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CORPORATE REAL ESTATE OUTSOURCING IN THE FINANCIAL SECTOR IN POLAND: THE CLIENT'S PERSPECTIVE

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This paper presents findings from primary research seeking to establish how developed the corporate real estate (CRE) outsourcing market in Poland is. A mixture of qualitative and quantitative research was conducted among CRE managers representing the financial sector in Poland. Financial companies mostly outsource individual functions within facility and transaction management areas. The research data suggests that outsourcing of space planning, moves and valuation, is utilized by approximately 50% of researched CRE managers with Portfolio and Project Management determined as the most unpopular real estate (RE) outsourcing areas. In relation to motivation to outsource, the participants of the research cited “cost reduction” as the key motivator followed by “improved service quality” and “focus on management and strategy”. Improved business flexibility seems to be the least important factor justifying potential RE outsourcing decisions. At the moment the most popular model of outsourcing is to diversify outsourced functions. Companies generally prefer to have as much control over the CRE management as possible and therefore decide to keep the management function in house. Where the RE service providers demonstrate the benefits of their services, in terms of service quality and cost reduction, CRE managers are willing to overcome the issue of control and trust and consider long term co-operation.

Keywords: [corporate real estate, cost reduction, facility management, outsourcing, property management, portfolio management, real estate outsourcing, real estate service providers, transaction management].

INTRODUCTION

Today the corporation is not a unified entity with a single purpose. It is a conglomeration of many departments and service functions each with their own targets. Some functions, including the real estate management function, do not contribute to profit thus appear to have little to do with the

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strategic purposes of the organization. Such functions are retained in-house because of the conviction that controlling and managing such necessary resources is in company's best interest. From the economic point of view, cost saving appears to be a good reason for splitting off non-strategic functions. The mechanism by which this cost contraction might be achieved involves the transfer of processes, people and assets in a company where they do not directly contribute to the core strategic objectives of the business, to an external specialist supplier. This is where the idea of outsourcing came from (Farncombe and Waller, 2005). The general philosophy behind outsourcing is that firms should focus their energy and resources on their core competencies to achieve high efficiency levels and provide high quality service to their clients (Gibbler and Black, 2004) allowing management to pay more attention to areas that might produce competitive advantage. One of these non-core functions is corporate real estate. Companies require premises to undertake their business but the majority of them do not specialize in RE management. The choice is either to maintain costly RE staff to manage their properties, outsource all of real estate management activities or hire CRE management staff to handle strategic and managerial decisions retaining control over external RE service providers dealing with specific CRE functions (Lei and Hitt, 1995). Depending upon the nature of outsourcing the CRE managers' role is to determine functions to be performed, manage quality, provide an interface between senior management and RE service providers, co-ordinate with internal procedures and systems, integrate activities into the corporate mission and evaluate the service. (Gibbler and Black, 2004). The corporate real estate department may become a knowledge centre that evaluates internal real estate resources and capabilities and coordinates relationships with external service providers (Krumm, 2001).

REAL ESTATE OUTSOURCING BASED ON AVAILABLE RESEARCH WORK

Real estate functions are defined differently across published studies. Therefore the results of such research could be misleading. However the studies are helpful in establishing the importance of outsourcing. They describe the characteristics of CRE outsourcing and indicate the issues that require further examination. (Gibbler and Black, 2004)

A study conducted by Kimbler and Rutherford (1993) revealed that the most commonly outsourced RE functions were valuation, brokerage and environmental engineering. Key complaints were that service providers did not understand company or culture, did not provide thorough work on time and have problems with proper regular reporting. On the other hand, based on the opinions of real estate service providers, real estate managers do not have clear objectives, do not provide honest feedback and require effective implementation within impossible timeframes.

Another survey conducted by Ernst&Young (2002) and Columbia University shows that real estate services most often outsourced are project management, facilities management, space planning/moves and transaction management. The highest motivation behind outsource decisions was cost reduction (76%), focus on core competency (64%) and improved service quality (59%). Among those who had already outsourced real estate functions 80% had achieved at least the cost reduction they had expected and 83% had experienced improvement in quality of service.

International Association of Corporate Real Estate Executives (NACORE) research reported by Bergsman (1994) revealed that 55% of respondents reported that outsourcing real estate management was more costly than previous internally based solutions.

Gibbler and Black (2004) set the views of corporate real estate managers against service providers on corporate real estate outsource issues. Although the two parties share a common vision of the role of corporate real estate, providers focus more on traditional real estate tasks than on corporate business strategy. Therefore, the client must effectively communicate the company's objectives and expectations to the provider to ensure the service provider uses real estate to achieve the corporation's goals. A danger exists in that the service provider will either not understand the client's objectives or behave in a self-serving manner reducing the benefits to the client from outsourcing. To provide the optimum balance companies require CRE management staff that understand the overall corporate strategy and culture and are able to effectively communicate them to the real estate service providers as well as monitor outsourced tasks. (Gibbler and Black, 2004)

The study of Manning, Rodriguez and Roulac examines benefits and negative consequences of RE outsourcing to determine which CRE management functions should be outsourced. As recent trends

and the literature suggest, CRE executives are increasingly successful in outsourcing some of the CRE functions where previously many internal CRE staff were needed.

ENABLERS AND BARRIERS

As previously discussed CRE may be viewed as a non-core activity and therefore considered an appropriate function to outsource. However, many companies don't have a real estate strategy tied to overall corporate strategy. Corporate decision makers do not consider RE as an important asset with potential to generate financial and operational value to the company (Nourse and Roulac, 1993). Some of the research conducted indicates that the CRE managers might not be properly placed in the organization having little direct contact with top decision makers and opportunity to influence the corporate strategy (Carn, Black and Rabianski, 1999; Gibler, Black and Moon, 2002). Therein lies the risk that the CRE function is vulnerable to outsourcing, because the corporate real estate executives might not have a chance to demonstrate its strategic value to the firm (Gibler and Black, 2004). On the other hand, there is a growing awareness of the benefits of CRE outsourcing.

OPPORTUNITIES FOR RE OUTSOURCING

Most of the widely-quoted benefits of outsourcing are financial. The promise of reduction in costs is tempting for companies and seems to be the usual trigger for outsourcing. However there are additional benefits to the corporations and their shareholders which are sometimes recognized as even more crucial than reduction of cost base. Sale and leaseback of assets provides cash, increasing overall liquidity. The external expertise might help to generate non operational profits. One could also expect to see improvements in quality of the outsourced services, as they have been transferred to specialized organization.

The potential of outsourcing lies in the following areas:

- efficiency gains from economies-of-scale;
- efficiency gains and effectiveness from economies-of-scope;
- lower transaction costs for routine tasks;
- timely updates of market values on real estate holdings;
- other real estate reporting improvements. (Manning, Rodriguez and Roulac, 1997)

New technical solutions provided with the RE outsourced service include complete documentation and regular reporting, including direct client access. In addition to the technical skills provided through outsourcing this adds value for companies with a complex organizational structure and extensive reporting requirements (Rollins-Hinkle, 2001)

RISKS OF RE OUTSOURCING

Outsourcing CRE has also disadvantages. The complexity of the internal procedures and processes transferring activities from inside the outside company might result in losing the ability to communicate effectively across the company. Furthermore, outside RE service providers might not feel the subtle, often unspoken, cultural factors of the corporation that determine how an organization does business. Another disadvantage of outsourcing occurs when the competition on the RE services market is limited and the outsourced function includes complex transactions and processes. In such situations, there is always an option to apply more efficient review and monitoring processes to evaluate the service provider's performance reducing the potential opportunism. This is in contradiction with the idea of taking the additional time consuming control function away from CRE managers (Manning, Rodriguez and Roulac, 1997)

Extensive reliance on outside providers decreases the company's operational control and can reduce investment in internal skills. As a result short-term savings reflected in financial measures may not reflect the long-term strategic costs of the outsourcing decision (Lei and Hitt, 1995).

Last but not least, service providers may believe superior expertise enables them to evaluate client needs thus providing self-developed solutions. However practices, standards and procedures

appropriate for one client may not be successful with another resulting in disputes between the client and CRE service provider (Gibbler and Black, 2004).

WHAT TO OUTSOURCE AND HOW TO OUTSOURCE?

Companies should recognize that determining functions to outsource and the method of cooperation with the external RE service provider is extremely important. Such decisions might be enhanced by using an experienced consultant and is strongly advised when the CRE strategy is tailored to the corporate strategy and where there is no space for testing. In addition, external consultants might bring expertise and a broader perspective on the issues compared to the internal executives (Manning, Rodriguez and Roulac, 1997).

Internal CRE management staff is required to create and monitor quality long term relationships between the company's business units and the CRE outsource service providers Kimbler and Rutherford (1993), Bergsman (1994) and Lambert (1995),

Therefore the corporate real estate management role would include:

1. overseeing outsource contract relationships
2. co-ordinating the work of the outsource contractors with the internal operations of the business
3. translating internal issues to the outsource firm
4. translating real estate inputs provided by the outsource firm to business unit managers

Internal CRE staff executives have valuable organizational knowledge leading to better control of providers and CRE service cost and quality. Additionally, CRE management equipped with expertise and experience would curb the possible opportunistic behaviour. (Manning, Rodriguez and Roulac, 1997).

PURPOSE OF THE RESEARCH

This research investigates how Polish companies are following the world's trends in relation to CRE management and outsourcing. The financial sector has been selected for several reasons. Firstly, the sector is mature in terms of corporate management practices. As active market players, companies from this sector are pushed to respond rapidly to the dynamically changing economic environment through effective management of its assets, including RE. Furthermore, financial corporations such as banks, insurance companies, etc., usually manage large portfolios of RE they use for operations or as investment. The majority of the researched companies representing the financial sector in Poland are subsidiaries of international corporations. It might be expected that they implement efficient corporate management solutions including RE outsourcing within local markets. However it is not obvious whether they can find satisfactory services and hence what their outsource decisions are.

The objectives of the research are:

1. To provide a general overview of the corporate real estate outsourcing market in the financial sector represented by banks.
2. To assess the level of utilization of external RE services and its structure.
3. To examine main motivations standing behind outsource decisions.
4. To explore banks' assessment of real estate services they are utilizing.
5. To describe the most desirable cooperation model to be more widely adopted by the Polish banking sector.

The main research questions are:

- Do the banks outsource real estate services and what is their motivation behind outsource decisions?
- Which of the real estate functions do they outsource?
- What are the banks' preferences regarding outsourcing model?
- Is there any correlation between the quantity and structure of property portfolio and certain decisions regarding RE functions outsourcing taken by the clients?
- How are the current CRE service standards being assessed by the clients?

There has been no research of this kind done so far in Poland, so the intention of this paper is also to be a base for further research initiatives.

METHODOLOGY

The research was both qualitative and quantitative in approach with questions grouped in three integrated areas. The first included crucial questions considering the main targets of the research. It was supposed to provide some objective data (number of properties, total property portfolio area etc.) and facts. The objective data was then the subject of descriptive statistical analysis to determine facts about Polish RE outsourcing market.

The remainder of the study was based on attitudinal research to gather the opinions of CRE managers participating in the research about elements of cooperation with RE service providers as well as their judgement of current service practices and standards. The investigation was informed by the literature reviewed. There was no particular theory involved for this research to be placed in. It was expected that the ideas and some theory should emerge during the data collection and analysis. (Naoum, 2007)

Data collection and sampling

The primary data collection was based on structured questionnaire interviews with CRE executives in Polish financial sector. This was a significant advantage compared to the postal questionnaire originally considered. This approach has been selected from available techniques because of the three major reasons:

- to collect high quality data
- to achieve the highest possible response rate
- to keep control over the process

The banks were considered in terms of their position in the market and type of banking services. The sampling was stratified and extended from small players to medium and the biggest banks in terms of market share. Additionally, two insurance companies have been approached. The aim was to interview top CRE management, as they were expected to have current and broad CRE knowledge.

Data analysis

For the research purposes the descriptive analysis was implemented. It was applied to the results of the first part of the research to provide diagnosis of the current RE outsourcing market. The 2nd and 3rd phases comprise the attitudinal research. The idea was to convert data from the subjective judgments into numbers using a Likert scale. This data was not intended to be the subject of thorough analysis because of the limited research potential in that form. It could however provide excellent material for analysis when put together with the same set of data obtained from an alternative source which in this case should be RE service providers.

Identified risks

During the data collection it was noted that the definition of outsourcing and particular CRE service groups used in the research were interpreted differently among research participants. The interview process allowed for clarification but there is a risk that misinterpretation remained.

RESULTS

Among the total number of 23 financial companies selected, operating across the country, 15 were contacted (response rate of 65%). 2 companies refused to participate in the research and 4 couldn't be interviewed within the timeframe required. Representatives of 9 companies have been successfully interviewed.

The research has been split into three sections. The first section included objective data. The aim was to provide an answer to the main research questions.

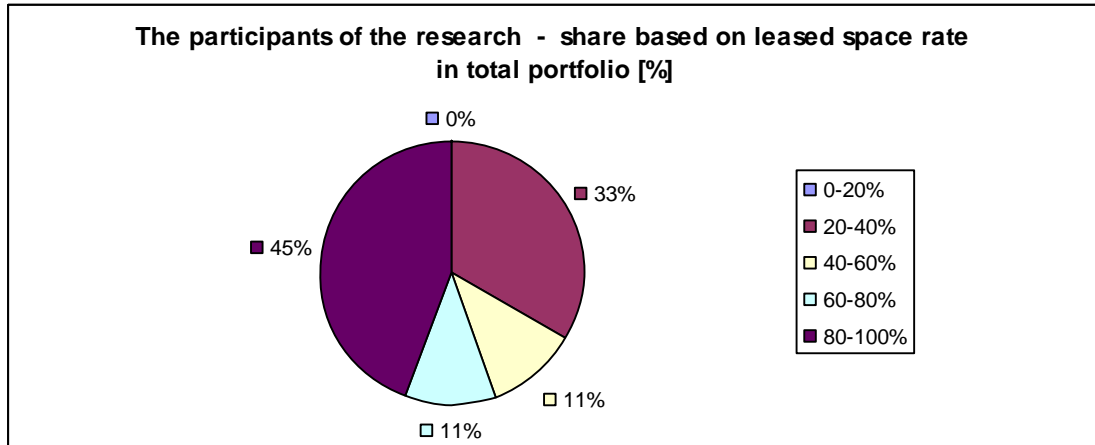


Figure 1 The participants of the research: share based on leased space in total portfolio.

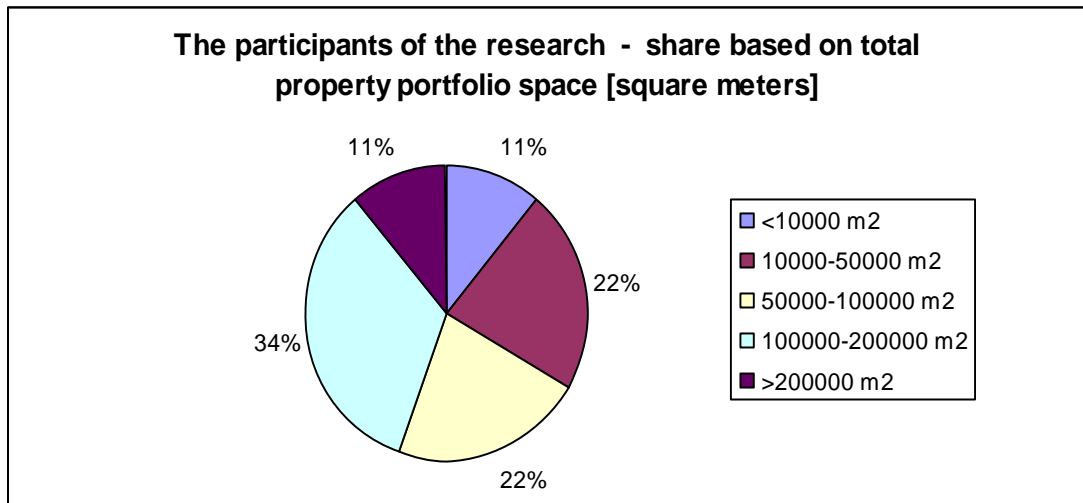


Figure 2 The participants of the research: share based on total property portfolio space.

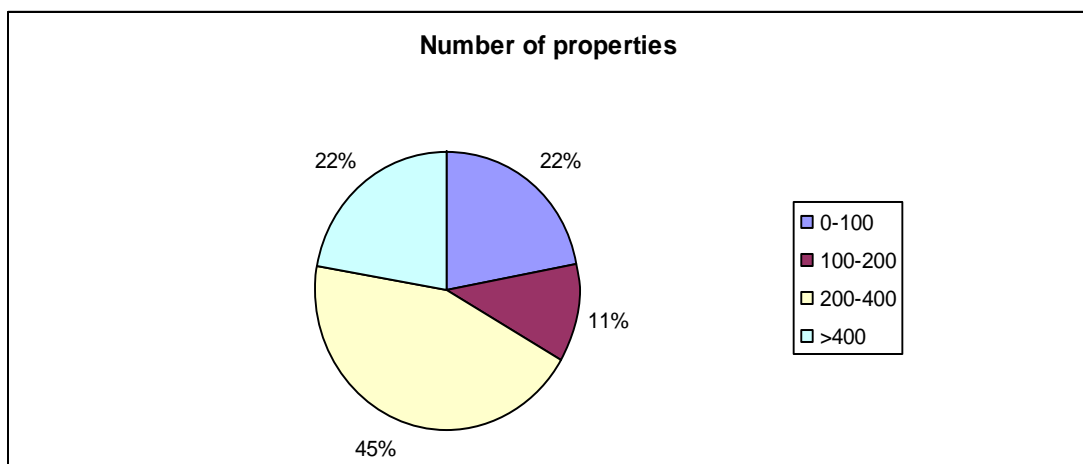


Figure 3 The participants of the research – number of properties.

The two remaining sections included attitudinal statements to determine the subjective opinion of the respondents in relation to cooperation with external service providers and how they assess the standard of service they presently receive. As previously stated, banks which agreed to participate in the research are different in terms of their characteristics (corporate, consumer, universal), assets and capitalization. They were also diverse in terms of the area of property space managed and the structure of property portfolio as Figure 1, Figure 2 and Figure 3 show. At the stage of analysis special attention has been given to the possible correlation between these parameters and other data gathered in the first section of the research.

All of the interviewed participants occupy high managerial positions within their CRE departments, with an average 8.6 years of managerial experience in CRE. When asked: “Do you outsource RE services?” 67% of interviewees were sure about their answers given. The others – 33% didn’t give an immediate answer wondering whether services they utilise could be considered as outsourcing. Finally 67% (5 votes) of the interview participants confirmed that they outsource RE services, 11% (1 vote) denied and 22% (2 votes) decided not to give an unambiguous answer at all (see Figure 4 Do you outsource RE services?)

The next logical step was to consider the nature of CRE services subject to outsourcing. At this stage an important observation was made which influenced the approach. Originally in this research there have been certain areas of integrated RE functions identified which could be considered as complex and coherent RE service packages such as:

- Facility Management (including all services connected with property maintenance including helpdesk, cleaning, ground keeping, waste management, security, technical inspections of installations, environmental management etc)
- Portfolio Management (including legal and financial aspect of lease management as well as day to day communication with landlords/tenants etc)
- Space Planning/Moves
- Transaction Management (including property acquisition, negotiations of new leases, RE brokerage services etc)
- Valuation
- Project Management (including budgeting, tendering, construction supervision and inspection, dealing with payments etc)

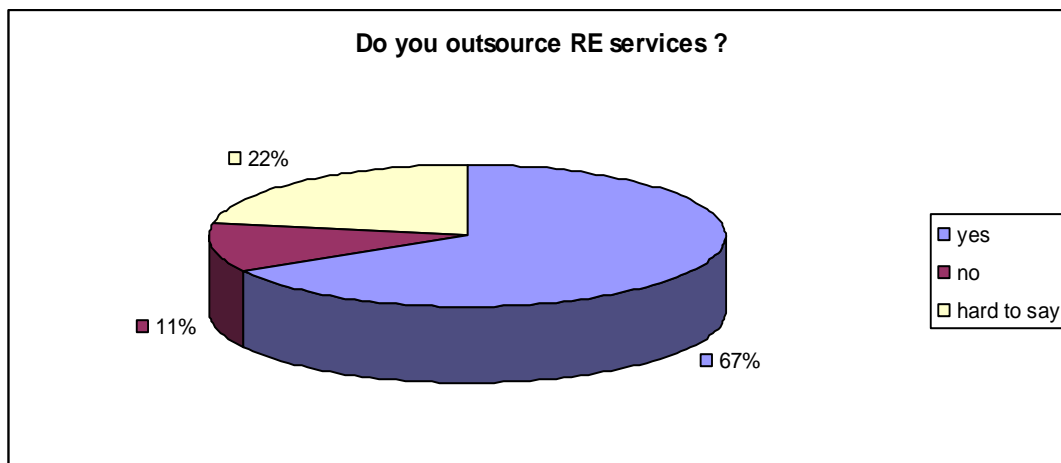


Figure 4 Do you outsource RE services?

The purpose of presenting CRE services in this manner in the questionnaire was to simplify the research and investigate whether integrated functions are outsourced as a whole. During the interviews it was noted that in many cases the participants indicated that they used external services providers to secure only certain functions within integrated service areas whilst remaining tasks were dealt within internal sources and expertise. Therefore the results have been double-analyzed. The

two versions of results below represent the average voting (Figure 5 and Figure 7) and the structure of votes (Figure 6 and).

The first interpretation relates to the original research assumptions and includes only votes given with no reservation or doubt regarding the scope of service. In other words it doesn't include outsourcing of individual CRE functions.

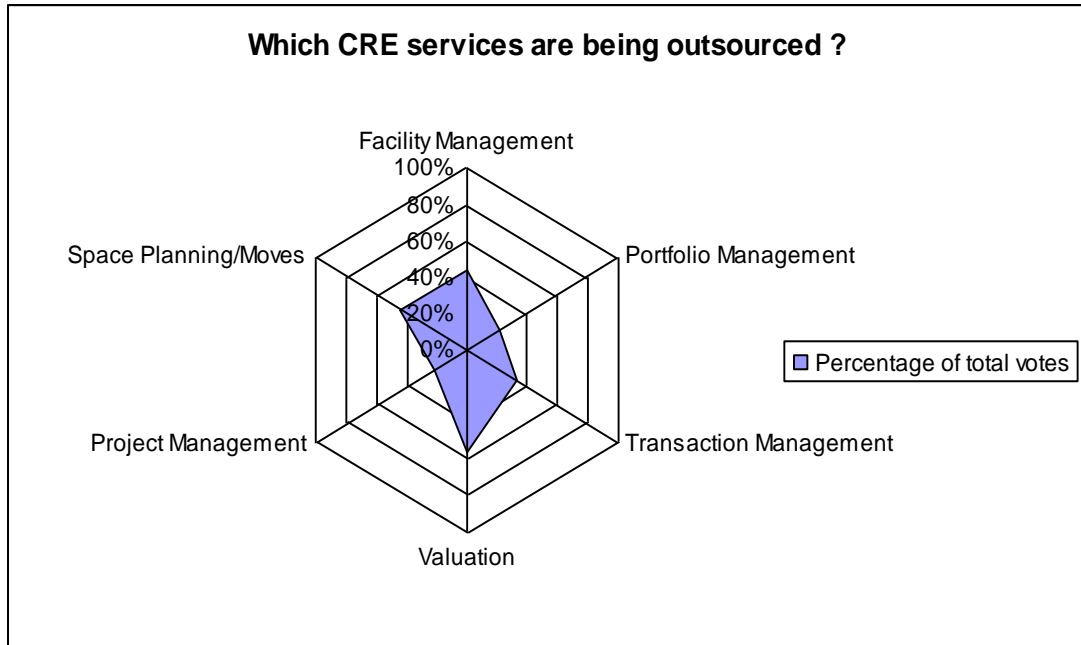


Figure 5 Which CRE service do you outsource? – integrated outsource areas included only

The results show that the most popular RE external complex service utilized by the banks is valuation (56 %), followed by facility management and space planning/moves (44%), transaction management (33%) and both, portfolio and project management (22%). Among the CRE service areas valuation is the function that could not be split into separate sub-functions. On average, around 40% of banks declared they outsourced more than one of the integrated CRE services and 33% do not use any of the listed RE service areas at all.

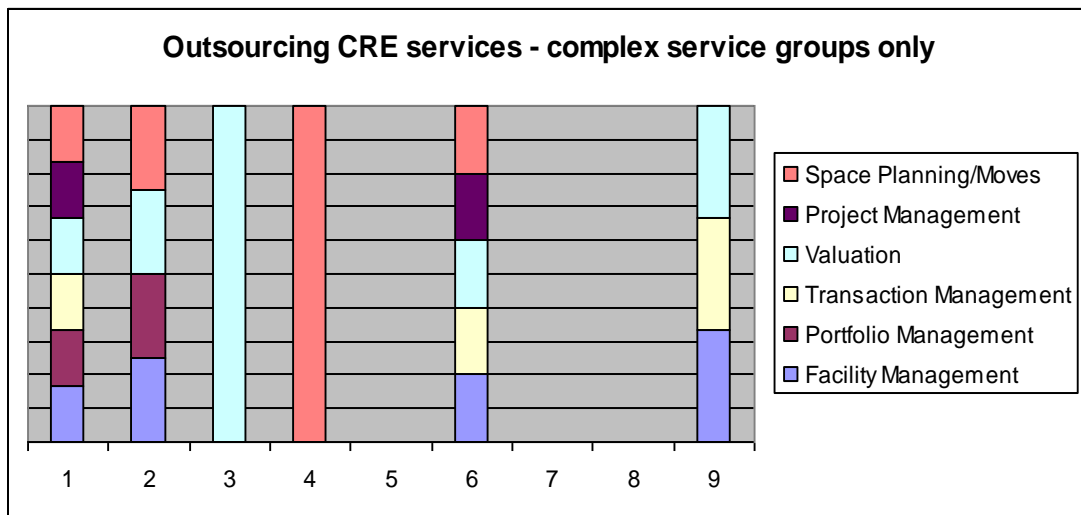


Figure 6 Outsourcing CRE services - complex service groups

Figure 7 and presents findings relating to any vote regarding any RE function outsourced that interviewees have allocated to service areas proposed in the questionnaire. In this interpretation it is

not important whether RE services are outsourced entirely or as separate functions only within the defined service areas.

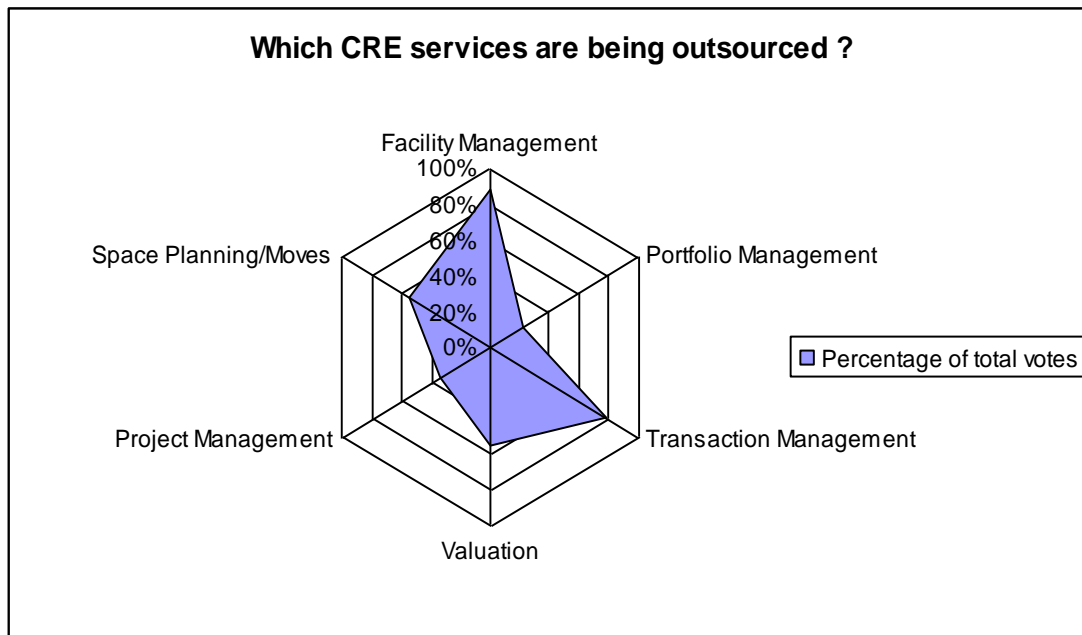


Figure 7 Which CRE service do you outsource? – All votes regarding outsourcing any RE function included

We observe a significant increase in CRE outsourcing within facility management (89% compared to previous 44%) and transaction management (78% compared to previous 33%). Two of the listed RE services kept the same number of votes in both data interpretations: valuation (56%) and portfolio management (22%)

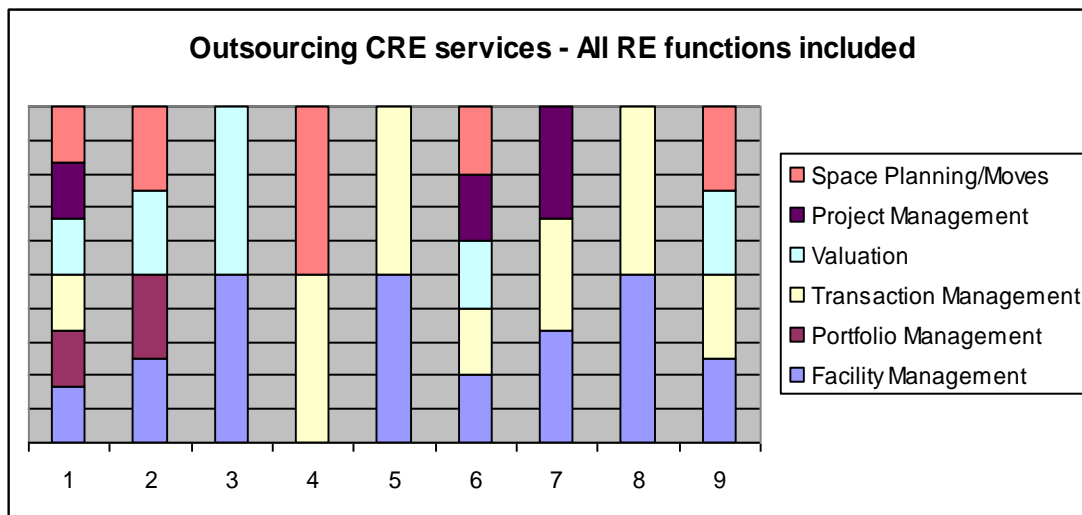


Figure 8 Outsourcing CRE services - All specific RE functions Included

The banks usually outsource CRE functions that could be allocated to at least two RE service areas. 33% keep the same structure of the service outsourced in both combinations of data which might suggest this group of banks is strongly focused on the complexity of RE service delivery. answers the question of what is the level of CRE outsourcing in terms of the service profile. It helps to evaluate how much the banks outsource in general but fails to indicate how complex these services are. All of the companies being interviewed are owned by the international financial corporations.

67% of participants declared that CRE outsource decisions are taken together with the regional management of the main shareholder. There seems to be a clear distinction between local and regional management roles in the process. 22% of the participants make their outsource decisions locally and 11% are fully dependable on the regional decisions (Figure 9).

Where the decisions regarding CRE outsourcing are taken ?

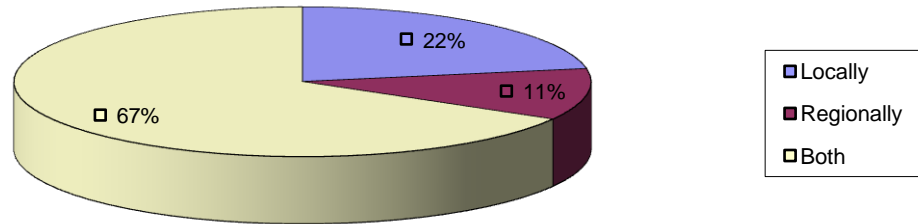


Figure 9 Where the decisions regarding CRE outsourcing are taken?

When asked details regarding contract management 78% of interviewees declared that they prefer separate contracts to manage different RE functions and 22% declared they also include in their policy frame contracts for multiple functions to be taken by one company. The same proportions are maintained with regard to typical contract period – 78% declare they signed contracts for less than 3 years and only 22% for 3-5 years. No one declared they signed long term contracts for more than 5 years.

	mean	σ (standard deviation)	n
Cost Reduction	1.77778	0.666666667	9
Improved Quality	2.44444	1.236033081	9
Focus on management/strategy	2.44444	1.236033081	9
Improved flexibility	3	1.118033989	9

Table 1 Main motivations behind outsourcing – mean values

The second key question in the research was about the motivations behind outsourcing decisions. The research participants have been asked to put the motivations described in the questionnaire in an order of importance (1-most important, 4-least important). Similarly to the question about external RE services used there was always an option to add some more factors that interviewees could consider as important in case the proposed set of answers was not satisfactory. Nobody used that option. Those extensively outsourcing RE services were evaluating their motivations based on their experience and those without such experience presented their expectations in terms of benefits of outsourcing. The mean ratings have been shown in Table 1. They indicate that on average the most desirable motivation to outsource is cost reduction. Improved service quality has the same rating as focusing on

management/strategy. The improved business flexibility has been assessed as least important among all options.

On the other hand the rate (1), which is equivalent of “the most important motivation”, was given to three options with the same vote frequency rate (33%):

- Cost reduction
- Improved quality
- Focus on Management/strategy

The next rate (2) was definitely attributed to cost reduction (63%). The rate (3) was given with equal frequency of again 33% to:

- Improved quality
- Focus on Management/strategy

The least important motivation to outsource RE is improved business flexibility which was confirmed by the votes of 44% of interviewed (Figure 10).

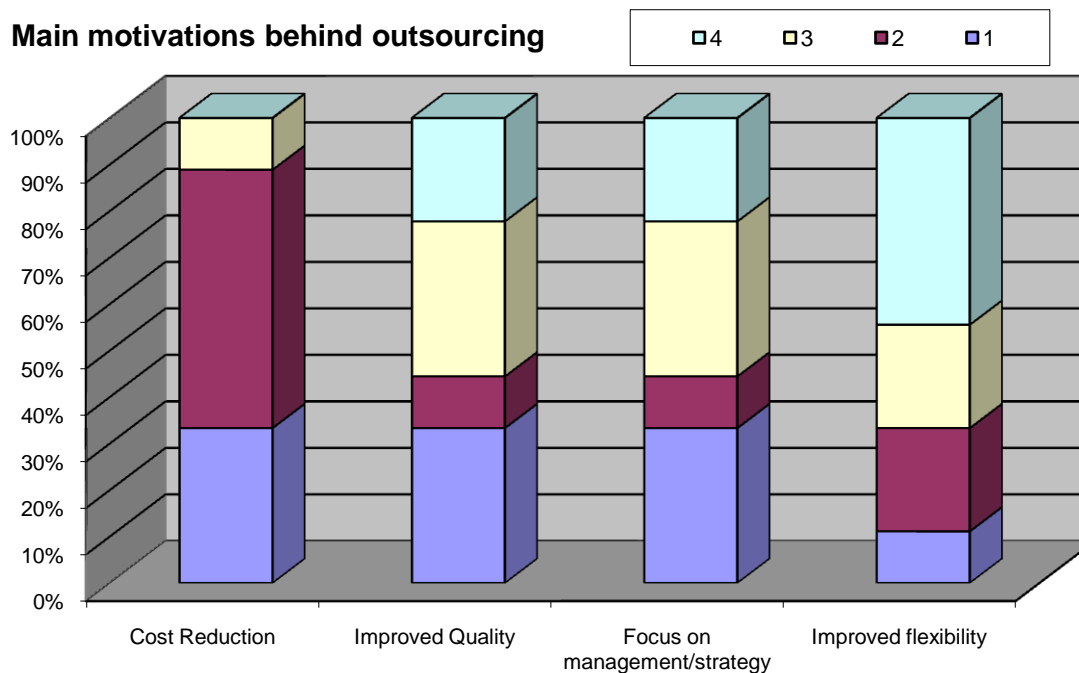


Figure 10 Main motivations behind CRE outsourcing

The final questions in the first part of the survey asked respondents to consider if they had increased the range of RE services outsourced in the last five years or planned to do so in the near future. The results are presented in

Figure 11 to Figure 14 . 56% declared they did not expand their RE outsourcing policy in the last five years, while 44% did increase the range of such services during that time.

When discussing the plans for RE outsourcing in the future 56% of interviewees were not sure if they are going to outsource more, 22% confirm to extend the number outsourced functions and 22% definitely exclude such option in the nearest future.

Have you increased the range of RE services outsourced in the last 5 years ?

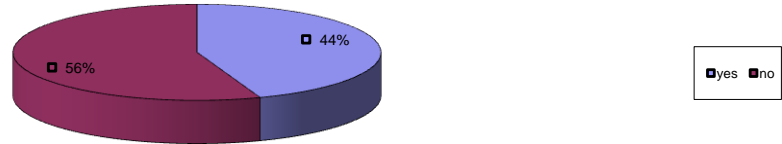


Figure 11 Have you increased the range of RE services outsourced in the last 5 years?

Do you plan to increase the range of CRE outsource services in the forthcoming years ?

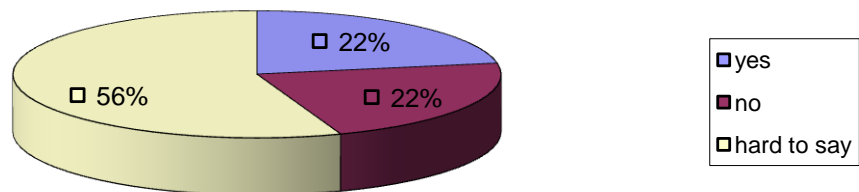


Figure 12 Do you plan to increase the range of CRE outsource services in the forthcoming years?

Two initial parameters were requested in the interviews: total property area (in square meters) and the structure of the portfolio managed , to allow consideration of connections with other data from the first section of the questionnaire. It was decided that the reasonable approach would be to select the clearest distinction considering any of the two parameters mentioned above.

45% of all banks participating in the research reported the leasehold rate to be within the range of 80% - 100 % . To be more specific it is above 96% of total space managed. The remaining 55% of banks declared the leasehold rate less than 80% of total property portfolio. As a result we receive two almost equal groups of banks, first with leasehold rate close to 100% and second less than 80%.

This distinction seems to be quite reasonable because it includes banks whose portfolio of space is held leasehold as opposed to the banks with at least 20% rate of freehold. We might assume that leasehold and freehold might produce different requirement in terms of CRE activities. Banks with almost 100% of leasehold might present different approach towards CRE outsourcing.

Using the distinction presented a simulation has been made to compare the two groups of banks in terms of CRE services they outsource. The results are presented below:

The group of banks with no freehold property fully outsources transaction management (100%) while keeping the portfolio management function inside. The low utilization of valuation services could be easily explained by the lack of property freehold. There is also increased utilization of project

management (50%). The second group of banks is using less transaction management (60%) and project management (20%) but much more portfolio management (60%) and valuation (80%). The second part included statements regarding facts and expectations. The interviewees were given an opportunity to express their attitude to statements using the rating scale (1-strongly disagree, 5-strongly agree). The results have been presented in Table 1. All of the results indicate the interviewees' opinions range from "neutral" (3 on the scale) to "strongly agree" (5 on the scale). They mostly agree with the statement saying they effectively communicate all necessary updates regarding current strategy and expectations to RE Service Provider. This statement was given the highest mean rating (4.65) close to "strongly agree" and additionally the standard deviation of 0.5, which is one of the lowest in this research section indicates that this opinion was shared with similar rating by most of the interviewees.

Which CRE services are being outsourced ?

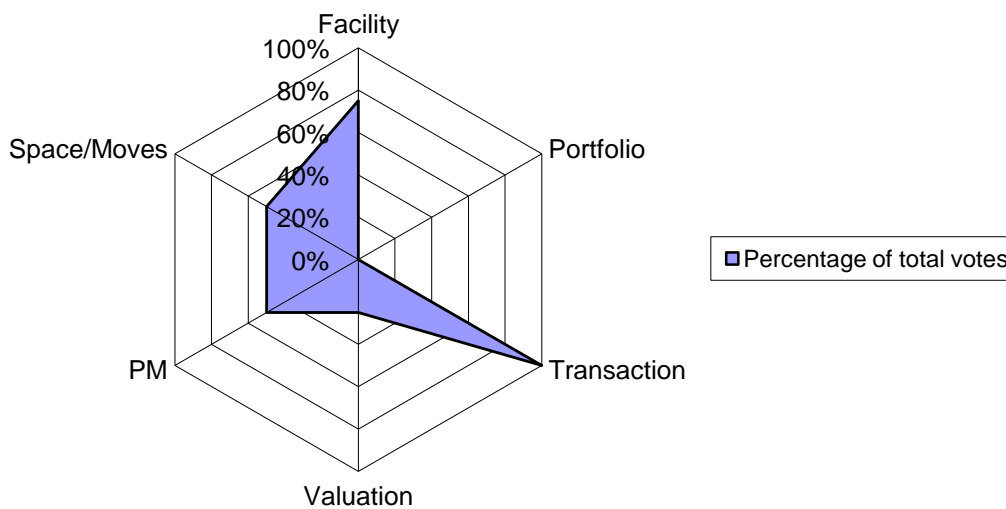


Figure 13 Which CRE service do you outsource? – banks with leasehold rate of more than 96%

Which CRE services are being outsourced ?

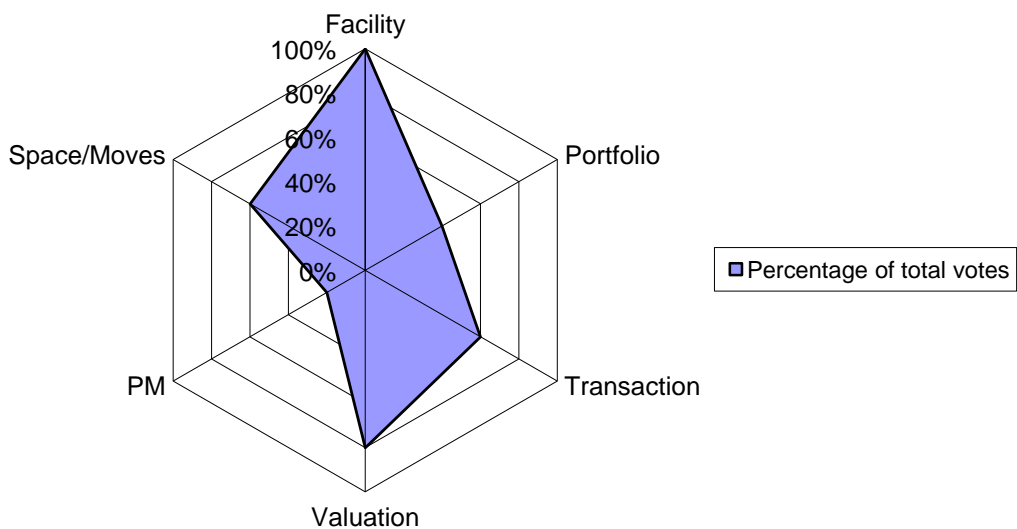


Figure 14 Which CRE service do you outsource? – banks with leasehold rate of less than 80%

The other, almost unanimous rating (standard deviation of 0.46) was given to the statement regarding banks' expectations that the RE service provider should propose KPI's as well as monitoring tools which could improve effective measurement and control of services delivered. One of the lowest mean rates was given to 2nd and 4th statements, both of which indicate the ability of the banks to monitor and measure outsourced RE services as well as provide processes and procedures to be adopted by the external RE service providers. Both statements have been rated between 3 and 4 which is equivalent of "neutral" and "agree" and have the highest standard deviation value (>1.3) suggesting there is opinion discrepancy among the participants of the research.

	mean	σ (standard deviation)	n
We are looking for the long term cooperation	4.125	0.83452296	8
We have tools to effectively assess outsourced RE services / monitor service provider's performance	3.375	1.302470181	8
We expect the service provider/s to develop KPI's/ monitoring tools	4.25	0.46291005	8
We have the full set of procedures and processes in place to be adopted by service provider/s	3.875	1.356202682	8
We expect RE service provider/s to suggest such processes based on his best professional experience	3.875	1.246423455	8
We expect RE service provider to bear the risks of business downturn together with us.	4.25	0.707106781	8
The financial benefits of the contract are motivating for RE Service Provider to constantly improve and go beyond what could be called as standard service.	4.125	0.991031209	8
We effectively communicate all necessary updates regarding current strategy and our expectations to RE Service Provider.	4.625	0.51754917	8
We expect RE service provider to verify the current corporate strategy and make sure he is following the current requirements.	4.125	0.83452296	8
We may clearly identify the benefits and added value of RE outsourcing we use.	3.875	0.991031209	8

Table 2 Elements of cooperation – client's view

The third part of the research demonstrates the attitude of the interviewees to the subject of service quality and standards. This time the opinions range from "disagree" (2 on the scale) to "agree" (4 on the scale), Table 2.

There is one RE service quality factor that all interviewees rated identically (standard deviation = 0). All of them agree that their RE service providers understand their goals and expectations. This was the highest rating in this part of the research and it was most commonly justified by the fact that it was absolute condition to continue cooperation. The lowest mean rating was given to the statement saying that RE service providers and their employees show creativity and offer more than expected.

CONCLUSIONS

The issue of RE outsourcing is relatively new in Poland and the market is still at the development stage. Property remains very important from the operational point of view in Banking, yet CRE management is far removed from the core business. Adopting RE outsourcing within corporate strategy appears to be a natural way forward for financial institutions as they are dealing with significant RE portfolios.

The research shows we are at the beginning of that process. The CRE executives demonstrate increasing awareness of the available market tools to manage CRE more efficiently. The banks are already outsourcing and RE services are more professional and competitive increasing the chances of finding a reliable partner.

During the research there has been one particular problematic area – the definition of outsourcing and outsource services being currently utilized. Outsourcing is interpreted differently across the market. The universal definition of outsourcing understood as transferring the process, resources and management to the external service provider in order to achieve previously set objectives does not match the reality of financial sector in Poland. It is however quite understandable.

	mean	σ (standard deviation)	n
RE service provider demonstrates good awareness of corporate culture	3.85714	0.690065559	7
RE service provider understands my goals and expectations	4	0	7
RE service provider provides its services at the time it promises to	3.42857	1.133893419	7
RE service provider ensures suitable reporting if necessary	3.71429	1.253566341	7
RE service provider ensures prompt and effective business communication	3.42857	0.975900073	7
RE service provider and his employees show creativity and offer more than expected	2.85714	1.069044968	7
RE service provider and its employees have experience relevant to the service I require	3.85714	0.899735411	7

Table 3 RE service assessment – client's view

The specifics of financial sector, which is very complex in terms of management structure, require strong management control over any services delivered from outside. Entrusting the management of CRE to external services providers carries potential risks. Therefore a model adopted by the financial sector is likely to be based on transferring processes of CRE management and retaining the control/coordination function in house. In this scenario RE service provider delivers the full package of service allowing CRE manager to have a simple structure and efficient reporting. This form of cooperation is still used by the minority of banks. The most popular idea which is also considered to be outsourcing has much to do with contract management. Financial companies keep the management function including much of the expertise in-house to manage multiple short term contracts covering the individual RE functions such as cleaning, security, air conditioning inspection, waste management, energy supply, market research, moves etc. The most important element differentiating it from the previously described model is focusing on management and control over multiple service providers securing detailed areas of CRE.

The most obvious implications of such approach for the banks might include but are not limited to:

- the need to manage the multi-providers relationship

- strong involvement in controlling process
- less focus on the strategy and effective liaison with the business units and top company executives
- most of attention put to coordinate oftentimes cross functional work
- the need to develop numerous processes and procedures
- the time consuming adaptation of any service provider is multiplied by the number of providers.

There might be several reasons why the companies prefer to keep and develop competencies inside e.g. lack of trust that external RE service providers will achieve satisfactory results, possible opportunistic behaviour as well as keeping confidentiality. The other important factor would be the aversion to the risk of entrusting much of important operational processes to an external provider and becoming dependent on him.

In terms of contract management companies usually prefer separate contracts for different outsourced CRE functions rather than frame contracts for integrated service. Most of them hire multiple service providers to perform the required tasks and the relationship is usually based on the short term contracts of less than three years.

Banks with a high leasehold rate are more task oriented and perceive RE outsourcing as using outside expertise to complete particular projects including relocation (PM) and market research for space acquisition (Transaction Management) within given timeframes. On the other hand banks with large property portfolios look for complex solutions to improve overall RE management tending to retain a significant number of CRE staff.

Decisions regarding outsourcing seem to be more dependent on the corporate policy tied to current strategy than local requirements and is often attributed to the regional management. Therefore the ability to influence these decisions by local management is significantly limited.

CRE managers are usually very experienced and knowledgeable about CRE. They are aware of the challenges they need to face as they are aware of the potential opportunities and benefits outsourcing might bring as well. At the same time their decisions are influenced by the institutional limitations such as corporate procedures and so on. They understand the cost saving factor is not the most crucial when it is about delivering a good quality service. They appreciate expertise and a professional business approach. On the other hand they expect RE service providers to put some effort to understand the company's goals and make contributions to help achieving them.

To conclude, it would appear there is a potential in CRE outsourcing but much of the initiative is in the RE service provider's hands. The service providers should try to place their service to match client expectations, concentrating on service quality and efficiency to build long term relations.

Suggestions regarding further research

This research touches upon the basics of RE outsourcing market in Poland, giving useful hints for future directions. The questionnaire used for this research could be adapted to investigate the RE service providers and the two parties of the RE outsourcing process, client and service provider could meet to discuss views on cooperation and service standards as in research presented by Gibler and Black (2004).

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