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MASTERS IN PROJECT MANAGEMENT  
MINOR DISSERTATION

**AN EXPLORATION OF CORPORATE REAL ESTATE MANAGEMENT OUTSOURCING PRACTICES IN  
SOUTH AFRICA**



**RESEARCHER:**

TAPIWA P. MODISE

MDSTAP001

**SUPERVISOR:**

DR NIEN-TSU TUAN

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## **Abstract**

**Purpose** – The considerations of non-real estate private organisations in South Africa when outsourcing their corporate real estate management (CREM) functions are examined. The investigation seeks to determine the elements that impact the decision to outsource CREM functions; the characteristics looked for in service providers and if there is a mismatch between what corporate entities desire from CREM outsourcing and what service providers deliver.

**Design** – The study is grounded on a broad analysis of the literature globally and locally; as well as data collected through semi-structured interviews to build four (4) case studies; to gather information about a small set of organisations, within the Johannesburg Metropolitan area of South Africa, on their CREM outsourcing activities. Inductive content analysis will be used to analyse the data collected.

**Findings** – All the organisations outsource parts of their CREM. However, the incidence of CREM outsourcing has neither increased nor decreased in the last three (3) years.

Four (4) CREM services are outsourced; facilities management is the most frequently outsourced, followed by subject matter expertise in second and real estate management and transaction management in joint third.

The majority of the organisations adhere to a global outsourcing strategy, as opposed to a local or no strategy. Correspondingly, the majority of the organisations have a formal guideline.

Seven (7) motives or drivers for CREM outsourcing were uncovered. Access to technical expertise and flexibility were both in first place, followed by cost savings and lack of internal resources in joint second and access to local expertise, focus on core business value chain activities and risk mitigation in shared third.

South African organisations identify service providers through four (4) mechanisms: firstly a request for proposals (advertising), direct approach in second and associate recommendations and third-party search in joint third.

Seventeen (17) characteristics were identified that influence the selection of a service provider. Of greatest weight is references/reputation, relevant experience, the amount of fee charged and technical expertise in joint first. In joint second; local experience, understanding the client's organisation, flexible service terms, integrity



of approach, regulatory compliance and business values and ethos. This is followed by service provider capacity, individual capability, unconflicted, strong management capability, transparency, strong advisory capability and trust in shared third.

The majority of the organisations judged CREM outsourcing successful and twelve (12) attributes were identified that impact the success of CREM outsourcing. Strong advisory capability dominated the list, followed by understanding the client's organisation and technical expertise in mutual second place. In shared third place, unconflicted, strong management capability, professional integrity, market knowledge value-add, delivering the pledged service, flexible service terms, responsiveness, cost savings and transparency.

**Practical Implications** – A strengthened and grounded understanding of the considerations of non-real estate private organisations in South Africa within the process of CREM outsourcing, will provide an empirical foundation upon which service providers may base their strategic positioning within the local market.



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### **List of Acronyms**

B-BBEE	-	Broad-Based Black Economic Empowerment
CRE	-	Corporate Real Estate
CREM	-	Corporate Real Estate Management
JSE	-	Johannesburg Stock Exchange
IDRC	-	Industrial Development Research Council
RFI	-	Request for Information
RFP	-	Request for Proposals



## **1. Chapter One: Introduction**

This study offers a modern investigation of the practice of outsourcing of corporate real estate management (CREM) in South Africa. It details a research project that analytically evaluates the considerations of non-real estate private organisations in South Africa, as it relates to their decision making in outsourcing their CREM function.

For the purposes of this study, CREM outsourcing can be considered as full outsourcing, where all functions of CREM are transferred to an outside service provider. Or partial outsourcing, where specific functions of CREM are transferred to an outside service provider.

The origin of the idea of the study stems from the researcher's observation of an apparent disparity of information in South Africa, on the perspective of corporate real estate executives on their relationship with and the competence of service providers.

### **1.1. Background to the Study**

Corporate real estate (CRE) describes the land and buildings possessed by organisations not primarily in the real estate trade. In traditional economic theory, these organisations consider their corporate real estate mainly as a 'factor of production', offering accommodation for the manufacture and distribution of goods and services (Liow and Ingrid, 2008). CRE can be described more specifically as the real estate possessed by an organisation, be it leasehold or freehold that is utilised by a corporation for its particular productive purposes, whether is it for investment or use (Kooymans, 2000).

A considerable amount of wealth is invested in CRE by commercial organisations, and in a few instances, real estate is the organisations' biggest asset. From a global outlook, the degree of real estate retained by non-real estate companies is well documented. Real estate accounts for approximately 25% of corporate capital in the USA, and it corresponds to 30-40% of total assets and 100% of corporate wealth in the books of industrial corporations in the UK. Asian non-real estate organisations report greater real estate holding intensity as compared to their USA and European counterparts, with numerous big businesses owning their impressive organisational headquarters to enhance their company image. For instance, Singapore companies invest approximately 40% of their capital in real estate. Many of the biggest non-real estate organisations hold real estate portfolios that are equal in value to those held by conventional real estate firms (Liow and Ingrid, 2008).



In recent times, corporate real estate has occupied a greater level of prominence as the fifth (5<sup>th</sup>) corporate resource after capital (equity/debt), personnel, technology and information. Along with this added prominence of real estate as a business resource, the management of corporate real estate itself has progressed considerably throughout the past several decades, having started as a custodial approach preceding the 1970s, to the present movement of a strategic approach in which the real estate purpose is shifting in the direction of growth, efficacy and value (Liow and Ingrid, 2008).

CRE is at present considered an essential strategic resource, one that is a hard resource to replicate. Corporate real estate has ascended past the status of being the stepchild of business research. Several studies have been conducted to uncover real estate's capability to improve organisational value. The explosion of CRE investigations has been driven by the prolonged dominance of real estate on the company balance sheet, as well as by the progressively complex corporate background which has compelled companies to uncover their 'buried' real estate wealth (Too, Harvey and Too, 2010). To extract this buried value on corporate books, an appropriate method of establishing and organising the management of corporate real estate needs to be identified. This has been one of the key issues confronting companies globally (Hartman, Linneman, Pfnur, Moy and Siperstein, 2010).

The management of CRE is recognised as corporate real estate management (CREM) and is described as "the optimum use of all real estate assets utilised by a corporation in pursuit of its primary business mission" (Ali, McGreal, Adair and Webb, 2008). CREM inputs to the corporate organisation are delivered through numerous actions, comprising property development and acquisition/investment, financial analysis, property management as well as sundry actions, like leasing, brokerage and development packaging. CREM entails widespread features of real estate management spanning routine everyday property management to more complex actions of long-term CRE strategic planning and asset management (Ali et al., 2008).

Every business needs space to accommodate personnel, goods and production activities. However, the majority of businesses do not specialise in real estate (Gibler and Black, 2004) and only in rare circumstances does it add directly to profits or improved shareholder value (Martin, 2004). Accordingly, businesses have to decide whether to keep corporate real estate employees and self-perform all CREM functions, outsource all facilities and real estate management functions, or engage core real estate personnel to tackle crucial managerial and strategic decisions whilst supervising the outsourcing of certain real estate responsibilities to external service providers (Gibler and Black, 2004).



Preserving a continuous emphasis on business priorities is a crucial element for the success of management at present. With rising competition in each business arena, any diversion from core business propositions is capable of causing a fall in market share and profitability. Furthermore, at a time when difficult economic conditions curb growth opportunities for various businesses, managing costs infers increased significance for producing profitable results (Martin, 2004).

Within this setting, strategic outsourcing permits managers to focus on core business concerns, decrease costs and enhance service levels by means of handing over important, but non-core activities to skilled associates (Martin, 2004). The outcome of whether and in what way to outsource can have a huge financial effect on an organisation. The re-emergence of specialisation by companies, follows research that reveals, that companies working in several lines of business tend to have lower values than groups of focused organisations. Furthermore, selling off unconnected units has been reported to enhance the value of the parent company (Gibler and Black, 2004).

Numerous businesses regard outsourcing as an on-going, strategic relationship looking to enhance value as opposed to merely a cost-driven, tactical transaction. These businesses employ outsourcing to draw upon knowledge and competence presently absent within their companies and to free in-house capability to concentrate on tackling strategic matters. Many are beginning to thrust a number of operational and financial risks to external associates, and several are engaging in risk-sharing agreements (Sharp, 2013).

Additionally, as the corporate setting is forever changing, stimuli such as restructuring, globalisation and technological advancement influence the manner in which companies run their businesses, causing them to search for ways to be flexible and reactive. Companies ought to contemplate in what way trends adjust their real estate and service requirements in addition to their real estate employment needs (Gibler and Black, 2004).

The overall principle behind outsourcing is that companies ought to focus their resources and energy on their core competencies in order to achieve prominence and deliver value to customers. It is an operation that can reduce costs while allowing flexibility, through decreased capital investment in technology and overhead costs. Similarly, as the complexity of a job increases, a company will find it difficult to match the performance and cost structure of a specialised service provider in non-core fields. Therefore a company can outsource in order to decrease costs, gain access to first-class specialists, free up capital resources and mitigate risks (Gibler and Black, 2004).

From the above review, the following two observations can be made:

1. When a company's corporate real estate is managed strategically and works at peak efficiency, it can be a formidable competitive advantage for a business.
2. That a company will find it difficult to match the performance and cost structure of a specialised service provider in non-core fields.

Boosted by the establishment of a wider strategic corporate real estate agenda, capacity restraints and skill disparities in many internal CREM staff, the CREM outsourcing market has in turn been expanding. CREM is catching up to finance, human resource and information technology that are more usually outsourced. Globally, this trend is expected to increase over the course of the next three years as the pressure to enhance portfolio efficiency endures (Sharp, 2013).

The remainder of services undertaken internally or via outsourced structures is evolving. Those with CREM outsourcing expertise are constantly searching for effective delivery methods that offer greater strategic influence and provide best practice – a movement that has achieved considerable drive since 2011. Expert and resource-intensive services, by and large, are prone to being outsourced, with project management surpassing transaction services as the most repeatedly outsourced task since 2011. The upcoming three years will see further development in the outsourcing field as CREM teams search for added backing from the marketplace in providing strategic and decisive real estate functions (Sharp, 2013).

The USA has 20 years of knowledge in CREM outsourcing within the conventional real estate service areas. The outsourcing of CREM commands a unified, end-to-end approach for identifying opportunities and administering their implementation (De Zúñiga, 2005). To be fruitful, CREM outsourcing agreements need appropriate consideration and preparation, expert procurement and firm but fair management (Davis, 2004).

CRE and its management thereof, which in whole or part can be outsourced, exists as a field in its own right on the demand-side of the real estate industry. Understanding it ought to be of importance to the supply-side's provision of products and services, as this corresponds with calls for the supply-side's better understanding of customers and their processes (Heywood and Kenley, 2007). For this reason, where is South Africa in this trend of corporate real estate management outsourcing? The existence of CREM outsourcing in South Africa is not obvious. The country has sophisticated, quality commercial real estate stock, most of which has been constructed to international benchmarks. Its office stock residing in its four key markets; Cape Town, Durban, Johannesburg and Pretoria, is estimated at 6.32 million square metres, 57% of the stock being of grade A and



is similar in size to Brussels, Madrid, Milan and Moscow (Jones Lang Lasalle, 2012). Conglomerates that resolve to establish themselves in the country will not lack for company. Johannesburg, South Africa's biggest city, lies amongst the world's top 50 business locations, with regard to international corporate representation. Fortune 500 corporations with key offices and/or industrial facilities in the country, include; BMW, Citibank, Dell, General Motors, Goldman Sachs, HSBC, IBM, JP Morgan Chase, Merrill Lynch, Microsoft, The Coca-Cola Company and Toshiba (Jones Lang Lasalle, 2012).

CREM is well recognised and researched globally. Even though South Africa has a well-established CRE market, limited research has been conducted in the South African CREM and CREM outsourcing fields. The researcher was able to source the works of Ghyoot (2003) who explored 'The Lease vs Buy Decision in Real Estate: Theory and Practice', as well as Lalloo (2013) who investigated 'Corporate Real Estate Practices in South Africa – A Survey of the Top 200 Companies Listed on the Johannesburg Stock Exchange', and Maluleke (2014) who examined the 'Methods of Providing Corporate Real Estate Management Services: An Overview of South African Corporations'. Nowhere in the Ghyoot (2003) research was there a mention of CREM outsourcing. The other two touched on the practice as it relates to the overall CREM field; the exact details of where they left off on CREM outsourcing will be expanded upon in the literature review under Chapter Two. This is the extent of the literature on South Africa's CREM outsourcing field.

Accordingly, this study seeks to follow up on the works of Lalloo (2013) and Maluleke (2014), to ascertain the present status of the local (South African) CREM outsourcing environment; specifically seeking to identify the elements that impact the decision to outsource CREM functions as well as the qualities looked for in service providers. Lastly, it looks to uncover if there is a mismatch between what corporate entities desire from outsourcing and what service providers deliver.

## **1.2. Problem Statement**

The problem to be examined in this study can be summarised as follows:

There is limited published information on how the practice of CREM outsourcing is being applied in South Africa and no way to measure the growth (positive or negative) of the practice locally. In consequence, there is little to no empirical foundation upon which service providers can base their strategic positioning within the local market.

### **1.3. Research Questions**

The research questions in this study are:

1. Is there a movement of CREM outsourcing in South Africa by non-real estate private organisations?
2. What CREM functions are outsourced in South Africa and do non-real estate private organisations in South Africa have a documented CREM outsourcing strategy ?
3. What are the key motives or drivers behind non-real estate private organisations in South Africa outsourcing their CREM functions?
4. How do non-real estate private organisations in South Africa identify service providers and what characteristics are considered in the selection of a service provider ?
5. How successful is CREM outsourcing in South Africa and what service provider characteristics affect success?

### **1.4. Research Aim and Objectives**

The general aim of the present study, is to offer insight into the present considerations of non-real estate private organisations in South Africa, concerning their decision making in the process of CREM outsourcing.

This will be achieved through the following specific objectives:

1. Determining if there is a movement of CREM outsourcing in South Africa by non-real estate private organisations.
2. Determining what CREM functions are outsourced in South Africa and whether non-real estate private organisations in South Africa have a documented, CREM outsourcing strategy.
3. Determining what are the motives or drivers behind non-real estate private organisations in South Africa outsourcing their CREM functions.



4. Determining how non-real estate private organisations in South Africa identify service providers and what characteristics are considered in the selection of a service provider.
5. Determining how successful is CREM outsourcing in South Africa and what service provider characteristics affect success.

### **1.5. Report Framework**

➤ Chapter One: Introduction

This section encompasses preliminary explanations of the investigation. The study background is developed and the problem statement established. The research questions, aim and objectives, and the report framework are also presented.

➤ Chapter Two: Literature Review

This section offers a general background on CRE as well as CREM and shows in what way the literature on CREM has advanced to offer direction on outsourcing practices. A synopsis of decision analysis is also provided.

➤ Chapter Three: Research Methodology

Information on the broad and technical research approaches employed in this study is offered. The section also elaborates on why the chosen methodologies were selected to answer the research objectives.

➤ Chapter Four: Results

The findings of the study are presented.

➤ Chapter Five: Discussion of Findings

This section comprises a summation of the data gathered and the ensuing evaluation thereof from which deductions can be extracted.

➤ Chapter Six: Conclusions and Recommendations

This closing section covers the deductions extracted from the observed data. Based upon these deductions, recommendations will be formulated for further study.



## 2. Chapter Two: Literature Review

### 2.1. Corporate Real Estate

As previously highlighted, corporate real estate is described as “real estate owned by a corporation, whether it is for investment or use. This includes freehold and leasehold real estate that is used by an organisation for its productive purposes, whether or not the corporation considers the same real estate to be an investment” (Kooymans, 2000).

The forerunners who initially made the contrast between real estate and corporate real estate were Zeckhauser and Silverman (1983), Veale (1989) and Nourse (1990) (Too, Harvey and Too, 2010). Zeckhauser and Silverman (1983) cited in McDonagh and Nichols (2009), established the meaning of CRE as “the land and buildings owned by companies not primarily in the real estate business”. Later, Nourse and Roulac (1993), expanded on this description to establish that the function of CRE is to uphold and boost the core business of a company (McDonagh and Nichols, 2009). In support of this, Kenley et al. (2000) cited in Wills (2008), affirm that “the primary value to the organisation is not the investment value of the property but its contribution to the way it does business.” It must be noted that these descriptions of CRE, do not include companies that own real estate as the major part of their investment plan, be it real estate trusts and pension/superannuation funds (Wills, 2008).

CRE is categorised into the following groups:

- Strategic Property  
The real estate that a company owns and manages for its operation and continuing business strategy (Wills, 2008).
  
- Flagship/Landmark Property  
The real estate that a company controls either through ownership or lease which exhibits the company’s brand/image and culture. Generally in place for the medium to long-term (Wills, 2008).
  
- Core Property  
The real estate assets that a company controls (not necessarily owned) for medium-term functions. For example, industrial, office and retail accommodation from which the corporation trades (Wills, 2008).

➤ Peripheral Property

The real estate assets that an organisation requires on a short-term basis for occasional cyclical operations. The real estate is almost always leased, namely additional warehouse accommodation or serviced office accommodation (Wills, 2008).

➤ Surplus Property

Also identified as disposal real estate, this is the real estate that is not suited to the company's medium to long-term business strategy. This is an area that ought to be under continual assessment as the company's requirements evolve (Wills, 2008).

Corporate real estate is then categorised into the following six sub-groups:

➤ Land

The value of land made use of in the generation of income (Wills, 2008).

➤ Buildings

The value of buildings incorporated into the organisation's real estate account (Wills, 2008).

➤ Construction-in-Progress

The capitalised sum of plant, equipment and building that has not been constructed (finished) (Wills, 2008).

➤ Leases

The capitalised sum of leases and leasehold improvements incorporated into the real estate account (Wills, 2008).

➤ Natural Resources

The value of exclusive natural resources comprising mining properties, timber lands and oil fields (Wills, 2008).

➤ Other

Extra pieces of real estate, plant and equipment that cannot be positioned in any of the preceding classes (Wills, 2008).



These sub-groups provide a clearer picture of what companies incorporate into their balance sheets and regard as part of their real estate assets (Wills, 2008).

## **2.2. Corporate Real Estate Management**

The title 'corporation' is employed to mean any medium to large firm, mainly comprising public or private organisations, government bodies, public institutions and non-profit organisations. It is hard to identify the specific size of organisation to utilise as a cut-off point; the key standard ought to be that the CRE performs a considerable role in the productive process and that its management necessitates the committed skills of expert individuals (Kooymans, 2000).

'Real estate management' is an additional term that might be interpreted narrowly or broadly, corresponding to the scope of jobs that a real estate management division might be requested to do. Real estate management jobs might include planning and implementation of property disposals and acquisitions; space planning and management; interior design and implementation; architectural and engineering services; maintenance and operations; capital and operational costing; organisational cost control; financial value creation; property entrepreneurialism; and business strategy design and execution (Kooymans, 2000).

Corporate real estate management is described as "the range of activities undertaken to align the corporate real estate to the needs of the core business, in order to obtain maximum added value for the business and to contribute optimally to the overall performance of the corporation" (De Vries, De Jonge and Van Der Voordt, 2008). This definition has been expanded upon, stating CREM "denotes the planning, decision, organisation, implementation and controlling of all those real estate activities necessary to provide, operate or liquidate the real estate of corporates whose business is not real estate, simultaneously acknowledging the perspectives of the owner/investor, the user and the producer. The goal of CREM is to support the overall corporate strategy through dealing with land and building matters effectively and efficiently" (Kämpf-Dern and Pfnür, 2014). As time progresses, space requirements change and CRE deteriorates. The purpose of CREM is to stop or decrease the ensuing mismatch and to source adequate accommodation at the requisite location, cost, time and quality. This infers that CRE does not solely have to adhere to the technical, operational and monetary requirements of the corporation, but it also has to add to the overall performance of the corporation (De Vries, De Jonge and Van Der Voordt, 2008).



The management model created by St Gallen provides a distinction between core, support and management procedures. Core is those processes that create a product or service, which comprise some sort of exchange with the client. Support, in comparison, empowers and eases other processes, but does not directly contribute to the product or service. Management is those processes that grow the system as well as command and guide its elements to realise the corporation's aim and attain its goals. Though in the context of the general corporation, CREM is a support task, indirectly producing core actions; it produces a (secondary) service and has in-house clients (De Vries, De Jonge and Van Der Voordt, 2008).

CREM is differentiated from other conventional real estate actions by its emphasis on connecting the supply and management of real estate to operational requirements. As a discipline, CREM blends space, production and services. It does not differentiate among real estate, facilities, and design and delivery. It is an integrating operation, comprising what is overall described as workplace design, facilities management and general practice surveying. CREM can occur in any commercial real estate area, but principally in office, industrial, retail and leisure. This is a function that is equally practised in the public and private sectors (Harris and Cooke, 2014).

### **2.2.1. History of Corporate Real Estate Management**

Since the start of the 20<sup>th</sup> century, actions concerning CRE have progressed from a simple side endeavour of the business founder to the establishment of a distinct field in business management and academia. While the records of buildings exist from before the start of the modern age, the account of buildings erected purposely to house industrial or commercial processes is short (Krumm, 2001). Records on architectural history reveal that up to the 19<sup>th</sup> century importance was placed on buildings erected for the sheer praise of the church, nation or armed forces. In these instances, the funds required for their erection were relatively guaranteed. For the longest time, industrial activities did not necessitate specific space. Owing to the narrow scope and scale of these activities, they were housed either in a portion of one's house or merely outdoors (Krumm, 2001).

The industrial revolution and the ensuing evolution in space requirements triggered the building of structures specifically for housing industrial activities. The expansion of industrial activities and the incessant requirement for space likewise caused a need for management's consideration of real estate. Transformations in business activities and the scope and scale of the processes, frequently prompted the requirement for new space. In line with the expanding magnitude and sophistication of buildings and with overall real estate holdings, the management of CRE transformed as well. Table 2.1 below, outlines the evolution and the features of CREM and multinational organisations through the decades (Krumm, 2001).

**Table 2.1: Evolution and Characteristics of CREM and Multinational Corporations (Krumm, 2001).**

Period	Sector	Multinational Corporations	CREM
1900 - 1940	Services	Domestic orientation. Retail, mainly family-run firms.	Real estate to support corporate expansion. Important role of family members in retail firms.
	Production	Early international mergers. International expansion. Establishment of local subsidiaries due to difficulties in control of corporations.	Technical departments. Link between research and engineering. Centralised control of activities. Real estate departments to support expansion.
1940 - 1980	Services	Domestic activities. Functional organisation. Growth strategy. Domestic growth through take-overs. After 1970, focus on internationalisation. Central organisation.	Centralised/concentrated real estate management. National orientation. Financial constructions. Corporate architecture. Importance of site selection.
	Production	International activities. Geographical orientation. Divisional structure. Growth strategy. Expanding headquarters.	Central and local branches. Engineering orientation. Real estate as a means to production. Real estate organised within local business units.
1980 - 2000	Services	Expansion through mergers/acquisitions. International expansion. Product diversification. Geographical/market orientation. Centralized structure.	Centralized/concentrated real estate. Refocus on role of central real estate departments. Activities focused on mediation and consulting.
	Production	Divisionalized groups with business-units. Corporate restructuring. Rethinking of role of headquarters. Product orientation. Regiocentric.	Decentralisation plus outsourcing. New initiatives to coordinate CREM. Activities focused on mediation and consulting. Real estate organised within business units.

In tracing the evolution of CREM, the following five CREM eras have been offered: custodial, entrepreneurial, administrative, managerial and strategic. Each has its agenda, connection to senior management and main concerns (Roulac, 2001). A summary of this is illustrated in Table 2.2 below, together with features of these five eras incorporate:

➤ Custodial

Preceding 1970, it stressed a custodial method of controlling and upholding accommodation (Roulac, 2001).

➤ Entrepreneurial

All through the 1970s and the mid-1980s, the CREM operation shifted to taking advantage of business real estate prospects. In certain corporations, the CREM operation functioned as a business line unit, in search of profit as a result of real estate participation, while additionally offering a staff function in support of the business' space needs. Entrepreneurial CREM divisions chased profit for profit sake, participating directly in the real estate marketplace, searching for value outside the operations of the parent company. Some entrepreneurial CREM plans even positioned their key focus on that chase of profit, downgrading to secondary importance the parent company's real estate requirements (Roulac, 2001).

➤ Administrative

Throughout the mammoth reorganisation of corporate America from 1985 to 1995, CRE concerns reflected general business concerns. Just as those divisions not directly associated with the core business capability and main strategic concerns were traded, spun off or shut down, so too was excess real estate removed. This organisational restructuring or downsizing caused a reduction in accommodation needs. The ensuing disparity, arising from supply surpassing demand in the corporate space marketplace, assisted companies vigorously pursuing cost reduction campaigns. Efficiency and cost ruled matters of expansion and the function of real estate as a provider of profit (Roulac, 2001).

➤ Managerial

In the new economy of the latter half of the 1990s going into the 21<sup>st</sup> century, CREM shifted to stress effectiveness. More importance was placed on influences of the workplace to productivity as well as on agreements to run the CRE operation most effectively (that is to say outsourcing), and to assist expansion and change (Roulac, 2001).

➤ Strategic

In the initial years of the 21<sup>st</sup> century, CREM began to move past matters of expansion, productivity and usefulness to stress the efficiency and the substantial influence that corporate real estate can have in realising business objectives. Corporate real estate is starting to be acknowledged as 'the means' by which a company links with its resource inputs - suppliers and staff (namely through workspaces) and its customers (that is through shops) (Roulac, 2001).

**Table 2.2: Evolution of Corporate Real Estate Emphases (Roulac, 2001).**

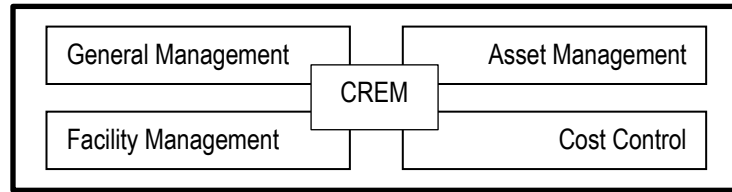
CRE Era	Years	Management Awareness/Concern	Management Orientation	CRE Role
Custodial	Pre-1970	Limited.	Benign neglect.	Facilities administration.
Entrepreneurial	1970-1985	Growing.	Growth, expansion, conglomerates, diversification.	Active in real estate business, development subsidiary, create space, joint venture.
Administrative	1985-1995	Efficiency/cost.	Cost reduction, performance enhancement, downsizing, re-engineering.	Outsource, benchmark, financial assessment.
Managerial	1995-2002	Effectiveness.	Growth, change, differentiation.	Develop systems for process and service.
Strategic	2002	Efficacy. Crucial resource.	Competitive advantage.	Creating compelling places to work and shop.

### **2.2.2. Corporate Real Estate Management Framework**

Endeavours have been made to outline an overall CREM body of knowledge, but a considerable amount of the CREM literature surveys specific procedures in isolation without mention of a logical, all-encompassing theoretical framework appropriate for CREM (Heywood and Kenley, 2007). CREM comprises several bodies of knowledge and fields of practice. A few encompass whole professional fields of practice, for instance, design occupancy planning, transaction management, project management and facility management. An essential part of CREM's advancement is outlining what comprises its fundamental skill sets and ascertaining what are the skill sets that it employs from other associated professional areas of knowledge (Heywood and Kenley, 2008).

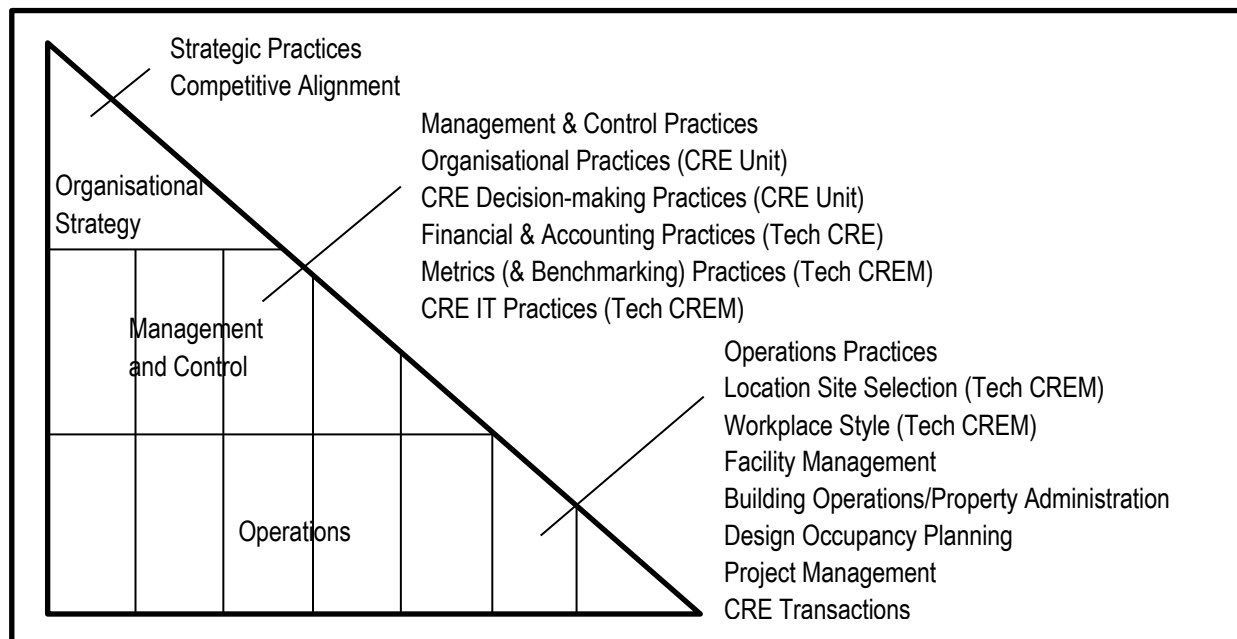
Being definitive about a universal framework and its domains of practice is not within the scope of this study. It would seem suitable to leave the meaning open to some interpretation, as the investigation is more interested in the outsourcing process and relationships than with the features of actual tasks. Nonetheless to provide context, a few examples follow.

Krumm (2001) proposes the following framework as illustrated in Figure 2.1, which he suggests generates the utmost added value for the company:



**Figure 2.1: Four Perspectives on Managing Corporate Real Estate (Krumm, 2001).**

Heywood and Kenley (2008) offer the following model, as displayed in Figure 2.2:



**Figure 2.2: The Strategic CREM Framework (Heywood and Kenley, 2008).**

As in the previous example, the broad CREM framework comprises a mixture of diverse functions, careers and specialists in areas such as brokerage, business development, construction, change management, client relationship management, design, engineering, facilities and property management, finance, workplace strategy and sustainability. However, it must be noted that many CREM professionals have a property-related background such as architecture, construction, brokerage (real estate transactions) and property management (Heywood and Kenley, 2008). Overall, what can be garnered is that CREM is an evolving function.

### 2.2.3. Corporate Real Estate Management Strategies

CREM has been too focused on the physical structure and inadequately, highlighted the relationship of the structure to the general business strategy and property market prospects. Each company with a business strategy normally also has or ought to exercise a strategy, formal or informal, for its principal functions and



platforms. A business strategy directs essential factors such as processes, employees and customers. These factors are greatly influenced by the setting in which the organisation operates, accommodates its staff, interacts with customers and promotes its processes. These are factors of the CRE strategy (Roulac, 2001). The most common characterised CRE strategies are: minimise occupancy cost; increase flexibility; promote human resources objectives; promote marketing message; promote sales and selling process; facilitate production, operations services and delivery; facilitate managerial process; and capture real estate value creation of business (Roulac, 2001). Being:

1. Minimise Occupancy Cost

- Explicit lowest-cost service provider policy.
- Signals to crucial constituencies of cost-awareness (Roulac, 2001).

2. Increase Flexibility

- Allow for changing organisational accommodation needs.
- Control and mitigate irregularity/risk linked with drastic growth/reduction of space requirements.
- Choose facilities that can swiftly be modified to accommodate various uses by the organisation and others (Roulac, 2001).

3. Promote Human Resources Objectives

- Offer an efficient space to improve output.
- Acknowledge that space is a notable component of job satisfaction and therefore amounts to a type of remuneration.
- Search for sites convenient to staff with desired amenities (transportation, shops and amusement) (Roulac, 2001).

4. Promote Marketing Message

- Symbolic statement of substance or some other value.
- Type of physical, institutional marketing.
- Manage the environment of interaction with the organisation's product/service offering (Roulac, 2001).

5. Promote Sales and Selling Process

- Seek high traffic sites to draw customers.



- Strive for alluring environments to encourage/boost sales (Roulac, 2001).
6. Facilitate Production, Operations, Service Delivery
- Search for/develop facilities that expedite manufacturing company products/supplying company services.
  - Choose sites that are easily accessible to customers.
  - Choose sites and workplaces that are nearby suppliers (Roulac, 2001).
7. Facilitate Managerial Process and Knowledge Work
- Stress knowledge of work environments above conventional industrial concepts.
  - Accept changing character, tools used in and location of work (Roulac, 2001).
8. Capture the Real Estate Value Creation of Business
- Real estate effects caused by the demand generated by consumers, personnel, and suppliers for neighbouring spaces along with space presently being used for business operations.
  - Profit opportunities offered to a business by its investment in infrastructure valuable to others (Roulac, 2001).

These provide alternative options to companies regarding the corporate real estate, that is to say the places and spaces where they operate (Roulac, 2001).

#### **2.2.4.Importance of Corporate Real Estate Management**

Decisions by firms regarding which CRE strategies to employ and exactly how to use them, have strong effects on their general business success. These CRE strategies are connected to and enhance sources of competitive advantage (Roulac, 2001). Corporate real estate strategies are executed by means of the decisions corporations make regarding the places and spaces where they decide to operate their business. The relationship of business decisions regarding places and spaces to CRE strategies is summarised in Table 2.3 (Roulac, 2001).

**Table 2.3: Alternative Real Estate Strategies and Place and Space Choices (Roulac, 2001).**

<b>Alternative Real Estate Strategies</b>	<b>How Places Promote Connection to Specific Real Estate Strategy</b>	<b>How Spaces Promote Connection to Specific Real Estate Strategy</b>
Minimise Occupancy Costs	Occupancy cost varies dramatically between markets, reflecting the competitive position, economic base, location within market and relative popularity of that market.	Within a given market the cost of business space can vary markedly, as a consequence of local market conditions; design features and finishes and the degree of customisation of the company's space.
Increase Flexibility	Certain places are much more accommodating to flexibility, by virtue of a diverse and viable economy; others are much less accommodating of flexibility, as a consequence of the property supply and tenancy composition/strategies within that market.	Certain spaces can readily accommodate flexibility while others are much more oriented toward limited, single-purpose users.
Promote Human Resource Objectives	Places that are perceived as offering high quality of life, where many wish to live, may be more broadly appealing than a more isolated, less favoured market. Locations of spaces within markets can represent non-monetary compensation. Certain places may be much more congruent to those enterprise values and priorities, which it wishes to promote as a human resources strategy than others.	Features and attributes can represent a significant component of non-monetary compensation, both positively and negatively.
Promote Marketing Message	The places in which an enterprise is located can convey, compromise and/or reinforce marketing messages.	Spaces are three-dimensional marketing statements.
Promote Sales and Selling Process	The places in which the enterprise is located can enhance or frustrate access by customers.	The spaces in which the enterprise is located can enhance or frustrate access by customers.
Facilitate Production, Operations, Services and Delivery	Certain places are highly conducive to promoting logistics considerations, to gaining access to resources for the production process and to enhancing delivery and service.	The space is the setting of business operations: positive spaces promote production, operations, service and delivery, while negative spaces frustrate them.
Facilitate Managerial Process	The values and identity of a place can stimulate, reinforce or obstruct managerial process, by providing significant stimulus to creativity or encouraging inward focus.	The space itself can be an integral component of the managerial decision-making process, by virtue of the information embedded in the space and the information processing resources of the space itself.
Capture Real Estate Value Creation of Business	Places that have broad appeal are more likely to promote the capture of real estate value creation than those that do not.	Decisions concerning the spaces companies occupy can be major influences on the degree to which real estate value is created or is not created.

The selection made from the range of places that may be thought to be appealing to the business both signify and specify the business strategy. The spaces where the business chooses to conduct its business impact its access to markets, its access to resources, the scale to which a consumer desires to do business with the corporation, a worker's aspiration to join the organisation, incentive to come to work, productivity of that employee and length of service at the corporation (Roulac, 2001).

The effectiveness of the CRE strategy and therefore the general business strategy is greatly reliant on the features of those places and spaces where the business decides to trade. Decisions about places and spaces

establishes the level to which the corporation's general business strategy can be achieved and the level to which that strategy markets its principal business priorities (Roulac, 2001). The manner in which places and spaces influence sources of competitive advantage is illustrated in Table 2.4 below. Notably, the business' real estate strategy explains the range of access to vital resources and factors of production.

**Table 2.4: Contributions of Places and Spaces to Competitive Advantage (Roulac, 2001).**

<b>Contributions of Superior Corporate Property Strategy to Competitive Advantage</b>	<b>How Places Contribute to Sources of Competitive Advantage</b>	<b>How Spaces Contribute to Sources of Competitive Advantage</b>
Create and Retain Customers	Places are both the means to access and also to represent markets; places convey strong marketing messages through their brand identities.	Three-dimensional marketing is integral to achieving business objectives.
Attract and Retain Outstanding People	Places play an increasingly important role in companies' ability to attract and retain outstanding people.	Work environments represent significant elements of compensation, contributing meaningfully to employment satisfaction.
Contribute to Effective Business Processes	Places play integral roles in the value chain, thereby having profound impacts on business processes; some places are positive and others negative.	The spaces in which the work is done largely determine the effectiveness and efficiency of workers, and therefore the effectiveness of business processes.
Promote Enterprise Values/Culture	Places have strong identities, which can make statements about corporate values and culture.	Spaces convey powerful messages about values and culture.
Stimulate Innovation and Learning	Markets have creativity attributes, which can be conducive-or frustrating-to innovation, learning.	Workspaces can stimulate or frustrate innovation and learning.
Impact Core Competency	Places can offer resources to enhance, reinforce and preserve enterprise's core competency.	Spaces can provide features that enhance, reinforce and preserve an enterprise's core competency.
Enhance Shareholder Wealth	The right place enhances an enterprise's financial performance and therefore shareholder wealth, both by contributing to business performance and by making the property assets owned by the business more valuable.	Superior spaces promote superior business performance, leading to both higher levels of profitability and to greater shareholder wealth because the spaces themselves become more valuable.

Consequently, the manner in which an excellent corporate real estate strategy adds to competitive advantage is displayed in Table 2.5.

**Table 2.5: Alternative Real Estate Strategies and Contributions of Places and Spaces to Competitive Advantage (Roulac, 2001).**

Alternative Real Estate Strategies	Contributions of Superior Corporate Property Strategy to Competitive Advantage						
	Create and Retain Customers	Attract and Retain Outstanding People	Contribute to Effective Business Processes	Promote Enterprise Values/ Culture	Stimulate Innovation and Learning	Impact Core Competency	Enhance Shareholder Wealth
<b>Minimize Occupancy Costs</b>	Positive, if customer is seeking low cost supplier; prospectively negative for other customer selection criteria.	Prospectively positive, if people perceive occupancy cost savings result in higher compensation; substantially negative if it does not provide appealing work environment.	May be positive if not dependent on specialized facilities; substantially negative if work environment compromises business process.	Positive, if low cost values are emphasised; substantially negative, if not.	Positive, if objective is the solution of problems without spending resources; substantially negative, if not.	Positive, if low cost provider; could compromise other competencies.	May be positive, if low cost strategy, or in short term; if otherwise, prospectively detrimental to long term objectives.
<b>Increase Flexibility</b>	Positive, to the extent it enhances superior customer service.	Conducive to attract and retain those workers who favour change.	Very positive to dynamic circumstances.	Reinforces adaptability, which may or may not be congruent with values and culture.	Promotes improvisational approaches, may not compromise more thoughtful, longer-term approaches.	Possibly positive; possibly negative.	Prospectively positive, as minimises financial commitments to businesses facilities whose lack of adaptability could impose excessive costs.
<b>Promote Human Resource Objectives</b>	Satisfied employees lead to satisfied customers.	Integral.	Probably positive.	Uncertain.	Yes.	Probably positive.	Yes.
<b>Promote Marketing Message</b>	Yes.	Yes- strong external marketing messages for improving retention.	Strong external marketing messages can complement business processes.	Yes.	May be conducive or may be detrimental, as very strong marketing message could discourage innovation and learning.	Possibly directly related, possibly tangentially.	Yes.
<b>Promote Sales and Selling Process</b>	Yes.	Uncertain.	Positive.	Uncertain.	Uncertain.	Could have variable impact.	Yes.
<b>Facilitate Production, Operation, Services and Delivery</b>	Yes-the better the enterprise is in its production, operations, services and delivery, the more likely customers are to be attracted and want to work with enterprise.	Effective production, operations, services and delivery make company more appealing to work for.	Yes.	Most probably positive.	Most probably positive.	Likely to be positive.	Yes.
<b>Facilitate Managerial Process</b>	Positive impact.	Positive impact.	Positive impact.	Enhances likelihood of reinforcing values and culture.	Can be crucial means to stimulate innovation and learning.	Crucial.	Very positive.
<b>Capture Real Estate Value Creation of Business</b>	Uncertain.	Uncertain.	Uncertain.	Uncertain.	Uncertain.	Uncertain.	Yes.



Overall, real estate decisions influence the success or failure of the business. However corporate leaders still do not acknowledge the strategic significance of their real estate. Real estate is classified as a cost of doing business as opposed to a value-adding prospect. A small number of corporate executives originate from the real estate discipline or have any expertise in strategic real estate decision-making, hence this view. It falls to the CRE manager to school top management on the possible impacts their real estate choices can have on the overall performance of the core business. CRE managers, consequently, need to be able to demonstrate and clarify how real estate choices, directly and indirectly, impact the profitability of the business (Lindholm and Leväinen, 2006).

Nonetheless, in the modern corporate setting of quick change, political, social and economic instability, as well as technological improvements, corporations globally are continually reviewing and restructuring their business practices in an attempt to stay competitive. They have been engaging in a variety of innovative strategies, both in-house and externally, to focus the corporation's resources on its core capabilities, where it can realise definable dominance and deliver value to its customers. These transformations come under various titles: de-layering, downsizing, re-engineering, reinvention, rightsizing, streamlining, total quality management and virtual corporation (Glagola, 2000).

In the development of the CREM division to a strategic business line, the CREM unit needs to focus on generating lasting value for the corporation by exhibiting both financial control and an aptitude to produce, retain and nurture process improvements by means of outsourcing along with more customary approaches. CREM executives need to examine themselves progressively and how best to blend the use of limited in-house resources with external relationships to generate exclusive value for in-house customers while establishing a competitive advantage for the corporation. The trend has been in the direction of more widespread and greater outsourcing, strategic outsourcing. If present trends endure, in a short time more than half the average executive's budget will be outsourced, a noteworthy U-turn from the horizontal and vertical amalgamation of the 1980s (Glagola, 2001).

### **2.3. Corporate Real Estate Management Outsourcing**

Outsourcing as a chief business strategy has been utilised by corporations in numerous industries for many years. Manufacturing operations, business services and at times complete business lines have successfully been outsourced by corporations for a long time now (Ghodeswar and Vaidyanathan, 2008). One such example of successful outsourcing is that of BP (British Petroleum), which outsourced its human resource (HR) function



to Exult. It undertook this endeavour in order, firstly to reduce costs, secondly to offer quality support for its staff and lastly to pay more attention to its core HR strategies by divesting itself of time-consuming administrative tasks. At USD600 million, this was the biggest documented outsourcing deal at that time (Belcourt, 2006). Outsourcing is a fast-growing global trend that had a global spend of approximately USD 3.7 trillion in 2001 (Hung Lau and Zhang, 2006).

Outsourcing is a management tactic that allocates to an outside service provider the operations and responsibilities of a particular business function formerly provided by the organisation in-house (Lok and Baldry, 2016). A job that is conventionally undertaken in-house is moved to an outside service provider, with the staff of the original company often shifted to the service provider as well. It varies from partnerships, alliances or joint ventures in that the movement of resources is one-way, from the service provider to the client, with little to no profit sharing or shared contribution (Belcourt, 2006).

As it relates to CREM internationally, the UK for instance, over the last fifteen (15) years has seen a strong movement of corporations shifting their internal management and operating support units to firms whose core function is real estate management and the provision of support services. This trend is estimated to grow the CREM outsourcing market by a conservative 10 per cent per annum. The outsourcing of property management, facility management and business services has advanced into an established business standard for big corporate tenants. This strategy, it is claimed, frees up the corporation's capital and workforce to focus on their core activities/markets and business operations (Davis, 2004).

Belcourt (2006) suggests that there are at least six main reasons a corporation outsources. These are: financial savings, strategic focus, access to advanced technology, improved service levels, access to specialised expertise, and organisational politics. Ghodeswar and Vaidyanathan (2008) assert four reasons, being: organisational, improvement, financial and cost, and revenue. The latter and most recent definition shall be expanded upon.

#### 1. Organisational

- To achieve a greater effort on core business.
- To improve flexibility to deal with variable business environments.
- To get entrée to products, services and up-and-coming technologies.
- To allocate operational problems to an external expert.
- To have greater driving force on market positioning and new product development.



- To redirect resources from non-core activities and put a greater emphasis on attending to the customer (Ghodeswar and Vaidyanathan, 2008).

## 2. Improvement

- To enhance operational performance, productivity, delivery and quality.
- To acquire knowledge, skills, and inventive ideas.
- To obtain technologies which otherwise would not be obtainable.
- To enhance the management and control of operational procedures including risk management.
- To enhance the credibility and image of the business by uniting with superior service providers.
- To remove the fixed cost of in-house personnel by shifting the operation to a supplier.
- To become more flexible and vigorous in meeting the changing prospects (Ghodeswar and Vaidyanathan, 2008).

## 3. Financial and Cost

- To decrease investment in assets.
- To decrease the capital invested in non-core (support) operations.
- To help expand the business' operations into a new geographical area.
- To decrease or mitigate operating costs.
- To penetrate an external service provider's lower cost structure.
- To attain cost reduction with improved operational performance.
- To handle fluctuating demand more effectively owing to economies of scale (Ghodeswar and Vaidyanathan, 2008).

## 4. Revenue

- To realise aggressive growth objectives by getting increased market access.
- To leverage the service provider's best processes, capability and systems.
- To increase capacity to develop, try-out and manufacture new products and services.
- To stretch its limits in managing the increased amount of business.
- To handle demand efficiently through the external service provider's automation, process maturity and state-of-the-art technology.
- To focus on facilitators of business growth and the strategies to fulfil them (Ghodeswar and Vaidyanathan, 2008).



Manning, Rodriguez and Roulac (1997) credit the following authors for having primarily explored the issues surrounding which CREM operations should be outsourced and to what degree: Bell (1991), Kimbler and Rutherford (1993), Walton (1993), Bergsman (1994), Apgar (1995), Collins (1995), Lambert et al. (1995), Silverman (1995), Carn et al. (1996), Lucchese (1996), Manning and Roulac (1996), and Rodriguez and Sirmans (1996).

Manning, Rodriguez and Roulac (1997) elaborated on these studies and employed views from neoclassical principles of the firm, backed by the literature on CREM outsourcing, to highlight how much and which CREM functions should be outsourced. They began formulating the rule that outsourcing can be of advantage to stockholders if external service providers can perform those operations more efficiently and effectively than in-house staff. Purporting that the possible benefits of CREM outsourcing are:

- Efficiency improvements from economies of scale.
- Efficiency improvements and effectiveness from economies of scope.
- Lower transaction costs for everyday tasks.
- Timely updates of market values on the real estate portfolio.
- Other real estate reporting gains (Manning, Rodriguez and Roulac, 1997).

And the possible negative outcomes are:

- Greater costs, as premium transaction fees are paid over and above a corporation's internal costs to complete the same CREM duties or obligations.
- Loss of power of scale when negotiating contracts.
- Loss of management of key elements that can impact business operational performance and success (for example, loss of confidentiality and control of information).
- Ineffectiveness in trying to manage outsourced service provider's performance of intricate, uncertain, or long-term duties and responsibilities.
- Loss of company education that develops valuable CREM organisation capital, expertise acquired from transactions and market involvement is resident with the outsourcing service provider as opposed to the corporation.
- Loss of internal associations that stem from interacting with other sectors of business, such that shareholder enhancing prospects that could arise from informal interactions are lost.
- Loss of CRE's contribution to the general corporate strategy, owing to the external rather than the internal positioning of CRE outsource providers (Manning, Rodriguez and Roulac, 1997).



Outsourcing is a long journey that requires clarity of rationale and determination. Corporations must resolve what to outsource, to whom, how to acquire the services it needs, what kind of agreement to employ and how to administer the contract. Additionally, in order to guarantee success, the outsourcing champion ought to attain business 'buy-in' and consideration (Davis, 2004). Davis (2004) proposes the following steps in order to achieve the performance criteria, economic advantage and responsiveness to change of outsourcing, all in a way that the parties' interests are joined, and the risks and rewards are suitably divided up in a long-term partnership.

1. Set out the outsourcing strategy.
  - The outsourcing sponsor ought to confirm that its aims and objectives are in line with business expectations.
  - Ensure full documentation of the numerous current service standards being delivered throughout the portfolio and update key managers.
  - Include the success criteria planned to be used to assess whether the firm is realising good value out of the outsourcing project (Davis, 2004).
  
2. Procure an outsourcing supplier.
  - Two main alternatives in the procurement strategy exist: "prescriptive, output-based competitive tendering" and "an open-book partnership tendered model with shared savings".
  - Whichever strategy is implemented, the outsourcer should have a dynamic and comprehensive pricing plan covering all services within the portfolio and ought to have full visibility of the model that the outsourcing service provider is employing, to verify that the commercial drivers are fully grasped.
  - Outsourcing deals should strive to obtain value in two phases: instantaneous and on-going. The first stage will be the anticipated day-one step decrease in steady-state cost within the occupied portfolio. The second stage ought to be the steady achievement of savings through productivity enhancement and process efficiencies, as well as through the services increasingly being tweaked to correspond more closely with the core needs of the business (Davis, 2004).
  
3. Manage the contract.
  - Managing any outsourcing agreement dictates three key components:
    - A well-constructed agreement with sufficient terms and conditions to safeguard the interests of the customer.

- A knowledgeable contract management team as well as a good communications backdrop, in which all parties to the contract are free to trade views on how each is adding to the success of the contract.
- A means by which the contract's commercial terms and conditions incentivise all parties to share knowledge, ideas, aims and business objectives to improve value (Davis, 2004).

Glagola (2001) provides an additional process within step 3 above, that the contract should incorporate a change implementation framework (flexibility), which ought to contain performance-linked incentives and penalties, and ought to outline, clearly, all organisational hierarchies.

However not all outsourcing papers discuss the benefits and techniques. One such example is Morgan and Taylor (1998) cited in Kooymans (2000), which explores the sources of risk intrinsic in the choice to outsource.

These include:

- Indirect liability for the activities of others of which you might not be aware or in which you might not be wholly included.
- Becoming an inexperienced customer because of the deterioration of in-house management and technical expertise, till one becomes inept to proficiently detail and manage the outsourced activity.
- Losing the ability to gain from the benefits of potential productivity improvements in evolving industries/markets, by exchanging the rights of first access to the external service provider.
- Producing a self-inflicted monopoly by stressing the immediate transaction cost savings by commissioning one external service provider above the long-term strategic advantages of a vigorous and competitive market to supply (Kooymans, 2000).

Burman (1998) cited in Kooymans (2000), highlighted the difficulty faced by organisations in determining where to draw the line on outsourcing. It is recommended that the ultimate decision-making should not be outsourced, but uncertainty arises from determining how much internal expertise is required to make the ultimate decisions. Particularly, in distinguishing what are the corporation's core competencies in order not to outsource them, as well as recognising that managing external resources requires a distinct set of skills from those required to manage the same skills in-house. Davis (2004) agrees with this logic and purports that corporations ought to extensively deliberate before outsourcing activities/duties that are close to or uphold the company's core activities as well as those that are vital to business continuity, sales or customer awareness of the brand.



There is a substantial amount of literature and empirical evidence on CREM outsourcing. Parker (1997) cited in Kooymans (2000), investigated the outsourcings of CREM services in the USA and UK and recorded the items that external service providers ought to offer in addition to the cost-effective delivery of the CREM operation itself. Hines (1996) cited in Kooymans (2000), offers an action plan for CRE executives to manage outsourcing. Advising that CRE executives ought to outline the function of corporate real estate, as well as fortify crucial relationships and communication channels with the business, before embarking on a cost-benefit analysis of outsourcing on a function-by-function basis. The CRE executive ought then to manage the outsourcing process from bidding all the way through to the long-term performance management. Gringold (1997) cited in Kooymans (2000), writes from the standpoint of an external service provider. He proposes that the primary attraction of outsourcing for the corporation is, the short-term transaction cost-savings and enduring economies which tend to determine the external service providers' offering and in effect set the outsourcing agenda. And in the crusade to decrease costs to the corporation and meet expectations, external service providers tend to drop service and support benchmarks, often to the disadvantage of the corporation. Michaelree (1997) cited in Kooymans (2000), provides some additional views on this problem, arguing that external service providers are only privy to business goals, practices/strategies and budgets, and not to the less distinct knowledge like company culture and expertise. Highlighting, as it relates to loyalty, that the in-house unit will tend to defend, safeguard and support the corporation's interests avidly. Whereas the external service provider is only legally bound to do no harm and is, in fact, self-serving.

With respect to identifying and selecting service providers, there have been several investigations on the topic, the outcomes of which are displayed in Table 2.6. Most of the authors highlighted as important in selecting a service provider, prior or existing relationships as well as well-matched cultural and style factors. Additionally, significance is placed on the flexible provision of first-class specialised capabilities and knowledge in an economical way (McDonagh and Hayward, 2000).

**Table 2.6: Basis of Selecting Service Providers (McDonagh and Hayward, 2000)**

Outsourcing Institute (1998)	Gibbs (1994)	Stephens (1994)	Price Waterhouse Coopers (1998)
Quality		Trust	Service Level Guarantees
Resources	Capability	Understanding	Specialisation
References/Reputation	Technical Expertise	Technical Expertise	
Flexible contract terms			
Value Added	Style or Chemistry	Style or Chemistry	
Culture	Structure	Culture/Values	
Existing Relationship	Prior Relationship		Track Record
Price			
Location			

A more recent paper asserts the production and transaction costs as well as performance quality are important to an organisation's decision on supplier choice. Production and transaction costs are the service delivery costs, whereas performance quality is the service quality which is multi-dimensional and it comprises five (5) crucial themes. The five (5) themes are reliability (implementing what you state you will do), timeliness (punctual service), tangibles (proof of the service executed correctly), assurance (technical accuracy of the service) and empathy (understanding the client's requirements) (Lam, 2012).

However, based upon citations, the findings of Kimbler and Rutherford (1993) appear to be the frontrunner on this topic. The following authors have noted their work in each of their studies: Manning and Roulac (1999), McDonagh and Hayward (2000), Manning and Roulac (2001), Gibler and Black (2004), De Zúñiga (2005), Lindholm, Gibler and Levainen (2006), Tay and Liow (2006), Hartman et al. (2010), Matsham and Heywood (2012), Roberts, Rowley and Henneberry (2012), and Kämpf-Dern and Pfnür (2014), to name a few.

Kimble and Rutherford (1993) surveyed in the USA the challenges that the CREM outsourcing industry was experiencing amongst CREM customers and service providers. A response rate of 73.6% was achieved out of the seventy-two (72) Industrial Development Research Council (IDRC) associate member organisations that offer real estate services and 51.1% out of the ninety-two (92) IDRC member firms that procure outside CREM functions (Kimble and Rutherford, 1993). The findings of this report will be used to provide a comparison with the South African findings in this study.

Several general conclusions were drawn from the study:



1. Companies are outsourcing more of their CREM needs;
2. Service providers are expanding their staff complement in order to meet the increased demand, and
3. Both (CRE managers and service providers) have substantial difficulties working with each other (Kimbler and Rutherford, 1993).

As it relates to finding service providers, CREM customers favour working with service providers they already know. Service providers are found by means of:

1. Professional affiliations;
2. Associate recommendation;
3. Networking;
4. Provider's direct contact, and
5. Real estate publications.

Cold telephone calls and bulk mailings are not recommended. CREM customers advised that service providers ought to adopt a personal approach to promoting their service offering, incorporating active involvement in professional associations and individual (one-on-one) meetings with CREM customers (Kimbler and Rutherford, 1993).

Having previous positive dealings with a service provider firm is imperative, however with regard to the main selection criteria of service providers, CREM customers look at/for:

1. The prior experience/capability of the individual service provider staff member to be designated to a particular CREM function, and
2. 'Roll-up the sleeve' personnel with a broad spectrum of prior know-how of specific duties (Kimbler and Rutherford, 1993).

Lastly, the service provider attributes that affect CREM outsourcing success are:

1. Understanding the corporate mentality/background;
2. Delivering the pledged service; and
3. Enhancing interim communication (Kimbler and Rutherford, 1993).

In understanding the corporate mentality/background; CREM customers expressed the view that service providers should take the time to learn their client's corporate background, abide by reporting relationships, ensure they have a sharp grasp of the client's approval process, ascertain and conform to format and report guidelines that are distinct to the CREM customer company and be less dependent on customer input to achieve



their task. Concerning delivering the pledged service; CREM customers asserted that service providers should categorically understand the scope of the task, and contest unreasonable timing and overall expectations at the commencement of a project. That service providers should be more considerate of the CREM customers' apprehension regarding timelines, precision, diligence, and reliability as they progress their task. Within enhancing interim communication; CREM customers affirmed that service providers ought to make regular, but concise, progress reports, be honest and highlight problems or abnormal situations immediately, and retain the more knowledgeable staff members all through the task (Kimbler and Rutherford, 1993).

#### **2.4. Corporate Real Estate Management Outsourcing in South Africa – Literature Gap**

South Africa, one of the only four countries accepted as upper middle income on the African continent by the World Bank, has historically been accepted as the channel for opening the continent up for development. Its recent acceptance into the BRICS consortium of recognised emerging countries (the others being Brazil, Russia, India and China), formally established what various insiders had predicted; that Africa's southernmost country is primed to grow beyond regional influence towards global consideration for newfound investments and trading prospects (Jones Lang Lasalle, 2012).

CREM is well recognised and researched globally. Although South Africa has a well-established CRE market, minimal research has been conducted in the South African CREM and CREM outsourcing sphere. As previously discussed in Chapter One, the researcher was only able to source the works of Ghyoot (2003) who explored 'The Lease vs Buy Decision in Real Estate: Theory and Practice. As well as Lalloo (2013) who investigated 'Corporate Real Estate Practices in South Africa – A Survey of the Top 200 Companies Listed on the Johannesburg Stock Exchange. And Maluleke (2014) who examined the 'Methods of Providing Corporate Real Estate Management Services: An Overview of South African Corporations'. Nowhere in Ghyoot's (2003) research was there a mention of CREM outsourcing and the other two touched on the practice as it relates to the overall CREM field.

To be exact, Lalloo (2013) uncovered from a survey of the Top 200 companies listed on the Johannesburg Stock Exchange (JSE), which obtained a response rate of 40%:

1. That the majority (79.2%) of those corporations outsource their corporate real estate management functions;
2. However, that the incidence of outsourcing their CREM has decreased over the last five (5) years, and



3. The more specialised CREM tasks are outsourced, tasks that are believed to be not as significant as the core business operations (Lalloo, 2013).

The results of the survey specifically revealed:

1. Cost savings was the key motive for outsourcing;
2. Trailing by access to skills and technology (Lalloo, 2013).

As it relates to finding service providers, that they are sourced through:

1. Advertising (request for proposals);
2. Direct approach of service providers, and
3. Real estate publications (Lalloo, 2013).

With regard to the main selection criteria of service providers, that:

1. The price;
2. The capability of the service provider staff to be engaged in the outsourced CREM activities, and
3. Their proficiency in the local market

were the three (3) primary elements that corporations seek when selecting a CREM service provider (Lalloo, 2013).

Lastly, that the elements that have an impact on the success of CREM outsourcing functions were:

1. The reduction of costs;
2. Having a fully developed service level contract in place, as well as
3. An effective performance measurement tool (Lalloo, 2013).

Maluleke (2014) employed a mixed methodology research approach. Having surveyed and interviewed six (6) companies, the study confirmed that:

1. CREM requires specific skills in its operation, and
2. Therefore, as companies do not view it as central (core) to the business, the majority of respondents outsource their CREM (Maluleke, 2014).

As it relates to the fundamental motives for outsourcing their CREM, the companies interviewed specified:

1. An absence of access to expertise, technology, as well as, best practices;
2. Followed by organisational restructuring, and

### 3. Cost savings (Maluleke, 2014)

were the three (3) main reasons corporations outsource their CREM function.

Finally, it was reported that the subject corporations encountered no challenges with outsourcing. A minority conveyed their distress at there being an absence of performance measurement tools and a lack of capability by service providers to deliver a quality service (Maluleke, 2014).

As previously highlighted in Chapter One, whilst CRE and by extension CREM and its outsourcing, exist as fields in their own right on the demand-side of the real estate industry, understanding it ought to be of importance to the supply-side's provision of products and services; as this corresponds with calls for the supply-side's better understanding of customers and their processes (Heywood and Kenley, 2007). Customer satisfaction rests on the service provider's services. In order to deliver improved outsourcing services, the service provider needs to develop its individual competency in the creation of outsourcing strategies as well as enhance its analytical, managerial, collaborative and professional skills in resolving its relationship management issues. As for the business objectives of customers, they anticipate acquiring an improved understanding on how to choose the ideal provider for their particular outsourcing contractual requirements, in addition to increasing value for money in each individual outsourcing contract as a result of better effectiveness. Subsequent to understanding the views of its customers, the service provider can customise its individual business strategy for sustainable growth (Lok and Baldry, 2016)

In laymens terms, a better and substantiated understanding of the standards used by non-real estate private South African companies, in the determination of whether to outsource and, if electing to outsource, the criteria used for the selection of service providers will allow service providers to refine/augment their service offering in line with the specific requirements of the demand side; with a basis for creating added value to their offering and in turn their clients. Therefore, this study is an exploration of the demand side's reasoning behind the outsourcing of the CREM function solely, intended to supplement the findings of Lalloo (2013) and Mauleke (2014).



### **3. Chapter Three: Research Methodology**

Research methodology is the manner in which the research problem is systematically analysed. It can be recognised as the science of examining how research is best conducted to meet the requirements necessary in order to be classified as scientific. In it, we explore the different steps that are commonly implemented by the researcher in exploring his research problem alongside the logic behind them. It is crucial for the researcher not only to comprehend the research methods but the methodology as well. Researchers ought to understand how to progress specific indices or tests, how to employ certain research techniques, and also they ought to understand which of these techniques or methods are appropriate and which are not, as well what each indicates and why this is the case (Kothari, 2004).

All this means is that it is essential for the researcher to outline his chosen methodology for the particular problem, as the same may differ from problem to problem. Within research, this entails the investigator exploring the research decisions required for meaningful evaluation prior to implementation. The researcher has to stipulate unambiguously and exactly what decisions he/she makes and why the researcher chooses them so that they may be assessed by others (Kothari, 2004).

#### **3.1. Research Approach**

Three research approaches are recognised; (i) quantitative, (ii) qualitative, and (iii) mixed methods. The three approaches are not as distinct as they first seem. Quantitative and qualitative approaches should not be regarded as firm, discrete sets, opposites or dichotomies. Instead, they denote different ends on a scale. A study tends to be either more quantitative than qualitative or vice versa. Mixed methods research is located in the middle of this scale as it incorporates components of both the quantitative and qualitative approaches (Creswell, 2014).

Commonly the difference between quantitative and qualitative research is outlined in terms of employing numbers (quantitative) as opposed to words (qualitative) or employing closed-ended questions (quantitative) as opposed to open-ended questions (qualitative). A more comprehensive way to assess the degrees of difference between them is in the fundamental philosophical conventions researchers bring to the study, the sorts of research strategies utilised in the research (for example qualitative case studies or quantitative experiments), and the particular methods used in running these strategies (for example gathering qualitative data by means of



observing a setting as opposed to gathering data quantitatively on instruments). With this framework in mind, it is beneficial to see definitions of these three central terms (Creswell, 2014):

➤ Quantitative Research

This is a procedure for testing objective concepts by investigating the correlation between variables. These variables, successively, can be quantified, normally on instruments, so that numbered data can be evaluated utilising statistical techniques. Those who participate in this type of investigation have standards about testing concepts deductively, putting in safeguards against bias, controlling for different justifications and being able to generalise and reproduce the outcomes (Creswell, 2014).

➤ Qualitative Research

This is a procedure for uncovering and comprehending the meaning that groups or individuals attribute to a human or social problem. The process of research entails developing questions and approaches, gathering data in the participant's environment, assessing data inductively from specific to general themes, and the researcher formulating interpretations of the significance of the data. The resultant report has a flexible framework. Those who participate in this type of investigation encourage a means of looking at research that respects an inductive style, an emphasis on individual meaning, and the significance of depicting the complexity of a scenario (Creswell, 2014).

➤ Mixed Methods Research

This is a procedure of investigation comprising both qualitative and quantitative data, merging the two types of data and employing discrete designs that might include philosophical conventions and conceptual frameworks. The principal convention of this type of investigation is that the merger of quantitative and qualitative procedures produces a more comprehensive appreciation of the research problem as compared to either procedure exclusively (Creswell, 2014).

This study, being an exploration, leads one to believe that the type of research to be conducted encompasses uncovering (how) and understanding the manner in which (why) organisations go about a human or social problem, in this instance the outsourcing of corporate real estate management. There is no element of testing objective concepts by investigating the correlation between variables to be conducted. For that reason, this study will be more qualitative than quantitative.

### 3.2. Research Design

Research designs are styles of investigation within the quantitative, qualitative and mixed methods approaches which offer particular direction of processes in research design. Others term them strategies of inquiry (Creswell, 2014). Truthfully, any difference between qualitative and quantitative research approaches does not differentiate the numerous research designs. For instance, some experiments (studies of perception) and some survey questions (those pursuing categorical as opposed to numerical responses) depend upon qualitative data and not quantitative. Similarly, historical research might comprise vast amounts of quantitative data (Yin, 2009).

Normally the difference between quantitative and qualitative research designs is outlined in terms of utilising numbers (quantitative) as opposed to words (qualitative), or open-ended questions (qualitative questions) as compared to closed-ended questions (quantitative hypotheses). A more holistic way of viewing the degrees of variance between them is in the fundamental philosophical notions the researcher brings to the study, the styles of research strategies employed in the research (for example, qualitative case studies as compared to quantitative experiments) and the particular methods utilised in running these strategies (for instance, gathering qualitative data via observation as compared to gathering data quantitatively on instruments) (Creswell, 2014). Presently, five major research design types have been declared: archival analyses, case studies, experiments, histories and surveys (Yin, 2009).

➤ Archival Analyses

Described as the tracing, assessing and the methodical understanding and examination of documents found in archives. Original source documents are accessed and examined for reasons other than those for which they were initially compiled; to pose new questions of archaic data, offer a contrast over time or between geographical regions, validate or dispute existing outcomes, or pull together proof from different sources to offer a wider picture (Corti, 2004).

➤ Case Studies

Defined as a plan of investigation in numerous disciplines, particularly evaluation, in which the investigator undertakes a detailed examination of a case, frequently an activity, event, process or program of one or more individuals (people or entities). They are constrained by time and activity, and investigators gather in-depth information utilising an array of data collection procedures over a prolonged period (Creswell, 2014).

➤ Experiments

They strive to ascertain whether a particular action impacts an outcome in a predictable and repeatable manner. The investigator evaluates this by undertaking a particular action in one group, suppressing it from another and then ascertaining just how both scored on the outcome. Experiments entail ‘true experiments’, with the chance appointment of test objects to treatment conditions and ‘quasi-experiments’ which utilise non-randomised appointments (Creswell, 2014).

➤ Histories

These are frequently related to historiography as the principal method of investigation. Historiography transcends data collection to examine and establish theoretic and all-inclusive judgements about historic times and incidents. It involves a critical analysis of sources, understanding of data and investigation that concentrates on the narrative, explanation and use of sound and consistent evidence that substantiates the study outcomes. While a historian studies or teaches history, the historiographer records, assesses and interprets history (Lundy, 2008).

➤ Surveys

They offer a numeric or quantitative explanation of tendencies, outlooks or beliefs of a population by examining a sample of that population. It entails cross-sectional and longitudinal investigations employing questionnaires or structured interviews for the gathering of data, with the goal of generalising from a sample to a population (Creswell, 2014).

Of these five major research designs, when deciding which method to implement three conditions need to be considered (a) the sort of research question asked, (b) the amount of control the researcher has over real-life behavioural events, and (c) the level of focus on present-day as compared to historical incidents. Figure 3.1 presents these three conditions and illustrates how each is connected to the five major research designs. The significance of each condition, in deciding between the five methods, is as follows (Yin, 2009).

Method	(1) Form of Research Question	(2) Requires Control of Behavioural Events	(3) Focuses on Contemporary Events
Experiment	How, Why?	Yes	Yes
Survey	Who, What, Where, How Many, How Much?	No	Yes
Archival Analysis	Who, What, Where, How Many, How Much?	No	Yes/No
History	How, Why?	No	No
Case Study	How, Why?	No	Yes

**Figure 3.1: Relevant Situations for Different Research Methods (Yin, 2009).**

The first and most crucial requirement for deciding between the diverse research methods is to classify the type of research questions being posed. Generally, ‘what’ questions can either be exploratory (wherein any method can be employed) or concern prevalence (wherein survey or archival analysis would be preferred). ‘How’ and ‘why’ questions are prone to favour the utilisation of experiments, histories and case studies (Yin, 2009).

Given that the current study is not concerned with the frequency (prevalence) (that is how much, or how many) of CREM outsourcing, surveys and archival analysis are not appropriate for this study. The overall research question at hand relates to identifying the practice of corporate real estate management outsourcing in South Africa, specifically investigating private non-real estate organisations. This is interpreted to entail investigating how South African private companies go about outsourcing their corporate real estate management, namely the steps to outsourcing their CREM (how); the reason behind outsourcing their CREM, that is to say the motives (why) and what they take into consideration when picking a service provider, namely how do they select a service provider (how). Based on the above categorisation, experiments, histories and case studies are all suitable for this study.

Of the three possible research designs, an experiment requires control of behavioural events, concentrating on contemporary events; histories mandate no control of behavioural events but do not focus on contemporary events, and the case study mandates no control of behavioural events concentrating on contemporary events. Control of behavioural events entails the researcher being able to manipulate the phenomenon under study and contemporary event is whether the phenomenon is a present-day one or an occurrence that happened historically. Recalling the research question again, the practice of corporate real estate management outsourcing by South African private organisations is a phenomenon that cannot be manipulated by the

researcher, that is South African private organisations are left to their own devices, and the researcher has no influence over their actions. In addition, the phenomenon under study is a present-day occurrence that did not occur historically. Accordingly, the research design best suited for this study, and to be advanced, will be a case study.

### **3.2.1. Case Study**

Case study is a design of investigation located in numerous disciplines in which the researcher undertakes an extensive examination of a case, generally a programme, event, action, process of one or more individuals. Cases are restricted by time and activity, and the researcher gathers in-depth information utilising various data collection procedures over a prolonged period (Creswell, 2014).

The case study design starts with "a logic of design ... a strategy to be preferred when circumstances and research problems are appropriate rather than an ideological commitment to be followed whatever the circumstances"(Yin, 2009).

The preceding statement can be restated as part of a twofold, technical description of case studies. The first portion starts with the scope:

1. A case study is an observed investigation that:
  - Inquires extensively about a present-day event and within the real-world setting, particularly when
  - The borders between phenomenon and background are not distinctly apparent (Yin, 2009).

In layman's terms, one would employ the case study method when one wants to grasp a real-life phenomenon extensively, but such understanding entailed significant contextual considerations, as they are greatly relevant to the phenomenon being studied (Yin, 2009).

Secondly, as the phenomenon and background may not always be clearly identifiable in real-world settings, additional technical features, including data collection and analysis strategies, now become the second part of our technical description of case studies, being:

2. The case study investigation
  - Manages the technically characteristic situation in which there will be numerous variables of interest rather than data points, and as one result;



- Depends on various sources of evidence, with data needing to merge in a triangulating technique, and as another result,
- Benefits from the previous development of theoretical propositions to direct data collection and assessment (Yin, 2009).

In principle, the twofold description demonstrates how case study research entails an extensive method, comprising the logic of design, data collection practices and particular procedures of/for data analysis. In this instance, the case study is not restricted to being a data collection technique only or even a design feature only (Yin, 2009).

In a standard case study, a 'case' might be an individual. It could also be an event or entity, not a single individual. Case studies have been conducted on decisions, programmes, the execution process, and organisational change. As a universal standard, one's provisional description of the unit of analysis (which is equivalent to the description of the 'case') is associated with the manner in which one has outlined one's original research questions. As soon as the overall description of the case has been set, additional detailing of the unit of analysis becomes vital. If the unit of analysis is a small set of individuals for instance, the individuals to be encompassed within the group (the direct subject matter of the case study) need to be differentiated from the individuals who are external to it (the background for the case study) (Yin, 2009).

What is the "case" to be studied in this report? In this study, the 'case' is a process, the outsourcing of corporate real estate management by non-real estate private corporations with substantial CRE holdings. The data collection sources will be senior/executive individuals within those corporations. Specific CRE senior management staff within each company will be selected, as they have extensive knowledge on the phenomenon from constantly being engaged in the CREM decisions and strategies of their organisations. The unit of analysis of these cases will be non-real estate private corporations. From the review of the literature, case studies typically include four (4) to five (5) cases (Creswell, 2014); four (4) mini-cases will be developed in this study.

In order to have any influence on either the phenomenon or the concepts within the field, research investigations need to be rigorously conducted; they must offer insights and results that ring true to readers, other researchers or experts. To determine the quality of qualitative research, the researcher needs to describe the ways in which one will check the truthfulness and integrity of their findings within the study; establishing the validity and reliability of the findings (Creswell, 2014).



Qualitative validity requires the researcher to test the truthfulness of the findings by using particular procedures. Qualitative reliability means that the researcher's approach is consistent between distinct participants, projects and researchers, therefore proving that the procedures in the study can be repeated to give the same results. The use of multiple processes adds to the researcher's ability to establish the truthfulness and integrity of the findings as well as convince readers of that (Creswell, 2014). Eight key strategies are available to establish the validity of finding. They are; ordered from those most commonly exercised and easy to execute, to those seldom exercised and more problematic to complete (Creswell, 2014):

- Triangulation of data, which entails collecting data from multiple sources to establish coherent reasoning for categories (Creswell, 2014).
- Member checking, which encompasses taking the final report or sections of the semi-refined or refined product (for example the key findings) back to participants for them to establish whether the contents are a true reflection of their perspective. This does not entail returning the raw data (transcripts) to assess the accuracy (Creswell, 2014).
- The use of rich and broad narratives to communicate the findings, which ought to transport the reader to the backdrop and afford the examination an element of common experiences or permit the results to be more realistic (Creswell, 2014).
- Clarifying researcher bias, which encompasses self-reflection to establish a transparent and truthful account that should resonate well with the reader. The researcher should state how their understanding of the findings is modelled by their environment, for example, their experiences, customs and socioeconomic background (Creswell, 2014).
- Presentation of conflicting or negative information that contradicts the categories. The real world offers diverse perceptions that do not always merge. Presenting this conflicting data permits the narrative to be more representative and therefore valid (Creswell, 2014).
- Spending a prolonged time in the field, which will allow the researcher to acquire a comprehensive understanding of the process under investigation; that is observe more experiences of participants in their setting or undertaking the phenomenon. The communication of the specifics regarding the site and the individuals involved affords the account integrity (Creswell, 2014).



- Peer debriefing, which entails identifying a person to review and interrogate the investigation, so the narrative resonates with individuals beyond the researcher (Creswell, 2014).
- The use of an external auditor, which requires the researcher to identify an individual who is not acquainted with the investigation to review the entire study to offer an independent evaluation of the investigation either all the way through the process of research or at the end. This person should assess, for instance, the accuracy of transcription, the degree of data analysis and the connection between the data and the research questions (Creswell, 2014).

As it relates to establishing reliability, Yin (2009) recommends the researcher needs to record as many of the processes of their case studies as possible. The objective is to demonstrate the researcher's approach is consistent between distinct projects and researchers. As well, Yin (2009) suggests the researcher set up a thorough case study protocol and database so that others can track the processes. Gibbs (2007) cited in Creswell (2014) proposes the following measures (Creswell, 2014):

- Checking the participants' transcripts to confirm no apparent errors were made during transcription (Creswell, 2014).
- Ensuring there is no drift in the distinctness of codes or a change in the meaning of codes through the coding process (Creswell, 2014).
- For team research, organising the communication between the coders by regularly consulting and recoding these meetings as well as by apportioning the analysis (Creswell, 2014).
- Cross-checking of codes created by different researchers by comparing outcomes individually obtained to produce one consistent result in their investigation. For single researchers, it encompasses identifying another individual to substantiate their codes, for what is termed intercoder agreement. It is to determine whether another coder would code the same passage in the text with the same or comparable code and the degree of consistency of coding. Miles and Huberman (1994) advocate that the degree of consistency of the coding be in consensus at a minimum of 80% of the time for good reliability (Creswell, 2014).



The researcher will expand on the approaches used in this study when discussing the findings of the investigation in Chapter Five.

### 3.3. Research Method

Research methods can be recognised as all those techniques/methods that are utilised for the execution of research, that is to say, the techniques or methods the researcher employs in executing research operations or the techniques or methods the researcher uses throughout the process of investigating the research problem (Kothari, 2004).

Given that the objective of research, especially the applied research, is to work out a solution for a particular problem, the available data and unidentified features of the problem have to be connected to each other in order to make a solution possible. With this view in mind, research methods can be classified into the following three categories:

1. Those methods which focus on the collection of data. These methods can be used wherever the existing data present is insufficient to come to the required solution.
2. Those statistical techniques which are utilised to determine links between the data and the unknowns.
3. Those methods which are utilised to evaluate how accurate are the outcomes achieved.

Research methods grouped into the last two categories above are largely accepted as the analytical tools of research (Kothari, 2004).

Table 3.1 below provides an outline of all the research methods, that is ways of executing research.

**Table 3.1: Research Methods and Techniques of Data Collection (Kothari, 2004).**

Type	Method	Technique
1. Library Research	(i) Analysis of Historical Records	Recording of notes, content analysis, tape and film listening and analysis.
	(ii) Analysis of Documents	Statistical compilations and manipulations, reference and abstract guides, contents analysis.
2. Field Research	(i) Non-Participant Observation	Observational behavioural scales, use of scorecards, etc.
	(ii) Participant Observation	Interactional recording, possible use of tape recorders, photographic techniques.
	(iii) Mass Observation	Recording mass behaviour, interview using independent observers in public places.
	(iv) Mail Questionnaire	Identification of social and economic background of respondents.
	(v) Opinionnaire	Use of attitude scales, projective techniques, use of sociometric scales.
	(vi) Personal Interview	Interviewer uses a detailed schedule with open and closed questions.
	(vii) Focused Interview	Interviewer focuses attention upon a given experience and its effects.
	(viii) Group Interview	Small groups of respondents are interviewed simultaneously.
	(ix) Telephone Survey	Used as a survey technique for information and for discerning opinion; may also be used as a follow up of questionnaire.
	(x) Case Study and Life History	Cross-sectional collection of data for intensive analysis, longitudinal collection of data of intensive character.
3. Laboratory Research	Small group study of random behaviour, play and role analysis.	Use of audio-visual recording devices, use of observers, etc.

Direct investigation of non-real estate private corporations with substantial CRE holdings is required within this study which entails seeking information directly from the decision maker within that entity. This requires meeting with that decision maker and posing specific questions that target the case study topic, namely to uncover the practice undertaken to outsource its CREM. Personal/focus interview lends itself to this line of enquiry and therefore is the research method to be adopted within this study.

### **3.3.1. Interview**

The interview method of gathering data entails the presentation of verbal/oral stimuli and answer in terms of a verbal/oral reply. This method involves an individual termed “the interviewer” posing questions by and large



through face-to-face interaction to the other individual or individuals (occasionally the interviewee might also pose questions, and the interviewer replies to these, however generally the interviewer starts the interview and gathers the data). Interviews can be in the shape of direct personal inquiry or indirect oral inquiry. With regard to direct personal inquiry, the interviewer has to gather data in person from the sources involved. The interviewer has to be physically present and has to get together with the persons from whom data has to be gathered. This method is especially befitting intensive investigation. However, in certain cases it might not be feasible or valuable to contact the individuals involved directly, or, on account of the wide-ranging scope of the investigation, the direct personal inquiry method may not be advantageous. In such instances, an indirect oral inquiry can be undertaken, which entails the interviewer questioning other individuals who are believed to have knowledge about the problem under investigation, and the data acquired is documented (Kothari, 2004).

The interview method of gathering information is conventionally undertaken in a structured manner. Accordingly, these interviews are called 'structured interviews'. Such structured interviews entail the utilisation of a collection of pre-set questions and standardised techniques of recording. The interviewer in a structured interview follows a strict and documented process, questioning the interviewee in a prescribed style and sequence. This type of interview is often utilised in descriptive studies as it is more cost-effective, offers a safe base for generalisation and requires reasonably less skill on the part of the interviewer (Kothari, 2004).

On the opposite end of the spectrum, unstructured interviews are characterised by the flexibility of process in questioning. It does not follow an approach of prescribed questions and standardised techniques for documenting data. In unstructured interviews, the interviewer is afforded greater freedom to pose, if needed, additional questions or occasionally may exclude particular questions if the circumstances so require. The interviewer could also alter the sequence of questions. However, this type of flexibility causes a lack of comparability of one interview with another, and additionally, the analysis of unstructured responses becomes much more complicated and onerous. Similarly, it also requires greater skill and experience on the part of the interviewer. This type of interview, however, turns out to be the key method of gathering data in the case of formative research studies (Kothari, 2004).

Semi-structured interviews will be conducted within this study, comprising a series of pre-set questions. However, the interviews will remain open-ended and take on a conversational manner allowing the interviewee sufficient freedom to give as much contextual data as possible. Interviewees will be sent a template of the interview schedule prior to the scheduled meeting. This will permit respondents to know the direction of the planned interview and if preferred, to consider their answers. A consent and confidentiality form (Annexure B)



will accompany the interview schedule to preserve and improve the quality of the responses. The researcher is the primary instrument of data collection.

The selection criteria for potential interviewees is senior management tasked with managing the company's CRE within non-real estate private organisations in the Johannesburg Metropolitan area with known substantial CRE holdings. Purposely omitted are those entities principally retaining real estate resources for investment reasons, namely real estate trusts and pension/superannuation funds. The client list of Real FMG Corporate Real Estate Advisors in Johannesburg was canvassed to come up with a list of potential cases and therefore interviewees.

A preliminary review of the literature pertaining to the CREM outsourcing was undertaken to develop the pertinent interview questions. Based on the works of Ghodeswar and Vaidyanathan (2008); Belcourt (2006); Davis (2004), and Kimbler and Rutherford (1993), an interview schedule was generated to determine the practice of CREM outsourcing in South Africa. The interview schedule, Annexure A, consists of four sections.

Part 1 deals with the profiles of the organisations, including:

1. What is your position within the company;
2. What is the company's core business;
3. What was the company's prior year annual turnover;
4. How many sites does the company occupy;
5. What is the approximate total extent in square metres of the accommodation occupied, and
6. How many company employees are directly involved in corporate real estate management.

Part 2 covers CREM outsourcing practices, specifically seeking to uncover:

1. What corporate real estate management functions is the company currently outsourcing;
2. Is your firm using external service providers more, the same, less than it did three (3) years ago for its CREM;
3. What are the drivers/motives (reasons) that made the company pursue an outsourcing strategy for its CREM, and
4. Does the company have a corporate real estate management outsourcing strategy (aims, tasks and measurement of outcomes) and if yes, is this strategy documented?

Part 3 encompasses the process of sourcing CREM service providers, comprising:

1. What are the characteristics that the company looks for in a CREM service provider, and



2. How does the company identify service providers and why that particular methodology is used?

Part 4 deals with the success of CREM outsourcing, encompassing:

1. Has CREM outsourcing been a success or failure and why they believe this to be so, and
2. What factors and service-provider attributes (service provider skills) affect success and why they consider these important.

Part 1 is devised to elicit general company information; Part 2 is devised to tackle research questions 1 – 3 and Part 3 and 4 research questions 4 – 5, respectively. Accordingly, Part 2 tackles research objectives 1 – 3 and Parts 3 and 4 research objectives 4 – 5, respectively. A pilot interview will be conducted to see how well the interview schedule draws out the desired responses and therefore data; if necessary, the schedule will be adapted and modified. Interviewees will be posed the same questions in the same order within their natural setting (where the phenomenon/process occurs), in other words, their workplace. Each will be taped (audio recorded) and each recording will be transcribed verbatim.

Each recording is anticipated to be dense and rich in data. Its sheer magnitude can be unnerving or overwhelming. How will it be managed? The researcher will adopt content analysis to analyse the data, specifically inductive content analysis. Content analysis is a methodical and objective way of defining and measuring a phenomenon. It is also recognised as a means of examining texts.

The process permits the researcher to assess theoretical issues to develop an understanding of the data. From content analysis, it is feasible to condense data into fewer content-related categories. It is understood that, when grouped into the same categories, words, expressions and sentences share the same meaning. Content analysis is a process for constructing replicable and valid inferences from data to their setting, with the intention of offering information, new insights, a description of facts and a logical guide to action. The intention is to produce a compressed yet comprehensive account of the phenomenon, namely the result of the assessment is categories or concepts depicting the phenomenon (Elo and Kyngas, 2008).

If there is insufficient or fragmented information about the phenomenon, the inductive style is advocated. The categories originate from the data with this style. Deductive content analysis is employed when the framework of assessment operates based off prior knowledge, and the reason for the investigation is theory testing. A style centred around inductive data progresses from the particular to the general, so that certain occasions are noted



and then merged into a larger whole or universal statement. A deductive style is centred around a former concept or model and consequently progresses from the general to the particular (Elo and Kyngas, 2008).

The three stages of content analysis, be it inductive or deductive, are preparation, organising and reporting. The preparation stage commences with deciding on the unit of analysis. This could be a theme or word. Determining what to assess in what detail and sampling considerations are vital elements before choosing the unit of analysis. The sample ought to be characteristic of the world it is extracted from. A unit of meaning can comprise more than one sentence and include several meanings. The most appropriate unit of analysis is an entire interview that is big enough to be studied as a whole and small enough to be considered as a context for a unit of meaning throughout the analysis process. Researchers should be directed by the research questions and objectives of the study in selecting the contents to assess. Next up in the preparation stage, the researcher should make sense of the data, learn 'what is going on' and endeavour to develop a sense of the whole. The goal is to become engrossed in the data, for the researcher to be completely familiar with it. The transcribed material ought to be read through quite a few times (Elo and Kyngas, 2008).

The second stage is to organise the data. This process encompasses 'open coding', generating categories and abstraction. Open coding entails making notes and headings in the text as one reads through it. As many headings as necessary are generated to describe all features of the content. The headings are then gathered on to coding sheets and categories freely created. Similar categories are then condensed and assembled under higher order headings. Forming categories does not entail merely assembling observations that are the same or connected; instead data is organised as 'fitting' to a specific group by undertaking a comparison of that data with other observations that are dissimilar and do not fit in the same category, and through interpretation, deciding as to which between the categories to place it in. Abstraction then necessitates building a general description of the research subject matter by creating categories. Each category is labelled with content-characteristic terms, and the abstraction process goes on insofar as is rational and possible (Elo and Kyngas, 2008).

The third stage is reporting; presenting the study and delivering its results. The analysis process ought to be explained in adequate detail; such that readers obtain a strong grasp of the manner in which the analysis of the data was undertaken. Reporting the results is delivering the meanings of the categories, in particular, the data is examined and simplified to form categories and report the subject of the study (Elo and Kyngas, 2008).

### 3.4. Research Steps

The initial discussion of this chapter asserts 'In it, we explore the different steps that are commonly implemented by the researcher in exploring his research alongside the logic behind them.' Based on the above discussion, the steps followed in this study are summarised in Figure 3.2 below.

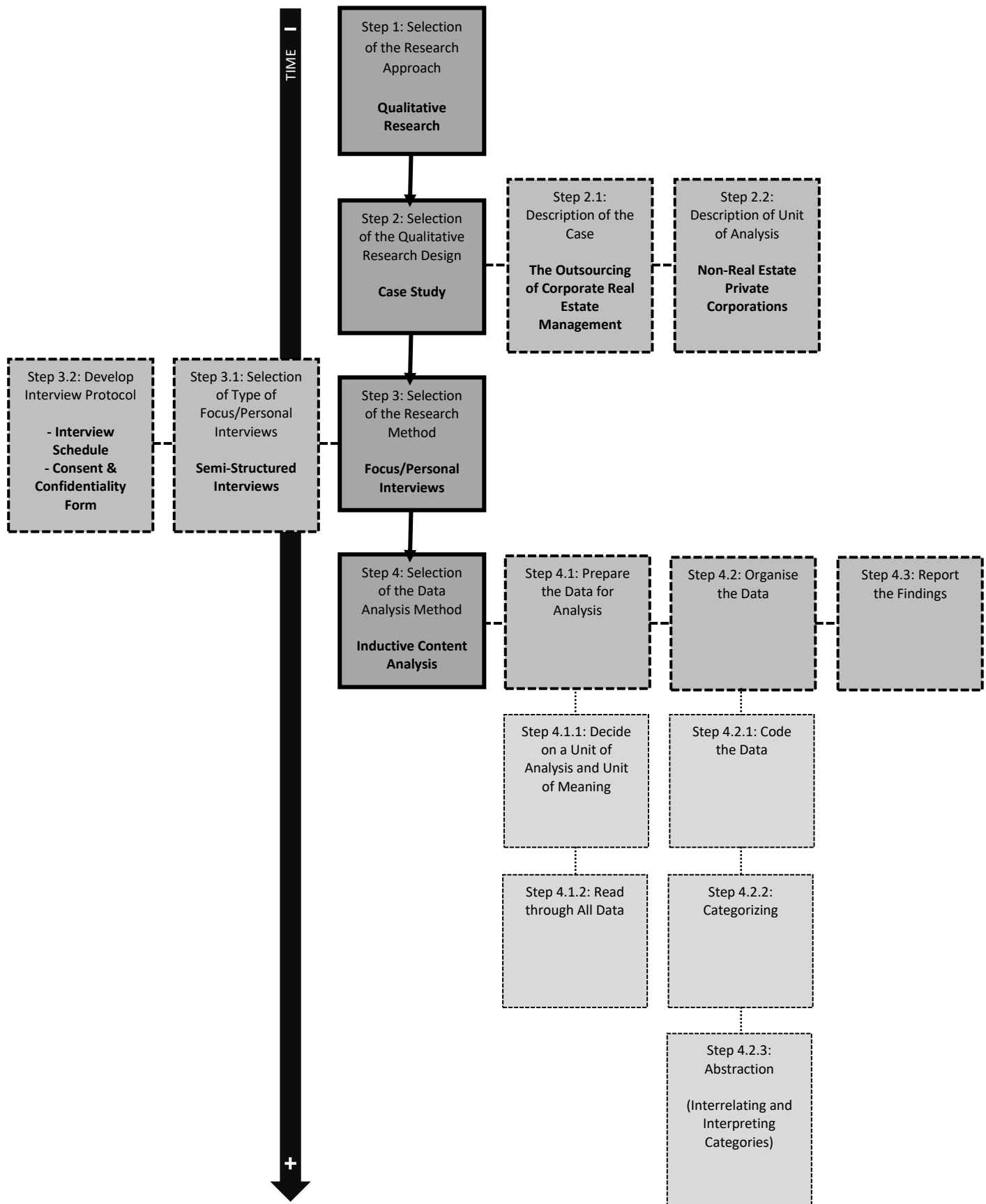


Figure 3.2: Research Steps.

#### 4. Chapter Four: Results

As already described, based on the preliminary review of the literature in Chapter Two, a structured schedule was developed for the interviews. The schedule comprised mainly open-ended questions, with the interview taking on a conversational manner allowing respondents to give their opinions on the subject matter and provide as much contextual data as possible. A pilot interview was conducted to see how well the interview schedule drew out the desired responses and therefore data. Each interviewee was posed the same questions in as much the same manner, within their natural setting (where the phenomenon/process occurs), that is their workplace. Each interview was taped (audio recorded) and each recording was transcribed verbatim.

Data on each of the companies was collected solely via interviews. As previously highlighted in Chapter Three, specific CRE senior management staff within each company were selected to be interviewed, in order to access the extensive knowledge that they have of the phenomenon from constantly being engaged in the CREM decisions and strategies of their organisations. The interviews were conducted over a three (3) week period in June 2017. Each was less demanding than the researcher initially estimated and typically lasted 30 minutes.

As with open-ended questions, the data provided requires refinement and interpretation. The data gathered was assessed utilising inductive content analysis. From content analysis, it is feasible to condense data into fewer content-related categories. It is understood that, when grouped into the same categories, words, expressions and sentences share the same meaning (Elo and Kyngas, 2008).

As previously highlighted in Chapter Three, Part 1 is devised to elicit general company information; Part 2 is devised to tackle research questions 1 – 3 and Parts 3 and 4 research questions 4 – 5, respectively. Accordingly, Part 2 tackles research objectives 1 – 3 and Parts 3 and 4 research objectives 4 – 5, respectively. The analysis of the data followed that same structure. The process began by reading the first interview transcript, and as one reads through it, one is looking to identify sections in the data which is a response or part of a response to the research questions/objectives. This is called a unit of data, which can be as small as a word a participant uses to describe the phenomenon or a big as a few sentences depicting a particular event. The process then continues by assigning a code to the unit of data which is intended to 'label' the content. The code can be a repeat of the exact words of the participant, a concept from the literature or the researcher's words. Lastly, each code is evaluated with the next, checking for reappearing regularities in the data. To be exact, the codes are grouped into categories. A category is a group of content that shares a commonality and answers the question 'what'. It is an abstraction of the manifest subject matter of the text (Merriam and Tisdell, n.d.).

Each interview transcript was examined in the same way, taking into account the list of codes obtained from the first transcript and checking to see if they also existed in the next transcript. One can also construct a discrete list of codes from the next few transcripts and then evaluate these with the one resultant from the first transcript. These discrete lists are then merged into one master list of concepts resultant from all the data sets (Merriam and Tisdell, n.d.).

Once the analysis of all the interview transcripts was completed, cross-case analysis began where the intention was to offer an integrated framework covering the four cases. To be exact, topics and patterns in the data were noted, correlations with earlier literature drawn and areas of impact on prevailing knowledge identified. Summaries of the data analysis of the four individual cases will be presented first, followed by the cross-case analysis under the discussion of findings in Chapter Five. The comprehensive data analysis of the four individual cases can be viewed under Annexure D.

#### 4.1. Summary of Organisation A Findings

**Table 4.1: Organisation A's Company Profile.**

Description		Organisation A
CRE Manager Title		Real Estate Lead for Africa
Core Business		Fast-Moving Consumer Goods
Annual Turnover		Unknown
No. of Sites Occupied		10
Extent of Sites Occupied		Unknown
Number of CREM Employees	Currently	1
	Three (3) Years Ago	1

**Table 4.2: Organisation A's CREM Outsourced Services.**

CREM Outsourced Services	Frequency Count
Facilities Management	1
Real Estate Management	1
Transaction Management	1

**Table 4.3: Organisation A's Trend in CREM Outsourcing.**

Trend in CREM Outsourcing	Frequency Count
Unchanged Level of Outsourcing	1

**Table 4.4: Organisation A's Reasons for CREM Outsourcing.**

Reasons for CREM Outsourcing	Frequency Count
Flexibility	4
Cost Savings	1
Access to Technical Expertise	2
Lack of Internal Resources	1
Access to Local Expertise	1

**Table 4.5: Organisation A's CREM Outsourcing Strategy.**

CREM Outsourcing Strategy	Frequency Count
Global Strategy	2

**Table 4.6: Organisation A's CREM Outsourcing Strategy Documentation.**

CREM Outsourcing Strategy Documentation	Frequency Count
Formal Guideline	1

**Table 4.7: Organisation A's Methods for Identifying Service Providers.**

Methods for Identifying Service Providers	Frequency Count
Third-Party Search	3
Direct Approach	2

**Table 4.8: Organisation A's Criteria Used to Select a Service Provider.**

Criteria Used to Select a Service Provider	Frequency Count
References/Reputation	2
Local Experience	3
Service provider Capacity	1
Relevant Experience	1
Individual Capability	3
Amount of Fee	2
Understanding the Client's Organisation	2
Unconflicted	1
Technical Expertise	1
Flexible Service Terms	1

**Table 4.9: Organisation A’s Success of CREM Outsourcing.**

Success of CREM Outsourcing	Frequency Count
Successful	3
Unsuccessful	4

**Table 4.10: Organisation A’s Service Provider Characteristics that Affect Success.**

Service Provider Characteristics that Affect Success	Frequency Count
Unconflicted	1
Strong Management Capability	2
Professional Integrity	2
Strong Advisory Capability	2

#### 4.2. Summary of Organisation B Findings

**Table 4.11: Organisation B’s Company Profile.**

Description	Organisation B	
CRE Manager Title	Head of Location Management for Sub-Saharan Africa	
Core Business	Electrification, Automation and Digitalisation	
Annual Turnover	Unknown	
No. of Sites Occupied	11	
Extent of Sites Occupied	65 000m <sup>2</sup>	
Number of CREM Employees	Currently	8
	Three (3) Years Ago	8

**Table 4.12: Organisation B’s CREM Outsourced Services.**

CREM Outsourced Services	Frequency Count
Facilities Management	4
Subject Matter Expertise	3

**Table 4.13: Organisation B’s Trend in CREM Outsourcing.**

Trend in CREM Outsourcing	Frequency Count
Increased Level of Outsourcing	1

**Table 4.14: Organisation B's Reasons for CREM Outsourcing.**

Reasons for CREM Outsourcing	Frequency Count
Flexibility	13
Lack of Internal Resources	1
Access to Technical Expertise	5

**Table 4.15: Organisation B's CREM Outsourcing Strategy.**

CREM Outsourcing Strategy	Frequency Count
Global Strategy	1

**Table 4.16: Organisation B's CREM Outsourcing Strategy Documentation.**

CREM Outsourcing Strategy Documentation	Frequency Count
Formal Guideline	3

**Table 4.17: Organisation B's Methods for Identifying Service Providers.**

Methods for Identifying Service Providers	Frequency Count
Request for Proposals	3

**Table 4.18: Organisation B's Criteria Used to Select a Service Provider.**

Criteria Used to Select a Service Provider	Frequency Count
Technical Expertise	5
Integrity of Approach	2
Relevant Experience	2
References/Reputation	2
Regulatory Compliance	1
Amount of Fee	1
Strong Management Capability	1
Local Experience	1

**Table 4.19: Organisation B's Success of CREM Outsourcing.**

Success of CREM Outsourcing	Frequency Count
Successful	4

**Table 4.20: Organisation B's Service Provider Characteristics that Affect Success.**

Service Provider Characteristics that Affect Success	Frequency Count
Market Knowledge Value Add	3
Delivering the Pledged Service	3
Flexible Service Terms	2
Responsiveness	2
Understanding the Client's Organisation	1
Technical Expertise	1
Cost Savings	1

### 4.3. Summary of Organisation C Findings

**Table 4.21: Organisation C's Company Profile.**

Description	Organisation C	
CRE Manager Title	Group Lead Shared Services	
Core Business	Electronics, Multimedia and Technology	
Annual Turnover	R16 billion	
No. of Sites Occupied	121	
Extent of Sites Occupied	100 000 m <sup>2</sup>	
Number of CREM Employees	Currently	5
	Three (3) Years Ago	3

**Table 4.22: Organisation C's CREM Outsourced Services.**

CREM Outsourced Services	Frequency Count
Zero CREM Outsourced Services	1
Subject Matter Expertise	6

**Table 4.23: Organisation C's Trend in CREM Outsourcing.**

Trend in CREM Outsourcing	Frequency Count
Decreased Level of Outsourcing	1

**Table 4.24: Organisation C's Reasons for CREM Outsourcing.**

Reasons for CREM Outsourcing	Frequency Count
Access to Technical Expertise	5
Flexibility	6

**Table 4.25: Organisation C's CREM Outsourcing Strategy.**

CREM Outsourcing Strategy	Frequency Count
No Strategy (Global or Local)	1

**Table 4.26: Organisation C's CREM Outsourcing Strategy Documentation.**

CREM Outsourcing Strategy Documentation	Frequency Count
Informal Guideline	1

**Table 4.27: Organisation C's Methods for Identifying Service Providers.**

Methods for Identifying Service Providers	Frequency Count
Direct Approach	5
Request for Proposals	4
Associate Recommendations	1

**Table 4.28: Organisation C's Criteria Used to Select a Service Provider.**

Criteria Used to Select a Service Provider	Frequency Count
Understanding the Client's Organisation	2
Transparency	7
Strong Advisory Capability	3
Trust	4
Amount of Fee	2
Business Values and Ethos	1
Technical Expertise	3
Relevant Experience	3
Integrity of Approach	2
References/Reputation	1

**Table 4.29: Organisation C's Success of CREM Outsourcing.**

Success of CREM Outsourcing	Frequency Count
Successful	3

**Table 4.30: Organisation C's Service Provider Characteristics that Affect Success.**

Service Provider Characteristics that Affects Success	Frequency Count
Transparency	1
Strong Advisory Capability	3

#### 4.4. Summary of Organisation D Findings

**Table 4.31: Organisation D's Company Profile.**

Description		Organisation D
CRE Manager Title		Head of Commercial and Procurement
Core Business		Turnkey IT Solutions
Annual Turnover		R1,5-2 billion
No. of Sites Occupied		3
Extent of Sites Occupied		20 000 m <sup>2</sup>
Number of CREM Employees	Currently	4
	Three (3) Years Ago	6

**Table 4.32: Organisation D's CREM Outsourced Services.**

CREM Outsourced Services	Frequency Count
Facilities Management	2

**Table 4.33: Organisation D's Trend in CREM Outsourcing.**

Trend in CREM Outsourcing	Frequency Count
Unchanged Level of Outsourcing	1

**Table 4.34: Organisation D's Reasons for CREM Outsourcing.**

Reasons for CREM Outsourcing	Frequency Count
Cost Savings	4
Focus on Core Business Value Chain Activities	2
Access to Technical Expertise	1
Risk Mitigation	2
Flexibility	2

**Table 4.35: Organisation D's CREM Outsourcing Strategy.**

CREM Outsourcing Strategy	Frequency Count
Local Strategy	2
Global Strategy	1

**Table 4.36: Organisation D's CREM Outsourcing Strategy Documentation.**

CREM Outsourcing Strategy Documentation	Frequency Count
Informal Guideline	1
Formal Guideline	2

**Table 4.37: Organisation D's Methods for Identifying Service Providers.**

Methods for Identifying Service Providers	Frequency Count
Request for Proposals	6

**Table 4.38: Organisation D's Criteria Used to Select a Service Provider.**

Criteria Used to Select a Service Provider	Frequency Count
Flexible Service Terms	2
Technical Expertise	4
Business Values and Ethos	2
Relevant Experience	4
Regulatory Compliance	4
Amount of Fee	1
Reference/Reputation	1

**Table 4.39: Organisation D's Success of CREM Outsourcing.**

Success of CREM Outsourcing	Frequency Count
Successful	4

**Table 4.40: Organisation D's Service Provider Characteristics that Affect Success.**

Service Provider Characteristics that Affects Success	Frequency Count
Understanding the Client's Organisation	4
Technical Expertise	2
Strong Advisory Capability	1

## **5. Chapter Five: Discussion of Findings**

The research objectives focus on identifying categories (the patent findings) and not on identifying the importance of categories once determined (the latent findings). Accordingly, although displayed, the frequency count of each category, which is a latent finding, will not be expanded on in the discussion of findings. The frequency count shows the number of times that category was mentioned and one can assume repetition indicates a stronger opinion about or importance of that category as compared to the others within the same content area. The frequency count will be discussed in Chapter Six as it relates to future research.

### **5.1. Organisational Profiles**

The four initial organisations approached all agreed to participate in the investigation. Table 5.1 shows the profiles of the participant organisations.

The organisations each have a different core business, across a distinct range of industrial sectors. The prior year's annual turnover as determined by sales and expressed in billions of Rands ranges broadly from R1.5-2 billion to R16 billion.

With regard to the CRE portfolio, there is a major difference in the number of sites occupied ranging from three (3) up to one hundred and twenty-one (121), with the total extent extending from 20 000m<sup>2</sup> up to 100 000m<sup>2</sup>. Also, the organisations all have varying titles for the CRE Manager.

There is a minor variation in the organisations' number of CREM employees currently and three (3) years ago ranging from one (1) to eight (8), respectively. Whereas Organisation A and B remain unchanged over the last three years in the number of CREM employees, Organisation C increased its CREM staff compliment by 40% and Organisation D reduced its by 33%.

**Table 5.1: Participant Organisations' Company Profiles.**

Description		Org. A	Org. B	Org. C	Org. D
Core Business		Fast-Moving Consumer Goods	Electrification, Automation and Digitalisation	Electronics, Multimedia and Technology	Turnkey IT Solutions
Annual Turnover		Unknown	Unknown	R16 billion	R1,5-2 billion
CRE Manager Title		Real Estate Lead for Africa	Head of Location Management for Sub-Saharan Africa	Group Lead Shared Services	Head of Commercial and Procurement
No. of Sites Occupied		10	11	121	3
Extent of Sites Occupied		Unknown	65 000m <sup>2</sup>	100 000 m <sup>2</sup>	20 000 m <sup>2</sup>
Number of CREM Employees	Currently	1	8	5	4
	Three (3) Years Ago	1	8	3	6

Although only four (4) organisations were studied, the findings are believed to characterise the desired type of “corporate” to be researched in South Africa across a small but diverse range of industrial sectors, each with a dedicated CREM team, each with a distinct title for the head of the CREM team. As previously highlighted in Chapter One, the desired type, being any medium to large firm organisation, either in the public or private sector, which, as it is hard to identify a specific size of organisation to utilise as a cut-off point, the key standard is that CRE performs a considerable role in the production process and its management necessitates the committed skills of expert individuals (Kooymans, 2000).

## 5.2. CREM Outsourcing Practices

On face value, it appears all the organisations predominantly in-house their CREM functions, with a few services residing with external service providers. Table 5.2 displays the number of CREM services outsourced. Four (4) CREM services are outsourced by the participant organisations. Of the services outsourced, the number of services outsourced by each, ranges from one (1) to three (3) CREM functions, with three (3) out of the four (4) organisations, A, B and D outsourcing their facilities management and two (2) out of the four (4), B and C outsourcing their subject matter expertise.

**Table 5.2: Participant Organisations' CREM Outsourced Services.**

CREM Outsourced Services	Org. A	Org. B	Org. C	Org. D	Organisational Hierarchy
Facilities Management	X	X		X	O
Real Estate Management	X				O
Transaction Management	X				O
Subject Matter Expertise		X	X		O

With only one (1) company employee directly involved in the organisation's CREM, as noted by Participant A, he has only so much capacity, as well he is not an expert in every location. Logically, Organisation A would be the front-runner in the number of CREM functions outsourced. On face value, it appears three (3) CREM services are outsourced. However, this depends on how narrowly or broadly one defines 'real estate management' as highlighted in Chapter Two.

For ease of reference, real estate management is stated as an additional term that might be interpreted narrowly or broadly, corresponding to the scope of jobs that a real estate management division might be requested to do. Real estate management jobs might include planning and implementation of property disposals and acquisitions; space planning and management; interior design and implementation; architectural and engineering services; maintenance and operations; capital and operational costing; organisational cost control; financial value creation; property entrepreneurialism, and business strategy design and execution (Kooymans, 2000). If defined narrowly, this corresponds to solely one function spanning routine everyday property management (Ali et al., 2008) covering building operations/property administration; however, if defined more broadly, this encompasses ten (10) CREM functions as underlined above. However, as it relates to Organisation A, it encompasses nine (9) CREM functions, as maintenance and operations which fall under facilities management, has already been stated as being outsourced by Participant A. Participant A's response will be taken at face value, the narrow definition shall apply and therefore Organisation A outsources three (3) CREM functions.

It must be additionally noted that, for one (1) of the CREM functions outsourced, Organisation A has two service providers managing its account jointly. By doing this, Organisation A is ensuring that long-term alliances are developed with a small core group of service providers, however that it cannot be held to ransom by one service provider as all its real estate operations and knowledge vests in that one firm. And by having two firms bid on a service, that it receives a competitive service.

Organisation B follows with two (2) CREM functions and Organisation C and D, one (1) each. Organisation C initially did not believe it was outsourcing any of its CREM functions, repeatedly stating that its CREM was performed in-house. Organisation C is of the view that the strategic requirements of the business are better met in-house as compared with an external service provider believed to be spreading itself thin amongst several clients.

Heywood and Kenley (2008) offered a CREM framework that encompassed thirteen (13) domains of practice (functions) essential to achieve strategic CREM. Figure 5.1 lists these thirteen (13) domains of practice.

<b>Organisational Hierarchy</b>	<b>Domain of Practice (CREM Function)</b>
Strategic (S)	Competitive Alignment
Management and Control (M&C)	Organisational Practices (CRE Unit)
	CRE Decision-making Practices (CRE Unit)
	Financial & Accounting Practices (Tech CRE)
	Metrics (& Benchmarking) Practices (Tech CREM)
	CRE IT Practices (Tech CREM)
Operations (O)	Location Site Selection (Tech CREM)
	Workplace Style (Tech CREM)
	Facility Management
	Building Operations/Property Administration
	Design Occupancy Planning
	Project Management
	CRE Transactions

**Figure 5.1: The Strategic CREM Framework (Heywood and Kenley, 2008).**

Facility (facilities) management and CRE transactions (transaction management) are displayed. The narrow definition of real estate management corresponds to building operations/property administration. Subject matter expertise being required on a project by project basis (project specific) equates to project management. Accordingly, Organisation A is outsourcing 23.08% of its CREM functions, Organisation B 15.38% and Organisations C and D, 7.69% each. Of these four (4) outsourced CREM functions stated by the organisations, all of them (100%) fall under Operations in the organisational hierarchy as per the Heywood and Kenley (2008) framework.

The findings of Kimbler and Rutherford (1993), having conducted a survey in the USA on the challenges that the CREM outsourcing industry was experiencing amongst CREM customers and service providers; as previously stated in Chapter Two, appear to be the trailblazer on the topic of identifying and selecting CREM

service providers. As such, the findings of that study will be used to provide a comparison with the findings of this report, to try and shed light on the maturity of the demand side of the South African CREM outsourcing market. Table 5.3 shows the most frequently used external services in the USA. Sixteen (16) CREM services are outsourced in the USA.

**Table 5.3: Extract of the Most Frequent Outside Services in the USA (Kimbler and Rutherford, 1993) and Categorisation of the Most Frequent Outside Services in the USA into the Equivalent Heywood and Kenley (2008) Domain of Practice and Organisational Hierarchy.**

Most Frequent Outside Service	Rank	Equivalent Heywood and Kenley (2008)	
		Domain of Practice	Organisational Hierarchy
Valuation/Appraisal	1	Financial & Accounting Practices	M&C
Traditional Brokerage	2	CRE Transactions	O
Environmental Engineering	3	Project Management	O
Disposal Marketing	4	CRE Transactions	O
Construction Management	5	Project Management	O
Space Planning	6	Design Occupancy Planning	O
Tenant Representation	7	CRE Decision-making Practices	M&C
Site/Space Selection	8	Location Site Selection	O
Project Feasibility Analysis	9	Financial & Accounting Practices	M&C
Real Estate Strategic Planning	10	Competitive Alignment	S
Lease Management Software	11	CRE IT Practices	M&C
Asset/Portfolio Management	12	Competitive Alignment	S
Cost Containment	13	Financial & Accounting Practices	M&C
Lease Analysis	14	Metrics (& Benchmarking) Practices	M&C
Organisational Studies	14	Organisational Practices	M&C
Staffing/Employment	14	Organisational Practices	M&C
<b>Number of Services</b>	<b>16</b>		-

Organisational Hierarchy	S	M&C	O	Total
Number of Services	2	8	6	16
<b>Percentage of Services</b>	<b>12.50%</b>	<b>50.00%</b>	<b>37.50%</b>	<b>100%</b>

It seems the USA has more services being outsourced than the possible number of domains of practice as offered by Heywood and Kenley (2008). Kimbler and Rutherford (1993) have gone into greater granularity on

what constitutes CREM functions. Each of the outsourced services as provided by Kimbler and Rutherford (1993) has a corresponding domain of practice as provided by Heywood and Kenley (2008) and can be classified under the organisational hierarchy. Of the sixteen (16) outsourced CREM functions stated in the USA, these correspond to ten (10) domains of practices, of which 12.50% fall under Strategic, 50.00% Management and Control and 37.50% Operations as per the Heywood and Kenley (2008) CREM framework.

The results from the Kimbler and Rutherford (1993) research reveal the market differences between the USA and South Africa. A wider range of services across all three (3) organisational hierarchies is being outsourced in the USA as compared to South Africa, where only a select few Operations CREM functions are being outsourced.

However, of more interest, is a comparison of the findings of this study to those of Lallo (2013) and Maluleke (2014), who each conducted research within the South African CREM field. As it relates to the CREM functions outsourced, Lallo (2013) uncovered:

1. That the majority of those corporations outsource their corporate real estate management functions, and
2. The more specialised CREM tasks are outsourced, tasks that are believed not to be as significant as the core business operations.

Maluleke (2014) in support of Lallo (2013)'s point 1 discovered that:

1. As companies do not view it as central (core) to the business, the majority of respondents outsource their CREM.

The findings of this investigation contradict Lallo (2013)'s point 1 and Maluleke (2014)'s point 1, however, are similar to Lallo (2013)'s point 2. The organisations within this study outsource between 7 – 23% of their CREM functions. Therefore they predominantly in-house their CREM functions. Of the CREM functions outsourced indeed the more specialised CREM tasks are outsourced, additionally the more task-orientated CREM services.

Having established that the participant organisations have indeed been outsourcing certain aspects of their CREM, the incidence of CREM outsourcing compared to three years ago was established, the results of which are shown in Table 5.4. Organisation A and D are unchanged in the level of CREM outsourcing undertaken as compared to three years ago. For Organisation B, it is now more common, and Organisation C is outsourcing less than three years ago.

**Table 5.4: Participant Organisations' Trend in CREM Outsourcing.**

Trend in CREM Outsourcing	Org. A	Org. B	Org. C	Org. D
Decreased Level of Outsourcing			X	
Unchanged Level of Outsourcing	X			X
Increased Level of Outsourcing		X		

Lallo (2013) found out that the incidence of CREM outsourcing had been decreasing over the last five years and the findings of this study can neither confirm or dispel this trend. Two (2) out of the four (4) organisations (50%) remain unchanged in their propensity to outsource their CREM functions and of the remaining two (2) organisations, the incidence of CREM outsourcing has increased for one (1) of the organisations and the trend is in opposite direction for the other one (1) where the incidence of CREM outsourcing has decreased.

The reasons for CREM outsourcing were then elicited from the participants, the results of which are displayed in Table 5.5. Seven (7) reasons to outsource were presented. Access to technical expertise and flexibility were the most important reasons for CREM outsourcing, all four (4) organisations identified these. This was trailed by cost savings and lack of internal resources; two (2) out of four (4) organisations stated these. Access to local expertise, focus on core business value chain activities and risk mitigation were the least significant reasons for one (1) organisation each.

**Table 5.5: Participant Organisations' Reasons for CREM Outsourcing and Categorisation of the Participant Organisations' Reasons for CREM Outsourcing into Ghodeswar and Vaidyanathan (2008) Four Main Motives.**

Reasons for CREM Outsourcing	Org. A	Org. B	Org. C	Org. D	Main Motive
Flexibility	X	X	X	X	O
Cost Savings	X			X	F&C
Access to Technical Expertise	X	X	X	X	I
Lack of Internal Resources	X	X			O
Access to Local Expertise	X				I
Focus on Core Business Value Chain Activities				X	O
Risk Mitigation				X	I

Of the four main motives a corporation outsources asserted by Ghodeswar and Vaidyanathan (2008), Organisations A and Ds' motives fall into the category of Organisational, Financial and Cost, and Improvement

reasons and Organisation B and Cs' motives fall into the category of Organisational and Improvement. None of the organisations cited motives that could fall into the Revenue category.

The results of Lallo (2013)'s survey revealed:

1. Cost savings was the key motive for outsourcing (F&C),
2. Trailed by access to skills and technology (I).

Maluleke (2014) found:

1. An absence of access to expertise, technology as well as best practices (I);
2. Followed by organisational restructuring, and
3. Cost savings (F&C).

Table 5.6 provides a comparison of the ranking of reasons for CREM outsourcing between Lallo (2013), Maluleke (2014) and Modise (2018). The findings of this study challenge Lallo (2013) that identified that CREM outsourcing is predominantly undertaken to attain cost savings and are somewhat similar to those of Maluleke (2014) with access to skills and technology being at the forefront of the reasons of CREM outsourcing with cost efficiency trailing. The reason for CREM outsourcing is no longer about improving business operations by mitigating the hard costs, but by tackling the soft issues through having the correct expert operating the organisation's CRE and appreciating it provides the organisation with a mechanism to appropriately react to variable business environments.

**Table 5.6: Comparison of the Ranking of Reasons for CREM Outsourcing Between Lallo (2013), Maluleke (2014) and Modise (2018).**

Ranking of Reasons for CREM Outsourcing	Lallo (2013)	Maluleke (2014)	Modise (2018)	Main Motive
Flexibility	-	-	1	O
Cost Savings	1	3	2	F&C
Access to Technical Expertise	2	1	1	I
Lack of Internal Resources	-	-	2	O
Access to Local Expertise	-	-	3	I
Focus on Core Business Value Chain Activities	-	-	3	O
Risk Mitigation	-	-	3	I

In terms of having a documented CREM outsourcing strategy, this was tackled in two parts: whether non-real estate private organisations in South Africa have a CREM outsourcing strategy and if applicable, whether it is a

documented strategy. As one would then expect, as per Table 5.7 which shows the existence of the participant organisations' CREM outsourcing strategy, Organisations A, B and D all have an outsourcing strategy, of which Organisation A and B adhere to the global strategy. Organisation D adheres to a global and local strategy. They all have a formal guideline to steer them, see Table 5.8 which displays the participant organisations' CREM outsourcing strategy documentation outcome. Organisation C does not have an outsourcing strategy, neither a global nor local strategy to observe and accordingly it makes up the process as it goes along, it has an informal guideline.

**Table 5.7: Participant Organisations' CREM Outsourcing Strategy.**

CREM Outsourcing Strategy	Org. A	Org. B	Org. C	Org. D
Global Strategy	X	X		X
Local Strategy				X
No Strategy			X	

**Table 5.8: Participant Organisations' CREM Outsourcing Strategy Documentation.**

CREM Outsourcing Strategy Documentation	Org. A	Org. B	Org. C	Org. D
Formal Guideline	X	X		X
Informal Guideline			X	

### 5.3. Sourcing CREM Service Providers

When the participants were asked how they identify service providers, the answers in Table 5.9 were obtained. Four (4) ways of identifying service providers were uncovered. The common route employed by three (3) out of the four (4) organisations, is by request for proposals (RFP), that is to say through advertising. The organisations invite selected companies to submit proposals against a detailed output specification for the facility service required. Firstly, any vendors already on the organisation's books are examined and then market research is undertaken as to who are the local service providers with the capability and capacity to provide the required service; those firms are invited to tender. On the opposite spectrum would be an open RFP, where the whole market is requested to submit proposals. The second route, undertaken by two (2) out of the four (4) organisations, A and C is through direct approach. Organisation A additionally uses third-party searches and Organisation C associate recommendations.

**Table 5.9: Participant Organisations' Methods for Identifying Service Providers.**

Methods for Identifying Service Providers	Org. A	Org. B	Org. C	Org. D
Third-Party Search	X			
Request for Proposals		X	X	X
Direct Approach	X		X	
Associate Recommendations			X	

The ways of identifying outside providers by Kimbler and Rutherford (1993) are shown in Figure 5.2. There are five (5) ways of identifying service providers in the USA, in order of preference being, professional affiliations, associate recommendations, networking, provider's direct contact (approach) and real estate publications.

Ways of Identifying Outside Providers	Rank
Professional Affiliations	1
Associate Recommendation	2
Networking	3
Provider's Direct Contact	4
Real Estate Publications	5

**Figure 5.2: Extract of the Ways of Identifying Outside Providers in the USA (Kimbler and Rutherford, 1993).**

The results from the Kimbler and Rutherford (1993) research reveal the market similarities between the USA and South Africa. CREM customers in the USA and South Africa prefer working with service providers with whom they already have an understanding of their work ethic, through an existing working relationship, be it directly with themselves or an associate company.

Lallo (2013) found that, as it relates to finding service providers, they are sourced through:

1. Advertising (request for proposals);
2. Direct approach of service providers, and
3. Real estate publications.

As shown in Table 5.10, which provides a comparison of the ranking of methods for identifying service providers between Lallo (2013) and Modise (2018), little has changed since Lallo (2013)'s investigation. Request for proposals is still the number one means by which organisations in South Africa procure CREM service providers and direct approach is the number two. However, whereas real estate publications were identified by Lallo (2013), it did not feature within this study, and third-party searches and associate recommendations came to

light. Whereas the corporates in Lallo (2013) are confident with the recommendations of real estate publications, the organisations within this study prefer the personal approach and trust the opinion and advice of associates, who have a working relationship with the CREM service providers and can vouch for their work. Maluleke (2014) did not investigate how service providers were identified within his/her study.

**Table 5.10: Comparison of the Ranking of Methods for Identifying Service Providers Between Lallo (2013) and Modise (2018).**

Ranking of Methods of Identifying Service Providers	Lallo (2013)	Modise (2018)
Third Party Search	-	3
Request for Proposals	1	1
Direct Approach	2	2
Associate Recommendations	-	3
Real Estate Publications	3	-

In terms of making the selection of a service provider, the criteria used varies somewhat amongst the organisations, as illustrated in Table 5.11. Seventeen (17) characteristics were identified that influence the selection of a service provider. Of the seventeen (17) characteristics, the organisations employ some criteria ranging between seven (7) and ten (10) characteristics to select a service provider.

Organisations A and C look at ten (10) characteristics each, Organisation B seven (8) and Organisation D seven (7). It must be noted that all four (4) organisations take into consideration references/reputation, relevant experience, the amount of fee and technical expertise. In joint second, local experience, understanding the client's organisation, flexible service terms, integrity of approach, regulatory compliance and business values and ethos, with two (2) organisations each considering them influential characteristics. This is followed by service provider capacity, individual capability, unconflicted, strong management capability, transparency, strong advisory capability and trust in mutual third, having each been selected by only one (1) out of the four (4) organisations.

**Table 5.11: Participant Organisations' Criteria Used to Select a Service Provider.**

Criteria Used to Select a Service Provider	Org. A	Org. B	Org. C	Org. D
References/Reputation	X	X	X	X
Local Experience	X	X		
Service Provider Capacity	X			
Relevant Experience	X	X	X	X
Individual Capability	X			
Amount of Fee	X	X	X	X
Understanding the Client's Organisation	X		X	
Unconflicted	X			
Technical Expertise	X	X	X	X
Flexible Service Terms	X			X
Integrity of Approach		X	X	
Regulatory Compliance		X		X
Strong Management Capability		X		
Transparency			X	
Strong Advisory Capability			X	
Trust			X	
Business Values and Ethos			X	X

Figure 5.3 illustrates the findings of the characteristics most influential in the selection of a service provider in the USA. Fifteen (15) characteristics are listed.

Influential Characteristics	Rank
Quality of Assigned Employees	1
Past Experience	2
Local Expertise	3
Recommendation of Others	4
Amount of Fee	5
Overall Chemistry	6
National Scope	7
Breadth of Services	8
Quality of Presentation	9
Confidentiality	10
Contingent vs. Fixed Fee	11
Independence	12
Reputation with Sr Management	13
Years in Business	14
Number of Employees	15

**Figure 5.3: Extract of the Characteristics Most Influential in the Selection of a Service Provider in the USA (Kimbler and Rutherford, 1993).**

There are nine (9) similarities in influential characteristics between the USA and South Africa, being references/reputation/recommendation of others, local experience/local expertise, relevant experience/past experience, individual capability/quality of assigned employees, amount of fee, unconflicted/independence, technical expertise/breadth of services, integrity of approach/quality of presentation and understanding the client's organisation/overall chemistry.

Lallo (2013) established thirteen (13) characteristics that influence the selection of service providers, ascertaining:

1. The price;
2. The capability of the service provider's staff to be engaged in the outsourced CREM activities, and
3. Their proficiency in the local market

were the three (3) primary elements that corporations look at when selecting a CREM service provider.

Table 5.12 provides a comparison of the ranking of criteria used to select a service provider between Lallo (2013) and Modise (2018). There are eleven (11) similarities in influential characteristics between the Lallo (2013) investigation and the findings of this study. The price/amount of fee is still the number one ranking influential characteristic in South Africa when selecting a CREM service provider, however in conjunction with three (3) other attributes within this investigation. Whereas the capability of the service provider staff ranked second in

the Lallo (2013) study, it ranked third within this investigation. Their proficiency of the local market, that is to say, local experience ranked third in Lallo (2013), where as it ranked second within this investigation, however in conjunction with five (5) other attributes. Within this investigation, third place goes to service provider capacity as just stated, in conjunction with individual capability, unconflicted, strong management capability, transparency, strong advisory capability and trust. Maluleke (2014) did not investigate the criteria used to select service providers within his/her study.

**Table 5.12: Comparison of the Ranking of Criteria Used to Select a Service Provider Between Lallo (2013) and Modise (2018).**

Ranking of Criteria Used to Select a Service Provider	Lallo (2013)	Modise (2018)
References/Reputation	✓	1
Local Experience	3	2
Service Provider Capacity	✓	3
Relevant Experience	✓	1
Individual Capability	2	3
Amount of Fee	1	1
Understanding the Client's Organisation	✓	2
Unconflicted	✓	3
Technical Expertise	✓	1
Flexible Service Terms	-	2
Integrity of Approach	✓	2
Regulatory Compliance	-	2
Strong Management Capability	-	3
Transparency	-	3
Strong Advisory Capability	-	3
Trust	✓	3
Business Values and Ethos	-	2
Size of Company	✓	-
Project Methodology	✓	-

#### 5.4. Success of CREM Outsourcing

With regard to the participants' overall experiences with outsourcing, the consensus between three (3) of the four (4) organisations was it indeed has been an overwhelming success; see Table 5.13 which displays the results of the participant organisations' success of CREM outsourcing. Organisation A was the only participant wavering in their judgement, deeming it both successful and unsuccessful. Positive comments included:

“I think it’s a success if you have the right team.”

“It keeps us flexible; it keeps us as small as possible...It is successful in supporting us to keep a lean footprint and to be able to react to the demands of Organisation B’s core business.”

“Certainly, the knowledge and experience that have been brought to the table by Service Provider C has certainly assisted in resolving quite a tricky situation for us...working through that muddy patch has assisted us in terms of Service Provider C’s knowledge and advice. It certainly has proven to be beneficial.”

“It is much more efficient in getting experts to manage this whole building and everything for us, and from a cost perspective, we have been able to drive efficiencies year on year... we have never had any issues from a regulatory perspective.”

As already stated Organisation A was undecided in its judgement, negatively stating:

“In some instances, there has been delivery failure, and I think there are sometimes conflicts of interest. Through the central accounts team, I find there are issues going directly to certain service providers.”

**Table 5.13: Participant Organisations’ Success of CREM Outsourcing.**

Success of CREM Outsourcing	Org. A	Org. B	Org. C	Org. D
Successful	X	X	X	X
Unsuccessful	X			

Maluleke (2014) reported that the subject corporations within his/her study encountered no challenges with outsourcing. However, a minority conveyed their distress at there being an absence of performance measurement tools and a lack of capability by service providers to deliver a quality service (Maluleke, 2014).

The researcher believes Maluleke (2014) meant to state that the majority of the subject corporations encountered no challenges with CREM outsourcing, as opposed to an all-encompassing the subject corporations encountered no challenges, yet proceeds to state a minority conveyed their distress at certain aspects of CREM outsourcing. As such, the researcher believes the majority of the corporations within that study deem CREM outsourcing successful.

With three (3) out of the four (4) organisations stating CREM outsourcing is indeed a success and one (1) organisation not completely discounting it as unsuccessful, the findings of this study are similar to those of Maluleke (2014) that the majority of organisations deem CREM outsourcing successful. Likewise, with the minority, one (1) organisation in this instance, experiencing challenges. Maluleke (2014) established the minority experienced challenges with the overall capability of service providers to deliver a quality service (service delivery failure); Organisation D, the minority, expressed the same concern.

Whereas, Maluleke (2014) uncovered an additional issue around reporting, the findings of this study did not uncover this, yet brought to light a third issue, being that of conflicts of interest and a lack of independence of service providers. Alluding to CREM service providers not solely acting in the best interests of the client organisation, but rather their own and instead extending a duty of care to their clients.

Lastly, the service provider characteristics important to successful CREM outsourcing were then elicited from the participants, the results of which are shown in Table 5.14. Twelve (12) attributes that affect success were identified, ranging from two (2) to seven (7) attributes being stated by each organisation.

**Table 5.14: Participant Organisations’ Service Provider Characteristics that Affect Success.**

Service Provider Characteristics that Affect Success	Org. A	Org. B	Org. C	Org. D
Unconflicted	X			
Strong Management Capability	X			
Professional Integrity	X			
Strong Advisory Capability	X		X	X
Market Knowledge Value Add		X		
Delivering the Pledged Service		X		
Flexible Service Terms		X		
Responsiveness		X		
Understanding the Client’s Organisation		X		X
Technical Expertise		X		X
Cost Savings		X		
Transparency			X	

Strong advisory capability is at the fore, with three (3) out of the four (4) organisations, A, C, and D stating it. Each asserts in their own words a need for the service provider to be knowledgeable, completely frank with them and be able to put them in a position to make an informed decision. Second is understanding the client’s organisation and technical expertise as expressed by two (2) out of the four (4) organisations, B and D.

Organisation B and D believe the service provider should take the time to familiarise themselves and adjust their technical offering in line with the operational requirements and management style of the client organisation. In shared third place are unconflicted, strong management capability, professional integrity, market knowledge value-add, delivering the pledged service, flexible service terms, responsiveness, cost savings and transparency.

Figure 5.4 provides the results from the Kimbler and Rutherford (1993) research on the service provider attributes that affect success. Three (3) service provider attributes that affect success were identified.

<b>Service Provider Attributes</b>	<b>Rank</b>
Understanding the Corporate Mentality/Background	1
Delivering the Pledged Service	2
Enhancing Interim Communication	3

**Figure 5.4: Service Provider Attributes that Affect Success in the USA (Kimbler and Rutherford, 1993).**

There are two (2) similarities between the USA and South Africa in the service provider attributes that affect success, being understanding the corporate mentality/understanding the client's organisation and delivering the pledged service.

Lallo (2013) found that the elements that have an impact on the success of outsourcing CREM functions were:

1. The reduction of costs;
2. Having a fully developed service level contract in place, as well as
3. An effective performance measurement tool.

As per Table 5.15, which provides a comparison of the ranking of the service provider attributes that affect success between Lallo (2013) and Modise (2018), the attributes that affect success have changed from a focus on costs and benchmarking to execution of knowledgeable thought, how well the service provider is able to adjust their offering in line with the operational requirements of the organisation and breadth of services. Reinforcing that CREM outsourcing is no longer about improving business operations through decreasing or mitigating the hard costs, but about addressing the deficiency present in the operation of the organisation's CRE through seeking the requisite advice from the correct expert, additionally in a format conducive to the demands of the client organisation.

**Table 5.15: Comparison of the Ranking of Service Provider Characteristics that Affect Success Between Lallo (2013) and Modise (2018).**

Ranking of Service Provider Characteristics that Affect Success	Lallo (2013)	Modise (2018)
Unconflicted	-	3
Strong Management Capability	-	3
Professional Integrity	-	3
Strong Advisory Capability	-	1
Market Knowledge Value Add	-	3
Delivering the Pledged Service	-	3
Flexible Service Terms	-	3
Responsiveness	-	3
Understanding the Client's Organisation	-	2
Technical Expertise	-	2
Cost Savings	1	3
Transparency	-	3
Fully Developed Service Level Contract	2	-
Effective Performance Measurement Tool	3	-

### 5.5. Measures to Achieve Trustworthiness of Findings

As highlighted in Chapter Three, to determine the quality of the research, the researcher needs to describe the ways in which he/she will check the truthfulness and integrity of the findings. Establishing the validity and reliability of the findings is described here..

To establish validity, the researcher utilised the following strategies:

- ✓ Data triangulation, which encompassed collecting data from multiple sources in order to enhance the opportunity of shedding light on the research questions/objectives as a variety of perspectives is investigated. Owing to the participant organisations coming from a small but varied range of CRE portfolio sizes, with different in-house CREM department sizes as well as across a small but diverse industrial sector, various aspects of the process of CREM outsourcing were in fact elicited, therefore contributing to a fuller variation of the phenomenon.
- ✓ Member checking, which entailed emailing the participants their section of Annexure D - Analysis of Data the comprehensive data analysis and having them check that the categories derived from the data were a true reflection of their perspective. Their respective interview recordings were included for ease



of reference of the conversation. Any discrepancies were corrected in line with that participant's comments.

- ✓ Peer debriefing where a Senior Corporate Real Estate Advisor from Real FMG Corporate Advisors with approximately eighteen (18) years of CREM experience reviewed each chapter as it was developed and offered an independent appraisal. Amendments recommended were interrogated by the researcher for relevance, and applicable changes were incorporated into the investigation.

To establish reliability, the researcher previously outlined that the test is achieved by documenting as many of the steps followed in the study, by setting up a thorough case study protocol and database as well four (4) particular measures were recommended.

Please refer to Figure 3.2 in Chapter Three for the research steps followed in this study. As well see Annexure A (interview schedule) and Annexure B (the confidentiality and consent form) for the protocol used in this study. Additionally, the same content areas were questioned of the participants, in much the same manner. All the interviews were conducted over a three (3) week period, that is to say, the data collection phase did not extend over an extensive period. The researcher maintained a consistent approach during data collection as well:

- ✓ Each interview transcript was checked twice by the researcher to confirm that no apparent errors were made during transcription.
- ✓ The researcher warranted no drift in the distinctness of codes or a change in the meaning of codes through the coding process, by writing up the meaning behind each code as it was developed and comparing these definitions for similarities. Codes with similar definitions were merged into one and data was continually evaluated with the codes.
- ✓ The researcher also chose to have the findings from the data analysis cross-checked by a Business Analyst holding a Bachelor of Business Science and a Chartered Financial Analyst designation with ten (10) years' experience. The intention was not to confirm that the data was considered and categorised in the same way, but to have that individual validate the way in which the data was considered and categorised as well that no relevant data was unintentionally or systematically omitted or irrelevant data included. As previously highlighted, the degree of consistency of the coding ought to be in consensus at a minimum 80% of the time for good reliability. The degree of consistency was 98.3% within this study.



## **6. Chapter Six: Conclusions and Recommendations**

As previously highlighted, this study offers a modern investigation of the South African CREM outsourcing practice. It commenced with a brief context to the study; by first explaining what CRE and CREM are as well as outlining what CREM outsourcing entails; explaining why exploring CREM outsourcing is important and by clarifying the state of the CREM outsourcing practice globally, then narrowing down to the South African setting where previous studies left off. The chapter then elaborates on the problem to be answered by the study, presenting the distinct questions, and aim and objectives it endeavours to answer and achieve respectively. It ends by summarising the overall structure to follow.

Following from that is Chapter Two, which provides an in-depth explanation, history and the importance of CRE and CREM. It then presents an in-depth explanation of CREM outsourcing, again by detailing, however in-depth, the state of the CREM outsourcing practice globally, then narrowing down to the South African setting and where previous studies left off. Chapter Three covers the research approach, design, method and steps to be followed within the study. Chapter Four offers the findings of the study and Chapter Five, a discussion of the findings.

In this final chapter, the findings will be discussed in the context of the research objectives and the extent to which the research aim and objectives were met. That being said, the majority of the research objectives, four (4) out of five (5), have been satisfied by the study, and the one (1) research aim has been met. Lastly, recommendations for future research are made.

### **6.1. Findings in the Context of the Research Objectives**

The particular research objectives in this investigation were:

#### **6.1.1. Determining if there is a movement of CREM outsourcing in South Africa by non-real estate private organisations.**

Two (2) out of the four (4) organisations have neither increased nor decreased their incidence of CREM outsourcing in the last three (3) years and owing to the remaining two (2) organisations having the trend in the opposite direction; this negates those outcomes. While all four (4) organisations outsource parts of their CREM,



as it has neither increased nor decreased in the last three (3) years, the researcher is unable to answer whether there is a movement of CREM outsourcing in South Africa.

Lallo (2013) established that the incidence of CREM outsourcing had been decreasing over the preceding five years. Maluleke (2014) did not investigate this trend in his/her investigation. Again, from the results obtained within this study, the researcher is unable to answer whether, since Lallo (2013), the movement of CREM outsourcing was still on the decline or whether it was increasing. If anything, one could assume somewhere between 2013 and this present study, it stabilised out and maintained that level.

#### **6.1.2. Determining what CREM functions are outsourced in South Africa and whether non-real estate private organisations in South Africa have a documented CREM outsourcing strategy.**

Four (4) CREM services are outsourced: facilities management is the most outsourced, followed by subject matter expertise in second and real estate management and transaction management in joint third. It was established that between 7-23% of CREM functions are outsourced; consequently, South African organisations predominantly in-house their CREM functions.

Lallo (2013) and Maluleke (2014) each determined that South African organisations predominantly outsource their CREM functions. The findings of this study contradict the precedent set by Lallo (2013) and Maluleke (2014). Lallo (2013) additionally uncovered that the more specialised CREM tasks are outsourced. The results of this study support this pattern. In addition, that organisations in South Africa are willing to free themselves of the task-orientated demands of the CREM framework, however not the broader management and control and strategic matters (the ultimate decision making). They prefer to keep and develop those competencies in-house. Davis (2004) revealed that the outsourcing of property management, facilities management and business services has long been an established business standard for corporates in the UK. South Africa has followed the same direction.

Again, in terms of having a documented CREM outsourcing strategy, this was tackled in two parts: whether non-real estate private organisations in South Africa have a CREM outsourcing strategy and if applicable, whether it is a documented strategy. The majority of the organisations, three (3) out of the four (4) adhere to a global outsourcing strategy, with one (1) out of those (3) additionally observing a local strategy. One (1) out of the four (4) organisations does not have a CREM outsourcing strategy, neither a global nor a local strategy to



abide by. In terms of whether it is a documented strategy, three (3) out of the four (4) organisations indeed have a formal guideline, and the remaining one (1) makes it up as they undertake the process.

Lallo (2013) and Maluleke (2014) did not explore these customs in their respective investigations; therefore, the researcher is unable to comment on the development of this practice and establish a trend.

Overall CREM outsourcing is a long journey that requires clarity of rationale and determination. Corporations must resolve what to outsource, to whom, how to acquire the services it needs, what kind of agreement to employ and how to administer the contract. The first step to achieve this is to set out the outsourcing strategy. The majority of the South African organisations within this study, indeed have clarity of rationale when outsourcing.

#### **6.1.3. Determining what are the motives or drivers behind non-real estate private organisations in South Africa outsourcing their CREM functions.**

With regard to the key motives or drivers for CREM outsourcing functions, seven (7) reasons were uncovered. Access to technical expertise and flexibility, in mutual first, were the most important reasons for CREM outsourcing; followed by cost savings and lack of internal resources in joint second and access to local expertise, focus on core business value chain activities and risk mitigation in shared third.

The reasons propelling CREM outsourcing have leapt ahead of the earlier South African study by Lalloo (2013) of the initial focus on cost reduction or Gringold's (1997) study cited in Kooymans (2000) that stated the primary attraction to outsourcing, was the short-term transaction cost savings and enduring economies, which then determined the service provider's offering. Whereas now there is greater concentration on correcting the operational deficiencies in knowledge and responsiveness to variable business environments. Thereby they are rather focusing on the longer-term and higher-level benefits of CREM outsourcing. Again, Maluleke (2014) did not examine this custom in his/her investigation.

#### **6.1.4. Determining how non-real estate private organisations in South Africa identify service providers and what characteristics are considered in the selection of a service provider.**

South African organisations identify service providers through four (4) mechanisms: a request for proposals (advertising) in first, direct approach in second and associate recommendations and third-party search in joint

third. In line with with international research, South African organisations value working with service providers whose work they already have prior knowledge either personally or from a trusted associate. Even with request for proposals and third-party search which entails advertising the post to prospective service providers, specific service providers are targeted and not the general supplier community. Accordingly, service providers ought to stress the personal approach to promoting their services, encompassing individual visits to corporate managers.

In terms of the main selection criteria, seventeen (17) characteristics were identified that influence the final selection of a service provider. Of greatest weight is reference/reputation, relevant experience, the amount of fee and technical expertise in joint first. In joint second local experience, understanding the client's organisation, flexible service terms, integrity of approach, regulatory compliance and business values and ethos. This is then followed by service provider capacity, individual capability, unconflicted, strong management capability, transparency, strong advisory capability and trust in mutual third.

Lallo (2013) determined there were thirteen (13) characteristics that influence the final selection of a service provider, eleven (11) of which were also identified in this study. Of greatest weight in Lallo (2013) was the amount of fee, individual capability and local experience. While size of company and project methodology did not feature at all in this investigation and therefore fell away, it uncovered six (6) additional characteristics: flexible service terms, regulatory compliance, strong management capability, transparency, strong advisory capability and business values and ethos. Yet again, Maluleke (2014) did not examine this trend in his/her investigation.

The USA has fifteen (15) characteristics, nine (9) of which were also identified in this study. Of greatest weight in the USA was individual capability, relevant experience and local experience. National scope, confidentiality, contingent versus fixed fee, reputation with senior management, years in business and number of employees did not showcase in this study; yet service provider capacity, flexible service terms, regulatory compliance, strong management capability, transparency, strong advisory capability, trust and business values and ethos were exposed.

On the whole South Africa has developed a much more extensive selection criteria since Lallo (2013) and in contrast to the USA. Local organisations appear not to be as confident in the capabilities of local service providers since Lallo (2013) and in comparison to their developed counterparts, therefore they need to be much more rigorous in selecting a service provider to ensure delivery of the required service.

### **6.1.5. Determining how successful is CREM outsourcing in South Africa and what service provider characteristics affect success.**

The majority of the organisations judged it successful, three (3) out of the four (4) organisations. The remaining organisation was undecided in its judgement, stating delivery failure and a lack of independence of service providers resulting in conflicts of interest as some of the negative experiences.

Lastly, with regard to the attributes that impact the success of CREM outsourcing, twelve (12) attributes were identified. Strong advisory capability dominated the list, followed by understanding the client's organisation and technical expertise in mutual second place. In shared third unconflicted, strong management capability, professional integrity, market knowledge value-add, delivering the pledged service, flexible service terms, responsiveness, cost savings and transparency.

With strong advisory capability, not only is the service provider's knowledge and experience of importance to draw up alternative solutions to a client organisation's challenges, but it must be presented in a manner that gives the client's organisation confidence that they are making an informed decision that is in the best interests of the organisation. With understanding the client's organisation, the service provider should take the time to understand the operational requirements of the client organisation and learn the management and control procedures mandated. Their service offering should be adjusted in line with their findings. With technical expertise that the breadth of services is extensive, to offer local organisations a one-stop shop for all their CREM requirements. Overall CREM outsourcing is no longer about improving business operations through decreasing or mitigating the hard costs, but about addressing the deficiency present in the operation of the organisation's CRE through seeking the requisite advice from the correct expert, across a breadth of services, in a format conducive to the demands of the client organisation. Again, this reinforces that South African organisations are now focusing on the longer-term and higher-level benefits of CREM outsourcing.

## **6.2. Extent to Which the Findings Meet the Research Objectives**

1. The general aim of the present study was to offer insight to the present considerations of non-real estate private organisations in South Africa, concerning their decision making in the process of outsourcing their CREM function.

This was to be achieved through the following specific objectives:



1. Determining if there is a movement of CREM outsourcing in South Africa by non-real estate private organisations.
2. Determining what CREM functions are outsourced and whether non-real estate private organisations in South Africa have a documented CREM outsourcing strategy.
3. Determining what are the motives or drivers behind non-real estate private organisations in South Africa outsourcing their CREM functions.
4. Determining how non-real estate private organisations in South Africa identify service providers and what characteristics are considered in the selection of a service provider.
5. Determining how successful is CREM outsourcing in South Africa and what service provider characteristics affect success.

To determine the research aim and all five (5) objectives, multiple case studies were investigated to offer an integrated framework of CREM outsourcing in South Africa. The interview schedule was constructed based on a literature review pertaining to CREM outsourcing worldwide. As it relates to the research objectives, Part 2 of the interview schedule addressed research objectives 1, 2 and 3, Part 3 research objective 4 and Part 4 research objective 5. For ease of reference, Part 2 comprised CREM outsourcing practices, namely if applicable what do they outsource, including eliciting the reasons behind CREM outsourcing. Part 3 sourcing of service providers prompting how service providers are identified and the criteria (factors) used to select a service provider. Lastly, Part 4 success of CREM outsourcing drawing the level of satisfaction with the phenomenon (whether expectations are met) and the service provider attributes that affect success. As a whole, the interview schedule was constructed to address the one research aim.

The participants had no difficulty responding to the interview questions, and each offered a solid background of their respective CREM outsourcing process, providing insight into the elements each organisation considers important. The responses were then amalgamated to provide an integrated framework of each content area as well as the whole CREM outsourcing process. Accordingly, the research aim and all five (5) objectives were met.

### 6.3. Limitation and Recommendations

Constraints on the study were associated with time and cost. The explicit consequence of the time limitation is that the period proposed to examine literature and execute the study was brief, by the same token the data evaluation phase was short. Accordingly, a small set of local entities were investigated. The explicit consequence of the cost constraint is that the researcher had limited funds to access participants and therefore was unable to travel across South Africa to interview prospective participants in different provinces. Correspondingly, only non-real estate private organisations, within the Johannesburg Metropolitan area of South Africa were investigated. It is recommended that future research is conducted on a larger population size of non-real estate private organisations, additionally from all or as many of the provinces of South Africa, to offer a much more comprehensive investigation of the phenomenon.

As previously highlighted, whilst displayed in Chapter Four the frequency count of each category was not expanded on in the discussion of findings in Chapter Five, as this latent finding was not necessary to achieve the research objectives. The frequency count shows the number of times that category was mentioned and one can assume repetition indicates a stronger opinion about or importance of that category as compared to the others within the same content area. It is therefore further recommended, that these latent findings of the investigation be expanded on to ascertain if particular categories are indeed prevalent and of more importance than the other categories within the same content area. For example, does a relationship exist between an organisation's core business and the criteria used to select a service provider or an organisation's core business and the individual service outsourced. These findings will permit service providers to sharpen their acumen in line with the more dominant categories that resonate with their target organisations in South Africa; to increase the likelihood that they will meet expectations and be successful.

Lastly, it is suggested that the viewpoints of service providers be investigated to get insight into the issues or challenges facing the supply side of the industry. Specifically investigating the problems that service providers contend with in providing their services, thereby offering an alternative perspective as to why CREM outsourcing does or does not live up to expectations.



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**8. Annexure A – Interview Schedule**

**Part 1. Company Profile**

1. What is your position within the company?

---

2. What is the company's core business?

---

3. What was the company's prior year annual turnover?

---

4. How many sites does the company occupy?

---

5. What is the approximate total extent in square metres of the accommodation occupied?

---

6. How many company employees are directly involved in corporate real estate management?

	Currently	Three (3) Years Ago
Not Any	<input type="checkbox"/>	<input type="checkbox"/>
One (1)	<input type="checkbox"/>	<input type="checkbox"/>
2 - 5	<input type="checkbox"/>	<input type="checkbox"/>
6 - 10	<input type="checkbox"/>	<input type="checkbox"/>
More than 10	<input type="checkbox"/>	<input type="checkbox"/>

**Part 2. Corporate Real Estate Management Outsourcing Practices**

7. What corporate real estate management functions is the company currently outsourcing?

---

---

8. Is your firm using external service providers more, the same, less than it did three (3) years ago for its CREM?

More	<input type="checkbox"/>
Same	<input type="checkbox"/>
Less	<input type="checkbox"/>



9. What are the drivers/motives (reasons) that made the company pursue an outsourcing strategy for its CREM?

---

---

10. Does the company have a corporate real estate management outsourcing strategy (aims, tasks and measurement of outcomes) and if yes, is this strategy documented?

---

---

### **Part 3. Sourcing CREM Service Providers**

11. In practice, how did the corporation outsource its CREM i.e. please tell me about the steps the company followed (or would follow) in outsourcing its CREM, explain what each step entails and why?

---

---

12. What are the characteristics that the company looks for in a CREM service provider?

---

---

13. How does the company identify service providers and again, can you tell me why that particular methodology is used?

---

---

### **Part 4. Success of CREM Outsourcing**

14. Has CREM outsourcing been a success or failure and can you tell me why you believe this to be so?

---

---

15. What factors and service-provider attributes (service provider skills) affect success and can you tell me why you consider these important?

---

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**END**



## 9. Annexure B – Consent and Confidentiality Form

Dear Participant,

Greetings, my name is Tapiwa P. Modise and I am conducting research towards my Masters in Project Management degree. I am researching the present status of the local (South African) corporate real estate management (CREM) outsourcing environment and would like to invite you to participate in the study.

The aim of this study is to identify the elements that impact the decision to outsource CREM functions, as well as the qualities looked for in service providers. It looks to uncover if there is a mismatch between what corporate entities desire from outsourcing and what service providers deliver.

Participation in this study is voluntary – please feel free to reject the opportunity to partake, if you so desire. If you do participate and wish to withdraw at any time during your participation, you are encouraged to feel comfortable when doing so. However, I would be grateful if you would assist me by allowing me to interview you.

Data will be collected by conducting an interview, which should not take more than an hour of your time. Your permission is requested to audiotape the interview. It is the aim of the researcher to conduct the study carefully and thoughtfully, ensuring that the data capturing, display, and analysis processes are completed in a way such that there is no risk involved for the participating organisation.

The data collected from the interview, will be treated confidentially, the source of which will only be known to the researcher. To emphasise the anonymity of your participation, you will be referred to as “Organisation A” or “Participant A” in the research report. If the participant so wishes, a confidentiality agreement as specified by the participant organisation, will be signed by the researcher.

Should you require any information throughout, before or during the interview, please feel free to contact or prompt the researcher. A copy of the final report will be provided to you for the scrutiny of your organisation.

Researcher: Tapiwa P. Modise  
Email: tapiwa.p.modise@gmail.com  
Mobile: +27 608 431 283

I, \_\_\_\_\_ (print name), am fully aware of the purpose of this study and I, disagree/agree (delete non-applicable), to participate in this study and grant permission for the interview to be recorded.

SIGNED AT \_\_\_\_\_ ON THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 201\_\_\_\_\_

DULY AUTHORISED: \_\_\_\_\_

## 10. Annexure C – Interview Transcripts

### Organisation A

#### 1. Part 1. Company Profile

**1.1. What is your position within the company?**

I'm the Real Estate Lead for Africa.

**1.2. What is the company's core business?**

It's fast-moving consumer goods.

**1.3. What was the company's prior year annual turnover?**

I do not know what that was.

**1.4. How many sites does the company occupy?**

Within South Africa we have about five (5) sales offices, some of which are closing. We've got a number of factories and then a number of warehouses as well. Maybe ten (10).

**1.5. What is the approximate total extent in square metres of the accommodation occupied?**

I don't know.

**1.6. How many company employees are directly involved in corporate real estate management?**

Company employees, it's only me.

**1.6.1. And how many three (3) years ago?**

Only one (1), me.

	Currently	Three (3) Years Ago
Not Any	<input type="checkbox"/>	<input type="checkbox"/>
One (1)	<input checked="" type="checkbox"/> X	<input checked="" type="checkbox"/> X
2 - 5	<input type="checkbox"/>	<input type="checkbox"/>
6 - 10	<input type="checkbox"/>	<input type="checkbox"/>
More than 10	<input type="checkbox"/>	<input type="checkbox"/>

#### 2. Part 2. Corporate Real Estate Management Outsourcing Practices

**2.1. What corporate real estate management functions is the company currently outsourcing?**

Is that the management of the property itself, the facilities or the management of transactions?

**2.1.1. This is what I'm going to need you to tell me.**

Facilities we outsource to a company, but I'm not involved with that right. For the real estate, we have one person we second into our organisation, from a central account team, third-party, they act as an Organisation A employee. Then transactions are outsourced to brokers, as and when needed.

**2.2. Is your firm using external service providers more, the same, less than it did three (3) years ago for its CREM?**

It's exactly the same at the moment.

- More
- Same  X
- Less

**2.3. What are the drivers/motives (reasons) that made the company pursue an outsourcing strategy for its CREM?**

That strategy is set globally, I didn't set that strategy, but I think the main motivators are cost and flexibility, the ability to tap into a wide range of services and knowledge base. Those would be the main drivers.

**2.4. Does the company have a corporate real estate management outsourcing strategy (aims, tasks and measurement of outcomes) and if yes, is this strategy documented?**

Yes, we have a global service level agreement with two service providers, they manage the account jointly and that document sets out all the KPIs, ways of working, everything.

**3. Part 3. Sourcing CREM Service Providers**

**3.1. In practice, how did the corporation outsource its CREM i.e. please tell me about the steps the company followed (or would follow) in outsourcing its CREM, explain what each step entails and why?**

The outsourcing is done through the central account team, that person would go and look for the best in class consultants in a specific geography and then do an evaluation. As part of my team, they would serve the function of procuring those services and then contract with them. The way it works now is 30% of the fee for the outsourced service provider goes to the central account team.

That is if we chose to work with the central account team. We can also do what we call a self-perform, we would not do it through a third-party, we would perform it ourselves, in which case I would do the transaction. Or we would go directly to a consultant, depending on what we want to do.

**3.1.1. Why would you go to an external service provider as opposed to doing it in-house?**

Purely because of resources, I can't do every transaction. Secondly, I'm not an expert in every location, they become an extension of my team.



### **3.1.2. Exactly how would the central account team go about looking for service providers?**

The central account team is already a third-party provider, they already know who's in the market; they would have to look and see who's available, kind of find out what their experience is, who the team members are, what the costs are and then weigh it up in a scoring matrix and say, here's what service provider A can provide, service provider B can provide and we think based on these reasons we should go for whichever one.

### **3.1.3. Would they cast a wide net or use previously used service providers?**

It's a mix, sometimes we will use previously used vendors. In South Africa, I exclusively use previously used vendors because they know the company well. If we go to an unknown territory, then we'd cast a wide net.

## **3.2. What are the characteristics that the company looks for in a CREM service provider?**

One of the main things is independence, we don't want to use someone who is aligned with the landlord or has other conflicts of interest, that's very important. Best in class, the skill set you get, the kind of people that you get is very important to know who you're getting. And then cost obviously, cost and flexibility.

## **3.3. How does the company identify service providers and again, can you tell me why that particular methodology is used?**

I think it's a standard methodology, there is no real other way to do it. You would have to look at all the different aspects; how well do they know the company, what's their experience in country, what's the experience of the team members etcetera, etcetera. It wouldn't help to use somebody who has no experience in the country, they might have a relationship in this country but in another country, they might be brand new. I think those are the main things.

## **4. Part 4. Success of CREM Outsourcing**

### **4.1. Has CREM outsourcing been a success or failure and can you tell me why you believe this to be so?**

I would say yes and no, I think it's a success if you have the right team. If you pick the right team to help you then that's successful. In some instances, there has been delivery failure and I think there's sometimes conflicts of interest. Through the central account team I find there's issues going directly to certain service providers.

### **4.2. What factors and service-provider attributes (service provider skills) affect success and can you tell me why you consider these important?**

Independence is important, because if they are not independent, they are not going to have our interests at heart. We need somebody who is good at managing both the client and the project, they need to be able to tell me when I'm wrong or give me good advice, we need strong advisory capabilities. And a personality that's not scared of doing that, upstream management as well as downstream management.

END



## Organisation B

### 1. Part 1. Company Profile

#### 1.1. What is your position within the company?

My position is called Head of Location Management for Sub-Saharan Africa which is basically the responsibility for the complete real estate operations and portfolio in Sub-Saharan Africa.

#### 1.2. What is the company's core business?

The company's core business is multiples, Organisation B is engaged in electrification, automation and digitalisation of basically the complete electrification value chain. Starting from power generation and ending with manufacturing equipment, healthcare for example. There are various fields of business of Organisation B.

#### 1.3. What was the company's prior year annual turnover?

The global annual turnover is about €80 billion, I can't tell you specifically for South Africa, because I don't have those values.

#### 1.4. How many sites does the company occupy?

Within South Africa we currently have eleven (11) sites.

#### 1.5. What is the approximate total extent in square metres of the accommodation occupied?

It's about 65 000m<sup>2</sup>.

#### 1.6. How many company employees are directly involved in corporate real estate management?

I have a team of eight (8) including myself.

##### 1.6.1. And three (3) years ago?

Same.

	Currently	Three (3) Years Ago
Not Any	<input type="checkbox"/>	<input type="checkbox"/>
One (1)	<input type="checkbox"/>	<input type="checkbox"/>
2 - 5	<input type="checkbox"/>	<input type="checkbox"/>
6 - 10	<input type="checkbox"/> 8	<input type="checkbox"/> 8
More than 10	<input type="checkbox"/>	<input type="checkbox"/>

### 2. Part 2. Corporate Real Estate Management Outsourcing Practices

#### 2.1. What corporate real estate management functions is the company currently outsourcing?

I think that would depend on how strictly you define corporate real estate management. Generally speaking for Organisation B, the complete corporate real estate function is in-house, however various portions of its

assigned facilities management tasks for example, are usually outsourced; that is also the case in South Africa. All our facilities management matters are outsourced, the corporate real estate management function itself is in-house. We have outsourced corporate real estate parts in other parts of the world, the US for example. Some of the functions I have in-house here in South Africa are outsourced in America, but other than that there is no outsourcing here in South Africa.

**2.2. Is your firm using external service providers more, the same, less than it did three years ago for its CREM?**

I would say more, however that is reflected by the number of projects we currently have ongoing. Of course if you have project volumes which are not the stable base business, then you would make use of service providers to support in various projects. But in most of the cases it's either in regard to legal content or legal local matters, dealings with the municipality for example, or in regard to technical aspects. Because of the small team size here, we do not have a lot of technical functions in the team and building planning for example, where we would need support in that regard, is then outsourced on a case by case, or project by project base.

- More  X
- Same
- Less

**2.3. What are the drivers/motives (reasons) that made the company pursue an outsourcing strategy for its CREM?**

It is to balance variable volumes in terms of workload, it is to make up for certain sets of skills and capabilities we do not have in-house and we do not need in-house on a continual basis. But it also is depending upon the local market, the portfolio size by which you could justify having a certain function in-house. For example, my previous team in Germany I had technical functions within that team but there I had double the portfolio size. And it depends upon what kind of property you have, is it owned, that usually requires more attention than a leased location which you extend every now and then, every three (3) years so to say. That I would say are the drivers, in short being flexible, having the right set of skills at a time when you need it, that's about it.

**2.4. Does the company have a corporate real estate management outsourcing strategy (aims, tasks and measurement of outcomes) and if yes, is this strategy documented?**

We have what we call the Organisation B Real Estate framework, which is basically defining the complete scope of our corporate real estate function in-house. Attached to that or as part of that, there are certain parts which are regarded to be outsourced, but that is as I said, more on the facilities management side, not on the core CREM side. There is an in-house document which is updated annually, it's in a continuous review process and been adjusted as and when.

### 3. Part 3. Sourcing CREM Service Providers

#### 3.1. In practice, how did the corporation outsource its CREM i.e. please tell me about the steps the company followed (or would follow) in outsourcing its CREM, explain what each step entails and why?

I will now take this as an example for one of the FM functions that we outsourced, we have just recently concluded a new contract with our security service provider, which is facilities management, facilities services in the broader sense. There we went through first of all a baseline analysis; what do we have, what is the current contract reflecting, are there certain portions which would be better situated in-house. In the process of evaluating that, we have established a function of site security manager within the corporate real estate team, which was previously a pure outsourced function, because we needed the internal investigation capacity. As you know security is a big topic in South Africa and it's keeping us quite busy on a daily basis with the factories. Then the assembling sites, we have security incidents on a daily basis. And to rely 100% on a service provider that can somehow be challenging because you also need to align it with all the internal security guidelines Organisation B has on a global basis and there are processes to be followed, so we decided this function will be taken in-house.

And then on the steps of the outsourcing itself, since we had this security service outsourced beforehand, it was just reviewing the scope broken down to basically every single aspect of man guarding, technical aspects of CCTV and access control. And then going out to tender, with first of all an RFI to see the capabilities of companies. Taking the scope and putting it out as an RFQ. Get several companies on a long list which I think was about fifteen, then we narrowed it down to five, which we had detailed interviews each. And then we had in the last step final negotiation with the remaining two bidders, one of them wasn't successful, then the contract was assigned. And now we are currently in the process of implementing that. The contract will be running from the 1st of July, the old and the new service provider are currently in the handover process. That is also then clearly documented, tasks and responsibilities are made clear, it is clearly understood by both parties, what is the mandate and how far does it go in the daily operations.

#### 3.2. What are the characteristics that the company looks for in a CREM service provider?

That's a tough one to answer because, as I said corporate real estate management services is basically on a case by case basis outsourced, which is more a procurement process than a real outsourcing process. The first and foremost thing is of course capability, if I don't have a certain capability in-house and I need the capability on a continuous basis. Then I would look into the proven track record of the company, possibly references with other companies. And apart from that of course all the legal requirements, letter of good standing, triple B EE (B-BBEE) certificates or what is necessary in a South African context of procurement or proper procurement so to say. At the end of the day of course, there is also a price component to it, that one of course then goes back to what is better in lets say the complete decision in lets say a make or buy decision. Am I able to provide that function in-house cheaper, better, more flexible, or is it better to rely on an external service provider, because I can't or I don't want to spend the money of getting such a resource in-house. Because with every in-house resource of course there is certain management aspect attached to it. If I outsource I can manage that through the contract I'm entering into with the company, but in-house I need to continuously have feedback processes, performance evaluation and basically steer my internal

team to where I need them to be. That is somehow a little bit easier when you do that through a contractual relationship with an external service provider.

### **3.3. How does the company identify service providers and again, can you tell me why that particular methodology is used?**

There again the process would be first of all we would define the scope of service we would require. We would then look into the market done jointly between the procurement department and the real estate department. Who are capable providers in the market, which we would then request to send an RFI about general company information, proven track record. And then depending on the volume behind such a task; in the example of security for example, it was a three (3) year contract, it had quite a significant volume attached to it, that was a thorough process. If it would only be say a once off task to be performed then, that process would be shorter. But usually, the process is request for information, request for proposal, interviews, negotiation and contract award.

## **4. Part 4. Success of CREM Outsourcing**

### **4.1. Has CREM outsourcing been a success or failure and can you tell me why you believe this to be so?**

I would generalise that and say the structure as we live it at the moment, with the case by case support through professional corporate real estate providers, is a success because it keeps us flexible, it keeps us as small as possible. Out of that eight (8) people team I mentioned, there is basically five (5) 100% involved in corporate real estate. The other two (2) are more or less security service functions, which has to do with our internal access control system or something like that. We are a fairly lean and small team. The case by case outsourcing or award of certain tasks and projects to external service providers is successful in supporting us to keep a lean footprint and to be able to react quickly to the demands of the Organisation B core business.

### **4.2. What factors and service-provider attributes (service provider skills) affect success and can you tell me why you consider these important?**

I mean that basically repeats what I already said in response to some of the previous questions, but first of all, there needs to be a value-add provided by the service provider in terms of knowledge or in terms of experience or even in terms of market contacts or network in the market which we don't have in-house. That then in turn would cause us to enter into a contract with such a service provider in the selection process described beforehand. When I am the customer towards a service provider, of course I want to have value for money, because I need to justify each and every service provider I am entering into a contract with towards my core business or towards my own profit and loss calculation, because Organisation B's real estate is operating on its own P and L within the company. That causes us to look for return on investment, value for money as I said towards the service. Flexibility is a big portion of it, is the service provider able to react to my requests in a timely manner. Completeness and accuracy of the delivered service that is of course something that should be a given, it should not even be a special attribute, because if that is not existing then the service as such is not worth to outsource and such. At the end of the day it comes down to what is a good match for us as the corporate real estate part of the company who is confronted on a daily basis with requests from the core business of Organisation B, and we are requested to react in a timely



manner and with the utmost flexibility, but also with the necessary skills and in a cost-efficient way. That of course I would just mirror or reflect towards each and every service provider we are engaging.

**END**



**Organisation C**

**1. Part 1. Company Profile**

**1.1. What is your position within the company?**

Group Lead Shared Services.

**1.2. What is the company's core business?**

Electronics, Multimedia and Technology.

**1.3. What was the company's prior year annual turnover?**

R16 billion.

**1.4. How many sites does the company occupy?**

One hundred and twenty-one (121), within South Africa only.

**1.5. What is the approximate total extent in square metres of the accommodation occupied?**

Approximately 100 000m<sup>2</sup>.

**1.6. How many company employees are directly involved in corporate real estate management?**

Five (5).

**1.6.1. And three (3) years ago?**

Three (3).

	Currently	Three (3) Years Ago
Not Any	<input type="checkbox"/>	<input type="checkbox"/>
One (1)	<input type="checkbox"/>	<input type="checkbox"/>
2 - 5	<input type="checkbox"/> 5	<input type="checkbox"/> 3
6 - 10	<input type="checkbox"/>	<input type="checkbox"/>
More than 10	<input type="checkbox"/>	<input type="checkbox"/>

**2. Part 2. Corporate Real Estate Management Outsourcing Practices**

**2.1. What corporate real estate management functions is the company currently outsourcing?**

We've made a conscious decision not to outsource at this point in time. What we did three (3) years ago was we appointed a gentleman by the name of Employee C who worked for a real estate company, he managed part of the Sandton Shopping Mall. He has quite extensive experience in this industry and we bought him on board to look after our real estate portfolio, so rather keep it in-house as opposed to outsourcing.

**2.2. Is your firm using external service providers more, the same, less than it did three (3) years ago for its CREM?**

Less.

More

Same

Less

**2.3. What are the drivers/motives (reasons) that made the company pursue an outsourcing strategy for its CREM?**

That's not applicable.

**2.4. What would be the drivers that would make the company pursue an outsourcing strategy?**

I think if we need professional advice that is not within the purview of Employee C. What I mean by that is he doesn't have the experience or knowledge to actually assist. Typically, if we could use that example of the Woodmead building, Service Provider C and I met last night with the potential purchaser and there are a couple issues that I suspect Employee C doesn't have the necessary knowledge and experience right now and that is when we would look to outsource. It would be on an ad hoc basis, as and when we need professional advice.

**2.5. So, would you then say you are outsourcing some of your CREM functions?**

We are but as I say as an ad hoc exercise, it's on a sort of project basis. If we've got an issue, lets outsource, lets get the professional advice, get advice then follow whatever advice has been provided to us.

**2.6. Does the company then have a corporate real estate management outsourcing strategy (aims, tasks and measurement of outcomes) and if yes, is this strategy documented?**

No.

**3. Part 3. Sourcing CREM Service Providers**

**3.1. In practice, how did the corporation outsource its CREM i.e. please tell me about the steps the company followed (or would follow) in outsourcing its CREM, explain what each step entails and why?**

Once again we have not outsourced, we brought it in-house. We just felt that an in-house resource would be able to meet the strategic requirements of the business. That person would obviously understand what the requirements are and their focus is solely on Organisation C as opposed to servicing a whole lot of different clients which an outsource partner would have.

In terms of if we are going to outsource a portion of it on a project basis, what we tend to do is we tend to stick to the guys that we know. For arguments sake Service Provider C that we've dealt with in the past and we've established good relations, who understands the nature of our business; we understand and enjoy working with the likes of Service Provider C. He is very honest and open and that is what we want from an outsource partner; is openness, transparency, the ability to give us professional opinion but with the ability



to establish long-term relationships. Don't try make as much money on the first project rather say this is an extended relationship.

Just to continue with that the whole Organisation C group is based on partnerships, long-term partnerships. Unless the partner messes up quite badly we tend to stick with the existing guys. When we choose someone, they fit our profile in terms of our ethos and then they get to know us. And it's quite cheesy to say; they become part of the family, but really, they do become part of the family. Which then assists in terms of decision making, in terms of providing professional advice etcetera, etcetera, etcetera.

**3.1.1.If you hadn't had a prior relationship with a company in this instance Service Provider C, what would be the steps that you'd follow in sourcing a service provider?**

What I would do is we would then go test the market. We would send out a RFP. Prior to sending out a RFP we would obviously do the necessary investigation in terms of what an outsource partner should do in terms of services and based on that we will then generate a RFP. We would then go through the whole process where we get proposals, look at the proposal, and yes, the fees that are charged are part of that assessment process. Once we have then narrowed it down to possibly three (3) candidates, we would then ask them to come and do a presentation and then based on the presentation we will then make an appointment. Once we've made an appointment obviously you have all the commercials such as your contract. When you are contracting with them, we will have a SLA in place to manage the operations between ourselves and the outsource partner and then it's just managing the relationship going forward in terms of what we require from them.

**3.2. What are the characteristics that the company looks for in a CREM service provider?**

Professionalism; honesty, part of honesty is openness and transparency and also good knowledge and experience in the real estate game. It really must be someone that has got a number of years under their belt in terms of working in the industry, understanding the shortcuts and what brokers do and how they manipulate the market. Giving advice in terms of the best possible solution and then also advising where money can be saved, where unscrupulous landlords are taking a bit of a chance. That all encapsulates this professionalism, knowledge and experience in the industry.

**3.3. How does the company identify service providers and again, can you tell me why that particular methodology is used?**

Once again if we've got an existing relationship, we will continue to use that outsource partner. If we have to look for a new partner, really, we will go test the market, we will find out who the players are out in the market. We will phone a couple people who could you recommend and we will get them to do an RFP, we would ask them to come in and present to us.

**4. Part 4. Success of CREM Outsourcing**

**4.1. Has CREM outsourcing been a success or failure and can you tell me why you believe this to be so?**

Once again we haven't outsourced it. But I can say that the instances where we have utilised an outsource partner on a project basis, my exposure to it has been one interaction at the moment, with Service Provider



C, it is still in the process of being finalised, it is close to completion. But certainly the knowledge and experience that have been brought to the table by Service Provider C, has certainly assisted in resolving quite a tricky situation for us. In terms of where there are three (3) parties involved being the landlord, ourselves as the main lessee, and then you're dealing with a sub-lessee as well and then selling the property in terms of from one landlord to the other and sort of working through that muddy patch has assisted us in terms of Service Provider C 's knowledge and his advice, it certainly has proven to be beneficial.

**4.2. What factors and service-provider attributes (service provider skills) affect success and can you tell me why you consider these important?**

I think just being upfront; this is the way it is, these are the positives, here are the negative, here are the risks and this is what you can do and what you can't do. So really placing myself as a client in a position to make an informed decision. That is what I expect from an outsource partner, is to provide me with the information to be able to make an informed choice that is beneficial to myself as a client.

**END**



**Organisation D**

**1. Part 1. Company Profile**

**1.1. What is your position within the company?**

I am the Head of our Commercial Department as well as our Procurement Department and within that the facilities management as well.

**1.2. What is the company’s core business?**

Core business of the company is we actually do end-to-end IT outsourcing. Anything from your traditional IT services likes storage, mainframe, up to writing apps; end-to-end turnkey IT solutions.

**1.3. What was the company’s prior year annual turnover?**

It was in the range of R1.5-2 billion.

**1.4. How many sites does the company occupy?**

We occupy two (2) main sites. From a facilities perspective we are responsible for two (2) sites, one (1) in Midrand, one (1) in Cape Town. And then we also have a data centre in town, Johannesburg. And then we have various other sites where we are using customer sites, but from a facilities management perspective, we are not responsible for those. That would be three (3) in total but the one in Joburg mid-town, the data centre, we just do certain functions for them, but not the full facilities management.

**1.4.1. In that sense, would the lease be with Organisation D or?**

We own that building.

**1.5. What is the approximate total extent in square metres of the accommodation occupied?**

Approximately for all three (3) sites together would be close to 20 000m<sup>2</sup>.

**1.6. How many company employees are directly involved in corporate real estate management?**

Currently it would be one (1), if you say direct.

**1.6.1. And three (3) years ago?**

Three (3) years ago it would have been about two (2).

	Currently	Three (3) Years Ago
Not Any	<input type="checkbox"/>	<input type="checkbox"/>
One (1)	<input type="checkbox"/>	<input type="checkbox"/>
2 - 5	<input type="checkbox"/> 4	<input type="checkbox"/>
6 - 10	<input type="checkbox"/>	<input type="checkbox"/> 6
More than 10	<input type="checkbox"/>	<input type="checkbox"/>

## 2. Part 2. Corporate Real Estate Management Outsourcing Practices

### 2.1. What corporate real estate management functions is the company currently outsourcing?

If you talk about real estate management do you then refer specifically only looking at the leases and the properties that we own or then you talk about also managing those sites?

### 2.2. This is what I would require you to tell me.

Because if it is about managing the sites then maybe the number I have given you in the previous question was also not correct. If I talk about managing the sites the number of people involved directly is four (4). And three (3) years ago it would have been about six (6).

Then what we have done, we have done full outsourcing of the management of the facilities. What we are doing if it comes to negotiating of the leases and those types of stuff we do it internally. But when we talk about the day-to-day management of the facilities we have done a full outsourcing of those. We have two (2) people that are internal, are employees of Organisation D that are looking after it as internal employees but then we have a team of people from the outsourcing perspective that are helping us manage that. We are basically just managing that contract of the outsourcing.

### 2.3. Is your firm using external service providers more, the same, less than it did three (3) years ago for its CREM?

The same.

More   
Same  X  
Less

### 2.4. What are the drivers/motives (reasons) that made the company pursue an outsourcing strategy for its CREM?

There are a few drivers, I think the first one is cost efficiency and because it is not our core business. We are outsourcing because in that regard all the different stuff, the consumables and everything that we need from the facilities is then bundled into our service providers economies of scale and therefore we get better costing. Second one is that it is not our core business and we want to rather focus on our core business. We believe that the people who we are outsourcing it to, that they are specialists in those areas, and then because they are the experts, it's from a risk management perspective that we do that.

### 2.5. Does the company have a corporate real estate management outsourcing strategy (aims, tasks and measurement of outcomes) and if yes, is this strategy documented?

I don't think it is like a documented strategy but it is a strategy that we have been living with for quite a long time already now, we have been outsourcing the facilities for the last I would say twelve (12) years and since then we have just aligned with that. We have obviously a strategy of seeing what efficiencies we can drive from here to here but that is this part of our normal planning and not specifically linked to the outsourcing of the facilities strategy.

### **2.5.1. And then, of that general strategy is that documented?**

Our strategy from a company perspective is changing on an annual basis, it is like a live document and we do document strategies yes, and it is something that, in our mind because we are in the IT industry, we need to adapt very quickly. For us it is not a document that we document and then put it somewhere where nobody can find it ever again, it is a live document that we can adjust at any given time. So that would be a yes, but it is constantly updated.

## **3. Part 3. Sourcing CREM Service Providers**

### **3.1. In practice, how did the corporation outsource its CREM i.e. please tell me about the steps the company followed (or would follow) in outsourcing its CREM, explain what each step entails and why?**

We do it on the basis of an external contract, we go through an RFP process. At the moment we have two different suppliers, actually one in Midrand and one in Cape Town, and that was just the end result of an RFP process. What we then do is just normally sign up for three (3) to five (5) year contracts, and then every three (3) to five (5) years we review those. And we have recently done one for this building, we have completed the RFP about two (2) years ago so we are now in the third year of a five (5) year contract. We can however exit the contact with giving certain notice periods. But we are consistently reviewing efficiencies and things that we need to adjust in those contracts, we are very flexible in amending those contracts as well if our requirements and the business requirements are changing.

#### **3.1.1. What would have been the process prior to issuing that RFP?**

It was obviously just a proposal by us and facilities management to exco, where we say we want to go out on a RFP. The process is then for them to just approve that we can do that, then we link up with the procurement department where we do a full procurement process, per our procurement policies and processes.

#### **3.1.2. Do you mind outlining that process for me please?**

It is very detailed, it is a very long process, there is a lot of authorisation steps and all of that, but on the high level it means that procurement acts then as a third-party, reviewing the whole process. We set up a scorecard of all the stuff that is important for us in procurement, then have a very detailed scope of what we require from the market. They then set up the whole RFP, send it into the markets to very specific players that we identify can deliver the services, all of them then respond and then based on our scorecard, we then do a suggestion of who do we want to do the final contract negotiation with. Once that is approved we start the final contract negotiation and then once the contract is signed, we appoint the service provider.

### **3.2. What are the characteristics that the company looks for in a CREM service provider?**

Obviously from a culture perspective we try to look for somebody that has the same kind of culture as us as a company. We look at things that is important for us, if this provider is also playing a role. Example, if you talk about transformation within South Africa, that is a topic that is very important to us and the way that we deal with our suppliers and customers is that we like somebody to share the same kind of culture. And then obviously you have the administrative kind of stuff, there are tick boxes that we need to have, they need to



be able to do the service, they have to have a clear track record, we need to be able to ensure that all our risks that we want to be mitigated in that process is mitigated. And then we need to know that the people have the right triple B double EE (B-BBEE) certification and then all the rest of the ISO certification and health and safety qualifications all those kinds of stuff. It is a very long checklist and then we need to make sure that they tick all those boxes.

**3.2.1. In that sense then, what would be the top three (3)?**

If we do look at our procurement, we always look at, one of the first quality gates is the triple B double E (B-BBEE) certification. Then the second one is are they able to deliver, the quality of how they will be able to deliver and then the third one would be price.

**3.3. How does the company identify service providers and again, can you tell me why that particular methodology is used?**

It's simple we follow our standard procurement policies and processes and that is just because that is our guideline that we are able to work within, we are not allowed to move outside of those policies and processes. Being part of a shareholder sitting in Germany, they have very specific processes and we just have to follow it, we are not allowed to go outside those processes.

**3.3.1. You did say it would be an RFP, now in terms of that RFP would it then go out to the general public or?**

No, because it is facilities management there are only that many players in South Africa that can do it on this scale; we normally have closed tenders, we invite specific suppliers.

**3.3.2. Exactly how would you identify those specific people to invite?**

At the moment, it is based on past experience. Because the industry is so small in South Africa there are a few big players and it is based on that experience that we then invite them.

**4. Part 4. Success of CREM Outsourcing**

**4.1. Has CREM outsourcing been a success or failure and can you tell me why you believe this to be so?**

I would say it is a success. First of all, it is much more efficient in getting experts to manage this whole building and everything for us and from a cost perspective we have been able to drive efficiencies year on year since we started with the strategy. So definitely, if I look at how well the building is maintained, that we have never had any issues from a regulatory perspective, I would say that it is a success then.

**4.2. What factors and service-provider attributes (service provider skills) affect success and can you tell me why you consider these important?**

I think first of all, the factors are the ability of the supplier to fit in with Organisation D as a company because they are here every single day, they become part of the Organisation D family. And then obviously their expertise, understanding our specific requirements but not only understanding what we want, but guiding us where we do not know what we need to do. If you look at all the regulatory issues that you have to abide by, if you do not know what you need to do then you are going to have big problems. It is bringing their



expertise then to us in such a way that we can then work together, although we are managing it as an external contract it is still something we do together, it is not an us and them.

**END**

## 11. Annexure D – Analysis of Data

### 11.1. Organisation A

#### 11.1.1. Part 1. Company Profile

**Table 11.1: Organisation A's Company Profile.**

Description		Org. A
CRE Manager Title		Real Estate Lead for Africa
Core Business		Fast-Moving Consumer Goods
Annual Turnover		Unknown
No. of Sites Occupied		10
Extent of Sites Occupied		Unknown
Number of CREM Employees	Currently	1
	Three (3) Years Ago	1

### 11.1.2. Part 2. CREM Outsourcing Practices

**Table 11.2: Data Analysis of Organisation A's CREM Outsourcing Practices.**

Question	Data	Unit of Data	Code	Category
<p>Researcher: What corporate real estate management functions is the company currently outsourcing?</p>	<p>Participant A: Is that the management of the property itself, the facilities, or the management of transactions?</p> <p>Researcher: This is what I'm going to need you to tell me.</p> <p>Participant A: So, facilities we outsource to a company, but I'm not involved with that right. For the real estate, we have one person we second into our organisation, from a central account team, third-party, they act as an Organisation A employee. Then transactions are outsourced to brokers, as and when needed.</p>	<p>Facilities we outsource to a company.</p>	<p>Facilities management is outsourced to a company.</p>	<p>Facilities management.</p>
		<p>For the real estate, we have one person we second into our organisation, from a central account team, third-party, they act as an Organisation A employee.</p>	<p>Third-party real estate management.</p>	<p>Real estate management.</p>
		<p>Transactions are outsourced to brokers.</p>	<p>Transactions are outsourced to brokers.</p>	<p>Transaction management.</p>
		<p>As and when needed.</p>	<p>Accounting for variable organisational needs.</p>	<p>Flexibility.</p>
<p>Researcher: Is your firm using external service providers more, the same, less than it did three (3) years ago for its CREM?</p>	<p>Participant A: It's exactly the same at the moment.</p>	<p>It's exactly the same.</p>	<p>Same external service providers.</p>	<p>Unchanged level of CREM outsourcing.</p>
<p>Researcher: What are the drivers/motives (reasons) that made the company pursue an outsourcing strategy for its CREM?</p>	<p>Participant A: That strategy is set globally, I didn't set that strategy, but I think the main motivators are cost and flexibility, the ability to tap into a wide range of services</p>	<p>That strategy is set globally, I didn't set that strategy.</p>	<p>Globally set strategy, not local.</p>	<p>Global strategy.</p>
		<p>The main motivators are cost.</p>	<p>Cost.</p>	<p>Cost savings.</p>
		<p>Flexibility.</p>	<p>Accounting for variable organisational needs.</p>	<p>Flexibility.</p>

	and <b>knowledge base</b> . Those would be the main drivers.	The ability to tap into a wide range of services.	Service absent in the organisation.	Access to technical expertise.
		<b>Knowledge base</b> .	Knowledge absent in the organisation.	Access to technical expertise.
<i>Researcher: Does the company have a corporate real estate management outsourcing strategy (aims, tasks and measurement of outcomes) and if yes, is this strategy documented?</i>	Participant A: <b>Yes, we have a global service level agreement</b> with two service providers, they manage the account jointly and that document sets out all the KPIs, ways of working, everything.	<b>Yes, we have a global service level agreement.</b>	Global service level agreement.	Global strategy.  Formal guideline.

### 11.1.3. Part 3. Sourcing CREM Service Providers

**Table 11.3: Data Analysis of Organisation A's Sourcing of CREM Service Providers.**

Question	Data	Unit of Data	Code	Category
<p><i>Researcher: In practice, how did the corporation outsource its CREM i.e. please tell me about the steps the company followed (or would follow) in outsourcing its CREM, explain what each step entails and why?</i></p>	<p>Participant A: The outsourcing is done through the central account team, that person would go and look for the best in class consultants in a specific geography and then do an evaluation. As part of my team, they would serve the function of procuring those services and then contract with them. The way it works now is 30% of the fee for the outsourced service provider goes to the central account team.</p> <p>That is if we choose to work with the central account team. We can also do what we call a self-perform, we would not do it through a third-party, we would perform it ourselves, in which case I would do the transaction. Or we would go directly to a consultant, depending on what we want to do.</p> <p><i>Researcher: Why would you go to an external service provider as opposed to doing it in-house?</i></p> <p>Participant A: Purely because of resources, I can't do every transaction. Secondly, I'm not an expert in every location, they become an extension of my team.</p> <p><i>Researcher: Exactly how would the central account team go about looking for service providers?</i></p> <p>Participant A: The central account team is already a third-party provider, they already know who's in the market; they would have to look and see who's available, kind of find out what their experience is, who the team members are, what the</p>	The outsourcing is done through the central account team.	Third-party procured services.	Third-party search.
		That person would go and look for the best in class consultants.	Best in class consultants.	References/reputation.
		As part of my team, they would serve the function of procuring those services and then contract with them.	Third-party procured services.	Third-party search.
		If we choose to work with the central account team.	Accounting for variable organisational needs.	Flexibility.
		We would go directly to a consultant.	Direct to a consultant.	Direct approach.
		Depending on what we want to do.	Accounting for variable organisational needs.	Flexibility.
		Because of resources, I can't do every transaction.	Lack of internal resources to undertake the function.	Lack of internal resources.
		I'm not an expert in every location.	Local knowledge absent in the organisation.	Access to local expertise.
		The central account team is already a third-party provider.	Third-party procured services.	Third-party search.
		They already know who's in the market.	Prior knowledge of market providers.	Local experience.

	<p>costs are and then weigh it up in a scoring matrix and say, here's what service provider A can provide, service provider B can provide and we think based on these reasons we should go for whichever one.</p> <p><i>Researcher: Would they cast a wide net or use previously used service providers?</i></p> <p>Participant A: It's a mix, sometimes we will use previously used vendors. In South Africa, I exclusively use previously used vendors because they know the company well. If we go to an unknown territory, then we'd cast a wide net.</p>	They would have to look and see who's available.	Who's available.	Service provider capacity.
		Find out what their experience is.	What is their experience.	Relevant experience.
		Who the team members are.	Team member make-up.	Individual capability.
		What the costs are.	The cost.	Amount of fee.
		In South Africa, I exclusively use previously used vendors.	Exclusively use previously employed providers.	Direct approach.
		Because they know the company well.	Know the company well.	Understanding the client's organisation.
<p><i>Researcher: What are the characteristics that the company looks for in a CREM service provider?</i></p>	<p>Participant A: One of the main things is independence, we don't want to use someone who is aligned with the landlord or has other conflicts of interest, that's very important. Best in class, the skill set you get, the kind of people that you get is very important to know who you're getting. And then cost obviously, cost and flexibility.</p>	One of the main things is independence, we don't want to use someone who is aligned with the landlord or has other conflicts of interest, that's very important.	Independence.	Unconflicted.
		Best in class.	Best in class consultants.	References/reputation.
		The skill set you get.	Skill set.	Technical expertise.
		The kind of people that you get is very important to know who you're getting.	Who you're getting.	Individual capability.
		Then cost obviously, cost.	Cost.	Amount of fee.
		And flexibility.	Flexibility.	Flexible service terms.
<p><i>Researcher: How does the company</i></p>	<p>Participant A: I think it's a standard methodology, there is no real other way to do it. You would have to look</p>	How well do they know the company.	Know the company well.	Understanding the client's organisation.

<i>identify service providers and again, can you tell me why that particular methodology is used?</i>	at all the different aspects; <b>how well do they know the company, what's their experience in country, what's the experience of team members</b> etcetera, etcetera. It wouldn't help to use somebody who has no experience in the country, they might have a relationship in this country but in another country, they might be brand new. I think those are the main things.	<b>What's their experience in country.</b>	Experience in country.	Local experience.
		<b>What's the experience of team members.</b>	Team member experience.	Individual capability.
		It wouldn't help to use somebody who has no experience in the country.	Must have experience in country.	Local experience.

### 11.1.4. Part 4. Success of CREM Outsourcing

**Table 11.4: Data Analysis of Organisation A's Success of CREM Outsourcing.**

Question	Data	Unit of Data	Code	Category
<p>Researcher: Has CREM outsourcing been a success or failure and can you tell me why you believe this to be so?</p>	<p>Participant A: I would say yes and no, I think it's a success if you have the right team. If you pick the right team to help you then that's successful. In some instances, there has been delivery failure and I think there's sometimes conflicts of interest. Through the central account team I find there's issues going directly to certain service providers.</p>	I would say yes.	It's a success.	CREM outsourcing successful.
		And no.	It's unsuccessful.	CREM outsourcing unsuccessful.
		It's a success if you have the right team.	Owing to the right team, it's a success.	CREM outsourcing successful.
		If you pick the right team to help you then that's successful.	Owing to the right team, it's a success.	CREM outsourcing successful.
		In some instances, there has been delivery failure.	Owing to service delivery failure, it's unsuccessful.	CREM outsourcing unsuccessful.
		There's sometimes conflicts of interest.	Owing to conflicts of interest, it's unsuccessful.	CREM outsourcing unsuccessful.
		Through the central account team, I find there's issues going directly to certain service providers.	Owing to issues going directly to certain service providers, it's unsuccessful.	CREM outsourcing unsuccessful.
<p>Researcher: What factors and service-provider attributes (service provider skills) affect success and can you tell me why you consider these important?</p>	<p>Participant A: Independence is important, because if they are not independent, they are not going to have our interests at heart. We need somebody who is good at managing both the client and the project, they need to be able to tell me when I'm wrong or give me good advice, we need strong advisory capabilities. And a personality that's not scared of doing that, upstream management as well</p>	Independence is important, because if they are not independent, they are not going to have our interests at heart.	Independence.	Unconflicted.
		We need somebody who is good at managing both the client and the project.	Good management of both the client and the project.	Strong management capability.
		They need to be able to tell me when I'm wrong.	Personality not afraid to update the client (or difficulties).	Professional integrity.
		Give me good advice.	Knowledgeable advice.	Strong advisory capability.
		We need strong advisory capabilities.	Knowledgeable advice.	Strong advisory capability.

	as downstream management.	A personality that's not scared of doing that.	Personality not afraid to update the client.	Professional integrity.
		Upstream management as well as downstream management.	Ability to manage the executive and the executors.	Strong management capability.

## 11.2. Organisation B

### 11.2.1. Part 1. Company Profile

**Table 11.5: Organisation B's Company Profile.**

Description		Org. B
CRE Manager Title		Head of Location Management for Sub-Saharan Africa
Core Business		Electrification, Automation and Digitalisation
Annual Turnover		Unknown
No. of Sites Occupied		11
Extent of Sites Occupied		65 000m <sup>2</sup>
Number of CREM Employees	Currently	8
	Three (3) Years Ago	8

### 11.2.2. Part 2. CREM Outsourcing Practices

**Table 11.6: Data Analysis of Organisation B's CREM Outsourcing Practices.**

Question	Data	Unit of Data	Code	Category
<p><i>Researcher: What corporate real estate management functions is the company currently outsourcing ?</i></p>	<p>Participant B: I think that would depend on how strictly you define corporate real estate management. Generally speaking for Organisation B, the complete corporate real estate function is in-house, however various portions of its assigned facilities management tasks for example, are usually outsourced; that is also the case in South Africa. All our facilities management matters are outsourced, the corporate real estate management function itself is in-house. We have outsourced corporate real estate parts in other parts of the world, the US for example. Some of the functions I have in-house here in South Africa are outsourced in America, but other than that there is no outsourcing here in South Africa.</p>	<p>Various portions of its assigned facilities management tasks for example, are usually outsourced; that is also the case in South Africa.</p>	<p>Various portions of facilities management tasks are outsourced.</p>	<p>Facilities management.</p>
		<p>All our facilities management matters are outsourced.</p>	<p>Facilities management is outsourced.</p>	<p>Facilities management.</p>
<p><i>Researcher: Is your firm using external service providers more, the same, less than it did three (3) years ago for its CREM?</i></p>	<p>Participant B: I would say more, however that is reflected by the number of projects we currently have ongoing. Of course if you have project volumes which are not the stable base business, then you would make use of service providers to support in various projects. But in most of the cases it's either in regard to legal content or legal local matters, dealings with the municipality for example, or in regard to technical aspects. Because of the small team size here, we do not have a lot of technical functions in the team and building planning for example, where we would need support in that regard, is then outsourced on a case by case, or project by project base.</p>	<p>I would say more.</p>	<p>More external service providers.</p>	<p>Increased level of outsourcing.</p>
		<p>That is reflected by the number of projects we currently have ongoing.</p>	<p>Accounting for variable organisational needs.</p>	<p>Flexibility.</p>
		<p>If you have project volumes which are not the stable base business, then you would make use of service providers to support in</p>	<p>Accounting for variable organisational needs.</p>	<p>Flexibility.</p>

		various projects.		
		In most of the cases it's either in regard to legal content or legal local matters.	Legal content or legal local matters.	Subject matter expertise.
		Dealings with the municipality for example.	Dealings with the municipality.	Subject matter expertise.
		In regard to technical aspects.	Technical aspects.	Subject matter expertise.
		Because of the small team size here.	Lack of internal resources to undertake the function.	Lack of internal resources.
		We do not have a lot of technical functions in the team.	Knowledge absent in the organisation.	Access to technical expertise.
		Building planning for example, where we would need support in that regard.	Knowledge absent in the organisation.	Access to technical expertise.
		Is then outsourced on a case by case, or project by project base.	Accounting for variable organisational needs.	Flexibility.
Researcher: What are the drivers/motives (reasons) that made the	Participant B: It is to balance variable volumes in terms of workload, it is to make up for certain sets of skills and capabilities we do not have in-house and we do not need in-house on a continual basis. But it also is depending upon the local market, the portfolio size by which you could justify having a certain function	It is to balance variable volumes in terms of workload.	Accounting for variable organisational needs.	Flexibility.
		It is to make up for certain sets of skills and	Knowledge absent in the organisation.	Access to technical expertise.

<p>company pursue an outsourcing strategy for its CREM?</p>	<p><b>in-house.</b> For example, my previous team in Germany I had technical functions within that team, but there I had double the portfolio size. And it depends upon what kind of property you have, is it owned, that usually requires more attention than a leased location which you extend every now and then, every three (3) years so to say. That I would say are the drivers, <b>in short being flexible, having the right set of skills at a time when you need it,</b> that's about it.</p>	<p><b>capabilities we do not have in-house.</b></p>		
		<p><b>We do not need in-house on a continual basis.</b></p>	Accounting for variable organisational needs.	Flexibility.
		<p><b>It also is depending upon the local market, the portfolio size by which you could justify having a certain function in-house.</b></p>	Accounting for variable organisational needs.	Flexibility.
		<p>It depends upon what kind of property you have, is it owned, that usually requires more attention than a leased location which you extend every now and then, every three (3) years.</p>	Accounting for variable organisational needs.	Flexibility.
		<p><b>In short being flexible.</b></p>	Accounting for variable organisational needs.	Flexibility.
		<p><b>Having the right set of skills.</b></p>	Knowledge absent in the organisation.	Access to technical expertise.
		<p><b>At a time when you need it.</b></p>	Accounting for variable organisational needs.	Flexibility.

<p><i>Researcher: Does the company have a corporate real estate management outsourcing strategy (aims, tasks and measurement of outcomes) and if yes, is this strategy documented?</i></p>	<p>Participant B: We have what we call the Organisation B Real Estate Framework, which is basically defining the complete scope of our corporate real estate function in-house. Attached to that or as part of that, there are certain parts which are regarded to be outsourced, but that is as I said, more on the facilities management side, not on the core CREM side. There is an in-house document which is updated annually, it's in a continuous review process and been adjusted as and when.</p>	<p>Organisation B Real Estate Framework, which is basically defining the complete scope of our corporate real estate function in-house. Attached to that or as part of that, there are certain parts which are regarded to be outsourced.</p>	<p>Organisation B Real Estate Framework, with sections for outsourcing.</p>	<p>Global strategy.</p>
		<p>That is as I said, more on the facilities management side, not on the core CREM side.</p>	<p>Facilities management is outsourced.</p>	<p>Facilities management.</p>
		<p>There is an in-house document which is updated annually, it's in a continuous review process and been adjusted as and when.</p>	<p>In-house document.</p>	<p>Formal guideline.</p>

### 11.2.3. Part 3. Sourcing CREM Service Providers

**Table 11.7: Data Analysis of Organisation B's Sourcing of CREM Service Providers.**

Question	Data	Unit of Data	Code	Category
<p><i>Researcher: In practice, how did the corporation outsource its CREM i.e. please tell me about the steps the company followed (or would follow) in outsourcing its CREM, explain what each step entails and why?</i></p>	<p>Participant B: I will now take this as an example for one of the FM functions that we outsourced, we have just recently concluded a new contract with our security service provider, which is facilities management, facilities services in the broader sense. There we went through first of all a baseline analysis; what do we have, what is the current contract reflecting, are there certain portions which would be better situated in-house. In the process of evaluating that, we have established a function of site security manager within the corporate real estate team, which was previously a pure outsourced function, because we needed the internal investigation capacity. As you know security is a big topic in South Africa and it's keeping us quite busy on a daily basis with the factories. Then the assembling sites, we have security incidents on a daily basis. And to rely 100% on a service provider that can somehow be challenging because you also need to align it with all the internal security guidelines Organisation B has on a global basis and there are processes to be followed, so we decided this function will be taken in-house.</p> <p>And then on the steps of the outsourcing itself, since we had this security service outsourced beforehand, it was just reviewing the scope broken down to basically every single aspect of man guarding, technical aspects</p>	<p>FM functions that we outsourced, we have just recently concluded a new contract with our security service provider, which is facilities management, facilities services in the broader sense.</p>	<p>Facilities management functions are outsourced.</p>	<p>Facilities management.</p>
		<p>Going out to tender.</p>	<p>Going out to tender.</p>	<p>Request for proposals.</p>
		<p>With first of all an RFI to see the capabilities of companies.</p>	<p>Company capabilities.</p>	<p>Technical expertise.</p>
		<p>Taking the scope and putting it out as an RFQ.</p>	<p>Going out to tender.</p>	<p>Request for proposals.</p>
		<p>Which we had detailed interviews each.</p>	<p>Patterns of thought and conduct.</p>	<p>Integrity of approach.</p>
	<p>That is also then clearly documented, tasks and responsibilities are made clear, it is clearly understood by both parties, what is the mandate and how far does it go in the daily operations.</p>	<p>Clearly documented tasks and responsibilities.</p>	<p>Formal guideline.</p>	

	<p>of CCTV and access control. And then going out to tender, with first of all an RFI to see the capabilities of companies. Taking the scope and putting it out as an RFQ. Get several companies on a long list which I think was about fifteen, then we narrowed it down to five, which we had detailed interviews each. And then we had in the last step final negotiation with the remaining two bidders, one of them wasn't successful, then the contract was assigned. And now we are currently in the process of implementing that. The contract will be running from the 1st of July, the old and the new service provider are currently in the handover process. That is also then clearly documented, tasks and responsibilities are made clear, it is clearly understood by both parties, what is the mandate and how far does it go in the daily operations.</p>			
<p><i>Researcher: What are the characteristics that the company looks for in a CREM service provider?</i></p>	<p>Participant B: That's a tough one to answer because, as I said corporate real estate management services is basically on a case by case basis outsourced, which is more a procurement process than a real outsourcing process. The first and foremost thing is of course capability, if I don't have a certain capability in-house and I don't need the capability on a continuous basis. Then I would look into the proven track record of the company, possibly references with other companies. And apart from that of course all the legal requirements, letter of good standing, triple B EE (B-BBEE) certificates or what is necessary in a South African</p>	<p>As I said corporate real estate management services is basically on a case by case basis outsourced.</p> <p>The first and foremost thing is of course capability.</p> <p>If I don't have a certain capability in-house.</p> <p>I don't need the capability on a continuous basis.</p> <p>Proven track record of the company.</p> <p>Possibly references with other companies.</p>	<p>Accounting for variable organisational needs.</p> <p>Company capability.</p> <p>Knowledge absent in the organisation.</p> <p>Accounting for variable organisational needs.</p> <p>What is their experience.</p> <p>References from other companies.</p>	<p>Flexibility.</p> <p>Technical expertise.</p> <p>Access to technical expertise.</p> <p>Flexibility.</p> <p>Relevant experience.</p> <p>References/reputation.</p>

	<p>context of procurement or proper procurement so to say. At the end of the day of course, there is also a price component to it, that one of course then goes back to what is better in lets say the complete decision in lets say a make or buy decision. Am I able to provide that function in-house cheaper, better, more flexible, or is it better to rely on an external service provider, because I can't or I don't want to spend the money of getting such a resource in-house. Because with every in-house resource of course there is certain management aspect attached to it. If I outsource I can manage that through the contract I'm entering into with the company, but in-house I need to continuously have feedback processes, performance evaluation and basically steer my internal team to where I need them to be. That is somehow a little bit easier when you do that through a contractual relationship with an external service provider.</p>	<p>All the legal requirements, letter of good standing, triple B EE (B-BBEE) certificates or what is necessary in a South African context of procurement or proper procurement.</p>	<p>Legal requirements in the South African context of procurement.</p>	<p>Regulatory compliance.</p>
		<p>There is also a price component to it.</p>	<p>Price component.</p>	<p>Amount of fee.</p>
		<p>Am I able to provide that function in-house cheaper, better, more flexible, or is it better to rely on an external service provider, because I can't or I don't want to spend the money of getting such a resource in-house.</p>	<p>Accounting for variable organisational needs.</p>	<p>Flexibility.</p>
		<p>With every in-house resource of course there is certain management aspect attached to it. If I outsource I can manage that through the contract I'm entering into with the company, but in-house I need to continuously have feedback processes, performance evaluation and basically steer my internal team to where I need them to be. That is somehow a little bit easier when you do that through a contractual relationship with an external service provider.</p>	<p>Ability to manage the project.</p>	<p>Strong management capability.</p>
<p>Researcher: How does the company</p>	<p>Participant B: There again the process would be first of all we would define the scope of service</p>	<p>We would define the scope of service we would require.</p>	<p>Service absent in the organisation.</p>	<p>Technical expertise.</p>

<i>identify service providers and again, can you tell me why that particular methodology is used?</i>	<p><b>we would require.</b> We would then look into the market done jointly between the procurement department and the real estate department. <b>Who are capable providers in the market, which we would then request to send an RFI about general company information, proven track record.</b> And then depending on the volume behind such a task, in the example of security for example, it was a three (3) year contract, it has quite a significant volume attached to it, that was a thorough process. If it would only be say a once off task to be performed then, that process would be shorter. But usually, the process is request for information, request for proposal, interviews, negotiation and contract award.</p>	<p>We would then look into the market done jointly between the procurement department and the real estate department.</p>	<p>Search for experience in country.</p>	<p>Local experience.</p>
		<p><b>Who are capable providers in the market.</b></p>	<p>Capable providers in the market.</p>	<p>References/ reputation.</p>
		<p><b>Which we would then request to send an RFI about general company information.</b></p>	<p>Company capabilities.</p>	<p>Technical expertise.</p>
		<p><b>Proven track record.</b></p>	<p>What is their experience.</p>	<p>Relevant experience.</p>
		<p><b>Request for information.</b></p>	<p>Company capabilities.</p>	<p>Technical expertise.</p>
		<p><b>Request for proposals.</b></p>	<p>Going out to tender.</p>	<p>Request for proposals.</p>
		<p><b>Interviews.</b></p>	<p>Patterns of thought and conduct.</p>	<p>Integrity of approach.</p>

### 11.2.4. Part 4. Success of CREM Outsourcing

**Table 11.8: Data Analysis of Organisation B's Success of CREM Outsourcing.**

Question	Data	Unit of Data	Code	Category
<p><i>Researcher: Has CREM outsourcing been a success or failure and can you tell me why you believe this to be so?</i></p>	<p>Participant B: I would generalise that and say the structure as we live it at the moment, with the case by case support through professional corporate real estate providers, <b>is a success because it keeps us flexible</b>, it keeps us as small as possible. Out of that eight (8) people team I mentioned, there is basically five (5) 100% involved in corporate real estate. The other two (2) are more or less security service functions, which has to do with our internal access control system or something like that. We are a fairly lean and small team. <b>The case by case outsourcing or award of certain tasks and projects to external service providers is successful in supporting us to keep a lean footprint and to be able to react quickly to the demands of the Organisation B core business.</b></p>	<p><b>Is a success because it keeps us flexible.</b></p>	<p>It's a success, as it maintains flexibility.</p>	<p>CREM outsourcing successful.</p>
		<p><b>It keeps us as small as possible.</b></p>	<p>It's a success, as it maintains a lean organisation.</p>	<p>CREM outsourcing successful.</p>
		<p><b>The case by case outsourcing or award of certain tasks and projects to external service providers is successful in supporting us to keep a lean footprint.</b></p>	<p>It's a success, as it maintains a lean organisation.</p>	<p>CREM outsourcing successful.</p>
		<p><b>To be able to react quickly to the demands of the Organisation B core business.</b></p>	<p>It's a success, as it allows us to react in a timely manner.</p>	<p>CREM outsourcing successful.</p>
<p><i>Researcher: What factors and service-provider attributes (service provider skills) affect success and can you tell me why you consider</i></p>	<p>Participant B: I mean that basically repeats what I already said in response to some of the previous questions, but first of all, <b>there needs to be a value-add provided by the service provider in terms of knowledge</b> or in terms of experience or even in terms of market contacts or network in the market which we don't have in-house. That then in turn would cause us to enter into a contract with such a service provider in the selection process described beforehand.</p>	<p><b>There needs to be a value-add provided by the service provider in terms of knowledge.</b></p>	<p>Value add in terms of knowledge.</p>	<p>Market knowledge value-add.</p>
		<p><b>In terms of experience.</b></p>	<p>Value add in terms of experience.</p>	<p>Market knowledge value-add.</p>
		<p><b>Even in terms of market contacts or network in the market which we don't have in-house.</b></p>	<p>Value add in terms of market contacts.</p>	<p>Market knowledge value-add.</p>

<p><i>these important?</i></p>	<p>When I am the customer towards a service provider, of course I want to have value for money, because I need to justify each and every service provider I am entering into a contract with, towards my core business or towards my own profit and loss calculation, because Organisation B's real estate is operating on its own P and L within the company. That causes us to look for return on investment, value for money as I said towards the service. Flexibility is a big portion of it, is the service provider able to react to my requests in a timely manner. Completeness and accuracy of the delivered service that is of course something that should be a given, it should not even be a special attribute, because if that is not existing then the service as such is not worth to outsource and such. At the end of the day it comes down to what is a good match for us as the corporate real estate part of the company who is confronted on a daily basis with requests from the core business of Organisation B, and we are requested to react in a timely manner and with the utmost flexibility, but also with the necessary skills and in a cost-efficient way. That of course I would just mirror or reflect towards each and every service provider we are engaging.</p>	<p>I want to have value for money, because I need to justify each and every service provider I am entering into a contract with, towards my core business or towards my own profit and loss calculation.</p>	<p>Value for money of the service.</p>	<p>Delivering the pledged service.</p>
		<p>That causes us to look for return on investment, value for money as I said towards the service.</p>	<p>Value for money of the service.</p>	<p>Delivering the pledged service.</p>
		<p>Flexibility is a big portion of it.</p>	<p>Flexibility.</p>	<p>Flexible service terms.</p>
		<p>Is the service provider able to react to my requests in a timely manner.</p>	<p>React in a timely manner.</p>	<p>Responsiveness.</p>
		<p>Completeness and accuracy of the delivered service that is of course something that should be a given, it should not even be a special attribute, because if that is not existing then the service as such is not worth to outsource and such.</p>	<p>Completeness and accuracy of the delivered service.</p>	<p>Delivering the pledged service.</p>

		It comes down to what is a good match for us as the corporate real estate part of the company who is confronted on a daily basis with requests from the core business of Organisation B.	Know the company well.	Understanding the client's organisation.
		We are requested to react in a timely manner.	React in a timely manner.	Responsiveness.
		With the utmost flexibility.	Flexibility.	Flexible service terms.
		With the necessary skills.	Necessary skills.	Technical expertise.
		And in a cost-efficient way.	In a cost-efficient way.	Cost savings.

### 11.3. Organisation C

#### 11.3.1. Part 1. Company Profile

**Table 11.9: Organisation C's Company Profile.**

Company Profile Descriptor		Org. C
CRE Manager Title		Group Lead Shared Services
Core Business		Electronics, Multimedia and Technology
Annual Turnover		R16 billion
No. of Sites Occupied		121
Extent of Sites Occupied		100 000 m <sup>2</sup>
Number of CREM Employees	Currently	5
	Three (3) Years Ago	3

### 11.3.2. Part 2. CREM Outsourcing Practices

**Table 11.10: Data Analysis of Organisation C's CREM Outsourcing Practices.**

Question	Data	Unit of Data	Code	Category
<i>Researcher: What corporate real estate management functions is the company currently outsourcing?</i>	Participant C: We've made a conscious decision not to outsource at this point in time. What we did three (3) years ago was we appointed a gentleman by the name of Employee C who worked for a real estate company, he managed part of the Sandton Shopping Mall. He has quite extensive experience in this industry and we bought him on board to look after our real estate portfolio, so rather keep it in-house as opposed to outsourcing.	We've made a conscious decision not to outsource at this point in time.	No CREM outsourcing.	Zero CREM functions outsourced.
<i>Researcher: Is your firm using external service providers more, the same, less than it did three (3) years ago for its CREM?</i>	Participant C: Less.	Less.	Less external service providers.	Decreased level of CREM outsourcing.
<i>Researcher: What are the drivers/motives (reasons) that made the company pursue an outsourcing strategy for its CREM?</i>	Participant C: That's not applicable.	If we need professional advice that is not within the purview of Employee C.	Knowledge absent in the organisation.	Access to technical expertise.
	Participant C: I think if we need professional advice that is not within the purview of Employee C. What I mean by that is he doesn't have the experience or knowledge to actually assist.	What I mean by that is he doesn't have the experience or knowledge to actually assist.	Knowledge absent in the organisation.	Access to technical expertise.
	Typically, if we could use that example of the Woodmead building, Service Provider C and I met last night with the potential purchaser and there are a couple issues that I suspect Employee C doesn't have the necessary knowledge and experience right now and that is when we would look to outsource. It would be on an ad	If we could use that example of the Woodmead building, Service Provider C and I met last night with the potential purchaser and there are a couple issues that I suspect Employee	Specific professional knowledge and experience required.	Subject matter expertise.

<p>hoc basis, as and when we need professional advice.</p> <p>Researcher: So, would you then say you are outsourcing some of your CREM functions?</p> <p>Participant C: We are but as I said as an ad hoc exercise, it's on a sort of project basis. If we've got an issue, lets outsource, lets get the professional advice, get advice then follow whatever advice has been provided to us.</p>	<p>C doesn't have the necessary knowledge and experience right now.</p>		
	<p>That is when we would look to outsource.</p>	<p>Knowledge absent in the organisation.</p>	<p>Access to technical expertise.</p>
	<p>It would be on an ad hoc basis.</p>	<p>Accounting for variable organisational needs.</p>	<p>Flexibility.</p>
	<p>As and when we need professional advice.</p>	<p>Accounting for variable organisational needs.</p>	<p>Flexibility.</p>
		<p>Knowledge absent in the organisation.</p>	<p>Access to technical expertise.</p>
	<p>We are, but as I said as an ad hoc exercise.</p>	<p>Specific professional knowledge and experience required.</p>	<p>Subject matter expertise.</p>
		<p>Accounting for variable organisational needs.</p>	<p>Flexibility.</p>
	<p>It's on a sort of project basis.</p>	<p>Accounting for variable organisational needs.</p>	<p>Flexibility.</p>
	<p>If we've got an issue, lets outsource.</p>	<p>Specific professional knowledge and experience required.</p>	<p>Subject matter expertise.</p>
		<p>Knowledge absent in the organisation.</p>	<p>Access to technical expertise.</p>
<p>Lets get the professional advice, get advice then follow whatever advice</p>	<p>Specific professional knowledge and</p>	<p>Subject matter expertise.</p>	

		has been provided to us.	experience required.	
<i>Researcher: Does the company have a corporate real estate management outsourcing strategy (aims, tasks and measurement of outcomes) and if yes, is this strategy documented?</i>	Participant C: No.	No.	No.	No strategy (global or local).
				Informal guideline.

### 11.3.3. Part 3. Sourcing CREM Service Providers

Table 11.11: Data Analysis of Organisation C's Sourcing of CREM Service Providers.

Question	Data	Unit of Data	Code	Category
<p>Researcher: In practice, how did the corporation outsource its CREM i.e. please tell me about the steps the company followed (or would follow) in outsourcing its CREM, explain what each step entails and why?</p>	<p>Participant C: Once again we have not outsourced, we brought it in-house. We just felt that an in-house resource would be able to meet the strategic requirements of the business. That person would obviously understand what the requirements are and their focus is solely on Organisation C as opposed to servicing a whole lot of different clients which an outsource partner would have.</p> <p>In terms of if we are going to outsource a portion of it on a project basis, what we tend to do is we tend to stick to the guys that we know. For arguments sake Service Provider C that we've dealt with in the past and we've established good relations, who understands the nature of our business; we understand and enjoy working with the likes of Service Provider C. He is very honest and open and that is what we want from an outsource partner; is openness, transparency, the ability to give us professional opinion but with the ability to establish long-term relationships. Don't try make as much</p>	If we are going to outsource a portion of it on a project basis.	Accounting for variable organisational needs.	Flexibility.
		What we tend to do is we tend to stick to the guys that we know.	Stick to an existing provider.	Direct approach.
		For arguments sake Service Provider C that we've dealt with in the past and we've established good relations.	Stick to an existing provider.	Direct approach.
		Who understands the nature of our business.	Knows the company well.	Understanding the client's organisation.
		We understand and enjoy working with the likes of Service Provider C.	Stick to an existing provider.	Direct approach.
		He is very honest.	Openness.	Transparency.
		Open and that is what we want from an outsource partner.	Openness.	Transparency.
		Is openness, transparency.	Openness.	Transparency.
		The ability to give us professional opinion.	Knowledgeable advice.	Strong advisory capability.
		With the ability to establish long-term relationships.	Ability to establish a long-term relationship.	Trust.
Don't try make as much money on the first project.	The cost.	Amount of fee.		
This is an extended relationship.	Ability to establish a long-term relationship.	Trust.		

<p>money on the first project rather say this is an extended relationship.</p> <p>Just to continue with that the whole Organisation C group is based on partnerships, long-term partnerships. Unless the partner messes up quite badly we tend to stick with the existing guys. When we choose someone, they fit our profile in terms of our ethos and then they get to know us. And it's quite cheesy to say; they become part of the family, but really, they do become part of the family. Which then assists in terms of decision making, in terms of providing professional advice etcetera, etcetera, etcetera.</p> <p><i>Researcher: If you hadn't had a prior relationship with a company in this instance Service Provider C, what would be the steps that you'd follow in sourcing a service provider?</i></p> <p>Participant C: What I would do is we would then go test the market. We would send out a RFP. Prior to sending out a RFP we would obviously do the necessary investigation in terms of what an outsource partner should do in terms of services and based on that we will then generate a RFP. We would then go through the whole process where we get proposals, look at the proposal, and</p>	<p>Just to continue with that the whole Organisation C group is based on partnerships, long-term partnerships.</p>	<p>Ability to establish a long-term relationship.</p>	<p>Trust.</p>
	<p>Unless the partner messes up quite badly we tend to stick with the existing guys.</p>	<p>Stick to an existing provider.</p>	<p>Direct approach.</p>
	<p>When we choose someone, they fit our profile in terms of our ethos and then they get to know us.</p>	<p>Company culture.</p>	<p>Business values and ethos.</p>
	<p>It's quite cheesy to say; they become part of the family, but really, they do become part of the family.</p>	<p>Ability to fit into the organisation.</p>	<p>Understanding the client's organisation.</p>
	<p>Which then assists in terms of decision making, in terms of providing professional advice.</p>	<p>Professional knowledge and experience required.</p>	<p>Subject matter expertise.</p>
	<p>We would send out a RFP.</p>	<p>Going out to tender.</p>	<p>Request for proposals.</p>
	<p>Prior to sending out a RFP we would obviously do the necessary investigation in terms of what an outsource partner should do in terms of services.</p>	<p>Company capabilities.</p>	<p>Technical expertise.</p>
	<p>Based on that we will then generate a RFP.</p>	<p>Going out to tender.</p>	<p>Request for proposals.</p>
<p>We would then go through the whole process where we get proposals, look at the proposal, and</p>	<p>Going out to tender.</p>	<p>Request for proposals.</p>	

	<p>yes, the fees that are charged are part of that assessment process. Once we have then narrowed it down to possibly three (3) candidates, we would then ask them to come and do a presentation and then based on the presentation we will then make an appointment. Once we've made an appointment obviously you have all the commercials such as your contract. When you are contracting with them, we will have a SLA in place to manage the operations between ourselves and the outsource partner and then it's just managing the relationship going forward in terms of what we require from them.</p>	<p>The fees that are charged are part of that assessment process.</p>	<p>Fees charged.</p>	<p>Amount of fee.</p>
		<p>We would then ask them to come and do a presentation and then based on the presentation we will then make an appointment.</p>	<p>Patterns of thought and conduct.</p>	<p>Integrity approach of</p>
<p>Researcher: What are the characteristics that the company looks for in a CREM service provider?</p>	<p>Participant C: Professionalism; honesty, part of honesty is openness and transparency and also good knowledge and experience in the real estate game. It really must be someone that has got a number of years under their belt in terms of working in the industry, understanding the shortcuts and what brokers do and how they manipulate the market. Giving advice in terms of the best possible solution and then also advising where money can be saved, where unscrupulous landlords are taking a bit of a chance. That all encapsulates this professionalism, knowledge and experience in the industry.</p>	<p>Professionalism.</p>	<p>Openness.</p>	<p>Transparency.</p>
		<p>Honesty.</p>	<p>Openness.</p>	<p>Transparency.</p>
		<p>Part of honesty is openness and transparency.</p>	<p>Openness.</p>	<p>Transparency.</p>
		<p>Good knowledge.</p>	<p>Skill set.</p>	<p>Technical expertise.</p>
		<p>Experience in the real estate game.</p>	<p>What is their experience.</p>	<p>Relevant experience.</p>
		<p>It really must be someone that has got a number of years under their belt in terms of working in the industry, understanding the shortcuts and what brokers do and how they manipulate the market.</p>	<p>What is their experience.</p>	<p>Relevant experience.</p>
		<p>Giving advice in terms of the best possible solution.</p>	<p>Knowledgeable advice.</p>	<p>Strong advisory capability.</p>

		Advising where money can be saved, where unscrupulous landlords are taking a bit of a chance.	Knowledgeable advice.	Strong advisory capability.
		That all encapsulates this professionalism.	Openness.	Transparency.
		Knowledge.	Skill set.	Technical expertise.
		Experience in the industry.	What is their experience.	Relevant experience.
<p>Researcher: How does the company identify service providers and again, can you tell me why that particular methodology is used?</p>	<p>Participant C: Once again if we've got an existing relationship, we will continue to use that outsource partner. If we have to look for a new partner, really, we will go test the market, we will find out who the players are out in the market. We will phone a couple people who could you recommend and we will get them to do an RFP, we would ask them to come in and present to us.</p>	If we've got an existing relationship.	Existing long-term relationship.	Trust.
		We will continue to use that outsource partner.	Stick to an existing provider.	Direct approach.
		We will find out who the players are out in the market.	Best in class consultants.	References/ reputation.
		We will phone a couple people who could you recommend.	Recommendations from other corporates.	Associate recommendations.
		We will get them to do an RFP.	Going out to tender.	Request for proposals.
		We would ask them to come in and present to us.	Patterns of thought and conduct.	Integrity approach.

### 11.3.4. Part 4. Success of CREM Outsourcing

**Table 11.12: Data Analysis of Organisation C's Success of CREM Outsourcing.**

Question	Data	Unit of Data	Code	Category
<p><i>Researcher: Has CREM outsourcing been a success or failure and can you tell me why you believe this to be so?</i></p>	<p>Participant C: Once again we haven't outsourced it. But I can say that the instances where we have utilised an outsource partner on a project basis, my exposure to it has been one interaction at the moment, with Service Provider C, it is still in the process of being finalised, it is close to completion. But certainly, the knowledge and experience that have been brought to the table by Service Provider C, has certainly assisted in resolving quite a tricky situation for us. In terms of where there are three (3) parties involved being the landlord, ourselves as the main lessee, and then you're dealing with a sub-lessee as well and then selling the property in terms of from one landlord to the other and sort of working through that muddy patch has assisted us in terms of Service Provider C's knowledge and his advice, it certainly has proven to be beneficial.</p>	<p>The instances where we have utilised an outsource partner on a project basis.</p>	<p>Accounting for variable organisational needs.</p>	<p>Flexibility.</p>
		<p>The knowledge and experience that have been brought to the table by Service Provider C, has certainly assisted in resolving quite a tricky situation for us.</p>	<p>Unique knowledge and experience required.</p>	<p>Subject matter expertise.</p>
		<p>Working through that muddy patch has assisted us in terms of Service Provider C's knowledge and his advice.</p>	<p>It's a success, as it has resolved a tricky situation.</p>	<p>CREM outsourcing successful.</p>
		<p>It certainly has proven to be beneficial.</p>	<p>It's a success, as the knowledge and advice provided helped us work through some difficulties.</p>	<p>CREM outsourcing successful.</p>
<p><i>Researcher: What factors and service-provider attributes (service provider skills) affect success and can you tell me why you consider these important?</i></p>	<p>Participant C: I think just being upfront; this is the way it is, these are the positives, here are the negative, here are the risks and this is what you can do and what you can't do. Really placing myself as a client in a position to make an informed decision. That is what I expect from an outsource partner, is to provide me with the information to be able to make an informed choice that is beneficial to myself as a client.</p>	<p>I think just being upfront.</p>	<p>Openness.</p>	<p>Transparency.</p>
		<p>This is the way it is, these are the positives, here are the negative, here are the risks and this is what you can do and what you can't do.</p>	<p>Knowledgeable and comprehensive advice.</p>	<p>Strong advisory capability.</p>
		<p>Really placing myself as a client in a position to make an informed decision.</p>	<p>Ability to place the client in a position to make an informed decision.</p>	<p>Strong advisory capability.</p>

		To provide me with the information to be able to make an informed choice that is beneficial to myself as a client.	Ability to place the client in a position to make an informed decision aligned with the client.	Strong advisory capability.
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## 11.4. Organisation D

### 11.4.1. Part 1. Company Profile

**Table 11.13: Organisation D's Company Profile.**

Description		Org. D
CRE Manager Title		Head of Commercial and Procurement
Core Business		Turnkey IT Solutions
Annual Turnover		R1,5-2 billion
No. of Sites Occupied		3
Extent of Sites Occupied		20 000 m <sup>2</sup>
Number of CREM Employees	Currently	4
	Three (3) Years Ago	6

### 11.4.2. Part 2. CREM Outsourcing Practices

**Table 11.14: Data Analysis of Organisation D's CREM Outsourcing Practices.**

Question	Data	Unit of Data	Code	Category
<p>Researcher: What corporate real estate management functions is the company currently outsourcing?</p>	<p>Participant D: If you talk about real estate management do you then refer specifically only looking at the leases and the properties that we own or then you talk about also managing those sites?</p>	<p>We have done full outsourcing of the management of the facilities.</p>	<p>Full outsourcing of the management of the facilities.</p>	<p>Facilities management.</p>
	<p>Researcher: This is what I would require you to tell me.</p> <p>Participant D: Because if it is about managing the sites then maybe the number I have given you in the previous question was also not correct. If I talk about managing the sites the number of people involved directly is four (4). And three (3) years ago it would have been about six (6).</p> <p>Then what we have done, we have done full outsourcing of the management of the facilities. What we are doing if it comes to negotiating of the leases and those types of stuff we do it internally. But when we talk about the day-to-day management of the facilities we have done a full outsourcing of those. We have two (2) people that are internal, are employees of Organisation D that are looking after it as internal employees but then we have a team of people from the outsourcing perspective that are helping us manage that. We are basically just managing that contract of the outsourcing.</p>	<p>When we talk about the day-to-day management of the facilities we have done a full outsourcing of those.</p>	<p>Full outsourcing of the day-to-day management of the facilities.</p>	<p>Facilities management.</p>

<p>Researcher: Is your firm using external service providers more, the same, less than it did three (3) years ago for its CREM?</p>	<p>Participant D: <b>The same.</b></p>	<p><b>Same.</b></p>	<p>Same external service providers.</p>	<p>Unchanged level of outsourcing</p>
<p>Researcher: What are the drivers/motives (reasons) that made the company pursue an outsourcing strategy for its CREM?</p>	<p>Participant D: There are a few drivers, I think <b>the first one is cost efficiency</b> and because it is not our core business. We are outsourcing because in that regard all the different stuff, the consumables and everything that we need from the facilities is then bundled into our service providers economies of scale and therefore we get better costing. Second one is that it is not our core business and we want to rather focus on our core business. We believe that <b>the people who we are outsourcing it to, that they are specialists in those areas</b>, and then because they are the experts, it's from a risk management perspective that we do that.</p>	<p><b>The first one is cost efficiency.</b></p>	<p>Cost efficiency.</p>	<p>Cost savings.</p>
		<p>It is not our core business.</p>	<p>Not our core business.</p>	<p>Focus on core business value chain activities.</p>
		<p>The consumables and everything that we need from the facilities is then bundled into our service providers economies of scale and therefore we get better costing.</p>	<p>Better costing.</p>	<p>Cost savings.</p>
		<p>It is not our core business and we want to rather focus on our core business.</p>	<p>Not our core business and rather focus on our core business.</p>	<p>Focus on core business value chain activities.</p>
		<p>The people who we are outsourcing it to, that they are specialists in those areas.</p>	<p>Specialists in those areas.</p>	<p>Access to technical expertise.</p>
		<p>They are the experts, it's from a risk management perspective that we do that.</p>	<p>Risk management.</p>	<p>Risk mitigation.</p>
<p>Researcher: Does the company have a corporate real estate management outsourcing strategy (aims, tasks and measurement of</p>	<p>Participant D: I don't think it is like a documented strategy but it is a strategy that we have been living with for quite a long time already now, we have been outsourcing the facilities for the last I would say twelve</p>	<p>I don't think it is like a documented strategy.</p>	<p>No documented strategy.</p>	<p>Informal guideline.</p>
		<p>It is a strategy that we have been living with</p>	<p>Existing local and long running</p>	<p>Local strategy.</p>

<p>outcomes) and if yes, is this strategy documented?</p>	<p>(12) years and since then we have just aligned with that. We have obviously a strategy of seeing what efficiencies we can drive from here to here but that is this part of our normal planning and not specifically linked to the outsourcing of the facilities strategy.</p>	<p>for quite a long time already now, we have been outsourcing the facilities for the last I would say twelve (12) years and since then we have just aligned with that.</p>	<p>CREM outsourcing strategy.</p>	
	<p>Researcher: And then, of that general strategy is that documented?</p>	<p>We have obviously a strategy of seeing what efficiencies we can drive from here to here.</p>	<p>What efficiencies we can drive from here to here.</p>	<p>Cost savings.</p>
	<p>Participant D: Our strategy from a company perspective is changing on an annual basis, it is like a live document and we do document strategies yes, and it is something that, in our mind because we are in the IT industry, we need to adapt very quickly. For us it is not a document that we document and then put it somewhere where nobody can find it ever again, it is a live document that we can adjust at any given time. So that would be a yes but it is constantly updated.</p>	<p>Our strategy from a company perspective is changing on an annual basis, it is like a live document and we do document strategies yes.</p>	<p>Our strategy is from a company perspective is changing on an annual basis.</p>	<p>Local strategy.</p>
			<p>We do document strategies yes.</p>	<p>Formal guideline.</p>
		<p>We need to adapt very quickly.</p>	<p>Accounting for variable business needs.</p>	<p>Flexibility.</p>
		<p>That would be a yes but it is constantly updated.</p>	<p>Yes.</p>	<p>Formal guideline.</p>

### 11.4.3. Part 3. Sourcing CREM Service Providers

Table 11.15: Data Analysis of Organisation D's Sourcing of CREM Service Providers.

Question	Data	Unit of Data	Code	Category
<p>Researcher: In practice, how did the corporation outsource its CREM i.e. please tell me about the steps the company followed (or would follow) in outsourcing its CREM, explain what each step entails and why?</p>	<p>Participant D: We do it on the basis of an external contract, <b>we go through an RFP process</b>. At the moment we have two different suppliers, actually one in Midrand and one in Cape Town, and that was just the end result of <b>an RFP process</b>. What we then do is just normally sign up for three (3) to five (5) year contacts, and then every three (3) to five (5) years we review those. <b>And we have recently done one for this building, we have completed the RFP about two (2) years ago</b>, we are now in the third year of a five (5) year contract. <b>We can however exit the contract with giving certain notice periods</b>. But <b>we are consistently reviewing efficiencies</b> and things that we need to adjust in those contracts, we are very flexible in amending those contracts as well if our requirements and the business requirements are changing.</p> <p>Researcher: What would have been the process prior to issuing that RFP?</p> <p>Participant D: It was obviously just a proposal by us and facilities management to exco, where we say <b>we want to go out on a RFP</b>. The process is then for them to just approve that we can do that, then we link up with the procurement department where we do a full procurement process, per our procurement policies and processes.</p>	<p><b>We go through an RFP process.</b></p>	<p>Going out to tender.</p>	<p>Request for proposals.</p>
		<p>An RFP process.</p>	<p>Going out to tender.</p>	<p>Request for proposals.</p>
		<p>We have recently done one for this building, we have completed the RFP about two (2) years ago.</p>	<p>Going out to tender.</p>	<p>Request for proposals.</p>
		<p>We can however exit the contract with giving certain notice periods.</p>	<p>Mechanism to exit the contract.</p>	<p>Flexible service terms.</p>
		<p>We are consistently reviewing efficiencies.</p>	<p>Reviewing efficiencies.</p>	<p>Cost savings.</p>
		<p>Things that we need to adjust in those contracts, we are very flexible in amending those contracts.</p>	<p>Mechanism to amend contract.</p>	<p>Flexible service terms.</p>

	<p><i>Researcher: Do you mind outlining that process for me please?</i></p> <p>Participant D: It is very detailed, it is a very long process, there is a lot of authorisation steps and all of that, but on the high level it means that procurement acts then as a third-party, reviewing the whole process. We set up a scorecard of all the stuff that is important for us in procurement, <b>then have a very detailed scope of what we require from the market.</b> They then set up the whole RFP, send it into the markets to very specific players that we identify can deliver the services, all of them then respond and then based on our scorecard, we then do a suggestion of who do we want to do the final contract negotiation with. Once that is approved we start the final contract negotiation and then once the contract is signed, we appoint the service provider.</p>	<p>If our requirements and the business requirements are changing.</p>	<p>Accounting for variable business needs.</p>	<p>Flexibility.</p>
		<p>We want to go out on a RFP.</p>	<p>Going out to tender.</p>	<p>Request for proposals.</p>
		<p>Then have a very detailed scope of what we require from the market.</p>	<p>Scope of what we require from the market.</p>	<p>Technical expertise.</p>
		<p>They then set up the whole RFP, send it into the markets to very specific players that we identify can deliver the services.</p>	<p>Going out to tender.</p>	<p>Request for proposals.</p>
<p><i>Researcher: What are the characteristics that the company looks for in a CREM service provider?</i></p>	<p>Participant D: Obviously from a culture perspective we try to look for somebody that has the same kind of culture as us as a company. We look at things that is important for us, if this provider is also playing a role. Example, if you talk about transformation within South Africa, that is a topic that is very important to us and the way that we deal with our suppliers and customers is that we like somebody to share the same kind of culture. And then obviously you have the administrative kind of stuff, there are tick boxes that we need to have, <b>they need to be able to do the service</b>, they have to have a clear track record, we need to be able to ensure that all our risks that we want to be mitigated in that process is mitigated. And then we need to know that the</p>	<p>From a culture perspective we try to look for somebody that has the same kind of culture as us as a company.</p>	<p>Company culture.</p>	<p>Business values and ethos.</p>
		<p>We like somebody to share the same kind of culture.</p>	<p>Company culture.</p>	<p>Business values and ethos.</p>
		<p>They need to be able to do the service.</p>	<p>Company capabilities.</p>	<p>Technical expertise.</p>
		<p>They have to have a clear track record.</p>	<p>What is their experience.</p>	<p>Relevant experience.</p>
		<p>We need to be able to ensure that all our risks that we want to be mitigated in that process is mitigated.</p>	<p>Risk management.</p>	<p>Risk mitigation.</p>

	<p>people have the right triple B double EE (B-BBEE) certification and then all the rest of the ISO certification and health and safety qualifications all those kinds of stuff. It is a very long checklist and then we need to make sure that they tick all those boxes.</p> <p><i>Researcher: In that sense then, what would be the top three (3)?</i></p> <p>Participant D: If we do look at our procurement, we always look at, one of the first quality gates is the triple B double E (B-BBEE) certification. Then the second one is are they able to deliver, the quality of how they will be able to deliver and then the third one would be price.</p>	<p>We need to know that the people have the right triple B double EE (B-BBEE) certification.</p>	<p>Legal compliance in the South African context of procurement.</p>	<p>Regulatory compliance.</p>
	<p>Then all the rest of the ISO certification.</p>	<p>Legal compliance in the South African context of products/services standards.</p>	<p>Regulatory compliance.</p>	
	<p>Health and safety qualifications all those kinds of stuff.</p>	<p>Legal compliance in the South African context of health and safety.</p>	<p>Regulatory compliance.</p>	
	<p>One of the first quality gates is the triple B double E (B-BBEE) certification.</p>	<p>Legal compliance in the South African context of procurement.</p>	<p>Regulatory compliance.</p>	
	<p>Are they able to deliver.</p>	<p>Company capabilities.</p>	<p>Technical expertise.</p>	
	<p>The quality of how they will be able to deliver.</p>	<p>Track record of their experience.</p>	<p>Relevant experience.</p>	
	<p>The third one would be price.</p>	<p>Price.</p>	<p>Amount of fee.</p>	
<p><i>Researcher: How does the company identify service providers and again, can you tell me why that particular methodology is used?</i></p> <p>Participant D: It's simple we follow our standard procurement policies and processes and that is just because that is our guideline that we are able to work within, we are not allowed to move outside of those policies and processes. Being part of a shareholder sitting in Germany, they have very specific processes and we just have to follow it, we are not allowed to go outside those processes.</p> <p><i>Researcher: You did say it would be an RFP, now in terms of that RFP would it then go out to the general public or?</i></p>	<p>It's simple we follow our standard procurement policies and processes and that is just because that is our guideline that we are able to work within, we are not allowed to move outside of those policies and processes. Being part of a shareholder sitting in Germany, they have very specific processes and we just have to follow it</p>	<p>Existing global outsourcing strategy.</p>	<p>Global strategy.</p>	

<p>Participant D: No, because it is facilities management there are only that many players in South Africa that can do it on this scale; we normally have closed tenders, we invite specific suppliers.</p> <p><i>Researcher: Exactly how would you identify those specific people to invite?</i></p> <p>At the moment, it is based on past experience. Because the industry is so small in South Africa, there are a few big players and it is based on that experience that we then invite them.</p>	<p>There are only that many players in South Africa that can do it on this scale.</p>	<p>Company capability.</p>	<p>Technical expertise.</p>
	<p>We normally have closed tenders, we invite specific suppliers.</p>	<p>Going out to tender, closed tender.</p>	<p>Request for proposals.</p>
	<p>It is based on past experience.</p>	<p>Track record of past experience.</p>	<p>Relevant experience.</p>
	<p>The industry is so small in South Africa, there are a few big players.</p>	<p>Best in class consultants.</p>	<p>References/reputation.</p>
	<p>It is based on that experience that we then invite them.</p>	<p>Track record of past experience.</p>	<p>Relevant experience.</p>

#### 11.4.4. Part 4. Success of CREM Outsourcing

**Table 11.16: Data Analysis of Organisation D's Success of CREM Outsourcing.**

Question	Data	Unit of Data	Code	Category
<p><i>Researcher: Has CREM outsourcing been a success or failure and can you tell me why you believe this to be so?</i></p>	<p>Participant D: I would say it is a success. First of all, it is much more efficient in getting experts to manage this whole building and everything for us and from a cost perspective we have been able to drive efficiencies year on year since we started with the strategy. So definitely, if I look at how well the building is maintained, that we have never had any issues from a regulatory perspective, I would say that it is a success then.</p>	<p>I would say it is a success. First of all, it is much more efficient in getting experts to manage this whole building and everything for us.</p>	<p>It's a success, it is much more efficient to have experts manage the building.</p>	<p>CREM outsourcing successful.</p>
		<p>From a cost perspective we have been able to drive efficiencies year on year since we started with the strategy.</p>	<p>It's a success, owing to driving efficiencies year on year.</p>	<p>CREM outsourcing successful.</p>
		<p>Definitely, if I look at how well the building is maintained.</p>	<p>It's a success, looking at how well the building is managed.</p>	<p>CREM outsourcing successful.</p>
		<p>That we have never had any issues from a regulatory perspective, I would say that it is a success then.</p>	<p>It's a success, owing to no regulatory compliance issues.</p>	<p>CREM outsourcing successful.</p>
<p><i>Researcher: What factors and service-provider attributes (service provider skills) affect success and can you tell me why you consider these important?</i></p>	<p>Participant D: I think first of all, the factors are the ability of the supplier to fit in with Organisation D as a company because they are here every single day, they become part of the Organisation D family. And then obviously their expertise, understanding our specific requirements but not only understanding what we want, but guiding us where we do not know what we need to do. If you look at all the regulatory issues that you have to abide by, if you do not know what you need to do then you are going to have big problems. It is bringing</p>	<p>I think first of all, the factors are the ability of the supplier to fit in with Organisation D as a company because they are here every single day, they become part of the Organisation D family.</p>	<p>Ability to fit into the organisation.</p>	<p>Understanding the client's organisation.</p>
		<p>Obviously their expertise.</p>	<p>Their expertise.</p>	<p>Technical expertise.</p>
		<p>Understanding our specific requirements.</p>	<p>Ability to understand the organisation's specific requirements.</p>	<p>Understanding the client's organisation.</p>
		<p>Not only understanding what we want, but guiding us where we do not know what we need to do.</p>	<p>Guiding us where we do not know what we need to do.</p>	<p>Strong advisory capability.</p>
		<p>If you look at all the regulatory issues that you have to abide by, if you do not know what you need to do then you are going to have big problems.</p>	<p>Knowledgeable about the regulatory matters to be abided by.</p>	<p>Technical expertise.</p>

	<p>their expertise then to us in such a way that we can then work together, although we are managing it as an external contract it is still something we do together, it is not an us and them.</p>	<p>It is bringing their expertise then to us in such a way that we can then work together.</p>	<p>Delivering the service in a manner aligned with the organisation.</p>	<p>Understanding the client's organisation.</p>
	<p>Although we are managing it as an external contract it is still something we do together, it is not an us and them.</p>	<p>Although we are managing it as an external contract it is still something we do together, it is not an us and them.</p>	<p>Delivering the service in a manner aligned with the organisation.</p>	<p>Understanding the client's organisation.</p>

## 12. Annexure E – Ethics Clearance

**Application for Approval of Ethics in Research (EIR) Projects**  
**Faculty of Engineering and the Built Environment, University of Cape Town**

### APPLICATION FORM

**Please Note:**

Any person planning to undertake research in the Faculty of Engineering and the Built Environment (EBE) at the University of Cape Town is required to complete this form before collecting or analyzing data. The objective of submitting this application *prior* to embarking on research is to ensure that the highest ethical standards in research, conducted under the auspices of the EBE Faculty, are met. Please ensure that you have read, and understood the EBE Ethics in Research Handbook (available from the UCT EBE, Research Ethics website) prior to completing this application form: <http://www.ebe.uct.ac.za/ir/eberesearch/ethics.pdf>

APPLICANT'S DETAILS		
Name of principal researcher, student or external applicant	Tapiwa P. Modise	
Department	Construction Economics and Management	
Preferred email address of applicant:	tapiwa.p.modise@gmail.com	
If a Student	Your Degree: e.g., MSc, PhD, etc.,	MSc Project Management
	Name of Supervisor (if supervised):	Dr. Nien-Tau Tuan
If this is a research contract, indicate the source of funding/sponsorship.	N/A	
Project Title	An Exploration of the Selection Criteria of Outsourcing Corporate Real Estate Management in South Africa	

I hereby undertake to carry out my research in such a way that:

- there is no apparent legal objection to the nature or the method of research; and
- the research will not compromise staff or students or the other responsibilities of the University;
- the stated objective will be achieved, and the findings will have a high degree of validity;
- limitations and alternative interpretations will be considered;
- the findings could be subject to peer review and publicly available; and
- I will comply with the conventions of copyright and avoid any practice that would constitute plagiarism.

SIGNED BY	Full name	Signature	Date
Principal Researcher/ Student/External applicant	Tapiwa P. Modise	<i>Tapiwa</i>	03 May 2017

APPLICATION APPROVED BY	Full name	Signature	Date
Supervisor (where applicable)	Dr. Nien-Tau Tuan	<i>Nian</i>	03 May 2017 Click here to enter a date.
HOD (or delegated nominee) Final authority for all applicants who have answered NO to all questions in Section 1; and for all Undergraduate research (including Honours).	<i>Manya Many</i> Click here to enter text.	<i>many</i>	9/5/2017 Click here to enter a date.
Chair: Faculty EIR Committee For applicants other than undergraduate students who have answered YES to any of the above questions.	Click here to enter text.	<i>many</i>	9/5/2017 Click here to enter a date.