estate AkzoNobel (9 May 2018).
Figure 15.4: Analysis of AkzoNobel’s CRE department in the period since the turn of the century to now (own illustration).
grouped around the different site locations of the firm. Therefore, the main focus aspect of its CRE department was geography. However, some CRE units such as Akzo Nobel Engineering and the Technical departments mostly knew a functional grouping of their employees. Furthermore, at the time, many of the CRE activities such as small maintenance, catering and reception were still performed by internal employees, similar to the Administrative sourcing model of De Jong et al. (2013, p. 17). Due to a strong focus on day to day supply of CRE and a lack of costs consideration, the CRE units behaved in the Taskmaster stage of evolution by Joroff et al. (1993, pp. 21, 26-33). Finally, when the guidelines of O’Mara et al. (2002) are followed, the CRE department of the time can be considered Controlling: for large scaled investments, permission from Akzo Nobel Engineering and the Technical Departments had to be acquired.

Period 2010 to 2015
In 2010, a CRE unit was formed (Figure 15.4) which reported at a global level to the head Purchasing, thus in the line of operations. This CRE unit determined the guidelines and processes for the entire firm. However, as many operational CRE activities were still performed locally, this CRE unit can be best considered as a Coordinated unit. From the moment, AkzoNobel new a dual policy towards its CRE, as the newly formed CRE unit became mainly AkzoNobel’s offices, whereas the factories of the firm were still handled by the operating units. Because of this, an extra dimension was added to the focus aspect of AkzoNobel’s CRE department: now, also a division existed which was based on the type of real estate provided. Furthermore, more CRE activities were outsourced to external service providers, after which the CRE department operated in the Coordinative sourcing model of De Jong et al. (2013, p. 17). With its initiation, the centralised CRE unit received an assignment from the general board to reduce the accommodation costs of AkzoNobel by better monitoring these. Therefore, from that moment AkzoNobel’s CRE department can be considered as a Controller (Joroff et al., 1993, pp. 21, 26-33).

Period 2015 to now
In 2015, the CRE department of AkzoNobel experienced some slight changes (Figure 15.4). First of all, the reporting level of the global CRE unit changed: it currently reports to the head of Global Business Services. This naturally also affected the reporting line of the CRE department, which is now in the line of the services and in the line of operations. Due to an additional contracting of people into the global CRE unit, its form changed slightly. However, AkzoNobel’s CRE department remained focused on geography, function and type of real estate. functionally and geographically focused. Furthermore, as it is currently working towards a standardisation of products and processes, the CRE department can now be considered as a Dealmaker (Joroff et al., 1993, pp. 21, 26-33).

Furthermore, it should be noted that the CRE department is currently amidst a process of outsourcing in which many CRE activities are transferred to one external service provider. When this process is finalised, AkzoNobel’s CRE department will be operating in the Demand model of De Jong et al. (2013, p. 17).

Driving factors
As was explained, the high autonomy of the operating units of AkzoNobel is quite understandable if you consider the firm’s product nature. This also explains why the operating units within AkzoNobel remained to have so much influence on the CRE activities. The initiation of the global CRE unit in 2010 can be explained as an effect of the several divestments made by AkzoNobel and of the firm-wide restructuring of AkzoNobel into a more centralised structure (AkzoNobel, 2009, pp. 6, 21, 22). Possibly, this latter development can be accounted for by the global economic crisis, which pressured many firms to rethink their provision of services and the costs of it in particular. Finally, the continuous broadening of the responsibilities and composition of the global CRE unit can probably be mostly attributed to the head of this unit which is constantly striving for a further evolution of the unit and by the unit and its responsibilities.
ING Group is a financial institution originating from the Netherlands. Currently, the firm mainly provides banking services. However, in the past years, it also provided related products such as insurances and asset management services. At the moment, ING Group is active in over 40 countries, distributed amongst the entire globe. The firm's customer banking services are mostly concentrated in Europe, China and Australia (ING Group, 2001, p. 12; 2018, p. 3).

### 16.1 Development of ING Group

In the year 2000, ING Group had a dominant global presence, operating in 65 countries. At the time, the firm was active in the fields of banking, insurances and asset management. The ING Group represented a wide range of companies, often operating under their own brand names. Examples of these brands are Bank Brussel Lambert (BEL), BHF-BANK (DEU) and Mercantile Mutual (AUS). Here in the Netherlands, the firm was mainly known for the operation of brands such as Nationale-Nederlanden, ING Bank and Postbank (ING Group, 2001, p. 12). The firm’s strategy at the time aimed for “achieving stable growth while maintaining healthy profitability” by providing integrated financial services in the Netherlands, development of a second home market in Europe and an international representation in selected market segments. (ING Group, 2001, pp. 12, 14) As of 2001, ING Group’s structure consisted of the four divisions ING Europe, ING Americas, ING Asia/Pacific and ING Asset Management (Figure 16.1). Although the global economic slowdown, the declining results in the equity market and the events of 9/11 all affected the results of ING Group, the firm could establish growth of its net results in 2001 (ING Group, 2001, pp. 12, 17; 2002, p. 22).

![Figure 16.1: Structure of ING Group in 2001 (ING Group, 2002, p. 13).](image)

In 2004, ING Group adjusted its strategic direction to “Create Value” for its shareholders by sustaining its profits in its matured product markets and the further exploration of markets with growth potential. One of the first steps towards this new strategic direction was the implementation of a simplified management structure. With this new structure, the firm mainly aimed at a reduction of costs. The divisions Insurance Europe, Insurance Americas, Insurance Asia/Pacific, Wholesale Banking, Retail Banking and ING Direct formed the basis for this new structure (ING Group, 2005, pp. 17, 18). In 2007, the firm adopted a reformulation of its strategy, containing a renewed product focus (banking, investments, life insurances, pensions) and more attention for growth markets. In line with this new strategic direction, ING Group initiated a large acquisition program focused at growth markets such as South-Korea, Thailand and Latin-America. Additionally, the firm decided to sell some activities which did not fit the previously named core-activities, for instance, RegioBank (NLD) and the firm’s non-life insurance activities in Mexico (ING Group, 2008, pp. 10-12).

Since the merger between Postbank and Nationale-Nederlanden in 1991 and thus the official formation of ING Group, the firm had never accounted a loss. The third quarter of 2008 however, put an end to this
endless array of (relative) success. ING Group had to report its first quarterly loss, resulting in a total loss of 729 million euro’s over the year 2008 (de Volkskrant, 2009; ING Group, 2009, p. 6; Jolly, 2008). The crisis, which first struck the financial markets and then the entire economy, can be appointed as the main reason for this negative result. Within ING Group, the problems mostly originated from the firm’s insurance branch, which was suffering from the sudden depreciation of financial investments (de Volkskrant, 2009). To prevent a collapse of the firm, the Dutch government provided the bank with a capital injection of 10 milliard euros. However, this financial provision came with a price, as in exchange for the state aid, the European Committee forced ING Group to take several measurements to stabilise its financial situation (Van der Meer, 2014). In line with this agreement, ING Group launched a program named ‘Back to Basics’, which aimed for a reduction of costs, risks and the firm’s balance sheet by the disposal of certain non-core activities. Also, as will be further explained below, ING Group had to relinquish its insurance activities. A new strategy called ‘Adjusting to a new reality’ was adopted which was most concerned with putting customers first, preserving a strong capital position, mitigating risks and bringing the firm’s costs in line with its operating environment (ING Group, 2009, pp. 2, 6, 11, 12; 2011a, pp. 8, 14; 2012, p. 171).

In the following years, the operations of ING Group were overshadowed by the long process of its recovery. In October 2009, ING Group officially announced its intention to split up its banking and insurance branches (ING Bank, 2010, p. 5). In 2010, this legal separation was made official and the insurance branch NN Group was finally brought to stock in 2014 (ING Group, 2012, pp. 4, 8, 14; 2015, p. 8; NOS, 2014a). Furthermore, many activities, such as the bank’s retail activities in Ukraine, ING Direct USA, ING Direct UK & Canada and the insurance and investment activities in Asia were divested in the period of 2009 to 2014 (ING Group, 2012, p. 44; 2013, p. 5; 2014, p. 5). ING Group also decided to retire from its commercial real estate activities, resulting in the sale of ING Real Estate Investment Management to CB Richard Ellis for a sum of 1 billion dollars. Also, all the firm’s Real Estate Development activities were closed or sold (ING Group, 2011b; 2012, pp. 44, 134). Simultaneously, ING Group tried to lower its overhead costs by the execution of a rigorous restructuring, resulting in the dismissal of 2700 employees in 2011 (Het Parool, 2011) and another 2400 employees in the year 2013 (de Volkskrant, 2013). In order to reconcile the trust of its customers, ING Group continuously refined its strategy in this period but remained to focus on customer centricity and operational excellence (ING Group, 2011a, p. 16; 2013, p. 5).

In 2014, this process of recovery was finally put to an end by the last reimbursement of the financial aid to the Dutch government (ING Group, 2014, p. 5; Van der Meer, 2014). Together with the ending of this phase, ING Group introduced its ‘Think Forward’ strategy, “empowering people to stay a step ahead in life and business” by the creation of a differentiating customer experience. In line with this strategy which aimed for ING Group to simplify, streamline and create operational excellence, a new organisational structure was adopted. This structure focused on the three business lines Retail Banking, Commercial Banking Benelux and Commercial Banking International. In addition, CEO’s were appointed for each country of operation (ING Group, 2013, p. 10; 2014, pp. 27-29; 2015, pp. 8-10, 252; Van der Meer, 2014).

Below, an overview is given of the development of the net result, the number of employees and the global activity of ING Group within the researched period (Table 16.1).

<table>
<thead>
<tr>
<th>Year</th>
<th>Net result</th>
<th>Employees</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>11984 million</td>
<td>92,650</td>
<td>65 countries</td>
</tr>
<tr>
<td>2006</td>
<td>7210 million</td>
<td>113,000</td>
<td>50 countries</td>
</tr>
<tr>
<td>2010</td>
<td>5980 million</td>
<td>107,000</td>
<td>40 countries</td>
</tr>
<tr>
<td>2015</td>
<td>4219 million</td>
<td>54,000</td>
<td>40 countries</td>
</tr>
<tr>
<td>2017</td>
<td>4987 million</td>
<td>54,000</td>
<td>40 countries</td>
</tr>
</tbody>
</table>

16.2 ING Group’s CRE department

Figure 16.2 provides an overview of the development of ING Group and its CRE department in the period since the turn of the century until now. The development of ING Group’s CRE department was divided in several periods, in which a major change in position or form of the CRE department formed the starting point of a new era. The following paragraphs describe the different eras of ING Group’s CRE department.

16.2.1 CRE department in the period 2000 to 2008

In the period until 2008, the real estate activities of ING Group were not only focused on CRE. As a matter of fact, ING Real Estate, the largest real estate unit of ING Group at the time, acted as a commercial real estate manager and not as a corporate supplier only. The primary aim of this unit was the enablement of investments and the development of real estate for third parties. The provision of real estate for ING Group itself was considered as a secondary nature. For the sake of this research, the given overview only contains the real estate activities of ING Group which had a pure CRE nature: the provision of real estate as a means of doing business instead of a business on itself.\(^47\)

Position

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\(^47\) Interview with Patrick De Gendt, (CoreNet Global) Head of Corporate Real Estate Management at ING Bank (14 February 2018).

\(^48\) Case description ING Groep by Peter Krumm (1999),
ING Group’s foreign activities were mostly the result of the acquisition of local brands. Since these subsidiaries were usually quite large-scaled, they remained responsible for their own provision of CRE. Therefore, within the given period, the CRE activities and thus the CRE department of ING Group was spread amongst the several countries of operation. Unfortunately, not much is known about these foreign activities and therefore, the following paragraphs concerning the position, form, sourcing and role of the CRE department will be mainly focused at the CRE unit within the Netherlands.

As can be seen in Figure 16.3, the CRE activities in the Netherlands were performed by three large CRE units, being the Facility Management, the Building Management and the Corporate Accommodation unit. Additionally, some CRE activities were performed by local Facility Management units present at the branch locations (local consumer offices) of ING Group.\(^49\)

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**Form**

![Diagram of Building Management Unit (NLD) around the turn of the century](image1)

Figure 16.4: Form of the Building Management unit (NLD) around the turn of the century\(^50\).

![Diagram of Facility Management Unit (NLD) around the turn of the century](image2)

Figure 16.5: Form of the Facility Management unit (NLD) around the turn of the century (Vijverberg, 1997, p. 99).

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\(^49\) Case description ING Groep by Peter Krumm (1999).

\(^50\) Case description ING Groep by Peter Krumm (1999).
All three Dutch CRE units made use of a different form. Figure 16.4 gives a visualisation of the Building Management unit around the turn of the century whereas Figure 16.5 visualises the form of the Facility Management unit. At that time, the Building Management unit consisted of six units occupied with design, construction management, property management, policy-making and project management. The Relations & Construction Management unit was organised in coherence with the organisation of the branch offices and was therefore grouped into three different regions. The Facility Management unit of the time was grouped functionally (Figure 16.5).

Sourcing
The formation of ING Group was the result of a merger between NMB Postbank and Nationale Nederlanden in 1991. The merger between those both institutions affected the new firm’s CRE units. With an assignment given by the general management to reduce its costs, the Dutch CRE units had to reduce their headcount and therefore decided to outsource the daily management of ING Group’s properties to several external service providers.51

Role
At the time, the Facility Management unit was responsible for the daily management of the branch offices and the headquarters. The Building Management unit, operating within the Facility Management unit, was responsible for the acquisition, control, construction and disposal of the branch offices, being the leased share of the real estate portfolio. Additionally, it was in charge of the day-to-day maintenance of the branch locations. Finally, the Corporate Accommodation unit took care of the control, construction and disposal of real estate in ownership of ING Group, mostly being the headquarters.52

Operating quite independently, the Facility Management unit and its daughter unit Building Management were responsible for their own profit and losses. For the Corporate Accommodation unit, this responsibility was even taken a step further, as it was expected to contribute to the profit of ING Group. Often, the projects of Corporate Accommodation concerning the acquisition or construction of owned real estate were used as ‘pilot projects’ in order to examine the relevant market conditions. When those indeed showed to be promising, similar projects in similar areas were sold commercially to other corporates.53

The bank branches were responsible for establishing their own accommodation plan. Therefore, they were usually the ones taking the initiative for actions regarding real estate planning. For any questions regarding the (future) properties, they called in the help of the Building Management unit, whereas the expertise of the Facility Management unit was used when it concerned the (future) use of the building. If an alteration in an owned building would cause permanent changes to the property, an official approval of the Corporate Accommodation unit was required.54

16.2.2 CRE department in the period 2008 to 2011
Position
In 2008, the first steps were taken towards a more centralised form of CRE department, mostly affecting the decision-making activities of CREM. Although many activities were still executed locally, a CRE unit was formed which became responsible for the policies and procedures of ING Group’s entire European CRE

51 Case description ING Groep by Peter Krumm (1999); interview with Patrick De Gendt, (CoreNet Global) Head of Corporate Real Estate Management at ING Bank (14 February 2018).
52 Case description ING Groep by Peter Krumm (1999).
53 Case description ING Groep by Peter Krumm (1999); interview with Patrick De Gendt, (CoreNet Global) Head of Corporate Real Estate Management at ING Bank (14 February 2018).
54 Case description ING Groep by Peter Krumm (1999).
portfolio. The countries outside of Europe were not included in the policies of the new CRE unit. This CRE unit which was a reformulation of the former Building Management unit, remained under the responsibility of the Facility Management unit. Reporting to its director, which on its turn, reported to the CFO of the Dutch board of ING Group. The Facility Management unit remained to perform the activities concerning the daily management and maintenance of the Dutch branch offices. From 2008 onwards, the activities of ING Real Estate started to diminish as a result of the agreement between ING Group and the European Committee due to the given capital injection in 2008 (ING Group, 2011b; 2012, pp. 44, 134).

Form
Figure 16.6 visualises the form of the Dutch Facility Management unit in the period 2008 to 2011. As can be seen, the European CRE unit was part of this group. In Figure 16.7, the form of the European CRE unit is visualised. As the figure shows, three units were occupied with the entire European real estate portfolio being the Policies & Procedures, Portfolio Management and the Asset & Transaction Management unit. The local Asset Management and Property Management units performed activities in support of the Dutch CRE portfolio only.

Role
The formation of the European CRE unit simultaneously enabled a change of role. Due to the combining of the entire European CRE portfolio, a more strategic perspective could be taken up towards the firm’s portfolio, replacing the previous, operational, day-to-day supply of real estate. However, this development

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56 Interview with Patrick De Gendt, (CoreNet Global) Head of Corporate Real Estate Management at ING Bank (14 February 2018); documents provided by ING Group.
57 Based on documents provided by ING Group.
not directly influenced the consideration of CREM by the rest of the firm and the authority of this CRE unit remained minor: the operating units continued to be in charge of the initiation of real estate, merely using this European CRE unit as a centre of knowledge and an internal consultant.\textsuperscript{58}

16.2.3 CRE department in the period 2011 to 2017

Position
In 2011, the position of the more centralised CRE unit within ING Group changed: the unit was removed out of the responsibility of the Dutch Facility Management unit and from that moment onward, the CRE director reported directly to the global board, in the person of the Chief Procurement Officer. Together with this movement, the CRE unit also obtained more responsibilities, as it became responsible for the entire CRE portfolio of ING Group on a global level.\textsuperscript{59}

Form
This now global CRE unit was geographically grouped, combining the several regions of ING Group’s operation into one centralised form. In this period, the CRE unit counted approximately ten persons. The regional units were responsible for determination of the strategic direction of the CRE portfolio and they maintained intensive contact with the local heads of Facility Management and Real Estate Managers of every country within their portfolio. This indicates that although the CRE processes and products were determined centrally, the day to day activities concerning CRE were still performed locally. The Facility Management roughly maintained its prior form.\textsuperscript{60}

Role
Thanks to the change of position also the role of the global CRE changed slightly, its level of authority in particular. Whereas formerly, it was mostly used an internal consultant by the operating units, the authority of the unit had now increased as from his moment, all operating units were obliged to ask the global CRE unit for permission in case of intended drastic changes to ING Group’s properties.\textsuperscript{61}

16.2.4 CRE department in the period 2017 to now (transition phase)

The global CRE unit is currently midst a process of integration with the Facility Management unit, working towards one singular organisation counting approximately 40 persons. With the merger, the CRE unit aims to improve its service delivery as no, its entire CRE supply chain is integrated.\textsuperscript{62}

Form
To establish the intended integration with the Facility Management unit, the form of the unit is changed. Instead of a geographic focus, ING Group intends to work with a function-based model. Reason for this turnaround is the growth of responsibilities of the entire team: previously, one person was responsible for the total management of a country or region, in all its broadness. However, as the range of tasks expands due to the merger with Facility Management, a higher specialisation of jobs seems necessary.\textsuperscript{63} Figure 16.8 visualises the future form of the CRE department. Although this is not established yet, the change of form is already set in motion.

\textsuperscript{58} Interview with Patrick De Gendt, (CoreNet Global) Head of Corporate Real Estate Management at ING Bank (14 February 2018).
\textsuperscript{59} Interview with Patrick De Gendt, (CoreNet Global) Head of Corporate Real Estate Management at ING Bank (14 February 2018); documents provided by ING Group.
\textsuperscript{60} Interview with Patrick De Gendt, (CoreNet Global) Head of Corporate Real Estate Management at ING Bank (14 February 2018); documents provided by ING Group.
\textsuperscript{61} Interview with Patrick De Gendt, (CoreNet Global) Head of Corporate Real Estate Management at ING Bank (14 February 2018).
\textsuperscript{62} Interview with Patrick De Gendt, (CoreNet Global) Head of Corporate Real Estate Management at ING Bank (14 February 2018).
\textsuperscript{63} Interview with Patrick De Gendt, (CoreNet Global) Head of Corporate Real Estate Management at ING Bank (14 February 2018).
Sourcing

After the transformation of both CRE units is completed, an extensive outsourcing program will be set in motion. A tender will be motioned, offering the performance of many CRE activities to one external service provider. Activities to be outsourced within this tender beside the already outsourced activities concerning the daily management are, for example, lease and transaction management. Patrick De Gendt, Global Head of Corporate Real Estate Management, states that this only possible recently, as a result of a further maturing of the global real estate market. Before, total outsourcing was indeed possible in the Anglo-Saxon region, but on a global level, no external provider was capable of offering a total-service package. There are several reasons for the intended outsourcing. Firstly, the CRE department aims for an increase of cost-efficiency. Furthermore, it demands more insight in ING Group’s accommodation costs. De Gendt additionally states that the outsourcing is necessary to keep pace with the evolving digital revolution, also on the area of CREM. External providers are better able to create innovation, as ING Group requires its capital to be invested in the innovation of its banking products, not in the innovation of its CRE. Furthermore, he stated that strategic CRE activities will not be outsourced to external parties for a while.

16.3 Analysis of ING Group’s CRE department

The information of the Paragraphs 16.2.1 to 16.2.4 concerning ING Group’s CRE department in the period since the turn of the century to now is analysed by means of the Analysis Framework. The result of this analysis is visualised in Figure 16.9. It should be noted that the hard transitions of changing dimensions, that of the evolution of the CRE department, in particular, do not always give a fair representation of reality. In reality, these transformations often occur in a more gradual manner. However, due to the limited manner of data collection, this exact process could not be recorded. Therefore, noticeable changes within the CRE department such as a change of form, are often linked to the transformation of other dimensions. Below, a further explanation is provided on how the CRE department of ING Group and the configuration of its structural dimensions, in particular, has developed in the researched period. Furthermore, it should be noted that little is known about the foreign CRE activities of ING Group. Therefore, in order to determine the form, sourcing and role of the CRE department of ING Group information concerning the local CRE unit here in the Netherlands is used. For the position and form of the CRE department within ING Group it is taken in notice that this CRE department consists out of several local CRE units. Below, a further explanation is provided on how the CRE department of ING Group and the configuration of its structural dimensions in particular, has developed in the researched period. Furthermore, it should be noted that little is known about the foreign CRE activities of ING Group. Therefore, in order to determine the form, sourcing and role of the CRE department of ING Group until 2011, information concerning the local CRE unit here in the Netherlands is used. For the position and form of the CRE department within ING Group, it is taken

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64 Based on documents provided by ING Group.
65 Interview with Patrick De Gendt, (CoreNet Global) Head of Corporate Real Estate Management at ING Bank (14 February 2018).
Figure 16.9: Analysis of ING Group’s CRE department in the period since the turn of the century to now (own illustration).
in notice that this CRE department consists out of several local CRE units. Below, a further explanation is provided on how the CRE department of ING Group and the configuration of its structural dimensions in particular, has developed in the researched period.

Period 2000 to 2008

Within the given period, several units within ING Group performed activities concerning CRE. First of all, every country or region knew its own, local, CRE unit. Within the Netherlands alone, three large CRE units were active. Two of these units reported on a national level: the Facility Management unit reported to the CFO of the Dutch board, whereas the Building Management unit reported to the Facility Management unit itself (Figure 16.9). Finally, the Corporate Accommodation unit reported to the operating unit ING Real Estate, which on its turn reported on a global level. This makes the reporting line of Facility Management of a financial nature, that of Building Management of a services nature, and that of the Corporate Accommodation unit of an operational nature. Furthermore, as the CRE activities were spread among all the firm, it can be stated that deconcentrated and decentralised (there was no centralised form of authority or operation) models were applied. Concerning the form of ING Group’s CRE department, the CRE activities were globally spread, wherefore the CRE department’s primary focus point was geography. Within the several local CRE units, mostly a functional grouping was applied. Furthermore, the CRE department knew a distinction based on the type of real estate: the Facility Management and Building Management units handled the branch offices, whereas Corporate Accommodation was responsible for the headquarters and corporate offices. Furthermore, as many CRE activities concerning the daily management of the properties in the Netherlands were outsourced to service providers, ING Group operated in the Coordinating sourcing model of De Jong et al. (2013, p. 17). Looking at the role of the CRE department, it can be noticed that the Corporate Accommodation operated in a very professional manner. Quite understandable when you consider that this unit had to create a business product in order to contribute to the profitability of the entire firm: a strategic and financial consideration of the real estate portfolio was necessary. Therefore, ING Group’s entire CRE department can be evaluated as a Business Strategist (Joroff et al., 1993, pp. 21, 26-33). Finally, since operating units needed to ask permission from the Corporate Accommodation unit whenever their actions would cause definitive alterations to ING Group’s CRE, the CRE department was working in the Controlling level of authority by O’Mara et al. (2002).

Period 2008 to 2011

In 2008, the CRE department of ING Group experienced some change. In the previous period, the Corporate Accommodation unit disappeared as a result of the divestment of non-core divisions by ING Group. Therefore, from that moment, the reporting on the level and line of operations disappeared (Figure 16.9). Furthermore, a new, European CRE unit was initiated which became responsible for the determination of the strategic direction of ING Group’s European CRE portfolio. However, as the operational CRE activities were still executed locally, a coordinated model of centralisation was applied. Due to the disappearing of the Corporate Accommodation unit, the previous distinction of CRE activities by the type of real estate vanished. Also, the disappearing affected the role of ING Group’s CRE department. Due to the dissolving of this specialised and authoritative unit, the strategic knowledge and strong focus on the profitability of ING Group’s real estate portfolio disappeared. Although the European CRE unit did adopt a strategic perspective towards the firm’s CRE portfolio, its influence and authority were limited: the operating units remained decisive. Therefore, the CRE department’s position on the evolution ladder of Joroff et al. (1993, pp. 21, 26-33) was evaluated as an Intrapreneur and its authority level as Consultative (O’Mara et al., 2002).
Period 2011 to 2017
In 2011, the European CRE unit was removed out of the authority of the Facility Management unit (Figure 16.9) and from that moment onwards, it reported directly to the global board, in the person of the Chief Purchasing Officer, which is in the line of operations. Also, the form of the now global CRE unit adapted a geographically focused form. However, the local Facility Management units remained to be grouped functionally. Looking at the role of the CRE department, the authority of the global unit changed strongly in 2011: from on that moment, all operating units had to acquire permission from this centralised unit for decisions concerning ING Group’s CRE. Therefore, its authority changed from being on a Consultative level to a Controlling one (O’Mara et al., 2002).

Period 2017 to now
From 2017, the global CRE unit is working towards an integrated model with Facility Management. To be able to establish this integration, a more functional model was again adapted.

Furthermore, some future developments should be noted. Currently, many activities are still executed locally, but after the integration with Facility Management, a singular external service provider will be contracted to execute all operational and tactic CRE activities on a global level. After completion of this outsourcing program, the new unit will be entirely centralised and concentrated: internal employees will no longer work locally. Therefore, after this transformation, ING Group’s CRE department will now a functional grouping and will operate in the Demand model of De Jong et al. (2013, p. 17).

Driving factors
The initiation of the centralised CRE unit and the broadening of its responsibilities, maturity and authority, were mostly driven by the head of that particular unit which aimed for a better understanding of its discipline and the value of this for the entire firm. Opportunity for this development of the discipline within ING Group was given by the vanishing of ING Real Estate and thus the Corporate Accommodation unit after the capital injection of the Dutch government.
Although initiated as a lighting firming, Philips developed itself in many product fields positioned in the consumer electronics, information technology and communications converge markets (Philips, 2001, p. 8). However, over the years, Philips divested many of its product lines. Currently, the firm is mainly active in the Health Tech sector, developing products for consumers as well as for professionals (Philips, 2018, p. 20).

17.1 Development of Philips

In the year 2000, Philips was recovering from a difficult period. In the years prior, the firm had to divest several of its activities in order to remain profitable. The made efforts were rewarded: in that same year, a profit of approximately 9602 million euros was established (Philips, 2001, p. 7). At the time, Philips was working with a strategy which aimed “to be a high-growth technology company that achieves profitable growth with a strong cash flow and sustainable market leadership positions, thus creating increased shareholder value.” (Philips, 2001, p. 3) Furthermore, the firm was formed around its product lines Lighting, Consumer Electronics, Domestic Appliances & Personal Care, Components, Semiconductors and Medical Systems.

Although the results of the firm were improved, Philips remained to struggle with the tough conditions of its operating environment. Therefore, it had to take several measurements to remain profitable. Firstly, it again disposed some low performing products and activities, such as the Components division in 2003 (Philips, 2004, pp. 4, 5, 27) and the Semiconductors division in 2006 (Philips, 2007, p. 9). Secondly, it initiated its ‘Transforming into One Philips’ or TOP program which aimed for a reduction of overhead costs by the standardisation of processes and purchasing of services. Dealing with its changing market conditions and

Figure 17.1: Sectoral structure of Philips in the period 2008 to 2016 (Philips, 2015, p. 44).

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86 Full case description Philips Electronics by Peter Krumm (1999).
upcoming trends such as digitalisation, Philips continuously altered its strategy in the meantime (Philips, 2002, p. 7; 2004, p. 6; 2006, p. 15). In line with the changed strategic direction, Philips marketed a new slogan in 2004. As Philips stated, ‘Sense and Simplicity’ better reflected the firm’s renewed focus on the end-user and the target to work more market-driven (agencyfaqs!, 2014). At the end of this tumult period, Philips was strongly slimmed down due to its divestment of activities and products: in 2007, the firm employed around 123,000 people (Philips, 2008, p. 8), a decrease of almost 45% compared to the year 2000. In 2008, Philips decided to adjust to this new reality by the adoption of a new structure. From that moment onwards, the firm knew a sectoral reporting structure, consisting of the sectors Healthcare, Lighting and Consumer Lifestyle, all supported by a unit Innovation, Group & Services (Figure 17.1).

In the years after, Philips continued to be affected by its rapidly changing operating environment as well as the overall economic regression. In order to deal with these instabilities, the firm initiated the ‘Accelerate!’ program in 2011, aimed at performance improvement and the establishment of profitable growth. Management layers were removed, simplifying the firm’s structure and by this, broaden the span of control of its managers. By this, bureaucracy was reduced and decision-making processes were quickened. Additionally, these measurements reduced the firm’s overhead costs (Philips, 2012, pp. 7, 8; 2014, pp. 6-19). Furthermore, Philips again dismissed a significant number of its employees (NOS, 2011, 2012; Philips, 2012, p. 4). To emphasise the undergone transformation of a lighting and electronics firm into one which was mainly specialised in Health Tech, Philips decided to cut ‘Electronics’ from its company name in 2013: instead of Royal Philips Electronics N.V., the firm now went into the books as Royal Philips (Hijink, 2014).

In 2014, the Accelerate! program was given a follow-up and Philips shocked the world with the announcement that it wanted to split its Lighting activities from the rest of the firm. The discipline in which the firm grew big, was now planned to be brought to the stock market. Since the official separation of the two entities in 2016, Philips has gradually brought back its share in Philips Lighting (NOS, 2014b; Philips, 2015, p. 2; Sondermeijer, 2017). Simultaneously, Philips adopted a new structure (Figure 17.2), grouping its many operating units into the four divisions Personal Health, Diagnosis & Treatment, Connected Care & Health Tech Other, containing central services and activities concerning the exploration of new markets and products (Philips, 2016, pp. 6, 7, 46).

![Figure 17.2: Structure of Philips as of 2016 (Philips, 2018, p. 34).](image-url)
Below, an overview is given of the development of the net result, the number of employees and the global activity of Philips within the researched period (Table 17.1).

<table>
<thead>
<tr>
<th>Year</th>
<th>Net result</th>
<th>Employees</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>9662 million euros</td>
<td>920.000 people</td>
<td>120 countries</td>
</tr>
<tr>
<td>2005</td>
<td>2868 million euros</td>
<td>159.000 people</td>
<td>150 countries</td>
</tr>
<tr>
<td>2010</td>
<td>1452 million euros</td>
<td>119.000 people</td>
<td>100 countries</td>
</tr>
<tr>
<td>2015</td>
<td>659 million euros</td>
<td>113.000 people</td>
<td>80 countries</td>
</tr>
<tr>
<td>2017</td>
<td>1517 million euros</td>
<td>74.000 people</td>
<td>75 countries</td>
</tr>
</tbody>
</table>

Table 17.1: Net result, number of employees and global activity of Philips in the period 2000 to now (Based on Philips, 2001, pp. 7, 50; 2006, pp. 6, 28; 2011, pp. 4, 12; 2016, pp. 7, 46; 2018, pp. 9, 11, 20).

17.2 Philips’s CRE department

Figure 17.3 provides an overview of the development of Philips and its CRE department in the period since the turn of the century until now. The development of Philips’s CRE department was divided into several periods, in which a major change in position or form of the CRE department formed the starting point of a new era. The following paragraphs describe the different eras of Philips’s CRE department.

17.2.1 CRE department in the period 2000 to 2005

Position

As a result of a drastic re-organisation program at the end of the 19th century, many central services of Philips (such as CREM) were delegated to the firm’s autonomous operating units. This required them to be occupied with non-core activities, obstructing their previous focus on the core processes. In order to restore this focus, many of the operating units decided to internally source these activities to the national and regional units which Philips ran parallel to its product divisions. These units acted in support of the operating units, providing services such as finance, IT, HR and CRE. Van der Burg, Global CoE Partner Portfolio and M&A Philips Real Estate states that at the time this was a logical choice since there were many juridical and financial differences between the countries of operation. As a result of the above-explained developments, within the given period, the CRE activities of Philips were performed on a twofold level: on a regional or national level and on that of the operating units. To be able to create alignment and synergy between the policies and operations of all these different units, Philips set up a network under the name of ‘Other Cost of Organisation’ or OCOO. In this network, Purchasing and CRE were joined in order to set up a list of preferred suppliers and to determine a standardisation of processes.67 Unfortunately, not much is known about Philips its foreign CRE activities. Therefore, below, an explanation is given of the CRE activities in the Netherlands.

67 Full case description Philips Electronics by Peter Krumm (1999); interview with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (2 February 2018); e-mail contact with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (1 May 2018).
In the Netherlands too, the above mentioned twofold level of CREM was noticeable. At the national level, a unit Real Estate, Management and Services was active while also at the level of the operating units also some professionals were contracted. The director of the Dutch CRE unit reported directly to the Dutch board in the person of the CFO. However, the unit’s main counterpart was formed by the group of local plant engineers and facility managers of the operating units.68

Form
At the time, the unit Real Estate, Management and Services consisted out of four distinctive units, being: Real Estate, Services, Property Management and Miscellaneous Activities (Figure 17.4). The unit Real Estate consisted out of 5 employees which acted as consultants on behalf of the operating companies. The approximately 60 employees of Property Management were occupied with the provision of maintenance and services for the owned and rented properties of Philips, whereas the services were eventually provided by the 150 employees of the Services unit. On the level of the operating units, the employees occupied with CRE activities were allocated on an incidental basis and the local CRE teams were usually not very large, consisting of just a few people such as a plant engineer and a facility manager.69

Sourcing
As was mentioned, many of Philips’s operating units decided to internally source their CRE activities to the Dutch CRE unit Real Estate, Management and Services. However, this unit itself was also working towards a form of sourcing, but then externally. At the time, Philips was subleasing many of its properties on the High Tech Campus Eindhoven to other firms. In 2000, the firm realised that because of that, many of its CRE activities were in favour of third parties. Therefore, it decided to outsource many of its CRE activities such as Facility Management, to external service providers71. The CRE activities were outsourced to several external service providers instead of one to spread risks (Ploumen, 2014, p. 108). Service provider Arcadis was the party which attracted the largest contract here in the Netherlands72.

Role
The Dutch CRE unit Real Estate, Management and Services was responsible for the supply and management of CRE such as offices in the Netherlands and some other European countries. Additionally, it supported the operating units active in the Netherlands. The local plant engineers and facility managers of the operating units mostly helped with the day to day maintaining of the firm’s production properties. At

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68 Full case description Philips Electronics by Peter Krumm (1999); e-mail contact with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (1 May 2018).
69 Full case description Philips Electronics by Peter Krumm (1999).
70 Full case description Philips Electronics by Peter Krumm (1999).
71 Full case description Philips Electronics by Peter Krumm (1999); interview with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (2 February 2018).
72 Interview with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (2 February 2018).
the time, most decisions concerning CRE were taken on an ad hoc basis and no clear CRE strategy existed. However, the CRE units were prompted to set their focus on cost reduction.\footnote{73}

Since the budgets for CRE were in hands of the operating units, investment proposals were almost always developed by these units themselves. However, when an investment proposal exceeded the amount of 2.5 million guilders, the plans had to be approved by the general board and the Dutch CRE unit\footnote{74}. The eventual construction of CRE was also often performed by the operating units’ professionals. However, sometimes, the Real Estate, Management and Services unit was hired by the operating units to be of service. In that case, the Dutch CRE unit allocated its costs to its internal client on an hourly basis\footnote{75}.

17.2.2 CRE department in the period 2005 to 2017

In 2005, Philips’s CRE department changed drastically. In line with the by Philips initiated TOP program which aimed for an improved synergy of services and by this, cost reduction (Philips, 2004, p. 6), also the CRE activities of the firm were centralised. Another reason which can be appointed for the sudden shift of perspective towards centralisation of CRE decision-making and operations is the influence of globalisation: the previously important geographic boundaries emphasising cultural, juridical and financial differences began to disappear. This resulted in a loss of relevance of the national and regional organisations.\footnote{76}

Position

From that moment onward, the CRE director reported to the Head of Finance Markets, which on its turn reported to the CFO of the general board of Philips.\footnote{77}

Form

\begin{figure}
\centering
\includegraphics[width=\textwidth]{fig17_5.png}
\caption{Form of the CRE department in the period 2005 to 2017\textsuperscript{78}.}
\end{figure}

\footnote{73}{Full case description Philips Electronics by Peter Krumm (1999).}
\footnote{74}{Full case description Philips Electronics by Peter Krumm (1999); e-mail contact with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (1 May 2018).}
\footnote{75}{Full case description Philips Electronics by Peter Krumm (1999).}
\footnote{76}{Interview with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (2 February 2018).}
\footnote{77}{Interview with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (2 February 2018).}
\footnote{78}{Based on documents provided by Philips.
The divestments of many product lines of Philips and the split of the Health Tech and Lighting activities resulted in a reduction of properties and staff. This also explains the initiation of the TOP program: as the extent of service activities decreased due to a limitation of size, employees had to take up a more extensive range of responsibilities, covering multiple regions. Therefore, a centralisation of activities seemed to be most effective. As can be observed in Figure 17.5, the newly formed CRE department had a twofold nature: the processes and desired performance of every function (transaction management, project management and facility management) were determined within centralised Excellence Centres, whereas the actual activities were performed locally. Additionally, the centralised part of the CRE department contained a Portfolio & Strategy unit which determined the strategic direction and form of the global CRE portfolio. The centralised excellence centres were divided on a functional basis, whereas the local CRE activities were grouped per region of operation. Additionally, several relationship managers were appointed, which liaise with the many operating units of Philips (Bayne-Jardine et al., 2011; Ploumen, 2014, p. 57). Because actual grouping of local teams changed multiple times, these are referred to as ‘Region’ in the figure.

Sourcing
In 2007, another outsourcing program was initiated and although the tenders were set out regionally, Philips contracted only 2 external service providers globally. A further spreading of CRE activities for risk mitigation seemed no longer necessary. As part of this program, almost all CRE activities on an operational and tactic level (for example lease management, transaction management and facility management) were outsourced to external service providers (Bayne-Jardine et al., 2011; Ploumen, 2014, p. 110).

Role
Due to the coordination of CRE activities, Philips could adopt a more strategic perspective towards its global CRE portfolio. However, although all decisions regarding CRE had to be approved by the global CRE department and additionally, the influence and power of the operating units remained very high. The latter are most often the initiator of investment proposals, after which the CRE department checks the possibilities and hardships of that particular area or location. The power of the CRE department is further limited due to the fact that not all real estate is in ownership of the CRE department (Ploumen, 2014, p. 106).

17.2.3 CRE department in the period 2017 to now
Form
The current CRE department exists out of approximately 150 people of which about 20 are contracted here in the Netherlands: the remaining part is contracted locally. The unit has slimmed severely over the last period as a result of the outsourcing of CRE activities and the divestment of product lines by Philips. In 2017, an additional unit was added to the CRE department (Figure 17.6) which is responsible for workplace management and closely collaborates with other service units such as IT and HR.
Sourcing
Since the outsourcing program of 2005, the local teams of Philips are gradually decreasing in size. Although in the future, the external service providers will remain to be managed by local managers of Philips, the local units will no longer perform CRE activities themselves. Strategic activities such as portfolio planning, are all still managed in-house. Van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate, names three main reasons for this decision. First of all, many of the required information for portfolio planning is company sensitive and should therefore not be shared with external parties. Secondly, he states that an internal unit has the most in-depth knowledge of the firm and is, therefore, most capable of developing such firm-specific strategies. Finally, he reckons that the hiring of several consultants over a longer period will probably lead to a differentiation of solutions and directions, leading to inconsistencies within Philips’s CRE department and its strategic direction.

Role
In the past years, the CRE department of Philips has undergone a major transformation of responsibilities and maturity and currently, the department is often involved in decision-making processes concerning possible mergers and acquisitions by Philips. Additionally, in 2016, a Workplace Management unit was added to the department which monitors the operation and effect of the employees’ workplaces. The results and effects of the CRE department are closely monitored by means of pre-determined KPI’s, and also, talks occur with the internal clients concerning their satisfaction with the provided real estate and services.

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82 Based on documents provided by Philips.
83 Interview with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (2 February 2018).
84 Interview with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (2 February 2018); e-mail contact with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (1 May 2018).
Figure 17.7: Analysis of Philips's CRE department in the period since the turn of the century to now (own illustration).
17.3 Analysis of Philips’s CRE department

The information in the Paragraphs 17.2 to 17.2.3 concerning Philips’s CRE department in the period since the turn of the century to now is analysed by means of the Analysis Framework. The result of this analysis is visualised in Figure 17.7. It should be noted that the hard transitions of changing dimensions, that of the evolution of the CRE department, in particular, do not always give a fair representation of reality. In reality, these transformations often occur in a more gradual manner. However, due to the limited manner of data collection, this exact process could not be recorded. Therefore, noticeable changes within the CRE department such as a change of form, are often linked to the transformation of other dimensions. Below, a further explanation is provided on how the CRE department of Philips and the configuration of its structural dimensions, in particular, has developed in the researched period. Furthermore, it should be noted that little is known about the foreign CRE activities of Philips. Therefore, in order to determine the form, sourcing and role of the CRE department of Philips until 2005, information concerning the local CRE unit here in the Netherlands is used. For the position and form of the CRE department within Philips, it is taken in notice that this CRE department consists out of several local CRE units. Below, a further explanation is provided on how the CRE department of Philips and the configuration of its structural dimensions, in particular, has developed in the researched period.

Period 2000 to 2005

In this period, the CRE activities of Philips were performed on a twofold reporting level: that of the national organisations and that of the operating units (Figure 17.7). The national organisations reported in the reporting lines of the national CFO’s whereas the other CRE professionals reporting in the line of operations. Due to the above fact, it can be concluded that the CRE activities were strongly deconcentrated and decentralised in this period. On a global level, the form of Philips’s entire CRE department of Philips was mostly geographically focused: the CRE activities were spread amongst many national units. However, the Dutch CRE unit itself, knew a functional form of grouping. Due to an extensive outsourcing program at the end of the twentieth century, many operational and tactic CRE activities in the Netherlands were early on outsourced to external parties (Paragraph 17.2, Sourcing). Therefore, the Dutch CRE unit is considered to have been operating with the Coordinating sourcing model of De Jong et al. (2013, p. 17). Considering the role of the CRE units at that time, it can be stated that the units were mostly occupied with the day to day provision of real estate. However, due to an assignment of the general board to act more cost aware, their actions are considered as Controller-like (Joroff et al., 1993, pp. 21, 26-33). The control and authority of the Dutch CRE unit, in particular, was quite high: for investments above 2.5 million guilders, approval of this unit was required, which makes it positioned on a Controlling level.

Period 2005 to 2017

In 2005, an extensive transformation of Philips’s CREM occurred (Figure 17.7). The national and operational CRE units were all incorporated into one central CRE department which reported on a global level, in the reporting line of the CFO. Although the decision-making CRE activities were centralised, many CRE activities were still performed locally: we can speak of a coordinated model of centralisation. Furthermore, although the CRE department changed form, the new organisational model still knew a functional as well as a geographic grouping: functions were represented in both the centralised Global Excellence Centre as well as in the regional, local teams. In 2007, Philips initiated another outsourcing program. From that moment on, all operational and tactic CRE activities were outsourced to singular external service providers per region: generally speaking, Philips became operating within the Demand sourcing model of De Jong et al. (2013, p. 17). However, in reality, still some operational employees were employed by Philips which are gradually let go off in the future. Furthermore, due to the centralisation of CRE activities, a more strategic perspective towards the CRE portfolio could be adopted and therefore, the CRE department of the given
Period 2017 to now
After the incorporation of the Workplace Management unit, Philips’s CRE department became more occupied with the satisfaction of Philips’s employees towards their workplace. The Workplace Management unit closely monitors upcoming trends concerning employee satisfaction and additionally, collaborates closely with other service departments to establish this satisfaction. As it is also closely monitoring its impact by talks with internal clients and the monitoring of predetermined KPI’s, the CRE department is now considered as a Business Strategist (Joroff et al., 1993, pp. 21, 26-33) (Figure 17.7).

Driving factors
The main driver for the major change of structure of Philips’s CRE department in 2005, was the TOP Program (Philips, 2002, p. 7; 2004, p. 6; 2006, p. 15). This program was striving for centralisation of services and was initiated due to the problems which Philips was facing, having to divest many of its activities and to strongly reduce its costs. This change was further driven by the trend of globalisation, which led to the disappearing of the previously important geographic boundaries within the firm.
Shell is one of the world’s largest corporations, operating in the oil and gas industry. Its primary business is the “management of a vertically integrated oil company”. It is specialised in the extraction of fossil fuels and the subsequent production of energy and petrochemical products. The Shell group acts as the parent company to many operating units, which are currently operating in over 70 countries worldwide. (Shell, 2001, p. preface; 2005, p. 6; 2018, p. 13).

18.1 Development of Shell
Around the turn of the century, Shell was operating in over 135 countries. The firm knew a dual financial structure (Figure 18.1), in which the Royal Dutch Petroleum Company held a share of 60%, whereas The “Shell” Transport and Trading Company held a share of 40%. The Royal Dutch Petroleum Company was based in the Netherlands whereas the latter maintained its headquarters in the United Kingdom. The structure of the firm consisted of several service units, as well as many operating units. These were grouped into five divisions: Exploration and Production, Downstream Gas and Power, Oil Products, Chemicals and Renewables (Shell, 2001, p. preface). At the time, Shell was facing two major assignments: the firm needed to ensure profitable results for its shareholders while simultaneously satisfying the increasing pressure of society to produce more sustainable. Sir Mark Moody-Stuart, Chairman of the Committee of Managing Directors formulated it as follows:

We believe a major challenge facing society today is posed by three inextricably linked issues: 1) the world’s increasing demand for energy, 2) the need for economic and social development of a growing population, and 3) the need to assure a viable world for future generations. This threefold challenge has serious implications for the energy businesses, and concerns over climate change are at the heart of it. (Shell, 2001, p. 20)

![Figure 18.1: (Capital) Structure of Shell in the year 2000 (Shell, 2001, p. preface).](image-url)
For a while, Shell continued working with this strategy and structure. In 2003 however, a scandal in the firm turned out to motion a change of direction. At the beginning of 2004, the firm had to acknowledge that its oil reserves had been overstated in the previous period. As a result of this misconception, the firm’s reported profits in the years just after the turn of the century were also exaggerated (Shell, 2004, p. 2; The Economist, 2018; The New York Times, 2004; Tran, 2004). Due to this event, the firm’s shareholders pressured Shell to change its existing dual capital structure into a single one (Shell, 2004, p. 2; Tran, 2004). Additionally, the firm adopted a new strategy which aimed for more upstream activities and more profitability of its downstream activities, all of this in combination with sustainable development (Shell, 2005, pp. 4-6).

In the years following, some minor adjustments were made to the structure of the firm. The first major reorganisation however, was only performed in 2009 as part of the Transition2009 program. This program aimed to enhance the accountability of Shell’s operating performance, the further development of technology and the reduction of costs by the creation of a leaner organisation which would quicken decision-making processes. The new structure has a segmental form of reporting, containing the units Upstream International, Upstream Americas, Downstream and Projects & Technology. Also, several management layers were removed, several functions were centralised and approximately 5000 employees were dismissed (Shell, 2010, pp. 11, 41). Simultaneously, Shell adopted a new strategy with the aim of “reinforcing its position as a leader in the oil and gas industry while helping to meet global energy demand in a responsible way” by securing growth by existing business and the exploration of new markets (Shell, 2010, p. 17).

To free up capital for initiated investments, Shell made some divestments in the year after. The firm sold its liquefied petroleum gas business as well as its refining and marketing assets in Finland, Sweden, Greece and New-Zealand. In 2013, its profits fell by 38% compared to the previous year due to low production, high exploration costs and problems with refining activities. Shell started another divestment program, selling gas assets in the USA and Australia and its downstream activities in Italy and Australia. Although it maintained its then strategy, the firm renewed its focus, emphasising the improvement of financial returns, capital efficiency and exploration of new projects (Bawden, 2014; Shell, 2014, pp. 6, 7).

In 2014, the global fall of the oil prices further pressured Shell (Rogoff, 2016; Shell, 2015, p. 7). The firm continued to lower its costs, planned more divestments and decreased its investment plans. However, it also explored the opportunities of new markets and products. Although the firm continued to lower its costs and decrease its investment plans, it also explored the opportunities of new markets and products. In 2015, the firm decided to acquire BG Group, a UK based oil and gas producer (Shell, 2016, p. 7). In 2016, the deal was closed for 50 billion US dollars (Schaps, 2016). As a result of the merger with BG Group and an already initiated re-structuring program, the firm now dismissed around 10.000 employees (Reuters, 2016; Shell, 2016, p. 61). The restructuring led to a structure formed along four different divisions, being: Integrated Gas & New Energies, Upstream, Downstream and Projects & Technology (Shell, 2018, p. 8). In 2017, Shell formulated its purpose as “power progress together with more cleaner energy solutions”, continuing its aim of establishing profit while introducing sustainable solutions (Shell, 2017, p. 7).
Below, an overview is given of the development of the net result, the number of employees and the global activity of Shell within the researched period (Table 18.1).

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Result</th>
<th>Employees</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>12597 million US doll.</td>
<td>135 countries</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>26261 million US doll. 109,000 people</td>
<td>140 countries</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>20472 million US doll. 97,000 people</td>
<td>90 countries</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>22030 million US doll. 93,000 people</td>
<td>70 countries</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>13435 million US doll. 100,000 people</td>
<td>70 countries</td>
<td></td>
</tr>
</tbody>
</table>

Table 18.1: Net result, number of employees and global activity of Shell in the period 2000 to now (Based on Shell, 2001, pp. preface, 1; Shell, 2006, pp. 20, 71; 2011, pp. 20, 102; 2016, pp. 9, 22, 60; 2018, pp. 13, 15, 19; The New York Times, 2004).

* Estimation of the eventual net result, as the reported net result of the Annual report 2000 turned out to be overestimated.

18.2 Development of Shell’s CRE department

Figure 18.2 provides an overview of the development of Shell and its CRE department in the period since the turn of the century until now. The development of Shell’s CRE department was divided in several periods, in which a major change in position or form of the CRE department formed the starting point of a new era. The following paragraphs describe the different eras of Shell’s CRE department.

Figure 18.2: Timeline of Shell and its CRE department (own illustration).

18.2.1 CRE department in the period 2000 to 2004

Position

Within this period, the responsibilities concerning CRE were decentralised to the many operating units of Shell. Every one of them campaigned an own, individual policy towards real estate. Sometimes, the operating units internally sourced the CRE activities to one of the national organisations of Shell. In addition, CRE units were housed at the headquarters in the United Kingdom and the Netherlands, which were responsible for the supply, maintenance and services of the headquarters itself. So, in essence, the performance of CRE activities occurred at three different levels, being the corporate level, the level of the national organisations and the level of the operating units.85 Unfortunately, not much is known about the foreign CRE activities in Shell. Therefore, below, an explanation is given on how the CRE activities were arranged here in the Netherlands.

First of all, the headquarters located in The Hague housed an own CRE unit, the Office Services unit. This unit provided services such as the distribution of mail, security and catering. Furthermore, it contained the Accommodation Services unit, a team occupied with small maintenance activities on site. The Offices Services unit reported to the The Hague Office Directorate which on its turn, reported to the general board of Shell. Secondly, at the national level, the CRE activities of the Dutch operating units were managed by 85 Full case description Royal Dutch Shell by Peter Krumm (1999).
Shell Nederland BV housed a unit Internal Services and an internal Facility Management unit, which were responsible for activities such as maintenance, catering and internal renting of properties. Finally, on the level of the operating units, Shell International Exploration and Production, the firm’s research and development unit of Shell, made use of an internal Facility Management unit, which was responsible for the maintenance and services of the properties in use by the research unit.  

Form

Due to the spread of CRE activities amongst national units at the time, Shell’s CRE department was mostly geographically grouped. In addition, some is known of the composition of the Dutch CRE units within the given period. The CRE unit located at the headquarters (Accommodation Services) existed out of 8 persons: 5 were occupied with maintenance, 1 with projects, 1 person with building management and lastly, 1 person with furniture and moving. The Internal Services unit of Shell Nederland BV consisted out of 5 persons, either occupied with technical supervision, accommodation supervision or administration. Of the Facility Management unit of Shell International Exploration and Production, little is known.

Sourcing

Due to the spread of CRE activities amongst national units, Shell’s CRE department was mostly geographically grouped at the time. The Dutch units themselves mostly knew a functional grouping of people. The CRE unit located at the headquarters (Accommodation Services) existed out of 8 persons: 5 were occupied with maintenance, 1 with projects, 1 person with building management and lastly, 1 person with furniture and moving. The Internal Services unit of Shell Nederland BV consisted out of 5 persons, either occupied with technical supervision, accommodation supervision or administration. Of the Facility Management unit of Shell International Exploration and Production, little is known.

Role

The formal CRE units were mostly occupied with CRE activities such as maintenance and services. More strategic activities such as the planning for expansions and the search for new locations were mostly performed by the directors of the operating units themselves, working in collaboration with external consultants. Alignment between operating units within Shell, and thus of the CRE activities, was partially created through appointing directors of one operating unit as commissioner or advisor to other operating units. In case of a planned expansion, employees of the operating units were appointed into a construction team responsible for the development of the demanded CRE. Sometimes, the employees of the CRE units were also included in these temporary teams. The costs of accommodation were transferred to the operating units using that particular space. This price for space included depreciation, costs of catering and management costs. However, the CRE units made no profit.

18.2.2 CRE department in the period 2004 to 2009

Position

In the period between 2004 and 2009, some central coordination of the CRE portfolio of Shell occurred as CRE units were founded on a regional level, covering the areas America, EMEA and Asia. However, these regional CRE units only covered a quite small part of Shell’s CRE portfolio: the other activities were still performed at the level of the operating units (Bayne-Jardine et al., 2011).
Form
As was mentioned in the former paragraph, Shell’s CRE department mainly knew a regional grouping at the time. Within this structure, units were responsible for activities such as strategy, stakeholder engagement and transaction management (Bayne-Jardine et al., 2011).

Role
Although some coordination of CRE activities occurred at a regional level, every region remained to operate in an autonomous manner, formulating different policies towards Shell’s CRE portfolio. The regional spread of CRE activities and the different policies resulted in strong skill- and specialisation differences per region. Many of the CRE units tended to be operationally focused, lacking a strategic perspective towards the CRE portfolio. At the time, the rest of the firm mainly considered CRE as a cost-item, simply necessary in order to run the business (Bayne-Jardine et al., 2011; Boekholt et al., 2010, p. 52).

18.2.3 CRE department in the period 2009 to 2016
Position
As part of the firm-wide Transition2009 program (Shell, 2010, pp. 11, 41), actions were taken towards the formation of a coordinated CRE unit in which Shell’s CRE activities were steered from a global level within the firm but remained to be performed on a local level. The centralised CRE unit reported directly to the board of Shell, in the reporting line of HR. Furthermore, it had a meeting with the general board at least four times a year (Ploumen, 2014, p. 112). However, this new CRE unit was only responsible for Shell’s offices, employee housing, laboratories, corporate travel and outsourcing centres. The properties with a direct link to the production processes of Shell, such as the factories and drilling platforms, remained the responsibility of the firm’s operating units. The main aim of the initiated central coordination of CRE activities was to improve performance measurement, standardise CRE packages and processes and by this, become more flexible and easily adaptable in case of organisational and environmental changes. Interestingly enough, the re-structuring did not aim for a reduction of headcount (Bayne-Jardine et al., 2011).

Form
The global CRE unit consisted of approximately 60 persons, grouped in three units with a process focus (Figure 18.3): global strategy, global program delivery and global service (Bayne-Jardine et al., 2011; Boekholt et al., 2010, p. 52). The activities of these units were divided amongst seven different territories. With the re-design of the CRE model, Shell aimed to strengthen the different functions, their level of specialisation and additionally, establish a better fit of the CRE model to that of the overall firm.
Sourcing

In 2011, a major outsourcing program was initiated in which several global assignments were tendered. The prime reason for the outsourcing of CRE activities was Shell’s desire to acquire more specialised knowledge in the field of CRE (Ploumen, 2014, p. 122). Shell waited until 2011 because previously, the real estate market did not provide in enough opportunities for global outsourcing. Due to the wide range of Shell’s CRE activities (housing, travel et cetera) as well as the uniqueness of its operating locations (think Brunei, Nigeria, Oman), the firm outsourced its CRE activities to many different contractors: no single external service provider could provide in the entire range of CRE activities64. As a result of the outsourcing program, all operational activities were outsourced to external service providers, as well as some tactical CRE activities. Van Noppen, VP Operational Excellence Shell Real Estate, SBO & Corporate Travel, states that he does not expect strategic activities to be outsourced for a while65. On a global level, the CRE activities were outsourced to five providers of hard services and five providers of soft services. In the Netherlands, respectively Johnson Control and Eurest were active here, in the Netherlands (Ploumen, 2014, p. 122).

Role

As a result of the changed organisation and the coordination of many CRE activities, Shell’s CRE department could now consider the firm’s CRE portfolio on a more strategic level. As Mike Napier, Executive Vice President Shell Real Estate, BSC and Corporate Travel of that time, formulated it in 2011, “A greater focus on strategy has helped CRE get closer to the core business, and communicate the value proposition of real estate more effectively”. Moreover, the global CRE unit standardised CRE processes and results and intensified its collaboration with the firm’s operating units. However, the influence of the global CRE unit remained limited as it did advise the operating units on their decisions concerning CRE, but the latter remained decisive (Bayne-Jardine et al., 2011; Boekholt et al., 2010, p. 52; Ploumen, 2014, pp. 61, 112, 113).

18.2.4 CRE department in the period 2016 to now

In 2016, the global CRE unit was re-structured. Although a reduction of headcount was not the aim of the re-organisation in 2009, it definitely was now. The sudden drop of oil prices had affected Shell’s general management, which then pressured its CRE unit to operate more cost-efficient and thus reduce its headcount (Rogoff, 2016).66

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64 Interview with Jaco van Noppen, VP Operational Excellence Shell Real Estate, SBO & Corporate Travel and Michel Beunder CI Lead / Process Architect Shell Real Estate, SBO & Corporate Travel (23 February 2018).
65 Interview with Jaco van Noppen, VP Operational Excellence Shell Real Estate, SBO & Corporate Travel and Michel Beunder CI Lead / Process Architect Shell Real Estate, SBO & Corporate Travel (23 February 2018).
66 Interview with Jaco van Noppen, VP Operational Excellence Shell Real Estate, SBO & Corporate Travel and Michel Beunder CI Lead / Process Architect Shell Real Estate, SBO & Corporate Travel (23 February 2018).
Form
The organisational model of the CRE unit was strongly reshaped. The re-structuring and the design of the new structure were mostly driven from within: the CRE unit felt that its prior form did not fit the structure of the entire firm. It departed from its division of CRE activities amongst seven territories and implemented one similar to that of the entire firm, focused at the three regions America, EMEA and Asia. Within this regional structure, a functional structure is applied. In order to create alignment and consistency between functions in separate regions, every employee has a regional role as well as a functional one. For example, the Vice President EMEA is also responsible for the capacity building of Facility Management all over the globe.97

Role
The CRE unit has a strong focus towards the experience of Shell’s employees, and therefore does not only provide in offices, but also in housing and corporate travel. Due to the change of form, better communication is maintained with the operating units: every operating unit has its own contact within the global CRE unit. Also, a new unit named ‘Operational Excellence’ was incorporated into the global CRE unit, which aims for close collaboration and alignment of the CRE unit with the firm’s operating units. The operating units determine the success of the CRE unit as they establish the unit’s KPI’s concerning costs, time, budget et cetera. The operating units mostly value the CRE unit due to its extended level of knowledge of CRE, and more and more consider the CREM of being of strategic value. Due to this renewed consideration, the global CRE unit is now more involved in strategic decisions affecting the entire firm, such as mergers and acquisitions.98

18.3 Analysis of Shell’s CRE department
The information of the Paragraphs 18.2.1 to 18.2.4 concerning Shell’s CRE department in the period since the turn of the century to now is analysed by means of the Analysis Framework. The result of this analysis is visualised in Figure 18.4. It should be noted that the hard transitions of changing dimensions, that of the evolution of the CRE department, in particular, do not always give a fair representation of reality. In reality, these transformations often occur in a more gradual manner. However, due to the limited manner of data collection, this exact process could not be recorded. Therefore, noticeable changes within the CRE department such as a change of form, are often linked to the transformation of other dimensions. Below, a further explanation is provided on how the CRE department of Shell and the configuration of its structural dimensions, in particular, has developed in the researched period. Furthermore, it should be noted that little is known about the foreign CRE activities of Shell. Therefore, in order to determine the form, sourcing and role of the CRE department of Shell until 2004, mostly information concerning the local CRE units here in the Netherlands is used. However, for the position and form of Shell’s CRE department, it is taken in notice that the entire CRE department consists out of several local CRE units. Below, the analysis of the structural configuration of Shell’s CRE department is further explained.

Period 2000 to 2004
In this period, most CRE activities were performed by the operating units themselves, thus on the reporting level and line of operations (Figure 18.4). In addition, some CRE activities were performed per country and therefore on a national level. Due to this spreading of activities, Shell’s CRE department was both deconcentrated and decentralised. Considering the form of the CRE department at the time, it can be stated that due to national sourcing of CRE activities, the CRE department mainly had a geographic focus.

97 Interview with Jaco van Noppen, VP Operational Excellence Shell Real Estate, SBO & Corporate Travel and Michel Beunder CI Lead / Process Architect Shell Real Estate, SBO & Corporate Travel (23 February 2018).
98 Interview with Jaco van Noppen, VP Operational Excellence Shell Real Estate, SBO & Corporate Travel and Michel Beunder CI Lead / Process Architect Shell Real Estate, SBO & Corporate Travel (23 February 2018).
Figure 18.4: Analysis of Shell’s CRE department in the period since the turn of the century to now (own illustration).
Within this geographic division of CRE activities, most CRE units had a functional grouping of employees. Considering the sourcing of CRE activities, Shell’s CRE department operated in the Coordinating model by De Jong et al. (2013, p. 17): many CRE activities were already outsourced in 1985. At the time, CRE was mainly planned by the directors of the operating units. Therefore, the activities of the formal CRE units were mostly focused at the construction, management and maintenance of the CRE portfolio in a cost-efficient manner: positioned in the Controller stage of evolution by Joroff et al. (1993, pp. 21, 26-33). Furthermore, the operating units were leading in the development of investment proposals: the CRE units were only hired when the operating units deemed to do so. Therefore, the CRE units maintained the Consultative level of authority by O’Mara et al. (2002).

Period 2004 to 2009
In 2014, a limited coordination of CRE activities occurred in which some of the CRE activities were steered from a regional level whereas a part remained to be performed locally (Figure 18.4). In addition, as those regional units were not responsible for Shell’s entire CRE portfolio but only for certain types of CRE, the CRE department now knew an additional focus aspect.

Period 2009 to 2016
An intensified form of coordination was introduced in 2009, when a global CRE unit was initiated. This CRE unit reported on a global level and in line of HR (Figure 18.4). However, again, this CRE unit was responsible for only a part of the CRE portfolio: the production properties remained to be handled on the reporting level of the operating units. Moreover, the CRE department changed form: instead of a function focus, the global CRE unit had a process focus, containing the following units: global strategy, global program delivery and global services. Furthermore, although the previous national and regional spreading of CRE activities had disappeared, the global CRE unit remained geographically focused, grouped alongside seven territories of operation. In 2011, Shell initiated several tenders on a global level, after which all operational and many tactic CRE activities were outsourced to external service providers. Due to the wide range of Shell’s CRE activities, outsourcing to one external provider was not possible: the CRE department remained to operate in the Coordinating model of sourcing by Joroff et al. (1993, pp. 21, 26-33). Due to the coordinated steering of CRE activities, the global CRE unit was able to standardise the firm’s CRE packages and processes, wherefore it became operating in the Dealmaker evolution stage of Joroff et al. (1993, pp. 21, 26-33).

Period 2016 to now
In 2016, Shell’s global CRE unit changed form. The unit’s headcount was reduced significantly and the CRE unit is currently formed alongside three regions of operation. Within this geographic structure, its grouping is mainly functionally focused. Due to the restructuring, the CRE unit could also adopt another role, in which it often advises Shell in case of mergers or acquisitions and closely monitors its own results. Moreover, it aims to create a real ‘employee experience’ by collaborating closely with IT and HR. Therefore, Shell’s CRE department is now evaluated as a Business Strategist (Joroff et al., 1993, pp. 21, 26-33).

Driving factors
For the re-design of the CRE department of Shell in 2009, the most important driver for organisational change was the firm-wide Transition2009 program (Shell, 2010, pp. 11, 41). This program aimed for improved performance measurement and a standardisation of service packages and processes. Internally driven, the global CRE unit was reformed in 2016, as the unit aimed to fit its structure to that of the overall firm.
cross-case analysis
When the dimensions concerning the position of the researched CRE departments in the period since the turn of the century are compared, some remarkable similarities or exceptions can be detected.

The reporting levels of the researched CRE departments are visualised in Figure 18.5. The geographic dimension incorporated in this figure shows an upwards moving trend concerning the position of the CRE units within their overall firm. Whereas around the turn of the century, the majority of the CRE units of ING Group, Philips and Shell were reporting on a national level, these firms now all contain CRE units reporting on a global level within their firm. Ahold (Delhaize) has followed this centralising trend for a short period, but later again decentralised its CRE units to a national reporting level. Within AkzoNobel, at least a part of the CRE department has been reporting on a global level for the entire researched period. This upwards moving trend is more demonstrated by the fact that while at the turn of the century, CRE units of only two of the five case firms were reporting on a global level whereas currently, this is the case for four case firms. Figure 18.5 furthermore shows that all researched CRE departments have reported to an operating unit at one point in the researched period. At least parts of Ahold (Delhaize)’s, AkzoNobel’s and Shell’s CRE departments continued to do so until the current moment. Finally, it can be noticed that around the turn of the century, the CRE departments of Ahold (Delhaize) and ING Group were reporting on the level of a service unit. Later in the researched period, these CRE units were moved towards a higher reporting level within the firm. Opposed to this, AkzoNobel was only moved into the responsibility of a service unit at the end of the researched period, around 2015. However, AkzoNobel’s CRE unit is currently reporting on a global level, whereas Ahold (Delhaize)’s and ING Group’s CRE units reported at a national level.

Figure 18.5: Reporting levels of the case firms’ CRE departments within the researched period (own illustration).
The movements surrounding the reporting of the researched CRE departments to their firm’s operating units and service units as were explained in the former paragraph can also be noticed within their reporting lines. Moreover, Figure 18.6 shows that within the researched period, the reporting of CRE units occurred most often in the line of operations. All firms’ CRE departments have at some point in time been reporting to operations, and currently, at least parts of Ahold (Delhaize)’s, AkzoNobel’s, ING Group’s and Shell’s CRE departments still do. After the reporting line of operations, a financial reporting line has been most applied within the researched period. Additionally, it can be noticed that none of the researched CRE departments reports in the line of CEO of their firm. This simultaneously implies that none of the researched CRE departments reports directly to the CEO. The CRE departments of ING Group and Philips, both being departed three management layers from their global head, have the closest relationship to their CEO from all researched CRE departments. Furthermore, it can be noticed that except for Shell, none of the case firms’ CRE departments reports in the HR reporting line.

Figure 18.6: Reporting lines of the case firms’ CRE departments within the researched period (own illustration).

Figure 18.7: Concentration of CRE activities in the case firms’ CRE departments within the researched period (own illustration).
Considering the concentration of CRE activities in the case firms (Figure 18.7), it immediately strikes that all firms applied a deconcentrated form of CRE department within the entire researched period and thus, none of them applied a concentrated or integrated form.

Summarised, for the position of the multinational CRE department, an upwards moving trend can be detected for the reporting level of the researched CRE departments. Whereas around the turn of the century, CRE units of four case firms were reporting on a national level, currently, CRE units of four firms are reporting on a global level. Furthermore, all researched firms’ CRE departments have at some point in time been reporting in the line of operations and currently, four of the five case firms still do. Finally, it could be noticed that for the entire researched period, all case firms made use of a deconcentrated form of CRE department.

19.1 Possible explanations for findings and exceptions

It should be noted that the below explanations are not a proven fact and only aim to provide a substantiated background for the above illustrated findings concerning the position of the multinational CRE department in the period since the turn of the century until now.

When we consider the findings, a strong upwards moving trend of reporting can be detected in the researched period. Only Ahold (Delhaize)’s CRE department did not maintain this centralised movement and as a matter of fact, the firm even decided to again decentralise its CRE activities after a short period of central coordination of its European CRE portfolio. In order to explain this, a consideration of the differences in the provided CRE properties is necessary. The CRE units reporting on a global level primarily provide office space whereas Ahold (Delhaize)’s CRE department provides in another type of real estate: retail locations. René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate, appointed the fact that due to the trend of globalisation, the previously strong geographic boundaries between the countries of operation are disappearing. One could state the demand for offices in China and the Netherlands are becoming more similar and in addition, the legal differences between the countries of operation are disappearing. For the supermarket locations of Ahold (Delhaize) however, this demand for real estate is very different per country: a customer in Spain expects another shopping experience than one in the USA does. Furthermore, the firms which did centralise their provision of CRE (to some extent), all had different motivations. With the introduction of its centralised CRE unit in 2011, AkzoNobel seemed to simply follow the movements of other firms. In 2015 however, more corporate services were centralised as a result of the Global Business Services program. This program aimed for standardisation of service processes to create more consistency and synergy within the firm. For ING Group, the centralised movement was the result from an internal driver, as the firm’s CRE department took up more global responsibilities and by this, obtained a more centralised position. For Philips, the centralisation of CRE activities was the result of a firm-wide program named Transforming into One Philips. This program aimed for standardisation of service processes in order to reduce the firm’s overhead costs. Finally, also Shell’s CRE department’s more centralised position within the firm was the result of such a program, Transition2009. Shell also aimed for standardisation of services packages, but the firm’s eventual aim was not to reduce costs but improve the performance (and measurement) of its services.

For the reporting line of the researched CRE departments, it was concluded that none of them reports directly to the CEO of their firm. This can probably be attributed to the size and maturity of the researched case firms. Due to the complexity and scale of their activities, a certain decentralisation of their non-core processes seems necessary. In addition, only Shell’s CRE department reports in the reporting line of Human Resources. This can be explained by the consideration that besides offices and production
properties, the department also provides employee housing and corporate travel. As Michel Beunder, CI Lead / Process Architect Shell Real Estate, SBO & Corporate Travel, formulated it, “Shell does not just provide in real estate, Shell provides in an employee experience.” Finally, it was noticed that many of the researched CRE units reported in the line of operations. This can indicate that the provision of CRE is considered as an (essential) part of the production process. A positive development, when we consider the previous, undervalued, consideration of CREM as was laid out in the researches of Frederix and Krumm (2008); Joroff et al. (1993)

For the concentration of CRE activities, it was found that all researched firms had a deconcentrated form of CRE department within the entire researched period. The fact that no concentrated forms were applied is probably a result of the significant size and global coverage of the case firms. Furthermore, it can be expected that the existence of concentrated models will further decrease in the future by the effect of globalisation and emerging communication tools. As Jaco van Noppen, VP Operational Excellence Shell Real Estate, SBO & Corporate Travel stated, even in the more centralised CRE unit of Shell, half of the team is located and working from all over the world. However, ING Group is currently working towards a concentrated model. The firm expects that by the extensive outsourcing of CRE activities in the future, its internal team can be reduced and fully concentrated at the firm’s head office. Furthermore, no integrated models could be detected within the researched firms. Remarkable, as Krumm et al. (2000) predicted such models to occur around the turn of the century already. However, both Philips and Shell articulated to collaborate closely with other services such as HR and IT.

19.2 Comparison with general practice
In 2007, the CRE professionals who responded to a global survey of CoreNet Global (Bowles, 2007), indicated that their CRE departments were moving towards a more centralised form of reporting. And indeed, for almost all of the firms in this research, a centralised movement of their CRE department can be observed around this period. In the survey, the mentioned motives were a need for cost-reduction and an increase of consistency, which is similar to those of the case firms. Furthermore, in a 2008 survey of CoreNet Global (Bouri et al., 2008), only 15% of the respondents indicated that their CRE department was part of a shared services centre together with other services. However, almost half of the respondents indicated that they worked closely together with other corporate services. This is in line with the research, in which none of the case firms’ CRE departments takes part in a shared services centre, but two of the five firms did indicate a close collaboration with other services.

99 Interview with Jaco van Noppen, VP Operational Excellence Shell Real Estate, SBO & Corporate Travel and Michel Beunder CI Lead / Process Architect Shell Real Estate, SBO & Corporate Travel (23 February 2018).
100 Interview with Jaco van Noppen, VP Operational Excellence Shell Real Estate, SBO & Corporate Travel and Michel Beunder CI Lead / Process Architect Shell Real Estate, SBO & Corporate Travel (23 February 2018).
When the dimensions concerning the form of the researched CRE departments in the period since the turn of the century are compared, some remarkable similarities or exceptions can be detected.

Considering the models of centralisation, Figure 20.1 shows that none of the researched CRE departments applied a centralised form of CRE department in the researched period. Furthermore, all researched firms had a decentralised CRE department around the turn of the century. However, alike was noticed in paragraphs concerning the CRE department’s reporting level, a centralised movement can be detected as all firms initiated a coordinated CRE unit at some point. AkzoNobel, ING Group, Philips and Shell maintained their coordinated CRE unit until the current moment but Ahold (Delhaize) divested its coordinated European CRE unit soon after initiation. It should be noted that only Philips implied a pure form of coordination of CRE activities. Ahold (Delhaize), AkzoNobel, ING Group and Shell all applied a dual form in which some type of central coordination exists, whereas some other CRE activities are still arranged from a decentralised position.

This dual policy towards the handling of CRE is even better noticeable when the focus aspect of the form is considered (Figure 20.2). The production firms Ahold (Delhaize), AkzoNobel and Shell namely all depend their policy on the type of CRE provided: production properties are handled by the firms’ operating units, whereas their other properties are controlled by their coordinated CRE units. The exception on the rule is Philips, which coordinated CRE departments also manages the firm’s production properties. For ING Group, the duality of policy does not lie in the type of CRE handled, but on the nature of the activities: CREM activities are handled by a coordinated CRE unit, whereas FM activities are decentralised to national units. For the focus aspect, it can be further noticed that all case firms’ CRE departments had a geographic focus during the researched period (Figure 20.1). However, this geographic focus did lose strength gradually through time. The CRE departments of ING Group, Philips and Shell knew a geographic spread of activities around the turn of the century, but currently, this geographic focus is mostly applied on the grouping of one CRE unit. Furthermore, it can be noticed that function was another much-applied focus aspect, applied by four of the five case firms. Ahold (Delhaize)’s CRE department is the only firm lacking this function focus, as it applied a process-focused model for the entire researched period. Finally, the figure shows that none of the researched CRE departments applied a Market/Customer focused grouping.
of members in the researched period. However, some marks of this focus aspect are noticeable in the structure of for example Shell’s CRE department, which has appointed several relationship managers.

For the form of the CRE department, the analysis illustrated that around the turn of the century, all case firms made use of a decentralised CRE department. Later in the researched period, all firms have initiated a coordinated CRE unit, which was at least responsible for a major part of the firm’s CRE portfolio. Four of the five researched firms still make use of such a coordinated CRE unit. Furthermore, within the researched period, geography and function have been the main focus aspects for the form of the researched CRE departments. Although in general, this focus has not changed throughout time, a shift of weight towards the focus on geography can be observed: around the turn of the century, the geographical division of the CRE departments was more important and present than it is currently. Finally, three of the five firms make use of a division based on the type of real estate, in which their production properties are handled by other CRE units than their other properties are.

20.1 Possible explanations for findings and exceptions
The centralising trend of CRE activities can be attributed to the global financial crisis as well as several individual crises per firm: in general, firms tend to centralise activities in difficult times. As mentioned, Ahold (Delhaize) is the only firm which currently does not has a coordinated CRE unit. Paragraph 19.1 already explained that this is possibly due to the nature of the CRE departments provided properties: a provision of properties on a national level is more suitable for this type of CRE. Furthermore, Ahold (Delhaize) is the only firm which convincible applied a process-focused model. This can be explained by the wide-range of CRE activities performed by the firm: from development to services and emergency support. Because of this, the firm’s focus covers a more extended period of the CRE life-cycle than in general, and a process focused CRE department indeed seems appropriate.
20.2 Comparison with general practice

In a 2007 CoreNet Global survey, most of the respondents indicated to operate in a functionally focused CRE department. After that, a geographical focus was most applied. (Bowles, 2007; Hoendervanger et al., 2017, p. 335; Kadzis, 2007). This is in line with the findings of the research, in which this were also the most applied focus aspects for the form of the CRE department. Furthermore, in 2014, three quarters of the respondents of a Deloitte survey (Acoba et al., 2014, 2016) declared that all CRE professionals within their firm reported through one global CRE director. In the researched case firms, this trend could not be detected: only one of the five CRE departments currently reports through one global CRE directors. The other firms have applied a diversified policy and form of authority towards CREM.
21 SOURCING

When the dimensions concerning the sourcing of CRE activities of the researched CRE departments in the period since the turn of the century are compared, some remarkable similarities or exceptions can be detected.

Figure 21.1 illustrates the sourcing of CRE activities by the researched firms. Although not directly noticeable in the figure, the provided case descriptions (Section ‘Case Analysis’) showed that all CRE departments increased the extent of outsourcing in the researched period. However, sometimes, this did not result in a change within the models of sourcing by De Jong et al. (2013). Shell, for example, initiated a major outsourcing program in 2011, but as this outsourcing remained to occur to several service providers instead of one, the firm did not move up the ‘ladder’ of De Jong et al. (2013). Furthermore, the figure shows that around the turn of the century, a dual policy towards the sourcing of CRE activities existed. While Ahold (Delhaize) and AkzoNobel were managing many activities in-house and were thus operating within the Administrative model of De Jong et al. (2013, p. 17), ING Group, Philips and Shell had already outsourced many of their CRE activities to external service providers. Therefore, the latter group operated in the Coordinating model (De Jong et al., 2013, p. 17) at the time. Currently, this duality has disappeared: four of the five case firms are working in the Coordinating model. Finally, it can be noticed that currently, all firms are working in either the Coordinating or Demand model of De Jong et al. (2013, p. 17), which implies that the greater part of all researched CRE departments’ operational and tactic CRE activities are outsourced to external service providers.

In summary, all researched CRE departments have increased their intensity of outsourcing of CRE activities since the turn of the century. Whereas around of the turn of the century a clear distinction in policy towards the outsourcing of CRE activities can be detected, currently, four of the five firms are operating in the Coordinating model of sourcing.

21.1 Possible explanations for findings and exceptions

Many of the interviewees indicated that the outsourcing of their CRE activities is mostly dependant on the readiness of the real estate market. Philips only initiated its global outsourcing program after the professional real estate market provided enough solid options for outsourcing. Ahold (Delhaize) and Shell are currently limited in their outsourcing of CRE activities due to their vast array of CRE activities: from store development and emergency numbers to housing and corporate travel. No single service provider is yet
capable of providing herein completely. Therefore, it can be expected that every time the real estate market indeed becomes ‘ready’, firms take up this opportunity to indeed intensify their outsourcing of CRE activities. Furthermore, the intensified outsourcing of Ahold (Delhaize) AkzoNobel in respectively 2011 and 2010, can possibly be attributed to a change of leadership: both firms initiated their outsourcing programs after the instalment of new heads.

21.2 Comparison with general practice
A comparison of a 2008 and a 2014 survey amongst CRE professionals, showed an outwards moving trend: in general, firms either outsource more activities in 2014 opposing to 2008, or they have decided to maintain more activities in-house (Acoba et al., 2014; Bouri et al., 2008). This outward movement is not noticeable in the research as all researched CRE departments have increased their intensity of outsourcing of CRE activities continuously throughout the researched period.
When the dimensions concerning the role of the researched CRE departments in the period since the turn of the century are compared, some remarkable similarities or exceptions can be detected.

Figure 22.1: Evolution of the case firms’ CRE departments within the researched period (own illustration).

Figure 22.1 provides a comparison of the evolution of the researched CRE departments. Firstly, it can be concluded that the CRE departments of Ahold (Delhaize), AkzoNobel, Philips and Shell all experienced some form of evolution and maturing. ING Group forms the exception to the above-explained trend: starting as a Business Strategist in 2000, currently, the firm’s CRE department operates as an Intrapreneur. Furthermore, no real similarities can be detected in the evolution of the CRE departments: the one firm has evolved significant stronger than the other and additionally, on a different moment. However, when this figure is compared to those concerning the position and form of the CRE department (Figure 18.5 and Figure 20.1), it can be seen that often, a change of evolution occurred simultaneously with a significant shift in position or form, such as the initiation of a coordinated CRE unit.

Figure 22.2: Authority of the case firms’ CRE departments within the researched period (own illustration).
Considering the authority of the CRE departments, Figure 22.2 shows that in general, no explicit movements can be detected in the dimensions of the researched CRE departments. Ahold (Delhaize) and Shell have always been working in a Consultative manner (O’Mara et al., 2002) and still are. AkzoNobel and Philips their CRE departments have always been located on a Controlling level of authority and still are. The only exception is ING Group’s CRE department, as first, it lost its Controlling authority, whereas it again obtained this in 2011. Furthermore, it can be noticed that none of the case firms’ CRE departments was evaluated as being Collaborative.

In summary, it can be stated that almost all researched CRE department experienced some form of evolution since the turn of the century. Such an evolution is often set in motion by a change of the organisation structure, in this case, often the initiation of a coordinated CRE unit. Furthermore, in general, the level of authority of the case firms’ CRE departments did not vary and remained constant within the researched period.

22.1 Possible explanations for findings and exceptions
The downward movement of the evolution of ING Group’s CRE department can be explained by the sudden disappearing of ING Real Estate and its daughter unit Corporate Accommodation around 2008. These units treated real estate as a core business, handling the provision of real estate in a very professional and knowledgeable manner. As the units disappeared, so did their knowledge and skills of real estate. Furthermore, the differences in authority between the case firms can probably be best explained by a difference of culture: in some firms, authority is provided by corporate rules, whereas in others, this occurs more naturally. Finally, the fact that none of the case firms’ CRE department was evaluated as operating in a Collaborative level of authority, can be mostly appointed due to the close nature of the Collaborative and Controlling authority and the applied research method, namely qualitative interviewing: the differences between both levels of authority are difficultly detected by this research method.

22.2 Comparison with general practice
In a 2014 Deloitte survey (Acoba et al., 2014, 2016), almost half of the respondents indicated that their CRE department operated as a ‘Strategic Partner’, a role similar to the Intrapreneur. More than 20% indicated to work as a ‘Visionary’, a role similar to the Dealmaker. In the research, three out of five case firms’ CRE departments were operating as an Intrapreneur or as a Business Strategist at that time. Only Shell operated as a Dealmaker. Therefore, it can be stated that the researched case firms were a bit more evolved than those of the survey.
conclusions and afterthoughts
CONCLUSION

The research aimed to contribute to the field of knowledge concerning the configuration of the CRE department and by this, to the decision-making processes concerning this configuration. Therefore, the organisational structures of the multinational CRE department in the period since the turn of the century until now were researched. The main research question was formulated as follows:

“How is the CRE department of the multinational firm configured in terms of position, form, sourcing and role since the turn of the century?”

To derive at an answer to this research question, the position, form, sourcing and role of the CRE departments of Ahold (Delhaize), AkzoNobel, ING Group, Philips and Shell in the period since the turn of the century to now, were recorded and analysed. The recording of their development occurred through an archival review and qualitative interviewing with CRE professionals of the case firms. An Analysis framework, formed by means of a literature review, formed the base for the performed case analyses and cross-case analysis.

Following these case analyses and cross-case analysis, it can be concluded that no singular answer can be formulated towards the main research question. All researched CRE departments were configured in different ways and moreover, changed throughout time. However, when the formulated sub-research which focus at the position, form, sourcing and role of the CRE department, are considered more in-depth, some similarities or trends can be detected within the structural configuration of the case firms’ CRE departments.

Position
Around the turn of the century, the greater part of the researched CRE units were reporting on a decentralised position within their overall firm, to national units. Later in the researched period however, the majority of the researched CRE units were moved to a more centralised position within the firm, reporting on a global level. Furthermore, all researched CRE departments have at some point within the researched period been reporting in the line of operations and currently, at least parts of four of the five firms their CRE departments still do. Finally, all case firms have applied a deconcentrated model of CRE department within the entire research period, in which CRE activities are spread amongst the entire firm.

Form
This more centralising movement can also be detected in the form of the researched CRE departments. Around the turn of the century, all firms applied a decentralised form of CRE department, in which both the decision-making CRE activities as well as the executing CRE activities are decentralised to organisational units of the firm. Later, all firms initiated a coordinated CRE unit, in which at least parts of the decision-making CRE activities are performed from a more centralised position within the firm, usually just below the general management. Currently, four of the five case firms still operate such a coordinated CRE unit. Furthermore, within the entire period, researched firms mostly applied geographically and functionally focused CRE models. Finally, three case firms currently make use of a grouping based on the type of real estate, as their production properties are handled by other CRE units than their remaining properties are.
Sourcing
Around of the turn of the century, a clear distinction in policy towards the outsourcing of CRE activities existed, as some firms were outsourcing significantly more CRE activities than others. Currently, this duality has disappeared as four of the five case firms are currently outsourcing the greater part of their CRE activities to several external service providers. Furthermore, all researched CRE departments have increased their intensity of outsourcing throughout the researched period, although some more extensively than others. Finally, all case firms have outsourced the greater part of their operational and tactic CRE activities to external service providers.

Role
The majority of the researched CRE departments have experienced some form of maturing and evolution of responsibilities within the researched period. Such a change of maturity and evolution was often enabled by an organisational change of the CRE department, such as the initiation of a coordinated CRE unit. The authority of the researched CRE departments remained rather constant throughout the researched period.

Taking this back to the main research question, it can be concluded that although some similarities or trends can be detected for the position, form, sourcing and role of the multinational CRE department since the turn of the century, in general, the configuration of the structural dimensions strongly differs per CRE department and additionally, changes throughout time. Not remarkable when we re-consider the theory of Daft et al. (2017, p. 10), which state that “Diversity tends to be overlooked when it is assumed that one ‘model’ of organization is equally relevant and successful for grasping the salient features of very different kinds of organization. Or that one, ‘dominant’ model is readily applicable to all organizations.” In the search for effectivity and efficiency, thus competitive advantages, the CRE department needs to react its own, particular (and changing) situation, which asks for a constant adjusting of its structural configuration.

In this sense, the research affirmed the expectation set out in Chapter 1, being that as every situation differs, no (well)-functioning organisation and thus CRE department, is the same.
DISCUSSION

24.1 Limitations of the research
As a result of the defined scope and applied research methodology, the research knows several limitations which are further explained below.

Scope
The main aim of the research was to contribute to the field of knowledge concerning the configuration of the CRE department. Although many organisational variables exist for the CRE department, the research was mainly focused at the variable organisational structure. Reason for this was the presumption that the researched case firms, their CRE departments and the discipline of CREM have all reached a certain level of maturity, and therefore rely heavily on organisational structure. Furthermore, the research was mostly focused on ‘how’ natured research questions: how are CRE departments configured throughout time? In addition, although briefly, it touched the ‘why’ side of this organisational development: why do CRE departments configure the way they do? Finally, it should be noted that not all eight case firms of Krumm (1999)’s research were again explored as the research was only focused at the CRE departments of Ahold (Delhaize), AkzoNobel, ING Group, Philips and Shell.

Case selection
Within the research, five multinational firms originating from the Netherland were researched extensively. This choice followed naturally from the intention to create a follow-up on the by Krumm (1999) performed research. However, due to this limited amount of researched cases and their specific organisational nature and origin, the results of the research cannot be generalised and projected on a larger scale or into the CRE departments of other types of firms.

Methodology
For the research, use was made of qualitative research methods. In general, these research methods are sensitive for subjectivity and interpretations of the researcher and the interviewees. To overcome this subjectivity, several measurements were taken. First of all, the data originating from the mostly subjective interviews was supplemented with data from more objective, archival documents in order to establish the eventual case descriptions of the CRE departments. A complete overview of the used archival documents is provided in the Chapter References as well as relevant references in every paragraph. Secondly, the analyses of the case descriptions were performed by the researcher only, without input from the interviewees. An example of the value hereof lies in the appliance of the evolution stages of Joroff et al. (1993), a tool widely adopted in literature and educational research. In many researches, the interviewees themselves are asked about their perceived place on this ladder of evolution. Out of proud of their CRE department and firm, many of them answer to be positioned in the Business Strategist level, thus being well-developed: a bias lies in such an evaluation by the interviewee himself. Therefore, in this research, this influence was filtered out as much as possible. Thirdly, the results of the interviews are not only used to fill-in the Analysis Framework for every case firm, but the entire development of the case firms’ CRE departments is explained in the Section Case Analysis. This makes the CRE departments’ story interpretable by the reader itself instead of by the author only. The latter is also done to overcome the limitation given by the applied Analysis Framework and its incorporated dimensions itself, which are possibly not recognised or widely adopted by everyone interested in the research.
24.2 Relevance of the research
The pre-defined aim of the research was to:

a) contribute to the field of knowledge concerning the configuration of CRE departments and by this, b) contribute to the decision-making processes of firms regarding this configuration, by c) the recording and analysing of the organisational structures of CRE departments of five multinationals in the period since the turn of the century to now.

By this, the research aimed to serve both a scientific as well as a practical purpose. Considering the former, the performed research can indeed be considered as a first qualitative step towards the development of more knowledge concerning the configuration of the CRE department, especially at our faculty Management of the Built Environment of the TU Delft. Considering the practical relevance of the research, the research can be considered as a solid base for the conduction of future research. When the current research into the ‘how’ side of the organisational configuration of the CRE department is complemented with research into more ‘why’ natured research questions, the then gained knowledge can be of much value for practitioners of CREM which have to make organisational decisions in the future.

24.3 Review of findings from a broader perspective
It was concluded that no singular answer could be formulated towards the main research question since all researched CRE departments configured their organisational structures differently and moreover, this configuration changed over time. This conclusion is in line with the statements made in Paragraph 7.2 concerning the Contingency Theory that firms are bound to change their structural configuration and moreover, differ this from other firms (Daft et al., 2017, pp. 10, 69; Donaldson, 2005; Woodward in Mintzberg, 1979, p. 217; Child in Ranson et al., 1980).

Furthermore, one of the most primary findings of the research was the detected centralising movement which all researched CRE departments made (to some extent) within the researched period. This movement from decentralisation to centralisation (and to decentralisation again) is a natural movement which is detected in many organisations over the years. In general, in difficult times, organisations tend to centralise their activities as they need to acquire a sense of control. After some time, this ‘tightening of strings’ leads to inefficiencies, slow-decision making and discontent of the organisational participants.

Then, organisations often decide to make a decentralising movement (Carnall, 2007, pp. 18, 19; Cummings, 1995; Frederix & Krumm, 2008; Mintzberg, 1979, p. 182). At the period of centralising by the researched case firms, these had all just experienced their own particular difficult times induced by scandals, disappointing sales and the overall global recession. Thus, this centralising of activities is quite understandable and in line with general developments.

More remarkable is the fact that none of the researched case firms applied an entirely concentrated or centralised CRE department within the researched period. However, this can probably be allocated to the nature of the researched cases, being multinational firms. Due to their global spread of operations, a true concentration and centralisation of CRE activities seems fairly impossible. Furthermore, none of the researched CRE departments took part in an integrated form with other services, although the appliance thereof was predicted a long time ago already by many researchers and practitioners (CoreNet Global, 2015, pp. 175-183; Krumm et al., 2000; McBlaine, McCarty, & Gottschalk, 2009; Page & Valenziano, 2001).
However, the other findings such as the declined strength of the geographic focus of the CRE departments, the increase of outsourcing and the maturing of the CRE department are also more in line with what could be expected. The first is mainly the effect of the trend of globalisation, which has led to a disappearing of strong differing national legislations, demands and financing. This reduction of decreased focus on geography can be observed in organisations all over the world, not only in CRE departments (Kidger, 2002). Furthermore, the second finding can not only be found on the level of CREM, but also on a much wider scale, as in general, the outsourcing of activities has increased significantly in firms worldwide (Deloitte, 2016; Geishecker & H., 2008; Plimmer, 2013). Furthermore, the outsourcing of CRE activities can be seen as an effect of the further maturing of the CRE department and the real estate market: as the CRE department take responsibility of more strategic activities within its firm, its desires to outsource other, less important activities to other professionals. Finally, the further maturing of the CRE department and the discipline of CREM in general is a long-term development which was also already detectable in the research of Krumm (1999).

24.4 Reflection on the perceived maturity of the CRE department and CREM
One of the main arguments for limiting the research to the variable of organisational structure, was the assumption that the case firms, their CRE departments and CREM have all undergone a form of maturity in the past period and additionally, that matured organisations tend to rely more on their organisational structure. For this reason, it seems necessary to reflect on whether this maturing of the CRE departments and CREM indeed occurred.

But what exactly makes an organisation ‘mature’? “The term maturity can be interpreted as a complete – or in perfect conditions – development; also, provides visibility of how success occurs and what approaches should be taken to correct or to prevent occurring problems”. (Nikkhou, Taghizadeh, & Hajiyakhchali, 2016) A mature organisation is capable of delivering stable results which are in line with a predefined goal. This is contrary to an immature organisation of which its results vary of quality, do not have a sound and defined direction and additionally, are often dependable on the person delivering them.

In order to achieve this intended consistency, a mature organisation should be capable of determining organisational goals, measuring of performance and standardisation of processes and products (El Emam & Madhavji, 1996; Nikkhou et al., 2016; Snowden, Hinley, & Clarke, 2010). These capabilities can be considered as the dimensions of an organisation’s maturity: if these capabilities are indeed owned by an organisation, it can be regarded as a mature organisation.

As it is presumed that mature organisations operate more efficiently and effectively, organisations often aim to become more mature. Therefore, organisations often make use of maturity models to assess their practises and compare these to others. Maturity models are frameworks in which an organisation’s capabilities are assigned to a certain pre-defined class of performance or maturity. These classes usually exist in a subsequent order: moving to a next class implies a form of maturity and by this, an improvement of performance (Nikhou et al., 2016). Taking this given and the just mentioned dimensions in notion, the evolution ladder of Joroff et al. (1993) can be considered as a maturity model. Their work consists of several, subsequent levels and additionally, contains the dimensions of determination of goals, measurement of performance and standardisation of processes and products. Therefore, the evolution ladder of Joroff et al. (1993) is used to assess whereas indeed, a level of maturity is established by the CRE department and the discipline of CREM.
The findings of the research concerning the evolution stages of Joroff et al. (1993) indeed illustrate that all research CRE departments have experienced some form of maturing since the turn of the century. However, that does not necessarily make them ‘mature’: to be able to conclude this, a more thorough look should be taken into the research’s findings.

When the above capabilities or dimensions of the mature organisation are considered, it can be concluded that a CRE department is mature when it reaches the Intrapreneur stage of Joroff et al. (1993): at that stage, CRE departments standardise CRE processes and products, measure their own performance and establish a strategic perspective towards CRE. Around the turn of the century, this was only the case for ING Group which then treated real estate as a core business. Currently, four of the five case firms have reached this stage or higher. So, it is indeed safe to conclude that the majority of the researched CRE departments have reached a state of maturity within the researched period.

In addition, the observation was made that the researched CRE departments indeed tended to rely more on their organisational structure later in the researched period. Many firms (Ahold (Delhaize), ING Group and Philips) only begun to formulate organisational charts at a later moment of the research. Quite often, this happened to be close to the moment in which they indeed moved to the Intrapreneur stage of Joroff et al. (1993) or higher and thus obtained maturity. Furthermore, the only firm which does not use organisational charts at the moment is AkzoNobel, which also happens to be the only firm that has not reached the Intrapreneur stage and thus matured level yet. These observations illustrate that indeed, the majority of the researched CRE departments have become matured within the researched period and moreover, that a direct link exists between maturity and the reliance on the organisational structure.

However, this does not naturally imply that the entire discipline of CREM has reached a state of maturity: because of the limited case selection, the results of the research cannot be generalised. Furthermore, it should be noted that although the above paragraphs give the impression that organisations should always aim for a subsequent level of maturity, it can be questioned whether this should be also the case for supporting processes such as CREM. Is it indeed necessary that AkzoNobel’s CRE department further develops itself in the future or is its current performance sufficient enough to support AkzoNobel’s core processes? This question was also raised by Rianne Appel-Meulenbroek, Assistant Professor in CRE and workplace at the TU Eindhoven 101. Moreover, it should not be forgotten that the development of a CRE department requires investments: more knowledgeable people need to be attracted, costly IT systems need to be installed et cetera. Therefore, it seems more suitable to assume that in practice, a balance should be found between the desired stage of maturity and the value which this maturity adds to the CRE department’s firm, especially for firms with low-key CRE as AkzoNobel.

24.5 Projection of findings on future organisational developments

One of the most influencing factors affecting organisational structure seems to be the degree of centralisation of an organisation (Krumm et al., 2000). The dilemma whether to centralise or to decentralise has been a debate amongst theorists and professionals for over decades. Although many believe that decentralisation should be favoured above centralisation, in reality, more of a fluctuating trend of centralising and subsequent decentralising can be detected in organisational history (Cummings, 1995). As Carnall (2007, p. 18) formulated it, “once upon a time it was not relevant to ask managers ‘Is your organization centralized or decentralized?’ but, rather, ‘In what direction is it going this year?’ There seemed to be a cyclical process at work.” This is quite understandable when we re-consider the previously made

101 Discussion with Rianne Appel-Meulenbroek, Assistant Professor in CRE and workplace at the TU Eindhoven (7 June 2018).
conclusion that well-functioning organisations never stand still and continuously adapt their structural dimension, of which centralisation is one, to their particular situation.

A combining of the research of Krumm (1999, pp. 97-121) (Chapter 6) and the current research (Paragraph 19 and Paragraph 20), shows that the CRE departments of the researched multinationals have experienced a similar fluctuating movement of centralisation and decentralisation. Whereas in the period of 1930 to 1960, the CRE department was fully concentrated and positioned centrally, just beneath the general management, the expansion of business beyond the national borders in the sixties of the 20th century marked the start of a process of decentralisation of the CRE responsibilities to national units. The findings of the current research show that from 2005 onward, the greater part of the case firms’ CRE departments had again retained a more centralised position. Although these CRE departments were no longer positioned directly under the the general management, they returned to report on a global, centralised level. Additionally, also internally the CRE departments again obtained a moderated, but centralised form as decision-making was centralised and the execution of CRE activities remained to be locally performed.

The above findings illustrate that both the position and form of the case firms’ CRE departments have moved along a process of centralisation, decentralisation and centralisation again (illustrated with the continuous lines in Figure 24.1). However, later in time, this occurred moderated: although the newly obtained positions of the CRE departments were indeed more centralised, the CRE departments remained to be departed from the CEO of their firm by a minimum of three reporting levels. Additionally, none of the CRE departments applied a fully centralised form in this period of re-centralisation starting in 2005: they all applied a coordinated form of centralisation in which decision-making activities were centralised whereas...
the other CRE activities remained to be executed locally. The strength-loss of this centralised movement can probably be best attributed to the obtained size of the researched multinationals at the time of the re-centralisation era, which had then hit a range of 60,000 to 250,000 employees. As was illustrated before, a certain level of decentralisation is necessary as the complexity and size of a firm increases. General management simply can not do everything Mintzberg (1979, p. 182). Additionally, due to the global spread of the firms their activities (at the time varying from 20 to 140 countries), the establishment of a truly centralised form of CRE department is difficult. Furthermore, it can be expected that a future decentralisation of CRE activities will also occur in a moderate form. As Rianne Appel-Meulenbroek, Assistant Professor in CRE and workplace at the TU Eindhoven states, the firms are not expected to decentralise their CRE activities to the same extent as was done previously, as they now experienced the advantages which arise from a coordination of CRE activities. However, it can be expected that some decentralisation of CRE activities will occur in the future. Following this line of thinking (and assuming that the researched firms do not suddenly collapse and lay-off 90% of their employees and activities) it can be presumed that both the position as well as the form of the multinational’s CRE departments will carry on this continuous process of moderate centralisation and moderate decentralisation in the future.

However, as can be derived from the literature about the Contingency Theory (Paragraph 7.2), centralisation is not a stand-alone structural dimension and is influenced by (and often the result of) other factors. In addition to the detected process of centralisation and decentralisation, both the research of Krumm (1999, pp. 97-121) (Chapter 6) and this research (Paragraph 21) showed an increasing trend of outsourcing of CRE activities in the past years. Often, this outsourcing of CRE activities was even more desired by the firms than could be provided by the professional real estate market. Many even believe that when the real estate market offers enough opportunities, this outsourcing will take on even more extreme forms (Cleveland, 2013; CoreNet Global, 2015, p. 6; Van Pelt, 2015). This is further confirmed by the actions of case firms AkzoNobel and ING Group which are currently working towards a more intensive form of outsourcing. René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate, even states that to him, in an ideal and far away future, the internal CRE department does not exist anymore and CRE activities are all performed by external service providers. This way, firms can refocus entirely on their core processes.

This intensified outsourcing of CRE activities provides new opportunities for the structural configuration of the CRE department. Firstly, the outsourcing will result in smaller internal CRE departments (CoreNet Global, 2015). In the research, this development was already illustrated by the downsizing of the CRE departments of Philips and Shell after the initiation of their outsourcing programs. Also, ING Group aims to downsize severely after their intended outsourcing program is fulfilled. Secondly, the outsourcing enables the re-introduction of more centralised CRE departments. ING Group already plans to make use of a centralised model: it aims to deactivate its current, local teams and transfer the firm’s local CRE activities to external service providers entirely. Group itself, will only sustain a small, centralised CRE department located at the headquarters, which coordinates the activities performed by external service providers.

Therefore, concluding, it can be expected that although the position of the multinationals’ CRE departments will indeed carry on this continuous process of moderate centralisation and moderate decentralisation in the future, the internal centralisation of the CRE department, thus its form, can take up more extreme forms in the future (illustrated with the dashed lines in Figure 24.1).

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102 Discussion with Rianne Appel-Meulenbroek, Assistant Professor in CRE and workplace at the TU Eindhoven (7 June 2018).
103 Interview with René van der Burgt, Global CoE Partner Portfolio and M&A Philips Real Estate (2 February 2018).
24.6 Evaluation and validation of the Analysis Framework

The application of the developed Analysis Framework proved that the model was indeed quite suitable for the thorough analysis and cross-case analysis of the researched CRE departments. However, some factors of improvement can be appointed for future use of the Analysis Framework. Firstly, it is recommended to re-evaluated the dimension concerning the models of concentration of CRE activities. Within the research, no concentrated models in which all team members operate from one singular place could be detected. Due to the effect of globalisation, it can be expected that the occurrence of truly concentrated models will only decline in the future as organisational units often consist of team members located around the entire globe. Therefore, it is recommended that from now on, CRE departments in which all CRE professionals of one firm report to one singular CRE head, are considered as being concentrated. Secondly, the dimension concerning the authority levels of O’Mara et al. (2002) showed unsuitable for the applied research method of qualitative interviewing. Collaborative levels of authority could not be detected by the conduction of interviews, also due to the close-by nature of the Collaborative and Controlling levels of authority. Furthermore, the formulated levels do not fairly represent the differences which do exist between the CRE departments. CRE departments which closely collaborate with other organisational units of their firm when it concerns CRE, strictly fall within the determined Consulting level of authority. However, other CRE departments which only have to approve the proposals of the other organisational units but lack the power to influence it, strictly fall within the determined Controlling level of authority. Therefore, it is proposed that from now on, the distinction between the authority levels is made by determining whether the CRE department is only involved in the development of investment proposals when other organisational units deem to do so (Consulting), is always involved within the development of investment proposals (Collaborative), has to sign-off proposals of other organisational units (Authorising) or both the latter two (Controlling).

Furthermore, the Analysis Framework was discussed with Rianne Appel-Meulenbroek, Assistant Professor in CRE and workplace at the TU Eindhoven, with the purpose to validate it. Appel-Meulenbroek considered it as a valuable and complete model, covering the essential aspects of the organisational structure of the CRE department. Additionally, none of the incorporated dimensions was considered as out of place. However, some critical notes were uttered about the appliance of the evolution stages of Joroff et al. (1993). No clear and distinctive boundaries exist between the by Joroff et al. (1993) described stages. Therefore, a truly objective evaluation of the whereabouts of a CRE department within this ‘ladder’ of evolution stages, is hard to establish. To overcome this hardship, Appel-Meulenbroek suggested an expansion of the current Analysis Framework, incorporating a dimension which expresses the diversity and range of activities which the CRE department performs within its overall firm. Furthermore, Appel-Meulenbroek stated to value the Analysis Framework to reflect more information concerning the firm in which the CRE department operates, such as its sector of operating. This information can provide more insight into why the organisational structures of the researched CRE departments differ from each other (or not).

24.7 Recommendations for further research

Some recommendations can be made for further research. Firstly, a recommendation can be given towards the expansion of the case selection. The creation of a follow-up of the remaining case firms being ABN Amro, Vendex and Unilever would be valuable. In addition, by expansion of the case selection into even more multinational firms, with different origins, the results of the combined researches would give a more fair and general representation of reality. Furthermore, a similar research could be performed but then with a different nature of case firms, for example smaller sized firms instead the multinational firm. Secondly, a

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104 Discussion with Rianne Appel-Meulenbroek, Assistant Professor in CRE and workplace at the TU Eindhoven (7 June 2018).
different nature of research questions could be formulated. As was explained already, the current research mostly covers the ‘how’ side of the organisational configuration, whereas research into the ‘why’ side hereof can also be of much value. In line with the reviewed literature, the findings of the research and additional information provided such as the paragraphs concerning the drivers for organisational change of the CRE department, some hypotheses can be formulated which can possibly form the base of such future research:

* In line with the formation of the organisation in general, tough (economic) times drive a (certain) centralisation of the CRE department.
* A true centralisation of CRE activities is gradually disappearing due to globalisation and improved communication.
* The organisational structure of the CRE department is strongly dependent on the size of its overall firm.
* The (changing) organisational structure of the CRE department is strongly dependent on the (changing) organisational structure of its overall firm.
* The organisational structure and evolution of the CRE department has been strongly dependent on the level of initiative and innovation of its leader. This is mostly due to the relatively young and immature state of CREM in the past.

Taking this a step further, this can eventually lead to the formation of predictions of the future development of the CRE department and of recommendations concerning the CRE department’s organisational structure: how to structure in which situation? Such research can be of much value for practitioners of CREM. A good example of an advisory framework can be found in the work of De Toni, Fornasier, and Nonino (2012). Thirdly, it is recommended to perform research into other variables of the organisational configuration of the CRE department than the organisational structure. Fourthly, the developed Analysis Framework forms a possible basis for further research. The value of the Analysis Framework can be further tested by discussing it with professional scientists, evaluating and refining it by means of new literature reviews and testing it again by application of it to real life cases. Moreover, one can imagine that this Analysis Framework can also be projected and developed on a larger scale, for the organisational structure of firms in general.
REFERENCES


The following section composes a short background on several concepts and some insight into the research of Krumm (1999) concerning the role and configuration of the CRE department until the year 2000. A short literature review is provided on the concept Corporate Real Estate (Management) and a statement is given on which activities are considered as CRE activities in the research. Then, a summary of the research of Krumm (1999) is given, which provides useful insight into the role and configuration of the CRE department until the year 2000. Finally, a literature review on the overarching concept organisational structure is provided, as well as some linkages of this concept to the CRE department.