Explorative research into the significance of activities of the corporate real estate management organisation in different phases of the merger and acquisition process

Bontekoning, B.R.; Appel - Meulenbroek, H.A.J.A.; Smeets, J.J.A.M.; Ramakers, Y.

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Exploratory research into the significance of activities of the corporate real estate management organisation in different phases of the merger and acquisition process

Barry Bontekoning, Rianne Appel-Meulenbroek*, Jos Smeets and Yvette Ramakers

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*Department of Architecture, Building and Planning, Eindhoven University of Technology, Eindhoven, The Netherlands
E-mail: h.a.j.a.appel@tue.nl

Barry Bontekoning MSc recently graduated from the Eindhoven University of Technology. He wrote his master’s thesis on the topic of this paper. He is currently a real estate consultant at EY Real Estate Advisory.

Rianne Appel-Meulenbroek PhD is an assistant professor of corporate real estate management (CREM) at the Eindhoven University of Technology. Her education and research activities focus on the way in which CREM can provide added value for an organisation and its employees.

Jos Smeets PhD is an associate professor of real estate management at the Eindhoven University of Technology. His education and research activities focus on residential real estate and housing management.

Yvette Ramakers MSc works as a manager at EY Real Estate Advisory. She has mentored the thesis work within the graduation section of the company. Her business focus is on the public sector.

Abstract

The purpose of this paper is to identify which activities of the corporate real estate management (CREM) organisation need to be performed during the different phases of a merger and acquisition (M&A) process. These activities show the possible role for CREM during this process in order to offer better support and possibly add more value to the organisation. First, a review of CREM literature provided a list of CREM activities. General literature on M&A processes helped to identify the different phases of M&As. Then, case studies of three multinational companies that recently had gone through an M&A process were performed. In order to confirm the findings on activities for each phase, three real estate advisors were also interviewed to further explore the role of CREM during the M&A process. In total, 33 CREM activities were found in the literature that were relevant for the CREM organisation, coupled with two more activities mentioned by the interviewees. The interviews showed that all the CREM activities are important during at least one of the phases of the M&A process. A framework has been developed with the activities that were mentioned most for each of the phases to increase usability of the research in practice. The importance of the activities of the CREM organisation during the M&A process has hardly been studied. This study attempts to provide more insight into this topic, with the aim to make CRE managers aware of the role they could play within an M&A to increase alignment with corporate decision making.
INTRODUCTION

Over the last 20 years there has been a clear development, both in academic and professional terms, in corporate real estate management (CREM). CREM has developed into a strategic management discipline that requires the same amount of attention as other strategic disciplines. The evolution of CREM has shown a changing role for the corporate real estate (CRE) manager from task master to business strategist. The primary aim of a strategic CREM organisation is to make sure that its CRE strategies are optimally aligned with its corporate strategies to provide added value for the organisation. The importance of this alignment of CRE strategies and corporate strategies has been emphasised by many. A consecutive step in this alignment is tuning the CREM organisation to CRE strategies as well.

Alignment decisions are made in organisations every day, but are especially important when less frequent but high impact changes to the organisation are planned, like corporate restructuring. One of the most popular means of corporate restructuring is a merger or acquisition. When a company merges with another company, it acquires obligations, holdings, liabilities and also real estate assets. More companies are pursuing merger and acquisition (M&A) growth strategies, but real estate is often overlooked in the process. There has been almost no academic research on this topic; however, ‘trade and business’ literature has given attention to this topic in the past. Bloch (1999) states that taking a merger perspective sets a fine stage for enhancing the performance of people and the CREM organisation. He linked the merger perspective with corporate goals and strategies. The moment of executing a merger could be the moment to reconsider and improve the CREM organisation. But to do so, the activities that the CREM organisation could undertake in an M&A process need to be more clarified. Kessler-Park and Butler (2002) were the first to set out a comprehensive framework and process for determining and evaluating merged or consolidated site and facility plans. Although their paper has provided interesting insights into CREM during merger processes, they did not perform empirical research to support their ideas; neither did Willems (2005) or Kooman (2006), who studied real estate decision making in the case of an M&A without focusing on CREM activities. So these studies did not look at the relevance of the activities of the CREM organisation during the different stages of the M&A process.

To be able to support the M&A process and increase alignment with corporate decision making more insight is needed into the importance of the activities of the CREM organisation during different phases. This paper describes an explorative study of three case studies that recently went through an M&A, supplemented by interviews with CREM experts who supported M&A processes, to provide such insights. After a review of the literature (the following two sections), the empirical approach is explained in more detail, followed by the findings. The ranking lists of activities that resulted from the interviews and case studies have been transformed into a process framework to support decision making. The paper ends with conclusions and recommendations for further research.

ACTIVITIES OF CRE AND FACILITY MANAGERS

CREM tasks can be differentiated into core, support and management tasks. The core processes generate a product or service and include contact with clients. Support processes facilitate the other processes but are not directly connected with products or
services. The management processes develop the system and lead the elements to fulfil the organisation and reach its goals. Figure 1 shows the distinction between the three process levels of the CREM organisation provided by Kämpf-Dern and Pfnür (2014), based partly on the real estate life cycle tasks of Hartmann et al. (2010). It shows that each process level has its own tasks/activities. The CREM organisation is generally not directly generating core activities, but is generating a service and has internal clients. It should be seen as a strategic support function within a company, like other resources (e.g., information and communication technologies (ICT), personnel etc).

Heywood and Kenley (2007) developed the CREM strategic framework, which provides a comprehensive account of the real estate practices required for CREM to operate strategically (see Figure 2) for each of these three task levels. Although they labelled the levels differently, as do other similar studies, there is no debate about the meaning of each level. On the strategic level, strategies should be formulated that will influence the entire real estate portfolio of the company. On the tactical level, the policy is drawn up in line with the strategy. At this level the focus is still on the portfolio but also starts to be on the property level. Property management (operations) is mainly focused on facility management and usually location managers are assigned to specific properties to take care of this.

Other authors have not focused on assigning activities to different organisational levels, but have tried to create rankings for the importance of future knowledge and skills of CREM. Gibler et al. (2002) analysed the knowledge and skills perceived as important to CREM in the future for Australia, the USA, the UK and Hong Kong; their knowledge/skills represent activities of the CREM organisation as discussed above. Roulac et al. (2003) similarly studied the role of real estate in corporate decision making, specifically within Ireland, and compared this to the results from Gibler et al. In both studies, the respondents working at a senior management level were asked to rank the role/characteristics of real estate and future knowledge and skills perceived.
as important for CREM. According to Roulac et al. (2003), the comparative analysis at an international level indicated that the findings from the Irish survey do not differ significantly from the international level or in larger economies (eg the UK, the USA, Australia and Hong Kong), only the order of the ranks was different. The top five activities were:

(1) strategic planning;
(2) real estate portfolio management;
(3) organisation’s core business activity;
(4) negotiation and deal making; and
(5) customer relations.

Table 1 compares the ranking studies with studies that created lists of CREM activities, which resulted in the identification of 31 main activities for the CREM organisation, as listed in the last column of the table. The most prominent (mentioned by more than three studies) general CREM activities resulting from this comparison (in order of the number of studies in which they were mentioned) were:

- facility management;
- (real estate) development;
- leasing and property (lease) administration;
- acquisition and disposition;
- strategic planning/scenario planning;
- information technology (IT);
- portfolio management;
- project management/development.

Then the list based on literature studies was compared with two models from practice, particularly composed for guiding CREM during the M&A process. This provided two additional activities to add to the list, namely: transition management and organisation optimisation. As a final step, these 33 activities were assigned to the three levels of CREM: the strategic portfolio management, tactical asset management and operational property management levels (see Figure 3). The general management and support functions were added separately to create an organisational structure for CREM and to assign the activities that

Figure 2 The CREM strategic framework
Table 1: Defined unique CREM activities from the literature

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were not related to any of the three levels. This structure formed the basis for the empirical part of this paper, where these activities were assigned to the M&A phases identified in the next section.

**Mergers and Acquisitions**

An acquisition is defined as an act of acquiring effective control over the assets or management of a company by another company without any combination of business or the companies. A merger is said to occur when two or more (equal) companies combine into one new company.\(^{31}\) The concepts and processes of a merger or acquisition are mostly used interchangeably and acquisitions are in practice mostly presented as a merger of equals.\(^{32}\) Consequently, the processes are fairly identical and, for the purposes of this study, have been assumed to be one overall M&A process.

The recurrent appearance of M&As over recent decades has led to an increasing interest in this phenomenon in today’s corporate world.\(^{33}\) Numerous publications concerning this topic have been contributed by academics. M&A has become a standard instrument for strategic management, both for large international corporations and small to medium sized enterprises (SMEs). M&As have played an important role in the external growth of a number of leading companies all over the world and M&A activity around the world has been booming for the last three decades.\(^{34}\) In 2007, M&A activity peaked at a value of US$4.6trn and, in 2014, the global M&A volume reached US$3.6trn.\(^{35}\) Real estate is usually not the driver in an M&A

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**Figure 3 CREM activities assigned to the levels of CREM and management and support functions**
however, Brounen et al. (2012) mention that undervalued balance sheets of real estate holdings can attract hostile takeover bids.36 In general, the perception of M&As in society is mostly negative as they are often related to cost-cutting and loss of workplaces.37

The M&A process can be divided into three phases: the pre-merger, transaction and post-merger phases.38 For each of these phases, the case study interviews were focused on exploring important related CREM activities. The phases and corresponding tasks within each of the phases are shown in Figure 4. The next section will explain how the activities were assigned to these phases.

METHODOLOGY
As this was an exploratory study on a fairly new topic, case studies and interviews with experts seemed to be the most appropriate methods for gathering data. The aim of the interviews was not to analyse a lot of companies, but to give a more profound insight into the activities of the CREM organisation during an M&A process. Therefore, in-depth case studies with a small number of companies were performed. A qualitative approach was applied, using semi-structured interviews with CRE managers and real estate advisors. Multiple criteria were applied in selecting the companies for the case studies. First, the companies had to have an experienced CREM organisation of sufficient size. The second criterion was that the company had recently (in the last decade) undergone at least one M&A deal where the CREM organisation had been involved and had played an important role in the process. Eventually three companies participated in this study, each from a different industry:

Figure 4 Phases of the M&A process and general activities
To validate the findings from the case studies, subsequently three real estate advisors with extensive experience in CREM during an M&A process were interviewed.

A cross-case analysis was applied to the results of the six interviews, to derive the most commonly performed (or advised) activities for each phase. It also provided insight into the differences between the opinions of the real estate advisors and the CREM practitioners. For a better overview of important activities and to improve the practical use of the results, a process framework for CREM was developed from these findings. In the framework only the activities were included which had been mentioned by three or more interviewees.

### Pre-merger phase

This phase entails the initial start-up of looking for M&A opportunities and the identification and assessment of candidates. In this stage usually only the board of the...
The company is aware of the M&A deal and the CREM organisation is usually not involved yet. The opinions of the interviewees about the role which CREM could play during the pre-merger phase were diverging. Two out of three advisors thought that the CREM organisation should just have a small or even no role in the pre-merger phase; however, 23 activities for the CREM organisation could already be relevant in this first stage of the M&A process according to some interviewees (see Figure 5). Portfolio management was mentioned the most (by two of the case studies and one expert) and this is primarily about having a clear record of the current real estate portfolio and identifying all the risks, before acquiring another company with a real estate portfolio. Performance measurement/benchmarking, value management and data (room) management were mentioned the most, although still only by two case studies and none of the advisors. Data (room) management is about reporting all the relevant information of the target company. As Timson (2015) states, the virtual data room has evolved to offer greater efficiency in the due diligence for purchasing CRE in general.\textsuperscript{39} (Financial) analysis and counselling, finance/accounting, strategic planning/scenario planning and compliance were all mentioned by one case study and one advisor. The internal finance and accounting aspects could already be optimised before acquiring new businesses. Compliance did not come forward as a specific activity in the literature, but the primary vision of the interviewees about this activity was based on real estate fraud cases in the past. In the cases where the CREM organisation already got involved in the deal in the pre-merger phase, companies indicated that some initial ‘nice to have’ activities could be performed, such as acquisition/disposition, alliance management,
investment appraisal, IT, location practices, and so on.

Figure 5 also shows that the advisors found fewer CREM activities to be relevant in the pre-merger phase than the CREM practitioners. The advisors all agreed on the limited role for the CREM organisation in the pre-merger phase, because the CREM organisation usually gets involved in the transaction phase and is only supporting the primary business; however, the companies shared the opinion that CREM already could be relevant. Most of these activities are ‘nice to have’ as preparation for the deal. The companies noted that they could already do some pre-work before the due diligence starts; however, the real work for the CREM organisation starts with the due diligence, which was also confirmed by the companies.

The only activities that were mentioned by both companies and advisors were portfolio management, (financial) analysis and counselling, finance/accounting, strategic/scenario planning and compliance. Activities only mentioned by the advisors mainly concerned mapping the current portfolio before starting an M&A process, which probably could be explained because most of the companies would suggest that their portfolio was already revised well and reported correctly.

Transaction phase

In contrast to the pre-merger phase, the CREM organisation can be more important in the transaction phase and perform a lot more activities (30 out of the 35 on the list) to support the business during the M&A process (see Figure 6). In the transaction phase, specifically activities related to due diligence were mentioned, which confirms the findings of Angwin (2001) who said that due diligence plays a critical role in an M&A. In this due diligence the entire target company is scrutinised by the acquirer. The due diligence is required to deliver a positive contribution to the business case. Everything that has an impact on the profit and loss (P&L) and provides a liability is relevant in the due diligence. The most important activity that was mentioned by all of the interviewees was data (room) management. According to the interviewees, when the transaction phase starts, a secured data room
needs to be set up, whereby IT is also relevant (also for real estate reporting). For this data room the CREM organisation needs rental contracts, proprietary contracts, financial statements, property maintenance plans, and information about the real estate organisation and facility management services outsourcing contracts to abstract and analyse, for acquiring the key data on the portfolio of the target company. A proper risk analysis of appraisals, finance, rental contracts, alliance contracts and employees of the target company is essential. The CREM organisation also should ask some serious questions about the portfolio of the target to acquire all the needed information. Data (room) management was not mentioned specifically in the literature, however, its importance can be explained by the fact that a lot of data are needed for a transaction and should be stored in a secured environment.

Appraisal and risk management were mentioned by five out of six interviewees. Appraisals are performed by external independent companies. Each property of the target company needs to be valued and the risks concerning all assets of the target should be identified, for example, overdue maintenance and public law restrictions on properties. Value management is applicable in combination with appraisals to search for hidden value. Hidden value can be the examination of possible developments to create added value. With regard to the appraisals, the company should perform two types of appraisals: the as-is appraisal, which will be communicated to the target, and the potential future value appraisal. Also, the target company could benefit from proper real estate due diligence.

Acquisition/disposition and location practices were both mentioned by four of the interviewees as relevant, for example, identifying overlap of real estate/locations to find quick wins in accommodation. Also, the activities of lease and property (lease) administration, personnel management/
mentioned all of the activities as being relevant in the post-merger phase, except IT which was assigned to a different department.

The physical acquisition/disposition will usually take place at the beginning of the post-merger phase and was mentioned by all of the interviewees; however, CREM managers should bear in mind that some M&As involve the acquisition of assets of the target rather than stocks, in which case the professionals (at least the lawyers) need to directly review, address and transfer the real estate as part of the transaction process itself rather than only in the post-merger process. Organisational optimisation and transition management were indicated as important by all of the interviewees as well. Transition management in this case means the systematic implementation and monitoring of changes in the CREM organisation that also will lead to added value. (Workplace) design and space planning concerning the planning and physical integration of workplaces was mentioned by most of the interviewees (five out of six). The employees of the entire company should be disturbed as little as possible by moves and changes. As finance/accounting activities, the financial systems, P&L statement and balance sheet need to be integrated into one system. Leasing and property (lease) administration are relevant because of integrating the lease and property administration of the properties of both companies. When this administration is outsourced it requires some extra attention. Portfolio management, project management/development, strategic planning/scenario planning and performance measurement/benchmarking were mentioned by five interviewees as well. Strategic planning/scenario planning concerns the execution of the strategic plans and mapping of the drawn scenarios. Changes are mostly initiated centrally and the plans will be handed over to the operational staff locally. Four interviewees added the activities of customer and client relationship management (both internal and external), asset management, personnel management/HR (new staffing plans and recruitment), risk management of changes and value management of the new organisation.

Figure 7 also shows that many activities were mentioned by at least one company and one advisor; however, there were also eight activities that the advisors did not deem relevant for this phase, although they were sometimes mentioned by all three case studies (eg design and construction management). These were mostly finance and environment-related activities. On the other hand, all of the advisors mentioned value management against just one of the companies. This might be explained by the fact that advisors usually advise companies about maximising the added value for their organisations, while companies are busy managing all the activities on time and do not always have the time to aim for maximising added value.

Process framework

Figure 8 shows the process framework in which the most important activities in the pre-merger phase, transaction phase and post-merger phase have been summarised. Concerning the pre-merger phase, portfolio management was mentioned the most so the subtitle of this phase was called ‘Portfolio’. Within the transaction phase, data (room) management was mentioned the most. As this is highly related to due diligence, the subtitle of this phase was called ‘Data and due diligence’. The last phase concerns the implementation of plans and the integration of all the activities and thus was given this title. Only the most important CREM activities mentioned by the interviewees were put in the framework. The activities that were mentioned three times or more were listed within the corresponding M&A phase in the framework, with a short description of each activity. Some activities were put together when they were mentioned by the same per-
When companies decide to start with due diligence, the CREM organisation starts to be far more relevant. The opening of a secured data room is the most important activity. After that, all the information of the target company, such as rental and proprietary contracts, financial statements, property maintenance plans, information on the real estate organisation and facility management outsourcing contracts needs to be collected and analysed. The acquiring company could formulate some key questions to acquire more information about the target company. Also creating a project team with other work streams (eg HR and finance) is important for an integral analysis. Searching for hidden value in the real estate assets of the target can be very profitable for the organisation.

Concerning the post-merger phase, it is very important to manage the implementation and integration of all the activities and functions. The employees of the entire company should be disrupted as little as possible.
by the move of the company and all the re-integrations of workplaces etc. The focus of activities will be mainly on the tactical and operational levels. The actual acquisitions and dispositions will be performed in this phase and the entire organisation needs to be optimised. The transition could be supported by change programmes and the physical workplaces need to be integrated. Financial consolidation is necessary in this phase. New leasing contracts will be arranged and the lease administration should be integrated. Performance measurement concerning the new implementations and strategic planning/scenario planning still will be applicable for the continued growth and improvement of the organisation and its strategies.

CONCLUSION AND RECOMMENDATIONS

This study has provided a first indication of important CREM activities to possibly add more value and support during M&A processes. The developed process framework with CREM activities could be used by CRE managers or applied by advisors as a kind of guidebook or manual when going through an M&A process. The results do not show the optimal CREM activity list during M&A processes but provide more insight into a possible role for CREM in the different phases. Users of the process framework are pointed towards the activities they should consider in their specific situation. They could walk through the lists and pinpoint whether they have forgotten any important activities for the phase they are currently in. Also, they could use the framework to plan activities for the next phases of the current M&A and write a manual for future M&A processes.

The framework is based on the results of six interviews and the process is never exactly the same. External validity of the results is still low, as only a few interviews could be held. Besides time restrictions, this was largely due to the fact that not many companies had gone through M&As and involved their CREM department. The interviewed professionals also may have a limited view of what happens in the pre-merger and transaction phases of M&A as discussed, because of the late involvement of CREM in the process. The professionals who had more intensive involvement in those earlier phases (such as corporate lawyers and investment bankers) were not represented in the interviews. These types of professionals could be involved in further research to get different points of view from different types of professionals. Also, the opinions of the interviewees sometimes were highly diverting, so more research on the reasons behind those differences is necessary. The findings from the study do show the importance of a CREM organisation that is still often overlooked by general management. Hopefully, it will make them more aware of a possible role for CREM in the organisation, during M&A processes and other organisational changes. As there was not much existing literature about CREM activities in relation to M&A yet, this paper has added insights to this particular area of research. The process framework might be useful for further empirical studies on this topic. The study also confirmed existing lists of CREM activities from the literature, as all were mentioned in at least one of the M&A phases. Data (room) management and compliance were new activities for those lists that apparently are relevant for CREM during M&A processes, but were not identified in previous empirical studies on CREM activities.

Considering the explorative nature of the study, recommendations for further research are valuable. First, application of the framework in future M&A processes would be a valuable approach to testing its completeness and applicability in practice. In M&A processes, the post-merger phase is the phase in which the real integration occurs between the merging companies and all activities are relevant. This integration process for the CREM organisation should be studied more in-depth, as the choice for specific integra-
tion strategies plays a major role in whether an M&A is going to be successful or not.\textsuperscript{41} This phase is lengthy and can be further subdivided into six phases,\textsuperscript{42} to which activities could be appointed specifically. For further research it would also be interesting to perform longitudinal research on the real integration of two CREM organisations during an M&A process. A third recommendation is a study with a financial approach, regarding the financial benefits a company could take advantage of when involving the CREM organisation in the entire M&A process. The focus could then lie more on the tactical and operational level, so that the financial consequences for each property could be calculated. A last recommendation is to study the differences for CREM between the M&A process and the opposite: a divestiture, carve out or spin off. In such situations a company will dispose of some of its business units by selling them. By selling business units, real estate also can be involved and the real estate portfolio will become smaller.

This research has shown that the CREM organisation can play different roles in each of the phases of the M&A process and, hopefully, will make both CRE managers and general management more aware of the role that the CRE department could already play in the pre-merger phase. A more proactive role will increase the added value of CREM and improve its strategic relevance for the organisation.

\section*{APPENDIX: DEFINITIONS OF CREM ACTIVITIES}

This appendix gives definitions of the 33 defined CREM activities from the literature and an explanation of the combinations of activities listed in Table 1. The given definitions of the CREM activities are from the following resources:

- businessdictionary.com;
- dictionary.com;
- financial-dictionary.thefreedictionary.com;
- investopedia.com;
- keerisvastgoedconsultancy.nl.

\subsection*{Acquisition and disposition}

Acquisition and disposition is about acquiring or disposing of real estate. Also, sale is added to this activity as the synonym of disposition.

\subsection*{Alliance management}

Alliance management is the management of strategic alliances, which are agreements between companies to pursue mutual benefits. An example is an alliance for outsourcing some of the business.

\subsection*{(Financial) analysis and counselling}

This activity comprises general (financial) analysis work and the advisory role of the CREM organisation.

\subsection*{Appraisal}

Appraisal is an estimate of the value of properties, ie valuation.

\subsection*{Asset management}

Asset management is the process whereby a large organisation collects and maintains a comprehensive list of the items it owns. The management of individual building assets to maintain their ongoing operational and financial value is about maximising return and property value and reducing costs.

\subsection*{Community relations and governmental regulations}

Community relations comprise the particular state of affairs in an area where potentially conflicting ethnic, religious, cultural, political or linguistic groups live together. Governmental regulations are a governmental order having the force of law, which may also be called an executive order. These two are combined because both are about external (not client based) relations and regulations.
Contract management and law/legal
This activity covers the management of contracts made with customers, vendors, partners or employees. The personnel involved in the contract administration required to negotiate, support and manage effective contracts are expensive to train and retain. Law involves complying with the principles and regulations established in a community by some authority, whether in the form of legislation or custom and policies recognised and enforced by judicial decision.

Customer and client relationship management
This activity encompasses the principles, practices and guidelines that an organisation follows when interacting with its customers. From the organisation’s point of view, this entire relationship not only encompasses the direct interaction aspect, such as sales and/or service-related processes, but also the forecasting and analysis of customer trends and behaviour, which ultimately serve to enhance the customer's overall experience. Client and customer are synonyms and therefore have been combined.

(Workplace) design and space planning
This activity involves configuring the interior of a building for the optimum use of interior spaces in order to meet the needs of the business and its employees. A good planner can minimise the square footage necessary for a company’s needs, thereby saving expenses. Design occupancy planning, workplace style practice, workplace design and space planning have been combined because they are all concerned with workplace matters.

Design management and construction management
Design management is a business discipline that uses project management, design, strategy and supply chain techniques to control a creative process, support a culture of creativity and build a structure and organisation for design. The objective of design management is to develop and maintain a business environment in which an organisation can achieve its strategic and mission goals through design, by establishing and managing an efficient and effective system. Construction management or construction project management (CPM) is the overall planning, coordination and control of a project from the beginning to completion. CPM is aimed at meeting a client’s requirements in order to produce a functionally and financially viable project. Both design management and construction management are kinds of projection management concerning strategies and therefore have been combined.

(Real estate) development
This activity comprises the (re)development of new buildings.

Environmental management
Environmental management is an attempt to control the human impact on and interaction with the environment in order to preserve natural resources. Environmental management focuses on the improvement of human welfare for present and future generations. It is all about sustainability.

Facility management
Facility management is the practice of coordinating the physical workplace with the people and work of the organisation. It integrates the principles of business administration, architecture and the behavioural and engineering sciences. Real estate facility, technical facilities management, infrastructural facilities management and commercial facilities management/commercial services are all about management of the facility and therefore have been combined.

Finance and accounting
These are the financial activities related to running and controlling the company and
concern a division or department that oversees the financial activities of a company. The combined activities are: corporate finance, finance and accounting, accounting, tax management and management accounting. Corporate finance is primarily concerned with maximising shareholder value through long-term and short-term financial planning and the implementation of various strategies. Tax management is about tax issues and the savings of the company and therefore is financial. Finance and accounting and management accounting are all synonyms for financial accounting within a company.

**Investment appraisal**

An investment appraisal is an evaluation of the attractiveness of an investment proposal, using methods such as average rate of return, internal rate of return (IRR), net present value (NPV) or payback period.

**IT**

Information technology (IT) is the application of computers and telecommunications equipment to store, retrieve, transmit and manipulate data, often in the context of a business or other enterprise. The term is commonly used as a synonym for computers and computer networks. E-business, or electronic business, is the application of information and communication technologies (ICT) in support of all the activities of a business and is combined with the IT activity for the model. Communication technology is also based on information systems and added to the main activity of IT.

**Leasing and (property) lease administration**

Leasing is the process whereby the company can obtain the use of certain fixed assets for which it must pay a series of contractual, periodic, tax-deductible payments. Lease administration involves, but is not limited to, receiving rents from facilities the company owns and paying rent for the facilities it leases. Leasing and the administration of leases are related and therefore have been combined.

**Location practices**

These practices include location and site selection.

**Management and governance**

Management is the organisation and coordination of the activities of a business in order to achieve defined objectives. Governance is the framework of rules and practices whereby a board of directors ensures accountability, fairness and transparency in a company's relationship with all its stakeholders (financiers, customers, management, employees, government and the community). Governance is combined with management because governance is part of the management of the company. Management accounting/business administration are included because they comprise the process of preparing management reports and accounts that provide accurate and timely financial and statistical information required by managers to make day-to-day and short-term decisions on the management level.

**Marketing and communication**

Marketing is the process of communicating the value of a product or service to customers, for the purpose of selling that product or service. It is a critical business function for attracting customers. Communication is the activity of conveying information through the exchange of thoughts, messages or information, by speech, visuals, signals, writing or behaviour, for both employees as well as customers. Based on their descriptions, marketing and communication are related.

**Negotiation and deal making**

These activities involve a strategic discussion that resolves an issue in a way that both parties find acceptable. In a negotiation, each party tries to persuade the other to agree with their point of view. Deal making
involves bringing commercial or political deals to a satisfactory conclusion.

Organisational optimisation
Organisational optimisation is the act, process or methodology of making the organisation as fully perfect, functional or effective as possible, i.e., finding the maximum for the organisation.

Performance measurement/benchmarking
Performance measurement/benchmarking is generally defined as regular measurement of outcomes and results, which generate, for example, reliable data on the effectiveness and efficiency of real estate. These data could be analysed and compared with the benchmarks. Metrics practices concern the standards of measurement by which the efficiency, performance, progress or quality of a plan, process or product can be assessed and seem to be related to performance measurement. Process re-engineering involves documenting, analysing and comparing a process to benchmarks such as best-in-class practices, implementing the required changes or installing a different process. This is related to performance benchmarking and therefore they have been combined.

Personnel management/HR
This activity comprises the administrative discipline of hiring and developing employees so that they become more valuable to the organisation. It includes:

- conducting job analyses;
- planning personnel needs and recruitment;
- selecting the right people for the job;
- orientation and training;
- determining and managing wages and salaries;
- providing benefits and incentives;
- appraising performance;
- resolving disputes;
- communicating with all employees at all levels; and
- the tasks of training and development of personnel.

Portfolio management
Portfolio management, on the strategic level, involves (re)building and controlling the real estate portfolio. This means managing real properties as a group in order to achieve greater corporate benefits from them as productive working environment assets, financial assets and strategic assets, above the benefits derived from managing them individually. It includes the art and science of making decisions about the investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. Portfolio management is all about strengths, weaknesses, opportunities and threats in the choice of debt versus equity, domestic versus international, growth versus safety and many other trade-offs encountered in the attempt to maximise return within a given appetite for risk.

Project management/development
Project management/development is the process of planning, organising, staffing, directing and controlling the production of a system.

Property management/building operations
This activity comprises the management and administration of individual legal interests in property(s), both from an occupier and a landlord perspective. It is about the day-to-day management activities for a property. Building operations is the general name for the day-to-day operations of the venue and therefore is related to property management. Maintenance and repairs have been added as part of building operations.
RE finance
This activity comprises dealing with the financing aspects and regulations of the company’s real estate, including interest and redemption and real estate as collateral.

Risk management
Risk management refers to the practice of identifying potential risks concerning real estate in advance, analysing them and taking precautionary steps to reduce/curb each risk.

Security and safety
Security management is the identification of an organisation’s assets (including information assets), followed by the development, documentation and implementation of policies and procedures for protecting those assets. An organisation uses such security management procedures as information classification, risk assessment and risk analysis to identify threats, categorise assets and rate system vulnerabilities so that it can implement effective controls.

Strategic planning/scenario planning
This activity comprises an organisation’s process of defining its strategy, or direction, and making decisions on allocating its resources to pursue that strategy. It may also extend to control mechanisms for guiding the implementation of that strategy. Scenario planning, also called scenario thinking or scenario analysis, is a strategic planning method that some organisations use to make flexible long-term plans. Competitiveness alignment is also on the strategy level and therefore has been added. Process re-engineering is the thorough rethinking of all business processes, job definitions, management systems, organisational structure, work flow and underlying assumptions and beliefs. Because this is management based, strategic planning and scenario planning have been combined.

Transition management
Transition management is the systematic planning, implementation and monitoring of change in an organisation.

Value management
Value management is the application of value analysis (value engineering) techniques for improvement of business effectiveness and efficiency.

References
Significance of activities of the CREM organisation


(23) Ibid.


(26) Gibler et al., ref. 24 above.

(27) Roulac et al., ref. 25 above.

(28) Ibid.


(37) Freitag, ref. 33 above.

(38) Ibid.


