

CRE vs Strategic FM – which will prevail?



Rodney Timm debates the importance of separating the definitions of corporate real estate and facilities management.

Two of the most misunderstood and misused concepts in the property industry are ‘Corporate Real Estate’ and ‘Facility Management’. This is particularly true if the latter term is prefaced with the word strategic.

This confusion is further complicated by the use of the terms ‘Real Estate’ or ‘Property’. This one is easy to solve. Those who see England as the mother country, probably still refer to immovable assets in which we live, sleep and work as property. But those for whom the star spangled banner is prominent in life and business references, probably think real estate.

But let us accept for now that property and real estate mean the same thing and move onto the more confusing concepts of Corporate Real Estate (CRE being the acronym) and Facility Management (FM) services. The first principle to accept is that both terms should be focused on the users and occupiers. This represents the primary corporate infrastructure resource in which to conduct business – whatever that may be.

Some may take exception to this perspective. After all, many FMers are

employed by the supply side – the owners of the assets. True, but as all FMers know – to be successful in their jobs, they need to maintain a very strong customer (that means ‘user’) focus. FMers are usually the key interface between the users and owners of the assets – in which role they should probably more appropriately be called building services managers.

Generally it is assumed that CRE is more focused on strategic issues, while FMers are focused on the day-to-day running of the buildings. Although this may generally be true, there are many FMers, often in government employment, who have primary responsibility for much of the significant strategic decision-making related to properties. Conversely, there are many CRE executives who are so focused on transactions that real estate strategic alignment with business objectives is forgotten. So who are the strategists and who are the doers?

It is best to think of property related services supporting the corporate infrastructure requirements as a continuum with no clear distinction between FM and CRE. Despite the lack of recognition in the corporate landscape, FMers and CRE executives usually have the biggest corporate infrastructure challenge to manage. Property still represents the longest corporate liability and/or the lumpiest assets to manage in the face of uncertain change.

Understanding the spectrum of expected services and the evolution of the responsibilities of FMers or CRE executives, provides an indication of the changing nature of the required skills. Corporate needs have changed. The role of support has evolved over the last decade in keeping with the changing corporate challenges. Gone are the days of focus on janitorial and engineering services with a strong technical focus. These services are expected as a given, delivered effectively and efficiently without compromise.

The first evolutionary phase is minimising building and other property costs. This is often based on detailed analysis of utilisation rates undertaken with a controller mentality. All business units are required to adhere to strict standardisation of usage benchmarks, no matter what the function or business process is being undertaken. This is all about efficiency with very little thought for effectiveness.

During this phase asset registers are rigorously updated or created, often for the first time. Suddenly corporations discover what they really own and/or lease and how significant the recurrent costs are. It is expected (and hoped) that most corporations (and governmental agencies) are past this stage.

The next focus is on tactical, transaction-based ‘problem solving’. This approach is still favoured by many CRE

executives, particularly those ‘deal-junkies’ who have come through the ranks of real estate agency firms. However this focus does very little to provide a sustained strategic advantage to corporations. A strategy is not a bunch of great real estate deals shackled together.

Business planning and understanding the real estate markets is now the focus. A real understanding of the longer term implications of real estate commitments, be they leases or ownership, against the back-drop of property cycles and business needs, starts to provide sustainable corporate advantage. But is this approach enough to meet the challenges of the future, particularly considering the ongoing nature of change?

Because of the nature of the corporate assets under their control, CRE executives and FMers operating at the strategic level are being forced to evolve into business strategists – ignoring the industry models of the past and thinking about possibilities. They need to assimilate the property implications of various business scenarios. The challenge is how to convene the workforce,

whatever they do, most productively – however, wherever, and whenever.


An intimate understanding of the ‘business of the business’ and the co-creation of business strategies with the business unit leaders is now mandatory to stay relevant.

Obviously, with this evolution the required skills also need to evolve. For some this may be not possible. A transaction junky should not be talking strategy; a strategist will not provide the attention to detail to ensure consistent building service performance; and a traditional FMer may be frustrated thinking scenarios and possibilities.

The key message is that a range of skills are required across the FM/CRE spectrum.

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Every level of service across the spectrum is vital and as important as the next for the effective delivery of corporate infrastructure requirements.

So back to the debate – CRE versus FM – but why bother? Let’s just make sure we collaborate and focus on providing our customer base, the boardrooms of corporate Australia, with operational services and the strategic support they need to maintain their competitive advantage – no matter whether we call ourselves CRE executives or strategic FMers. 

Rodney Timm is a director of Property Beyond Pty Ltd – rodney.timm@propertybeyond.com



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Please contact Ian Weiner
Adept Business Systems P/L
Ph: 02 94 16 2677
email: sales@adept.com.au

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