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# The Development of Corporate Real Estate Management Research in Japan

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**Abstract:**

In Japan, the term "CRE" did not come to be used until the mid-2000s, but long before that, many managers had already recognized that real estate (especially land) is one of the most essential business resources. The problem seems to lie in the fact that Japanese executives do not understand CRE management. In recent years, Japanese CRE management research has made considerable progress in terms of both quality and quantity. The main purpose of this paper is to explain the characteristics of Japanese CRE management research. Specifically, this paper describes the history and the statistics of the field, and discusses the content of CRE management research, providing a definition, practices, and organizational structure. Finally, it is discussed that ICT, as well as a dedicated department staffed with qualified CRE management personnel are needed. However, because some CEOs misunderstand these and believe that such will be an excessive strain on their business resources, some CEOs are led to abandon the practice of CRE management. In fact, CRE management takes many and varied forms, but it seems that some methods apply to all cases in Japan. Each corporation needs to formulate its own CRE management by itself. Through this process, a more intelligent theoretical framework is expected to develop.

## Introduction

CRE is an acronym for Corporate Real Estate, which means real estate utilized by corporations. “Utilized” in this case means owned or leased by the corporation in question and used for core business or investment. In Japan, the term “CRE” did not come to be used until the mid-2000s, but before that, many managers had already recognized that real estate (especially land) is one of the most essential business resources. The problem seems to lie in the fact that Japanese executives do not understand CRE management. Recently, Japanese CRE management research has made considerable progress in terms of both quality and quantity, and many books, papers, guidelines, and case reports on CRE management have been published. In particular, overseas findings have been imported into Japan. However, it seems that Japanese CRE management research goes off in somewhat different directions. The main purpose of this paper is to explain the characteristics and problems of Japanese CRE management research. Specifically, this paper describes the history, provides the data, and discusses the content of CRE management research: its definition, practices, and organizational structure. Finally, this study suggests the reason why CRE management is not really prevalent in Japan. It is hoped that this paper will spur more Japanese managers to become more interested in CRE management and innovate the way they conduct business.

## 1 History of CRE

This section reviews the history of Japanese CRE from the post-World War II period until the present. At first, the national territory was completely devastated by war, and the economy was in a state of absolute lack of both capital and goods. However, Japan was restored through rebuilding and investment coming in part as a result of the Korean War (1950-53) and then expanded rapidly. At the time, the Japanese economy was driven by heavy industries such as steel and shipbuilding, for reasons including increasing demand for these products, good and cheap labor, a high savings rate, and strong private capital investment. These industries required large industrial sites in order to conduct production. Although central and local governments aggressively developed industrial sites by means of deforestation and harbors reclamation, the volume of land acquired thereby was not sufficient to satisfy demand, resulting in a sharp rise in industrial land prices. From the early 1950s until the early 1960s, land prices in industrial areas increased at a high rate, compared to those in residential and commercial areas. Generally, the lack of industrial sites is held responsible for rising product costs, although this did not have a major impact on the Japanese economy because of price inflation.

There was enough space for manufacturing industries by the late 1960s, but this was followed by housing problems for Japanese workers. Although the construction of factories and production facilities was finished, infrastructure such as roads, transportation, and housing was poor. Many workers could not find rental housing, and it was natural for several families to live in one dwelling. Instead of industrial sites, residential land prices soared. Government and corporations took measures to fix these housing problems, constructing a lot of residential estates and company housing. However, the problems could not be solved, and many employees suffered from bad working conditions (long commutes, camped houses, and so on).

Thus, until the 1960s, Japanese CRE had a close relationship with the core business, and the problem lay in shortage of CRE. Therefore, the principal purpose of CRE management was acquisition, development, and rental. In the 1970s, however, the function of CRE management changed drastically, and CRE was categorized as an investment vehicle. This was triggered by *On Rebuilding the Japanese Archipelago* (*Nihon Retto Kaizo Ron*). This

blueprint was put forward by the prime minister at the time, Kakuei Tanaka (in office 1972-4), and aimed at constructing motorways and bullet trains all over Japan, facilitating industrialization in local areas, and preventing a further widening of regional gaps. This plan brought about soaring prices in some areas, and many leading companies bought up a great deal of land aggressively. Not only the real estate industry and electric railroad companies, but also the construction industry and trading companies played a central role. Their actions accelerated the upturn in land prices. Additionally, the development of golf courses and resorts caused environmental destruction.

In 1972 and 1973, private companies acquired areas of 4,000 $km^2$, which is equivalent to 0.4% of the county (Matsubara, 1988). The characteristics of this acquisition included residential development in prefectures near metropolitan areas such as Tokyo, Osaka and Nagoya and tourist resort development near smaller regional hubs in Hokkaido and Okinawa prefectures. However, after the mid-1970s, the volume of land acquisition by Japanese companies decreased dramatically in response to the post-oil crisis recession, tightening land use regulations and heavy land taxes. The business environment was negative with sales dropping. Some corporations were obligated to sell off their surplus CRE before it depreciated much further.

The situation has been the same since the beginning of the 1980s, and the main focus of CRE management has been disposal. However, the Japanese economy was hit by enormous structural changes because of the Plaza Accord of 1985 between Japan, France, the United Kingdom, the United States, and West Germany. At first, export industries suffered serious damage from the appreciation of the yen. Until 1985, the dollar-yen exchange rate had been trading at about ¥240, but it rose by about half of ¥120 within a few years. The Japanese economy, which was dependent on exports, reduced sales volume and fell into a high-yen recession. At the same time, the United States demanded a reduction of Japan's large trade surplus and current account surplus. Under such conditions, the central government was under pressure to expand domestic demand and had to implement a low-interest rate policy (2.5%). After that, the Bubble economy began, and a large amount of funds flowed through the stock market and the real estate market for speculation purpose.

The position of Tokyo as an international finance capital rose in the latter half of the 1980s, and many economists noted that there was a large shortfall in office space. Simultaneously, massive government-owned sites in the central business district were sold to private companies as part of large-scale administrative reform. These circumstances induced a chain effect creating a real estate bubble. Figure 1 illustrates the transition of posted land prices and consumer price index in the special wards of Tokyo. In comparison with 1983, commercial land prices had grown by approximately 5.75 times by 1991 and were much higher than residential land prices (3.64 times).

Similar to the situation in the early 1970s, all industries, including real estate, retail distribution, manufacturing, and so on, acquired real estate aggressively in the late 1980s and constructed giant commercial facilities and resort areas. The players were not only large companies, but also small enterprises. As well, local governments were eager to develop real estate. Government corporations and public-private partnerships ran their business on behalf of local governments. The situation at that time was called the “all-Japanese-are-real-estate-agents” mentality.

The basic policy of CRE management in the late 1980s was very clear: purchase real estate aggressively in the expectation that real estate prices would continue to go up. Many corporations were not interested in the type of real estate in question. It is the real estate security finance system that underlay the CRE management of that time. The Japanese real estate security finance system at that time meant that corporations were able to borrow a lot of money from banks if they owned or were purchasing real estate. Because land prices had been

soaring, except for a short period, right up until the early 1990s, many banks lent money easily if corporations pledged real estate (mainly land) as collateral.

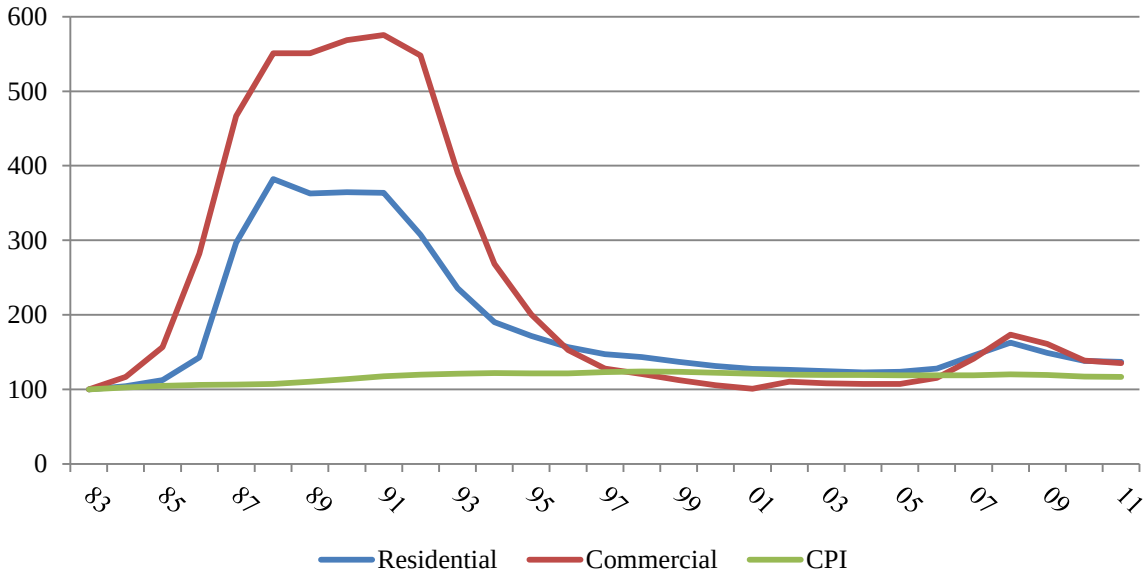


**Figure 1: Transition of Posted Land Price and Consumer Price Index in the Special Wards of Tokyo (the base year is 1983)**

Source: Tokyo Metropolitan Government (2011)

There were a lot of companies that integrated CRE management into their business activities. A typical example was the distribution industry. Many distribution companies borrowed money from the bank to construct new stores, using an existing store as collateral. Moreover, they pledged the previous store as collateral in the event of another commercial development. Thus, they could sequentially increase the number of new stores. In addition, they could obtain capital gains (unrealized gains) from their CRE because of soaring real estate prices. This business model was referred to as "land capital-oriented business" and many developers adopted this model. In other cases, it often happened that stock prices skyrocketed if corporations operating at a loss had excellent CRE. However, high land prices brought about a greater burden on production costs (including rental, stock control, dwelling expenses of employees, and so on). To stem this increase in costs, many manufacturing companies relocated their factories into the suburbs or foreign countries, where land prices and labor costs were lower. This tendency to the overseas transfer of production and operations continues up to the present.

Owing to total volume control of financing for the real estate industry, the heavy capital gains tax, and the introduction of a land-value tax, the Bubble economy, which was centered on the real estate and stock markets, had burst in the early 1990s. Land prices took a big dip, and the real estate market slowed down. Many of the companies that expected real estate prices to rise incurred a heavy loss and had difficulty in operating. Similarly, banks faced a number of bad debts, and could not recover loans because of falling real estate prices. Many banks ran into financial difficulty and went bankrupt, one after another. In other words, the bad-loan problem came into existence, and the Japanese economy entered into long-term recession from a financial crisis.

The basic principle of CRE management in the "lost decade" of the 1990s was how to dispose of real estate, in the opposite of the situation in the late-1980s. Corporations had to consider how to sell real estate quickly and reduce their losses in the faltering real estate market. The reasons for these difficulties include decline in sales and a credit crunch.

Corporations were forced to withdraw capital from real estate investment and reinvent the money into their main activities. After the mid-1990s, restructuring and downsizing became widely used strategies in the field of business administration, and corporations were compelled to streamline projects and organizations. At the same time, many corporations chose a strategic of core competence, meaning that they selected the domain in which they had the greatest advantages and concentrated all managerial resources on this domain. As a result, Japanese companies tended to withdraw from the real estate business. In addition, some Japanese corporations engaged in sale and leaseback practice. It seems that many CEOs sold real estate that was actually necessary for their companies, only later realizing the mistake and were compelled to buy it back.

As late as the early 21st century, the Japanese economy was still undergoing a protracted recovery process, and a lot of money had moved back into the real estate market. The main players now are not Japanese investors and companies, but foreign investors and companies. Among other things, investment funds emerged as takers of conspicuous action. These funds had carried out corporate buyouts aimed at securing CRE with strong potential. The targets of these investment funds were the unrealized gains on the CRE. Long-established and leading corporations often had excellent CRE, but the valuation of this CRE on their financial statements was extremely low, based on acquisition costs at the time. Many investment funds claimed that they would allow corporations to manage CRE efficiently and suggested that they reassess CRE holdings at market value and pay dividends as a benefit. However, many managers refused this proposal. Although investment funds planned some hostile mergers and acquisitions (M&A) through takeover bids (TOB), most of them ended in failure. The lesson that many CEOs learned from these events was to reevaluate the potential of their own CRE; many of them increasingly felt the necessity for CRE management.

Since then, the term “corporate real estate management” has come to be known to many executives in Japan, and a variety of methods of CRE management have been proposed. One current topic is the response to International Financial Reporting Standards (IFRS). In 2005, asset-impairment accounting has been introduced, and corporations now have to write down and post a loss if the market value of their CRE drops sharply. In addition to this, IFRS will be adopted after 2015, and CEOs will become more sensitive to the market value of their CRE.

Another approach is “Green Buildings”. The Japanese government has committed to achievement of the target for reducing carbon dioxide emissions to 25% lower than 1990 levels by 2020. Moreover, *the Great East Japan Earthquake* of early 2011 damaged power supply capacity and not only companies, but also society as a whole has to work together in order to save electricity.

## 2 Statistics regarding CRE

This section shows CRE statistics since the 1990s and aims to introduce the current status of Japanese CRE and the shift of corporate perspective. In Japan, the *Basic Survey on Land* is the only official statistical survey providing comprehensive information on land utilization. The survey is carried out every five years to obtain information on land availability and landowner characteristics. The *Basic Survey on Land* consists of three components: (1) “Corporation Survey on Land,” (2) “Household Survey on Land,” and (3) “Corporation Survey on Buildings.” Surveys (1) and (2) focus on the land-ownership and -usage situation by corporations and families. On the other hand, Survey (3) investigates building ownership and usage by corporations. Therefore, (1) and (3) can be grouped and referred to as “Japanese CRE statistics”.

Change in the number of corporations owning land from 1993 to 2008 appears in Figure 2. In 1993, the number of corporations owning land was 491,170, which represents 31.3% of

all corporations[1]; this number had fallen to below 30% of corporations in 2008. The rate of corporate building ownership in 2008 was 36.8%, which is higher than the rate of land ownership, but has also been decreasing since 1998. The reasons include change in industrial structure and movement overseas advance by manufacturing.

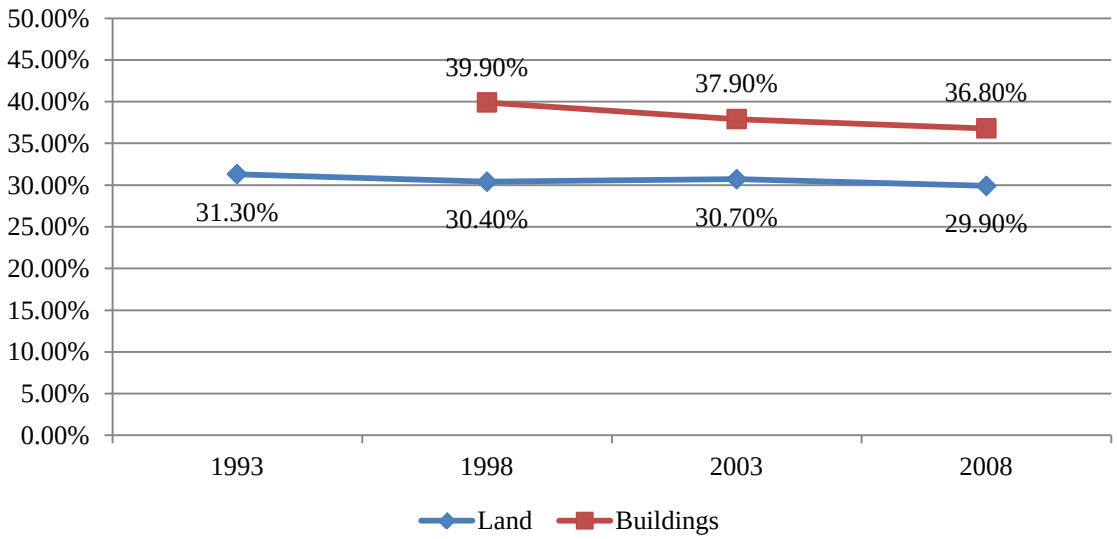


**Figure 2: Rate of Corporations Owning Land and Buildings**

Source: Kokudokoutsuusho Mizushigenka (2010)

Looking at the rates of corporations owning land by type of industry, "mining" (58.3%), "electricity, gas, heat supply and water" (56.1%), and "forestry" (49.4%) have relatively high rates. On the other hand, the following industries show low rates: "information and communications" (13.3%), "finance and insurance" (16.2%) and "medical, health care and welfare" (16.4%). As for rates of buildings ownership, "electricity, gas, heat supply and water" (64.5%), "mining" (55.0%), and "real estate" (54.9%) rank high. In contrast, "information and communications" (13.3%), "finance and insurance" (16.2%) and "medical, health care and welfare" (16.4%) rank low. Therefore, these rates are closely correlated with each other.

Considering the land ownership rate by amounts of capital, it is apparent that the rate rises in line with larger amounts of capital, with a few exceptions. Compared with the results from 2003, the land ownership rate dropped in all groups for 2008. In particular, the group with capital amounting to more than ¥500 million and less than ¥1 billion has decreased drastically, from 69.4% to 63.3%. The ownership rates for buildings by amount of capital show the same tendency.

The 2008 survey shows that the total size of the land owned by corporations was 15,349 km², which represents approximately 4% of Japan's total land area. As for the type of land, the survey shows "building sites and others" accounting for 5,132.6 km², "forest land" 7,415.8 km², "farm land" 447.4 km², and "stock land" 645.7 km². Stock land in particular continues to decline, showing a decrease of 13% during the 2003-8 period. While the amount of land accounted for by "building sites and others", and "stock land" has been decreasing, that of "forest land" and "farm land" have been increasing. Looking at the breakdown by type of industry, the composition ratio of "manufacturing" reaches 35.5%, which greatly exceeds that of the other industries.

[1] This paper excludes educational , religious corporations, and so on from its definition of "corporations".

Total floor space area of buildings owned by corporations for 2008 is 1,331 km², which has gone up by 0.6%, compared to that of 2003. This figure is made up of factory sites (588.8 km²) and others (742.2 km²). Looking at the total floor space of buildings owned by corporations, the group with capital amount more than ¥100 billion has the highest figure (314.7 km²), which accounts for 23.6% of the total. The composition ratio by type of industry shows the same tendency ("manufacturing," 33.1%).

The total asset value of land owned by corporations was approximately ¥263.8 trillion in 2008, roughly maintaining the status quo from 2003 (¥265.7 trillion) As Figure 3 indicates, however, total asset value shows a dramatic drop from ¥617 trillion in the 1998 survey. In particular, the drop in the asset value of "building sites, and others" seems remarkable. In the case of total asset value of buildings owned by corporations, "factories" and "building other than factories" account for ¥13.6 trillion and ¥45.5 trillion, respectively. In comparison with the 2003 result, the former has increased by ¥0.4 trillion and the latter by ¥1.1 trillion.

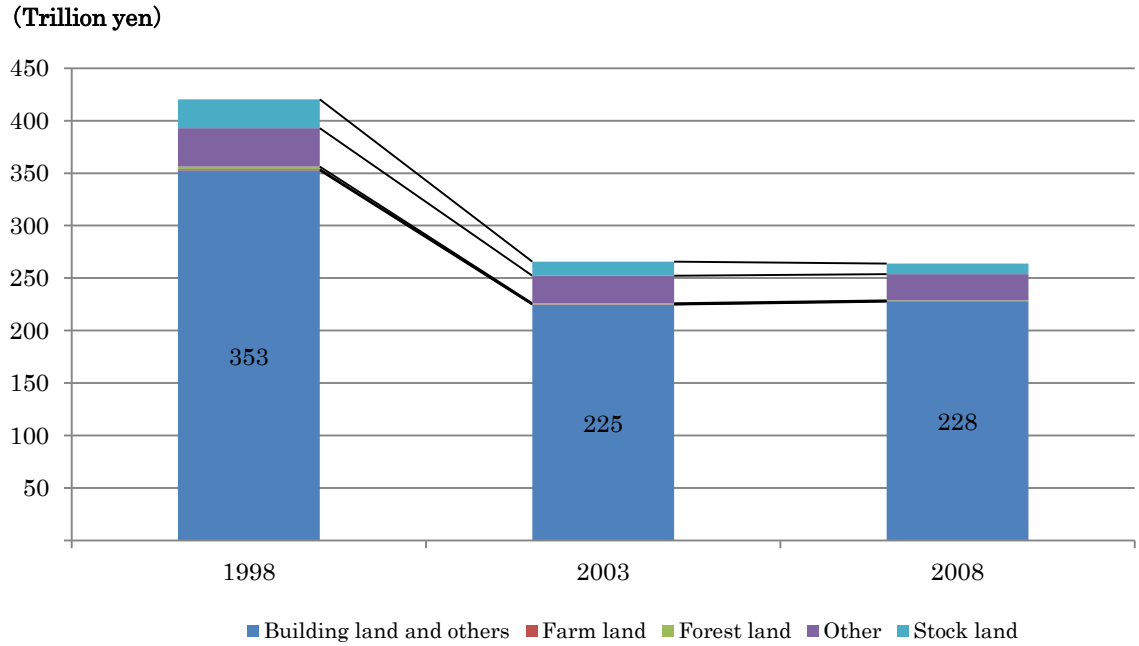


**Figure 3: Transition of Total Asset Value of Land Owned by Corporations**

Source: Kokudokoutsuusho Mizushigenka (2010)

Next, this section shows the corporate perspective on CRE with a look at the *Corporate Activity Survey on Land Ownership and Usage*, which is published from Kokudokoutsuusho Tochishijouka. This survey has been carried out every year since 1993 and aims to develop a continuous picture of corporate perspectives and actions on land. It surveys collects subjects of 9,000 corporations, headquartered in eight major cities, including the special wards of Tokyo, Osaka, Nagoya, and so on.

According to findings, the rate at which corporations consider ownership to be likely to become more advantageous over rental in the future basically fell from 1993 until recent years (Figure 4). However, that rate rose dramatically in fiscal 2009, to 44%. The reasons given that ownership will be preferable to rental in the future include "ownership's flexibility in doing business" (61.4%), and "the characteristics of owned land as an asset" (54.7%). On the other hand, 51.3% of corporations answered that land is not always an advantageous asset. Thus, the corporate attitude on land tends to be polarized.

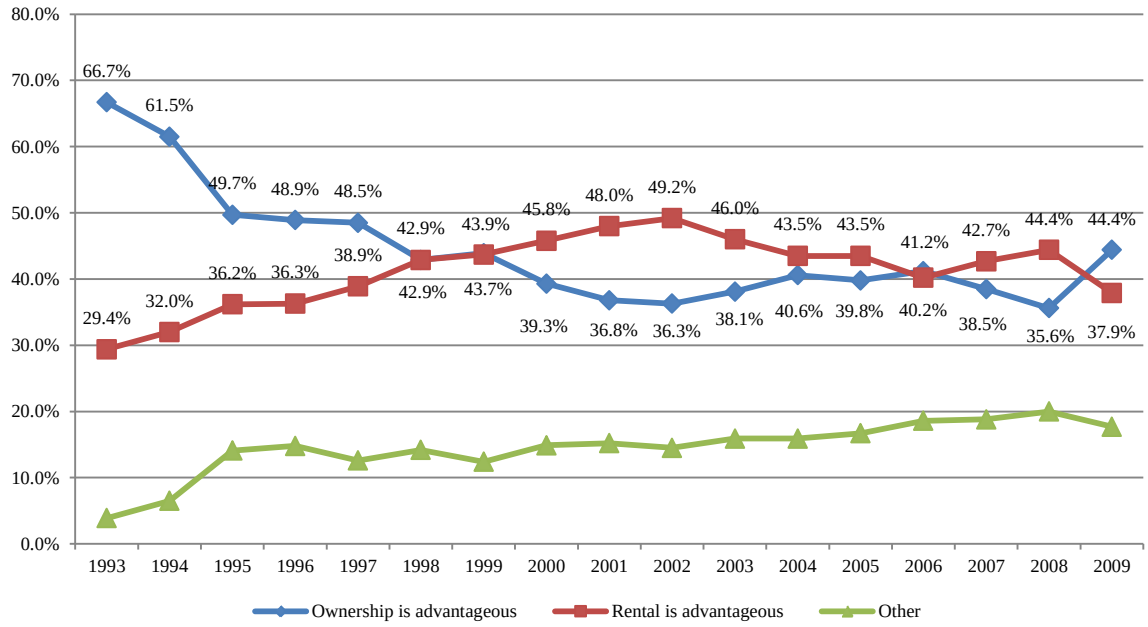


**Figure 4: Changing Perspectives on the Advantages of Land Ownership or Rental**

Source: Kokudokoutsuusho Tochishijouka (2010)

Looking at the influence on business activities of changes in land price (Figure 5), the proportion of responses saying "no influence" is 44.3% in fiscal 2009 — this has been decreasing since fiscal 2005 (51.2%). In short, more and more companies think the decline in land price has had a damaging effect on business activities. Furthermore, 33% of corporations hope that land prices will go up in the middle and long term, whereas only 10.8% hope that they will go down. Many CEOs think that the increase in value benefits business.

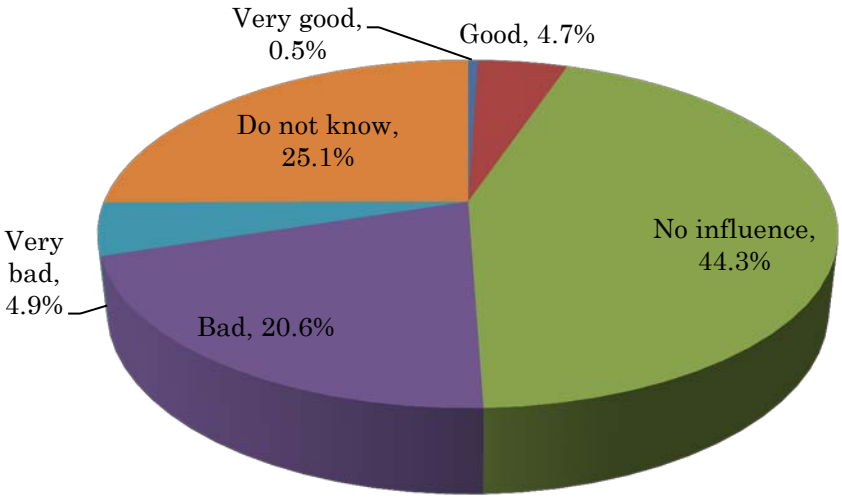


**Figure 5: Opinions on Influence on Business Activities by Changes in Land Price**

Source: Kokudokoutsuusho Tochishijouka (2010)

Finally, Figure 6 shows which companies have departments specializing in CRE management. In fiscal 2009, the rate of "non-existence" (62.5%) is greater than that of "existence (including under contemplation and under review)" (29.3%). However, the rate of "existence (…)" has been growing since fiscal 2006. Looking at the proportion by amount of

capital, companies in the group with capital amounting less than ¥20 million do not have a CRE-management department (17.5%). On the other hand, the group with capital amounting to more than ¥100 million usually do have such a department (67.5%). However, the powers, remit and functioning of the department are quite different by company.

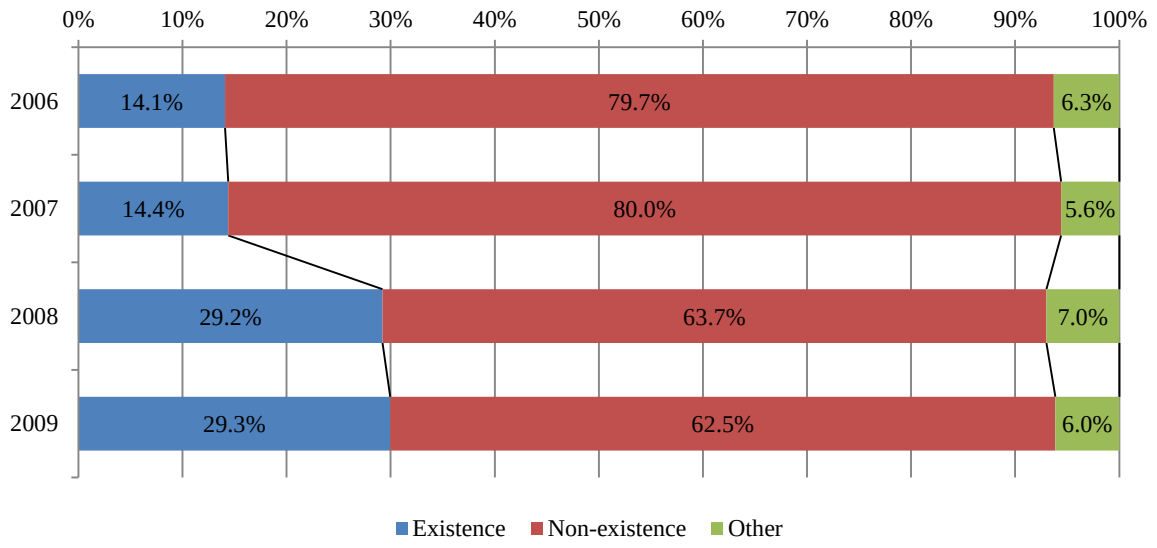


**Figure 6: Changes in Existence or Non-Existence of Departments Specializing in CRE Management**
Source: Kokudokoutsuusho Tochishijouka (2010)

## 3 CRE Management Research in Japan

Since the mid-2000s, a variety of books, papers, guidelines, and case reports have been published on CRE management in Japan. This section explains and discusses the content of CRE research, addressing definition, practice and organizational structure.

### 3-1 Definition of CRE Management

Gouritekina CRE Senryaku no Suishin ni Kansuru Kenkyuukai (2008a) defines “CRE management” as the ways that corporations revaluate CRE in a strategic way and make efficient real estate investment from the perspective of maximizing corporate value. Nikkei Kigyou to Fudousan Purojekuto (2009) follows the above definition and refers to “CRE strategy” as the policies and technologies by which corporations aim to maximize corporate value by managing CRE optimally and efficiently, in synchronization with other business resources. Finally, CRE Kenkyuukai (2006) describes “CRE strategy” as the approach by which corporations aim at realizing the potential to increase corporate value of comprehensive and strategic CRE restructuring.

These three definitions are comprehensible and have some similarities. One of them is the idea of “maximizing of corporate value”. However, the meaning of maximization of corporate value has been little explored by researchers and practitioners. According to Moridaira and Nihon Tochi Tatemono Kabushikikaisha (2007), this word (“maximization”) has a variety of aspects and includes five maximizations: (1) profit, (2) cash flow, (3) total assets, (4) equity capital, and (5) stock price. Naturally, these five maximizations are related to each other, but it is to be noted that corporations might change the targets of maximization depending on the circumstances. The further study of maximization of corporate value would be useful to the field of CRE management.

In an alternative definition of CRE strategy, Shimizu (2009) defines it as the approach that corporations utilize the externality to business, urban and society, achieve the most optimal and timely allocation of resources on three parameters: transaction cost, rent and income, and eliminate mismatch between corporate life cycle and real estate life cycle. The definition of Shimizu (2009) is based on economics, especially the location-selection model and requires formulation of an organizational framework, alliance with the compliance department, and ICT-based dynamic research.

### 3-2 Practice of CRE Management

A lot of CRE management case methods have been proposed recently. These include utilization of surplus CRE, countermeasures against M&A, environmental sustainability, finance, accounting, and so on. Nissan Motor Company and Japan Post are famous corporations that carry out excellent CRE management. This section does not explain the details of the case methods, but indicate only the practice models of CRE management.

One example of these practice models is the CRE management cycle which Gouritekina CRE Senryaku no Suishin ni Kansuru Kenkyuukai (2008a) advocate. This CRE management cycle consists of 5 parts: (1) Research, (2) Planning, (3) Practice, (4) Review, (5) Research and Act, which are organically combined and constructed as in the circulation model (Figure 7). This CRE management cycle is quite similar to the plan-do-check-act (PDCA) cycle. Through the CRE management cycle, corporations can decide on concrete practices and processes in a way that they will enhance their effect. As a cycle model analogous to CRE management cycle, CRE Kenkyuukai (2006) recommends the CRE strategy step.

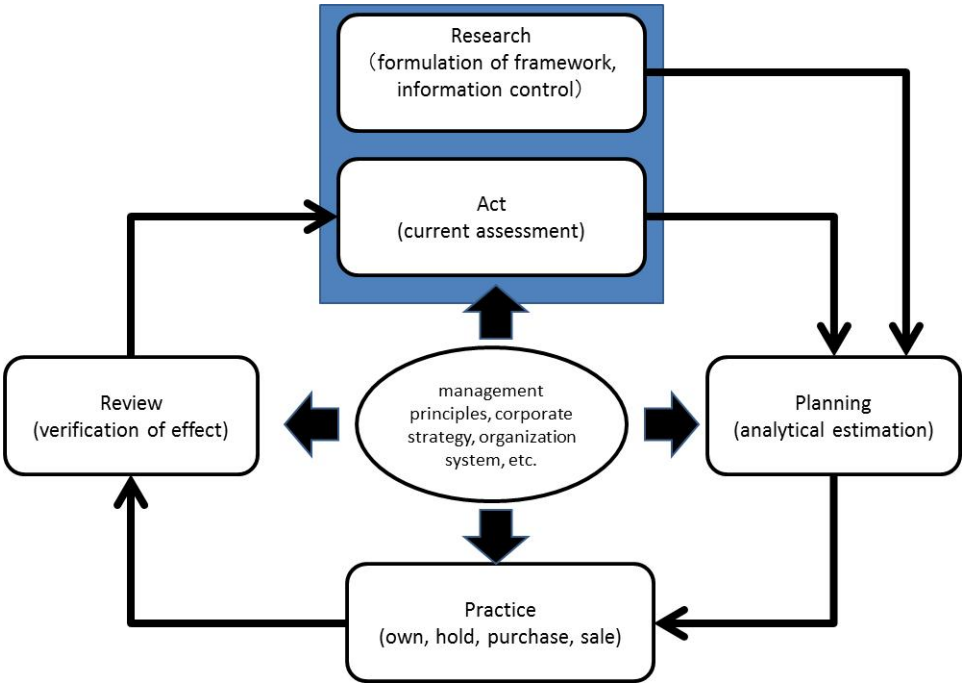


**Figure 7: CRE Management Cycle**

Source: CRE Senryaku no Suishin ni Kansuru Kenkyuukai (2008a)

Moridaira and Nihon Tochi Tatemono Kabushikikaisha (2007) illustrate a summary of CRE strategy, in Figure 8. At the start, CEOs need to select their own corporate strategies in order to maximize company value. After that, they come up with strategies of acquisition and disposal. They predict the cash flow generated from CRE management, and calculate its value.

Simultaneously, they determine the form of acquisition, such as M&A, rental, joint venture, and so on.

The basic policy of disposal strategy is to sell off CRE, which does not contribute to corporate value. The technique of sale-and-leaseback is considered when it is not rational to withdraw. Both acquisition and disposal strategies are carried out on the basis of property management, ICT, and alliance with service providers.

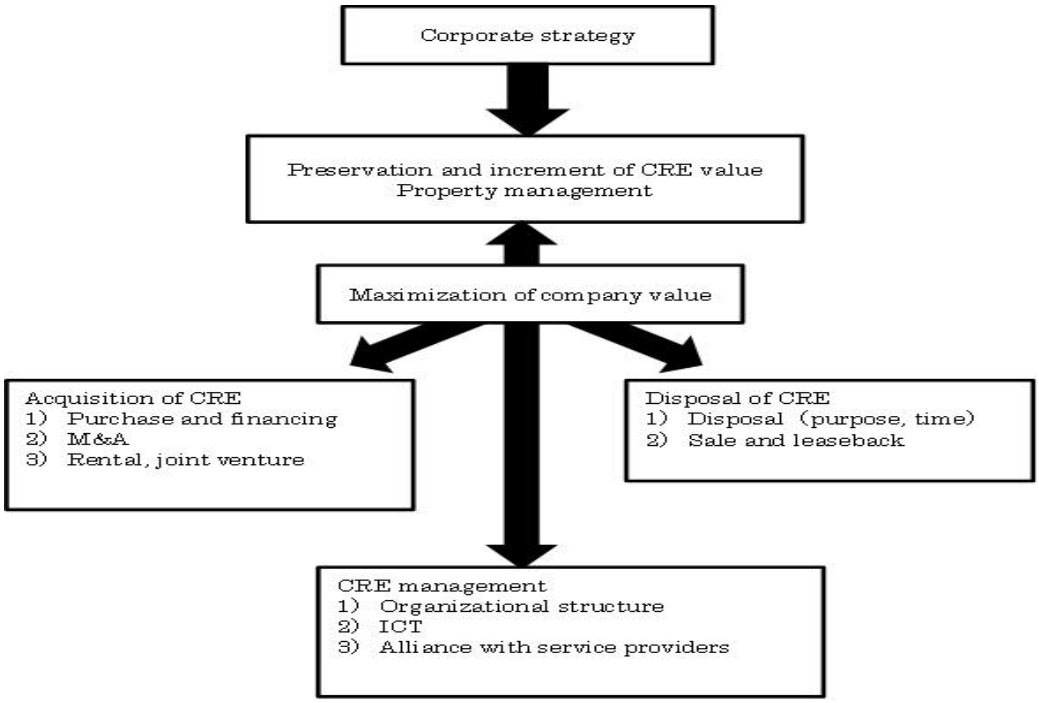


**Figure 8: Summary of CRE Strategy**

Source: Moridaira and Nihon Tochi Tatemono Kabushikikaisha (2007)

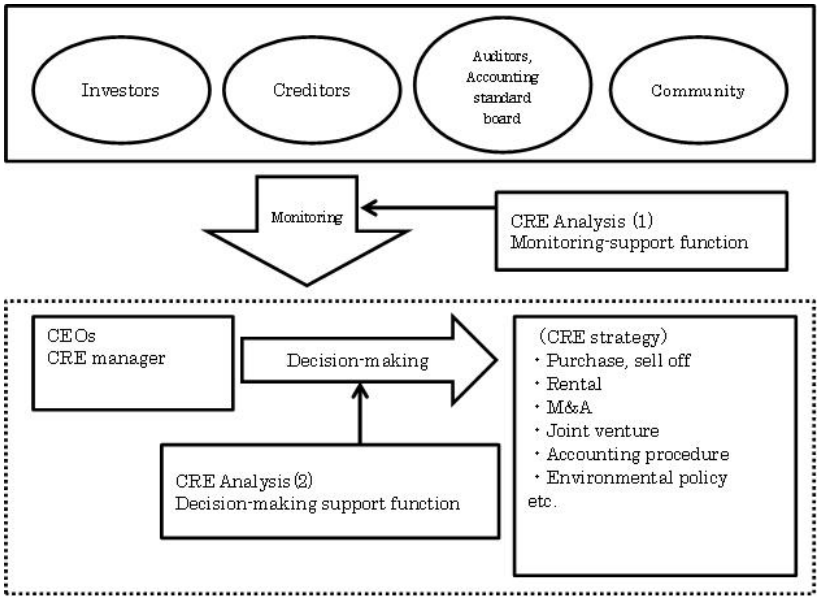


**Figure 9: Function of CRE Analysis**

Source: Yamamoto (2011)

Yamamoto (2011) points out two CRE analysis functions: the monitoring-support function and the decision-making support function. The monitoring-support function means that a variety of stakeholders go over procedures of CRE strategy or management. In contrast, the decision-making support function aims to provide advantageous information to managers. This approach is described in Figure 9. In the case of the decision-making support function, the concrete strategy includes purchase, sell-off, rental, M&A, joint venture, accounting procedure, environmental policy, and so on.

There are some differences in the characteristics of the three practice models. The CRE management cycle puts its focus on activities inside the company. On the other hand, summary of CRE strategy emphasizes business strategy, while function of CRE analysis pays attention to activities inside and outside the company. Thus, it is assumed that Japanese CRE management practice models are broad in coverage and have interdisciplinarity. Conversely, many managers tend to have enough trouble with what they should begin with. In other words, many CEOs find that CRE management is essential, but do not imagine effective ways to use it.

### 3-3 Organizational Structure

The argument regarding the organizational structure has been made in Japanese CRE management research recently. Because the Financial Instruments and Exchange Act has been enacted, corporations need to establish internal controls from the perspective not only of CRE management, but of the entire organization. Generally, big corporations outside Japan have a department specializing in CRE management and have CRE executives. Therefore, it is suggested that Japanese corporations should import the organizational structure of foreign companies.

The traditional Japanese organizational structure for CRE management has been a system of decentralized authority and budget. For instance, the treasury or development department is empowered to conduct acquisitions and sell-offs, and the general administration department is empowered to do rental and maintenance. As another example, the manufacturing department may have full authorization to manage CRE such as factories and R&D locations. On the other hand, the sales department may have full authorization to manage CRE such as shops, warehouses, and so on. That structure brings about a vertically divided administration, in which CEOs cannot make effective decisions on CRE management. In order to solve this problem, it is suggested that managers should establish a department specializing in CRE management and introduce a centralized system.

Such a centralized system requires tremendous amounts of time and money. It is difficult for global companies to supervise and manage every piece of CRE with a few staff. As a consequence, ICT is necessary in order to centralize administrative control over CRE management. ICT enables corporations to grasp the situation of individual CRE holdings quickly, gain a detailed understanding of their financial status, and analyze performance and risk. However, because there are few specialists in Japan who are skilled in operating ICT on questions of CRE management, corporations need to intensify the cultivation of human resources to do this job.

In the event that corporations are not able to construct departments specializing in CRE management, they should outsource CRE management to service providers. Outsourcing enables corporations to save on the initial capital investment, downsize assets and employees, and concentrate limited business resources on the most advantageous domain. Moreover, since costs would change depending on the amount of the service the corporate client has consumed, this would save on fixed costs. In Japan, several domestic and international service

providers conduct their business as outsourcees, such as Nihon Tochi Tatemono Kabushikikaisha, Mitsubishi Estate Company, CB Richard Ellis, and Jones Lang LaSalle.

Thus, installation of departments specializing in CRE management, utilization of ICT, development of human resources, and promotion of outsourcing have been major topics of discussion. Unfortunately, only about 30 % of the companies have a department specializing in CRE management. Furthermore, most of these departments are similar to the general administration department, which does not have strong powers. If corporations introduce advanced ICT, few staff capitalizes effectively on CRE management. Additionally, outsourcing has a lot of problems. Japanese outsourcing is different from that in the West and has a hierarchical structure in which outsourcers are in higher positions than service providers, Outsourcers look down on service providers and are unwilling to present information to them. As a result, service providers have no opportunity to provide strategic solutions and concentrate on maintenance and repair management.

Considering the organizational structure of CRE management, it is difficult and requires strong leadership for corporations to establish departments specializing in CRE management and construct company-wide centralized governances structure. There is also the problem that lack of CRE professionals exert a negative effect on corporations in manage CRE effectively and allow ICT to function without taking CRE into account. Thus, if CEOs have no confidence that CRE management will work well, they are not going to manage CRE proactively. Furthermore, outsourcing does not work well in the context of overall business administration in Japan. In conclusion, many managers understand the importance of CRE management, but it remains a low priority in that it needs a lot of time, money, and energy.

## Conclusion

The three sections above indicate the history and statistics of as well as recent research on CRE management in Japan. The recent research includes a definition and description of practices and organizational structure. By definition, CRE management aims to contribute to core business and maximize corporate value. However, the maximization of corporate value has different aspects, such as profit, cash flow, stock price, and so on, and what it means for CRE management to “contribute” to it does not seem clear. Also, researchers have developed a variety of practice models. It becomes somewhat difficult for many managers to understand the characteristics of CRE management, in that these models have broad coverage and interdisciplinarity. Finally, the organizational structure of CRE management requires departments specializing in CRE management, formulation of ICT, qualified personnel, and outsourcing. Corporations can receive strong support from service providers; however, it is still difficult to conduct CRE management because of a variety of problems such as vertically divided administration, lack of personnel, dysfunction of ICT, and so on.

Since the release of *CRE Guidelines and Manual* by CRE Senryaku no Suishin ni Kansuru Kenkyuukai (2008a, 2008b), the definition, concept, means, and case reports on CRE management have been discussed continuously, and the awareness of the need for CRE management has been growing step by step. However, some CEOs incorrectly believe that all factors of the specializing department, qualified personnel and ICT are absolutely essential in managing CRE, abandoning the practice due to constraints on business resources. In fact, CRE management takes many and varied forms, but it seems that some methods are applied to all cases in Japan. Because there is not one single CRE management model, each corporation needs to formulate their own CRE management arrangement by themselves.

Unfortunately, many managers do not have a proactive attitude. There is no doubt that this situation prevents good CRE management from prevailing in Japan. Moreover, Ishikawa (2009) indicates that many Japanese companies cannot create their own CRE management structure because they do not have firm corporate strategies as a result of the persistent

structural recession. In order to promote CRE management, a more intelligent theoretical framework must be developed.

Until the early 1990s, a lot of Japanese companies made good use of CRE and were able to create a competitive advantage. After that, the prolonged recession destroyed this accumulation of expertise, and Japanese corporations are currently rudderless on CRE. As competition among firms gets fiercer, the importance of CRE management is also greater. It is impossible for corporations to get ahead of the competition without CRE management. Under these circumstances, CRE researchers have to shoulder the responsibility of defining the best practices in CRE management for the future.

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