

# PMRE MONITOR

## 2011



**Use and effect of integrated  
controlling systems**

### **Integrated controlling-systems:**

#### **Close the circle of objective definition – services – objective check beyond company boarders!**

In order to achieve this objective, not only structural adaptations should be made and appropriate instruments used within the company. Also networking should be fostered. Clients and service providers must be integrated in order to close the control cycle of objective definition – services – objective check. But is it worth it? Can the success of a company be increased with integrated controlling-systems? Do the investments in integrated controlling-systems pay off? Answers to these questions are given in this PMRE Monitor.

107 companies from the German and Swiss real estate market were analyzed. The companies are almost equally spread across the sectors Investment Management, Asset Management, Property Management or Facility Management. The companies from the private sector, which represent the majority, mainly operate real estate portfolios with a value of more than 500 Mio EUR.

The implementation of an integrated controlling-system needs certain methods and a constant exchange of information in the form of defined indices. The methods refer to development of strategy, controlling, processes and IT systems. They were analyzed for the company itself as well as in relation to the management of the relationships of clients and service providers. The indices are divided in financial, operational and leasing indices as well as indices for floor areas. The indices also include values such as cash flow, operational costs, rents or vacancy rates.

One of the surprising results concerning the analysis of the methods within the company is the following: the companies mostly possess a strategy, but they transfer the strategy into strategic figures or derive clearly measurable objectives both only in a reduced manner. Furthermore an automatic reporting from the own systems are not fully ensured.

From the network point of view and the relationship management of clients and services, the Asset Manager is leading clearly. The Asset Manager benefits from his classical role as a 'hinge' between the

client and the management of third parties. With the focus on the relationship management of clients, potentials are identified in the optimization of structuring of reports, in the alignment of interfaces or in the transfer of data. The biggest deficiency in the management of service relationships are seen in the insufficient use of bonus-penalty-systems and in the insignificant implementation of performance-related remuneration models.

The ranking in the evaluation concerning the relevance and the deployment of indices are clearly lead by cash flow and net operating income. Return on assets, profits earned resp. loss resulting from sales, rents, terms of rental contracts or the market rents still belong to the top ten indices. Interesting are also indices, which are concerned as highly relevant, but which are barely used in practice. The biggest difference is shown with the life cycle costs. These costs are rated as important, but are hardly deployed in reality.

The benefit of integrated controlling-systems were measured with the success variables stability of clients & market penetration, revenues, efficiency & effectiveness, reporting efficiency & performance of the IT systems, innovative ability as well as risk & liquidity management. By using regression analyses coherences between success variables and the methods as well as indices were proven.

As an example, the client satisfaction is positively influenced by the definition of a client strategy as well as a sourcing strategy. Further control loops help to check the own quality and the quality of the services of the providers. Additionally the use of rental indices has a positive impact. The use of rental indices is crucial. However it is interesting, that need for optimization in the deployment of these data is particularly identified within the Property Management area.

To increase revenues, the deployment of a structured reporting is helpful. Furthermore the implementation of portfolio indices, such as information about the style of investment or the location category boosts financial success. These indices are used in a more intensive manner by Asset Managers than by Investors. In this area the trend is apparent that particular tasks of the Investor are assigned to the Asset Manager.

Also methods and indices with a positive effect on further success potentials were identified. The question if integrated controlling-systems pay off can clearly be positively answered.

**Herausgeber**

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