Corporate Socially Responsible - Real Estate Management

Understanding how a corporate real

estate object interacts with society

'The more difficult to measure the criteria, the more valuable the building'

Paul de Ruiter in (Tilman 2010)

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Preface

This thesis was written as a final assignment to obtain the MSc degree at the Delft University of Technology, faculty of Architecture, department of Real Estate and Housing. The research process was supervised by Dr. Ir. D.J.M. van der Voordt en Dr. Ir. R.C. Rocco.

The initial objective of this research was to integrate Corporate Social Responsibility (CSR) values into the CREM decision making process. Both theoretic and field research distinguished the demand for empirical guidance on this subject rather than empirical justification. Consequentially a Corporate Socially Responsible - Real Estate Management framework was developed that makes CREM managers aware of their impact on society, and helps them to understand the impact of specific CREM decisions.

Three case studies were performed throughout the research process. The corporate organizations TNT, ING and Maxeda, all based in the Netherlands, constituted the subjects of analyses. Through interviews, corporate reports and articles, information was collected on their respective CSR values and the integration of these into the CREM decision making process.

Writing this thesis has been a very intense learning process, requiring me to face, understand and overcome my personal shortcomings; but also helping me to identify my personal strengths.

If during the reading of this thesis any questions or suggestions might arise, anyone is welcome to contact me at any time. I will be more than happy to discuss these with you personally.

Jeroen Thyssen
Delft, 14-April-2011

The thesis will be presented publicly at the Delft University of technology, faculty of Architecture on April the 14th 2011, at 12.00.

Acknowledgements

CSR-REM : *Understanding how a corporate real estate object interacts with society* | Jeroen Thyssen | April 2011

Executive summary

Introduction

Ever since the introduction of stakeholder theory (1984, through Freeman's seminal work: 'strategic management a stakeholder approach'), CSR (Corporate Social responsibilities) has been emerging as an important aspect of overall corporate management. Stakeholder theory is the doctrine that bussinesses should not be run for the financial benefit of their owners, but for the benefit of all their stakeholdes.

In current day society, CSR has even become a buzz-term in worldwide management practices. This emerging trend has been justified on the basis of many different grounds, both of altruistic and capitalistic nature. Recent literature has focused on this justification of CSR. Lately a renewed theoretic focus on providing empirical explanation of CSR rather than empirical justification has emerged however (Margolis and Walsh 2003; Lee 2008). These theorists claim that it does not really matter what reasons corporate organizations have to implement CSR into the corporate strategy, as it will always result in increased social benefits. As corporate organization have already adopted CSR; the social relevance of helping them to implement this concept into day to day management practices is much more stringent, than the social relevance of CSR justification studies. This view has been adopted in this thesis.

The specific management practice of Corporate Real Estate Management (CREM) is analyzed for its current compatibility with the CSR concept. Subsequently, a Corporate Socially Responsible – Real Estate Management (CSR-REM) framework was developed, aiding CREM managers to overcome the main problem they are currently facing regarding an operational CSR concept:

"CREM managers do not have a clear picture of the impact of their corporate real estate decisions on the various corporate stakeholders, when making a CREM decision."

CSR-REM

CSR – REM comprises a merger between two business concepts: CSR and CREM. A thorough undertsanding these individual concepts was needed to perform this study.

CSR deals with the integration of the stakes and interests of a corporate organization's stakeholders in the day to day corporate management practice. Literature provided seven groups of stakeholders that are essential in this process: 'employees, customers, competitors, business partners, society, shareholders and future generations'.

CREM on the other hand deals with optimally attuning a corporate organization's real estate portfolio to corporate performance. Since the emergence of stakeholders theory, this concept of corporate performance is very abstract however. Corporate organizations have started to define corporate performance in terms additional to increasing shareholders value; integrating the

stakes and intersts of multiple stakeholders. TNT for instance, has integrated the overall annual report and the annual CSR report, clearly proclaiming a stakeholder theory based perception of corporate performance.

In this context CSR-REM deals with optimally attuning the corporate real estate portfolio to the corporate CSR aspect of a corporate strategy.

Current practice

Three case studies were conducted to analyze the current integration of CSR into the specific CREM management field. Subject of these case studies were three Dutch corporate organizations, operating in a different business context and as such implementing a different CREM strategy. The case study organizations, subject of this analyses were: TNT, ING and Maxeda.

All three organizations could provide a clear CSR strategy, in which all the stakeholders of a corporate organization as defined in literature were taken into account. The integration of this strategy into the specific context of CREM provided problems however. None of the CREM managers I have spoken could clearly depict how their specific decisions affected the stakeholders identified in their CSR strategies. This finding confirms the theoretical statement that it is empirical explanations mangers require rather than empirical justification.

For the moment there is one stakeholder groups that takes central stage in every CREM decision (besides the shareholder) however, namely the future generations. The impact of CREM decisions on the environment has been analyzed in depth and multiple tools have been developed to analyze this specific impact (e.g. Breeam, LEED and GreenCalc). CREM managers have adopted this empirical explanation into their day to day management practice, as such the importance of empirical explanation is once again confirmed.

There are much more dimensions (Dahlsrud 2008) to CSR however. Whereas CREM managers focus on this large environmental (global impact) of their decisions; the smaller scale impact is currently almost absent in the CREM decision making process, as such five out of seven of the identified stakeholder groups don't receive the attention they deserve.

Consequentially the main problem corporate managers have to deal with is, the fact that they for the momnent donat have the means to find out what the CSR impact of their CREM decisions is for these 5 other stakeholder groups. The product of this research thesis helps CREM manager to fill this void in current knowledge.

The CSR-REM framework

To integrate the stakes and interests of the other (5) defined stakeholder groups into the CREM decision making process, the CSR-REM framework was developed. This framework helps CREM managers to understand the impact their decisions have on the various corporate stakeholders. The framework aids CREM managers to describe the impact of their CREM

decisions, through the mechanisms provided in the framework. The framework does not prescribe the actions CREM managers should take to make socially responsible CREM decisions; but it does help CREM managers to integrate the specific corporate CSR strategy into the CREM decision making process.

Three types of mechanisms were described that potentially affect the stakeholders of a corporate organization through CREM decisions: social (utility) mechanisms (directly affecting the stakeholder through the physical presence of a real estate object), socioeconomic mechanisms and environmental mechanisms. As explained before, the impact on environmental mechanisms has been the subject of many studies and tools and as such it does not constitute a main aspect of this study, consequentially it will not be integrated into the CSR-REM framework.

The corporate stakeholders that are affected by these mechanisms were redefined for the specific context of CREM. The ways in which they were affected by a corporate real estate object formed the basis for the following three groups: users, local stakeholders and inhabitants of an economic region.

Subsequently the specific aspects of these stakeholders' satisfaction level with the corporate organization that could be affected through CREM decisions were specified (see figure 1).
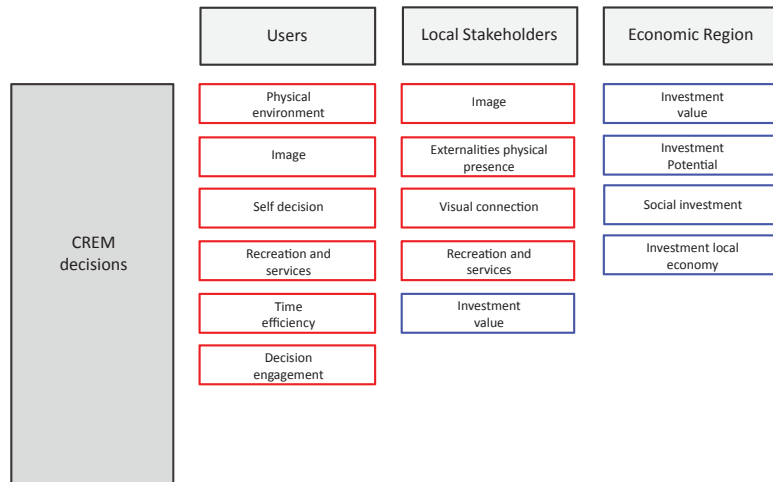

fig 1: The CSR-REM framework describes how CREM decisions can affect stakeholder satisfaction sources. Blue boxes constitute socioeconomic mechanisms, red boxes constitute social (utility) mechanisms.

Finally the ways different types of CREM decisions affect these stakeholder satisfaction sources were analyzed. This process resulted in 4 types of CREM decisions, which could be linked to specific stakeholders' satisfaction sources: 'interior quality decisions, exterior quality decisions, location quality decisions and provision process quality decisions' (figure 2).
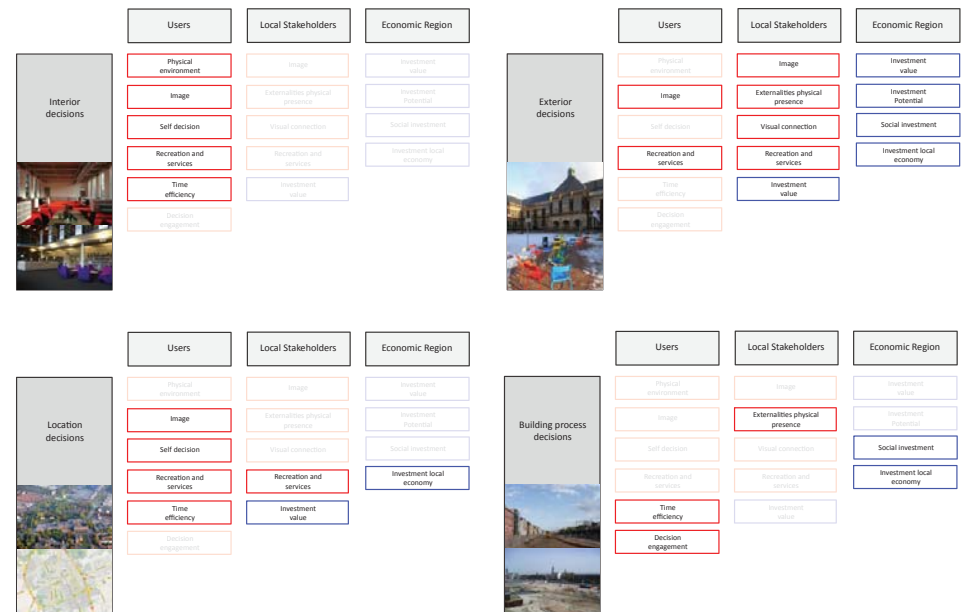

fig 2: The four types of CREM decisions that affect the corporate stakeholders's satisfaction sources differently.

Practical applicability and value
The practical value of the CSR-REM framework resides in the fact that it helps CREM managers to understand their impact on the various corporate stakeholders. If the CREM manager adequately walks through the following 5 prescribed steps, a thorough description of the specific CREM decision on the various will become available:

Step 1: Define the type of decision
Step 2: Identify the stakeholders that are potentially affected by the CREM decision
Step 3: Identify the mechanisms that potentially affect the identified stakeholders
Step 4: Obtain the additional information required to understand the link between CREM decision and stakeholder groups.
Step 5: Apply the corporate CSR-strategy to make a CREM decision, well balanced between the stakes and interests of the different stakeholders.

As a result the CREM manager has the impact on the (5) previously under lighted stakeholders of a CREM decisions clear. The information on the impact on shareholders and future generations must be added create a total picture of a CREM decision. Hereafter it is up to the CREM manager to apply the corporate strategy (including the CSR strategy), to make a well balanced decision between the different options available.

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Part 1
Introduction

1

Chapter one
Research Introduction and Methodology

fig 1.1: Magnifying glass representing the research character

"The road between a personal motivation and a solution for a specific research problem is long. The right research questions must be supported by up to date literature, a well thought through methodology and adequate personal guidance. The path I have followed in this process will be elaborated in this chapter. It is not a coincidence that it starts with a personal motivation, as this was the catalyst for the entire study, and throughout the entire study."

1.1 | Personal Motivation

The desire to write a master thesis of social relevance provided the foundation for the research thesis in front of you. This social interest I wished to combine with my professional/scientific interest for Corporate Real Estate Management.

I believe that multinationals have social responsibilities towards their hosts. They should make local society benefit from their presence, just as they benefit from their presence in local society. Since, multinationals must be convinced to pursue such social objectives; the initial goal of this master thesis was to define how a symbiosis between corporate benefits and societal benefits could be realized through the implementation of adequate Corporate Real Estate Management. Whether this was just utopian reverie, or an actually realizable project remains to be seen.

1.2 | Research Field

The following paragraph quickly introduces the theoretical field within which this research thesis operates, enabling readers to put further readings in perspective. I will first introduce Corporate Social Responsibility (CSR); CSR is the all-encompassing, fashionable term for the responsibilities corporate organizations have towards society. Subsequently a small introduction of Corporate Real Estate Management (CREM) will explain what specific subdivision of corporate management was addressed in this research.

Corporate social responsibility (CSR)

In the 60's Noble price winner Milton Friedman stated that implementing Corporate Social Responsibility in corporate strategy constitutes an act of theft. Nevertheless, CSR has become a major issue for multiple corporate organizations in recent years (Murray and Dainty 2009), it has even become apparent that businesses have become more aggressive about advancing and promoting efforts to achieve more socially responsible decision making (Callan and Thomas 2009). To believe that all those companies adopt such attitudes for the sole purpose of doing good seems rather naive.

What is CSR?

To understand this CSR concept however, there is one question that needs to be answered first: "what is CSR?" (Wan-Jan 2006) In recent years, many researchers have been trying to define CSR in an appropriate way; Wan-Jan herself for instance defined CSR as:

"Treating the stakeholders of the firm ethically or in a responsible manner"

(Wan-Jan 2006)

This definition looks as if it is able to explain the basic concept of CSR, but at the same time raises questions. Stating that stakeholders are the key to identifying corporate responsibilities; Wan-Jan highlights the subjectivity of her definition, as every person or institution can have a different opinion on what stakeholders are, and subsequently on who its stakeholders are.

This subjectivity of stakeholder identification has led to a dichotomy of normative, competitive theories:

-       The shareholder theory (one dominant stakeholder: the shareholder)
-       The stakeholder theory (multiple dominant stakeholders)

Whereas the shareholder theory explains the traditional way in which corporate organizations approached their contributions to society (Friedman 1962) the stakeholder theory is relatively young as its origins can be traced back to Freeman's (1984) seminal work: 'strategic management, a stakeholder approach.

Why CSR?

In recent decades the rationale behind businesses attaching more and more value to socially responsible behaviour has been analyzed by many academic researchers. Some academics identified the existence of a (hypothetical) social contract between society and businesses, whereby the existence of businesses within society would only be justified by its benefits to society. Most CSR research has been conducted on identifying a connection between CSR and Corporate Financial Performance (CFP) however (Marom 2006; Peloza and Papania 2008; van Beurden and Gössling 2008; Callan and Thomas 2009), as Friedman's statements from the cold war affected sixties still have a very significant impact on current day management theories and practice:

"Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stakeholders as possible. If managers used corporate resources for any cause other than profit maximization, it would constitute a form of theft."

(Friedman, 1962)

The enormous amount of studies on the identification of a conclusive CSR-CFP link could therefore be validated from the point of view that such a theory would gap the bridge between stakeholder theory and shareholder theory.

Finally Rocco (2008) referred to something called the social function of property, which elaborates on CSR in the context of the built environment.

CSR made operational

In part II of this study 'the theoretical framework' and more specific chapter 2 'Corporate Social Responsibilities' the questions introduced above are studied in detail, providing a more elaborate understanding of this emerging CSR trend.

Corporate Real Estate Management (CREM)

Real estate is a basic requirement for every corporate organization. CREM managers carefully consider how corporate real estate can aid a corporate organization in achieving its objectives.

"Corporate real estate not only has to meet the organisation's technical, functional and financial requirements, but also has to contribute to the organisation's overall performance."

(de Jonge, Arkesteijn et al. 2008) p.38-39

It is in this light it becomes very important for me as a researcher to understand what corporate performance means, especially from a CSR point of view.

"Few corporate leaders come from the field of real estate, or have any experience with strategic property decision making, it falls to the corporate real estate manager educate the top decision makers about the potential contributions their real estate decisions can make to the overall success of the core business."

(Lindholm and Levainen 2006) p. 38

As corporate managers fail to see the potential of their real estate, it is important for us, as academics in this specific field, to show them the value of their real estate in all its aspects.

1.3 | Research relevance

Social relevance

The basis for this research proposal is social relevance. The idea that an organization has certain obligations towards its host city was the first thing that set me thinking about this subject. The grasshopper strategies applied by several organizations throughout history, are no longer accepted. Convincing corporate organizations to apply CSR as an input in CREM would mean that not only the corporate organization would benefit from being present in a city, but the host city and its citizens as well.

Relevance to the educational curriculum

The TU Delft RE&H research area, defines three main programmes: Real estate management, design & construction management and housing. This research fits within the programme of Real Estate Management, more specifically in the sub-programme of Corporate and Public Real Estate Management.

The reader 'research projects Real Estate 2005-2010' (van der Voordt 2009) defines Corporate and public real estate management as: "the management of a real estate portfolio, aligning the portfolio and related services with the objectives of the organization, the needs of the real estate users and the other stakeholders."

This research fits the given definition of corporate real estate management, since it attempts to align the portfolio not only to the objectives of the organization, but to the objectives of other

stakeholders as well, situating CREM within the specific present-day context of globalization, Corporate Social Responsibilities and stakeholder management. The final research outcomes can add relevant, up to date expertise to the knowledge field of CREM.

One of the RE&H research projects, studies the impact of real estate interventions on organizational performance. Objective of the research project is to enhance the understanding of the ways real estate interventions affect organizational performance. This research fits the scope of that research project, since it attempts to link CREM through CSR to a broader approach of organizational performance. One of the aimed at deliverables proposed in the research project description (van der Voordt 2009) is a tool to support decision making in the field of corporate real estate interventions and organizational performance, which is exactly the envisioned product of this study .

The research proposal has affiliations with the research project: "Designing an accommodation strategy" as well, since it aims to determine a future match between supply and demands within the specific context of socially responsible corporate organizations.

Target groups
- Corporate Real Estate Managers
- Consultants advising corporate organizations' corporate real estate departments
- Academic researchers with specific interests in the corporate real estate decision making process
- Non governmental organizations, with an interest in social responsibilities of corporate organizations.
- Local and national governments with an interest in corporate organizations' social responsibilities.
- All stakeholders of corporate organizations, interested in corporate real estate decisions.

1.4 | Research problem and questions

In recent years, the idea that a corporate organization has certain obligations regarding the society in which it operates, won ground rapidly. Consumers, employees and other stakeholders became more demanding concerning social responsibilities of corporate organizations - CSR. In the light of a CSR approach to CREM, making corporate real estate decisions becomes a process that involves the constant consideration of various stakeholders. There is no use of focussing on one stakeholder at one moment and on the other, another time. It is about constantly managing the various stakeholders' specific interest and stakes.As such the goal of this study is twofolded:

- To raise awareness amongst CREM managers, about the implications for all stakeholders of their CREM decisions
- To help corporate real estate managers consider the stakeholders relevant in their corporate real estate decisions.

The instruments developed so far helping corporate organizations to make socially responsible Corporate Real Estate Decisions are scarce, incomplete and sometimes even non-existing. Similar conclusions can be drawn about social accounting instruments analyzing the CSR value of a certain corporate real estate decisions. In recent CREM practice and theory development, the environmental dimension of CSR has been over representative. Consequently the up till now developed social accounting and CREM instruments predominantly focused on what can be called 'green buildings' (LEED, BREEAM, GreenCalc, etc). One could say that indirectly these measurement instruments do look further than 'just' the environment, as for instance the health of the stakeholder-group 'employees', is an important aspect of some of them. An approach of the CREM decision making process that focuses on all aspects of CSR is undeniably new however.

Taken together, this research study focuses on a new concept called "Corporate Socially Responsible – Real Estate management (CSR-REM)". It considers CSR inputs for the specific corporate management activity: 'Corporate Real Estate Management', and tries to make it operational. The main problem statement addressed in this study is:

Corporate Real Estate Managers are not sufficiently aware of the impacts their decisions have on their stakeholders and subsequently their corporate organization. They should be aided in incorporating stakeholder's interests and stakes in their corporate real estate decisions.

The following three main research questions were developed, to conduct an explorative study of the above research problem.

1.   What is CSR-REM?
This study focuses on the self-defined topic of CSR-REM, as it tries to research the possibilities of implementing CSR in CREM. Consequentially, we first need to have a clear picture of what CSR is, or what CREM is and what overlaps can be found between the two.
The answer to this research question can mostly be found within literature, and therefore will mainly focus on the theoretical framework. Off course it is possible that the definition needs to be adjusted in a later phase because of statements from practice.

2.   Why CSR-REM?
The next important question that needs to be answered is: 'why CSR-REM?' In literature this question has been answered for both CSR and CREM separately, this study searches a raison d'être for CSR-REM.
The answer can partially be found within the literature framework. It will be important as well however, to find out how corporate practice perceives the possibility of CSR-REM: Is it something they are willing to consider, they are not willing to consider or have been considering for a long time?

3.   What contributions can be made to an operational CSR-REM concept at this moment in time.
Finally, knowing what CSR-REM is and what the added value of implementing it is; it becomes important to know how different actors can apply it. A tool should be presented to Corporate Real Estate Managers, making CSR-REM operational and putting the predicted added value of CSR-REM into practice.

1.5 | Research methodology

This chapter elaborates on the various research methods that will be applied throughout the research period. The steps are ordered by starting point in time; overlap between steps will take place.

1. Theoretical framework
The creation of a theoretical framework constitutes the start of this graduation thesis. The theoretical framework will serve as a scientific basis, from which further exploration in the field of interest can commence and to which further generic information should be added by the end of the graduation period. Since this research problem initially focuses on two individual concepts (CSR and CREM), two separate literature studies will primarily explore both concepts, after which they are considered as a conjoined research subject throughout the rest of the study.
Corporate Social Responsibility (CSR) and Corporate Real Estate Management (CREM) are two buzzwords in current scientific research. An overwhelming amount of literature on these two subjects can be found in databases all over the world. This research thesis however, focuses on the integration of the one (CSR) in the other (CREM). Literature on this combined topic is less easy to find and sometimes even seems absent.

2. Case studies
In the second phase of research, current practice is analyzed more thoroughly. Case studies are used to evaluate the, literature based conclusions. Corporate professionals, scientific institutions and other stakeholders get the change to explain what theoretical products are incomplete and what adjustments have to be made to make them applicable. In addition the case studies are used to get grip on current practice. Investigating whether and why CSR is currently used as an input in CREM provides a bridge between theory and practice.

3 construction of a tool
In this third phase the information gathered in the case studies is analyzed. If the gathered information proves to be sufficient, a tool is created that explains the user, what strategic CREM decisions can lead to which (negative and positive) consequences for various corporate stakeholders.

Aimed at deliverables

These three phases of research should together provide the answers to the research questions. Whereas the answers to the first two research questions will be more theoretic of nature, the answer to the third research question will have the form of an instrument, helping corporate real estate managers to make CSR-REM operational.

1.6 | Case selection

Corporate organizations

In my case studies I analyzed three different corporate organizations. The goal of these studies was to find out how CSR is currently incorporated in their CREM decision making process.

TNT	ING	Maxeda

fig 1.2: Case study - logos

1.7 | Mentorship

First mentor: Dr. Ir. D.J.M. van der Voordt

Dr. Ir. T. J.M. van der Voordt is a senior researcher and lecturer at the Department of Architecture of the Delft University of Technology. He is also working as a senior researcher at the Center for People and Buildings. His enormous experience in the field of CREM helps me to explore the corporate real estate context in which this thesis operates.

Second mentor: Dr. Ir. R.C. Roberto Rocco

Dr. Ir. R.C. Roberto Rocco is a Brazilian assistant professor for the chair of spatial planning and strategy at the Delft University of Technology. He currently researches "the Urban Geography of Globalisation: The role of advanced producer services in triggering urban transformation". His specific knowledge of the urban transformation in relation to the age of globalization WAS very helpful in identifying the urban context in which this thesis operates.

Part 2
Theoretical framework

2 Chapter Two
Corporate Social Responsibility (CSR)

fig 2.1: Social responsibilities

"Stakeholder theory and shareholder theory are two opposing theories, respectively providing a foundation for CSR to build on and renouncing the need for its existence. This dichotomy in business theory has led to an extensive amount of studies on the justification of CSR as an essential aspect of corporate management, whereby stakeholder identification and encountered impact took central stage."

2.1 | Defining CSR
2.2 | Justifying CSR
2.3 | Stakeholder identification
2.4 | CSR made operational
2.5 | Corporate strategies for managing stakeholder relationships
2.6 | Recapitulation and conclusions

2.1 | Defining CSR

What is Corporate Social Responsibility (CSR)? Deprived of any background information, one can reason up to three quarters of the answer in just a handful of seconds. The following brief, 'vocabulary' exploration of CSR, illustrates the required thought-steps towards a basic understanding of this concept.

Step 1: Subdivide the CSR concept into its three main components. These three main components of course being:

1. Corporate,
2. Social
3. Responsibility

Step 2: Analyze the individual components separately.

Component 1, corporate, shows that we are dealing with businesses; the study operates within the context of the private sector.
Component 2, social, puts it in the context of society, the general public.
Component 3, Responsibility, explains that one party has certain obligations towards another party.

Step 3: Combine the different component analyses:

"CSR is about the obligations corporate organizations have towards society."

Off course, as always, it is not that easy; many additional questions arise when analyzing the statement above. For reading comprehension motives, it can prove beneficial however; to constantly bear this basis of CSR in mind.

2.1.1 The stakeholder concept

Ever since CSR became a subject of study (whether it is 1759, through Adam Smith's 'theory of moral sentiments' (ten Have 2010), 1984 Through Freeman's stakeholder approach (1984) or another date doesn't matter) up till now, adequately defining CSR has been the subject of many scientific research studies. This paragraph will introduce this complex and seemingly never ending quest for an all encompassing CSR definition. Wan-Jan is one of those researchers that recently had: 'What is CSR?' as the main research question of a study. In the conclusion of her paper: 'Defining Corporate Social Responsibility', she defined CSR as:

"Treating the stakeholders of the firm ethically or in a responsible manner"

(Wan-Jan 2006)

The similarities with the quick scan at the start of this chapter are striking. One important aspect was altered however. Whereas I referred to society, Wan Jan refers to stakeholders. As such, her definition is more specific, since not every person in society is a stakeholder and maybe even more important, the encountered impact is not the same for every stakeholder. Vos (2003) takes this idea that CSR is about stakeholders one step further and refers to Donaldson and Preston (1995) when claiming that to a certain extend, management of CSR is "stakeholder management."

"Organizations that consider a strategy of corporate social responsibility (CSR) have to address the question; to whom are we responsible? "To stakeholders" is the common answer to this question, which means that for managing a CSR strategy, the identification of stakeholders is crucial. To a certain extend management of CSR has become stakeholder management (Donaldson and Preston 1995)"

(Vos 2003 p. 141)

Cooper (2004) confirms these findings when claiming that he considers the attempts to identify numerous different factions within society to whom an organization might have some responsibilities a fundamental feature of CSR.

Wan Jan's, Vos' and Cooper's definitions explain the basic concept of CSR, but at the same time form the basis for new questions to arise. As they state that stakeholder identification is the key towards identifying corporate social responsibilities, they highlight the subjectivity of their definitions, since every person or institution can have a different opinion on what stakeholders are, who its stakeholders are and finally what its responsibilities regarding these stakeholders are. This subjectivity of the stakeholder approach has been a research subject for a long time and has led to a dichotomy of leading normative, competitive theories (Hasnas 1998; Cooper 2004):

- The shareholder theory (one dominant stakeholder: the shareholder) (Friedman 1962)
- The stakeholder theory (multiple stakeholders) (Freeman 1984)

Approaching this stakeholder identification issue from Friedman's point of view; the shareholder is dominant and deserves an exclusive status amongst stakeholders:

"Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as possible. If managers used corporate resources for any cause other than profit maximization, it would constitute a form of theft."

(Friedman 1962)

This dominant position of the shareholder amongst stakeholders has become a point of discussion ever since however, as many academics and corporate managers started to back up the concept of a management focus on multiple stakeholders in stead of one dominant stakeholder (the shareholder). Freeman's work: "strategic management: a stakeholder approach" (1984) is cited as the landmark, seminal work in the development of what has been named a "stakeholder theory".

"Business can be understood as a set of relationships among groups that have a stake in the activities that make up the business. Business is about how customers, suppliers, employees, financiers (stockholders, bondholders, banks and so on), communities and managers interact to create value. To understand a business is to know how these relationships work."

(Freeman, Harrison et al. 2007 p.3)
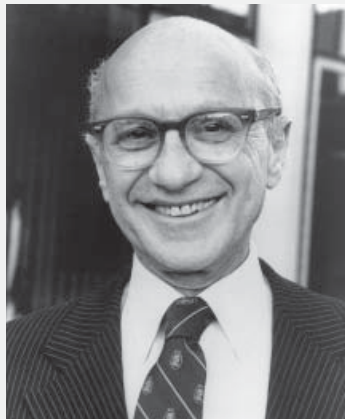
Box 2.1: Friedman VS Freeman

fig 2.2: M. Friedman

Milton Friedman (July 31, 1912 – November 16, 2006) was an American economist, statistician, a professor at the University of Chicago, and the recipient of the Nobel Prize in Economics. Among scholars, he is best known for his theoretical and empirical research, especially consumption analysis, monetary history and theory, and for his demonstration of the complexity of stabilization policy.

http://nobelprize.org/nobel_prizes/economics/laureates/1976/friedman-autobio.html

fig 2.3 R.E. Freeman

R.E. Freeman is the Elis and Signe Olsson Professor of Business Administration at The Darden School, Academic Director of the Business Roundtable Institute for Corporate Ethics, and a Senior Fellow of Darden's Olsson Center for Applied Ethics. In addition to all his academic work, honors, and publications, Mr. Freeman is a lifelong student of philosophy, martial arts, and the blues.

http://www.darden.virginia.edu/web/Faculty-Research/Directory/Full-time/R-Edward-Freeman/

Interpreting these two points of view, the shareholder theory represents the traditional approach of businesses' position in society, and stakeholder theory represents a younger, reconsidered approach of businesses' in society, a position in which CSR is considered an essential aspect of corporate strategy.

fig 2.4: one central stakeholder

2.1.2 Shareholder theory (Friedman)

What is shareholder theory?
In line with Friedman's free market theories from the sixties, the shareholder theory claims that shareholders should be considered first and above all other stakeholders; furthermore shareholder wealth maximization is the primary (and only) concern of a corporate organization's management team (Cooper 2004).

Why shareholder theory?
According to Hasnas (1999) the most convincing and appropriate defense of shareholder theory lies within the ethical and moral acceptability of the proposition that shareholders deserve to expect their property to be used by management for their personal (the shareholder's) benefit, as an act against this principle would contravene Kant's statements on moral obligations, integrated in the categorical imperative (box 3.1). Kant claims that a person should be treated as an end in his or her own rights, rather than as a means to an end. By using shareholder's money for the benefit of others, it is argued that the shareholders are being used as a means to further others' ends. Later in this chapter, the rather ironic fact is addressed, that proponents of both stakeholder theory and shareholder theory call upon this same principle (Kant's categorical imperative), but a different translation, to defend their respective theories.

Cooper (2004) counteracts the justification of shareholder theory he most frequently noted - through the workings of efficient markets the shareholder orientation will not only benefit shareholders, but society as a whole as well - as followed:

"Clearly, it will benefit society in some ways, in terms of employment, revenue from taxes and injection of money into the economy. There are however potentially scarce resources that the organization will use, not least in terms of natural resources. There are also externalities created by the operation of businesses, for example emissions and pollution that can detract from the quality of life of some of the members of that society."

(Cooper 2004)

Furthermore Cooper critics the limited supporting empirical evidence for the social aspects of shareholder theory, its failures to recognize how certain actions affect others in society and finally the fact that its implementation would result in distributive justice can be criticized.

One important mitigating annotation has to be added to this introduction of shareholder theory however, which can best be explained by quoting Nobel price winner Milton Friedman, who after all is one of the most influential proponents of the free market economic system with little government intervention. Even he admits there are some limitations to an organization's pursuit for profit:

"There is one and only one social responsibility of business- to use its resources and engage in activities designed to increase profits so long as it stays within the rules of the game"

(Friedman 1962)

This exemplifies the proponents of shareholder theory's believe, that some minimum of social responsibilities needs to be addressed, namely those corporate organizations are required to fulfil as they are compelled by (local) authorities. This dependence on what authorities ask of a corporate organization, seems rather naive, especially in a context in which the corporate organizations are demanding as little government intervention as possible. Furthermore the context in which the corporate organization operates makes this a very difficult parameter as the authorities will have different demands in different countries. The ethical responsibility of a western corporate organization adopting the legislation of a third world country, provides food for thought.

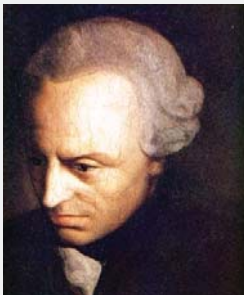**Box 2.2: Immanuel Kant**

German Philosopher 1724-1804

The categorical imperative:
There is one single moral obligation. It is called the 'categorical imperative', which implies that you should not perform acts that cannot become universal laws (applicable to every person in society). Later statements on the categorical imperative are an extension of the statements regarding universalisability. So are the statements on treating any human being as a means to achieve a 'greater end', which cannot be universalized since it can not be applied to the human being encapsulated in the means part of the sentence (Johnson 2010).

fig 2.5: Immanuel Kant

2.1.3 Stakeholder theory

What is stakeholder theory?
On the opposite side of the spectrum, stakeholder theory can be found, which, as said before, can be traced back to Freeman's 1984 seminal text "strategic management: a stakeholder approach". Stakeholder theory is the doctrine that businesses should be run not for the financial benefit of their owners, but for the benefit of all their stakeholders. It is an essential tenet of stakeholder theory that organizations are accountable to all their stakeholders, and that the proper objective of management is to balance stakeholders' competing interests (Sternberg 1997) and even

more so, to search for business directions that harmonize stakeholders' interests. It is at these intersections of different stakeholders' interests, Freeman states, that true value creating opportunities can be found (Darden school of Business 2009).

Why stakeholder theory?
Donaldson and Preston (1995) examined stakeholder theory and suggest that it can be justified on the basis of the following three aspects.

- Its *descriptive accuracy* is important as it reflects and predicts how businesses operate, not by simply considering shareholders, but other stakeholders as well.
- Through its *Instrumental power,* they argue that adopting a stakeholder approach will improve the organization's performance; either reflected in economic performance or some other performance criteria; in this case the theory would be classified as possessing instrumental power.
- Its *normative value* refers to the moral rights of individuals. It is not sufficient to say that shareholder wealth should be maximized, without first addressing the ethical appropriateness of this claim.

Cooper (2004) makes the following statements about the stakeholder theory justifications introduced above, by Donaldson and Preston (1995).

Descriptive accuracy:
Stakeholder identification is essentially important when evaluating stakeholder theory from a managerial perspective. The fact that Donaldson and Preston consider the descriptive accuracy of stakeholder theory an important justification, suggests that managers actually take into account the different stakeholder groups affected by their actions, why would their otherwise exist an urge to identify the relevant stakeholders and have some system of reaching a decision whenever a stakeholder conflict occurs.

fig 2.6: Freeman's Strategic management book (1984)

Instrumental power:
The instrumental power of stakeholder theory suggests that stakeholder management can be used to obtain shareholder value. Shankman (1999) even suggests that a balance between the different stakeholders groups' interests is essential in ensuring that the organization continues to be viable. Numerous empirical studies have been conducted, to verify this instrumental power of stakeholder theory; attempting to link improved stakeholder management to improved economic performance and hence shareholder wealth maximization (see paragraph 2.2 as well). This implies however that stakeholder management is not an end in itself but it is simply perceived as a tool to improve economic performance. Therefore instead of stakeholder management improving economic or financial performance it is argued that a broader aim of corporate social performance should be used to measure corporate performance.
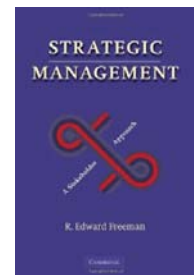
Normative Validity

Addressing normative validity in a stakeholder theory context raises a critical issue with regard to what is ethical or moral behavior. The actual moral and ethical models used in conjunction with stakeholder theory have been manifold. One of the academics most commonly referred to is Kant. Kant states: "It is wrong to use people as means for one's own needs". Therefore the consideration of stakeholders and the use of individuals within a stakeholder group, merely to improve shareholder wealth would be considered wrong. Hasnas (1999) stated that - if stakeholder theory is used to increase corporate performance, perceived (narrowly) as financial performance - a fundamental gap in stakeholder theory reasoning exists. As such applying stakeholder theory can only be of ethical value, if corporate performance is perceived from a broader perspective, in which various stakeholders values are integrated.

In terms of Cooper's considerations, these normative justifications for stakeholder theory are very interesting. The theory has been criticized, as it fails to provide stakeholders with any rights other than the need of consent to the activity. In the case of the voluntary stakeholders this is not a problem as they can withdraw their consent and therefore no longer transact with the organization. If this is the case than it is the involuntary stakeholders, who do not actively choose to transact with the organization that need some form of voice or protection. As Freeman states it:

'Stakeholders are not just some role, liabilities or assets, they are human beings, stakeholder theory gives them a face, a name etc.'

(Darden school of Business 2009)

A further criticism is that stakeholders theory does not suggest the need for stakeholder's management as the rights of the different groups can be upheld through other means, for example law and regulation, rather than through specific management practice.

"This book is interested in a wider conception of performance. It is interested in corporate performance not purely to or for the shareholder, nor purely in financial terms, but is interested in corporate performance to the society within which an organization operates."

(Cooper 2004)

To conclude the above analyses, Cooper claims that stakeholder theory can only be made operational, if corporate performance is measured in terms additional to the traditional financial ones. Corporate Social Performance (CSP), should be part of the overall corporate performance measurements, integrating the stakes and interest of various stakeholders.

2.1.4 Shareholder theory vs. stakeholder theory in the context of this study

If the true objective of the firm (or the objective of a certain management theme such as CREM) is accepted to be to benefit society, then the question remains, how can this best be achieved? Shareholder theory would suggest that this is through shareholder wealth maximization, as

this is the most efficient road to addded value for society. This must not prevent the ethical treatment of other stakeholders however. Stakeholder theory would claim that this done through the consideration of the stakes and interests of all corporate stakeholders.

This thesis deals with a socially responsible approach to CREM. The above justifications for stakeholder theory provide a solid basis to build on in this context. Identifying the various stakeholders of a corporate organization and their respective stakes and interests constitutes an essential aspect of socially responsible CREM. Discovering the instrumental power of such an approach would off course constitute a very important finding and was actually named in the initial personal motivation (paragraph 1.1). Literature has shown the complexity of this link however, furthermore its actual ethical validity has been criticized. Adopting CSR in a CREM context therefore requires, managers to approach corporate performance from a broader perspective than just the financial one. Furthermore, managers are expected to integrate altruistic motives into their day to day management practices as well, especially if the non voluntary stakeholders are concerned.

2.1.5 Stakeholder theory and its applicability in a CREM context

The claim that stakeholder theory actually should be used as a framework and an integrative theme for CSR (Cooper 2004) is the function I prescribe to it in the CSR-REM strategy definition. By identifying and weighing up the stakes and interests of stakeholders that need to be considered in the strategy; the final goals towards which the strategy works, become clear and easier to evaluate, since it clarifies for whom certain decisions were made. This statement actually refers to the descriptive accuracy of the stakeholder theory.

Some stakeholder theorists suggest that an essential premise of stakeholder theory is that the 'interest of all legitimate stakeholder' have intrinsic value and no set of interests is assumed to dominate the others (Cooper 2004). This premise that all stakeholder groups are considered equal, does not receive universal support within stakeholder theory and Cooper refers to Gioia (1999) when he suggests this to be not only misleading but hopelessly idealistic. In fact when stakeholder theory is used as a managerial tool it is specifically concerned with identifying which stakeholders are more important and as a result should receive a greater proportion of management's attention. Cooper's claim is adopted in this study, as management de facto deals with a balance consideration of multiple interests.

Looking at the second justification of stakeholder theory, its instrumental power, we can not deny the fact that in the current capitalistic world, the pursuit for shareholder wealth increases is an important factor, as it decides whether a corporate organization continues or ceases to exist. This implies that shareholder theory to a certain extend is incorporated in stakeholder theory, as it is one of the stakeholders. Furthermore the goal of Stakeholder management is to lead to improved (amongst others financial) performance. As far as this is contrary to Kant's principle - people are an end and not a means - I would like to point out that people are not only a means in this context as they help to improve financial performance, they are an end as

well, as this strategy tries to improve the living circumstances of people in current day society. In this case the corporate organization (and more specifically its real estate strategy) is the mean.

The third justification of stakeholder theory is its normative validation. Looking at the pursued outcome of this thesis - *helping companies to address social problems using their real estate strategy* – one can say, the normative validity rests within this aim.

2.2 | Justifying CSR

"In recent years, businesses have become more aggressive about advancing and promoting efforts to achieve more socially responsible decision making, known under the common denominator 'Corporate Social Responsibility (CSR)"

(Callan and Thomas 2009)

The rationale behind businesses attaching more and more value to socially responsible behavior has been analyzed by many academic researchers in recent decades. This paragraph is an introduction into the theories exploring this phenomenon. First I will elaborate on the concept of 'social contract theory'; subsequently the studies attempting to identify a link between CSR and corporate financial performance (CFP) will be discussed. Finally Roberto Rocco's exploration of the 'social function of property' will be examined.

2.2.1 Social contract theory

The first answer academics propose to the question 'why CSR?', I will discuss, can be traced back al the way to the work of Hobbes (1651) and Rousseau (1762) (Smith and Hasnas 1999), as these theorists already introduced the concept of a 'social contract theory'. Social contract theory is based on the existence of a usually implied or hypothetical contract between citizens for the organization of society. This contract serves as the basis for legal and political power within society.

> **Box 2.3: R. E. Freeman on capitalism**
>
> Capitalism is about how we create value for stakeholders. What makes capitalism work is our desire to create value for each other, not our desire to compete. Capitalism is the greatest system of social collaboration we have ever invented. It now is time to rethink the basis of what capitalism can be.
>
> (Darden school of Business 2009)

In the context of the relation between businesses and a society, social contract theory considers the conditions that have to be met for the members of society to agree to allow corporations to be formed (and thus exist). They conclude that the members of society would demand the benefits to outweigh the detriments, implying a greater welfare for the society. Maybe the easiest requirement implied in the social contract theory is that it should require as minimum businesses do not systematically worsen the situation of a given group in society (Cooper 2004).

Smith and Hasnas (1999) identified the three basic requirements related to social welfare and justice as followed. The social contract requires businesses to act so as to:

- Benefit consumers by increasing economic efficiency, stabilizing levels of output and channels of distribution, and increasing liability resources.
- Benefit employees by increasing their economic potential, diffusing their personal liability and facilitating their income allocation
- While minimizing pollution and depletion of natural resources, the destruction of personal accountability, the misuse of political power, as well as worker alienation, lack of control over working conditions and dehumanization.

Social contract theory has been criticized most usually because, the contract is either argued to be implied or hypothetical. Therefore there is no actual contract, as members of society have not given any formal consent to such a contract, and that they would be surprised to learn of its existence (Cooper 2004). Donaldson and Preston (1995) freely admit that the contract is 'fictional' but continue that this does not undermine its underlying moral theory, since there appears to be some justification for a form of social contract between society and business, whereby the existence of businesses within society is justified by its benefits to society. Finally, if one reads between the lines, Freeman even claims that the basis for capitalism is this social contract theory (see box 2.3).

The social contract theory thus implies that a corporate organization that does not add value for society as a whole does not have a reason for existence. It shows this is not a sustainable strategy. In order to survive the corporate organization will have to prove its liability to society. At the same time this is the putback for this theory that makes it foundations shiver as well; can't in the end a corporate organization not add value for society, by just making money?

2.2.2 The link between Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP)

The second answer academics propose to the question 'Why CSR?' should be perceived in the light of the contrast between shareholder theory and stakeholder theory. Over the years many academics have elaborated on the importance of identifying a link between CSR and CFP. Those academics faced the task to promote social justice in a world in which the wealth maximization paradigm (shareholder theory) reigned (Margolis and Walsh 2003). They believed the missing link between Freeman's stakeholder theory and Friedman's shareholder theory lied in identifying what Donaldson and Preston (1995) called the instrumental Power of stakeholder theory 'its power to improve an organization's performance'. Lee (2008) explored the significance of CSR-CFP link studies in the total CSR research packet and distinguished a clear evolution in CSR research:

"The trend has been a progressive rationalization of the concept (CSR) with a particular focus on tighter coupling with organizations' financial goals"

(Lee 2008)

As the relationship between CSR and CFP became one of the most important subjects of CSR studies, the amount of literature written on this subject grew to enormous proportions.Reading and reviewing all these articles goes beyond the scope of this thesis, since the work involved comprises an entire master thesis (van Beurden and Gössling 2008). For the background of this thesis it is important however to know the current theories on the CSR-CFP link. Therefore the studies that reviewed the literature available on this CSR-CFP link will be discussed in the remains of this paragraph.

One of the most elaborate and most cited meta-studies of CSR-CFP theories, is Margolis and Walsh's "Misery loves companies: Rethinking social initiatives by Businesses" (2003). Margolis and Walsh found not less than 127 studies published between 1972 and 2002, which empirically examined the relationship between companies CSR-policies and financial performance. In 50% of the cases, the studies pointed out a positive relationship between CSR and CFP, whereas only 6% of the studies found a negative relationship. Based on these reviews Margolis and Walsh claim that the results at least suggest a positive association and certainly give very little evidence of a negative association between CSR and CFP.

Box 2.4: Our common future 1987
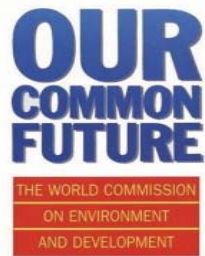*The groundbreaking 'Brundtland report' on environment and development*

Also known as 'the Brundtland report' was written by the UN world commission on Environment and Development under the chair of the Norewegian prime minister 'Gro Harlem brundtland'. This report aimed to discuss development and environment as one single issue, doing so it placed environmental impact firmly on the international political agenda. An often quoted statement first used in this report is: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs." (World Commission on Environment and Development 1987)

fig 2.7: The Brundtland report

Van Beurden and Gossling (2008) conducted a similar meta study. They excluded studies published before 1990 however. From their point of view, these 'older' studies can not be used as empirical truth, specifically because they see the 1990 Brundtland report (box 2.4) as a turning point in attention towards CSR, which has brought forward the upcoming risks and problems in the entire world. Consequentially the role of a business in society was discussed in an entirely new light ((van Beurden and Gössling 2008 p412). Therefore they only used studies that at least knew this report existed. Of the studies included in their research, 23 identified a significant positive relationship (68%), 6 studies identified no significant relationship (26%), and 2 studies identified a significant negative relationship (6%) between CSR and CFP. They do not claim that it is always profitable for every organization to act responsibly, neither do they believe their evidence is sufficient to state that organizations must be responsible in order to be able to make profit. They do dare to claim however that if Friedman had the insights in the CFP consequences of CSR we have, it is likely that he would support the perspective that

responsible organizations could be extra profitable. This claim is backed up by Freeman himself as he states that:

"If Milton Friedman would be alive today, I think he would be a stakeholder theorist. He would understand that the only way to create value for shareholders in today's world would be to pay attention to customers, suppliers, employees, communities and shareholders at the same time."

Freeman in (Darden school of Business 2009)

Callan and Thomas (2009) additionally, attempted to look beyond these empirical studies on the CSR-CFP link. Using well respected data sources of both CSR (KLD STATS) and CFP (CompuStat) indicators, they performed a statistical analysis of the CSR-CFP link. They conclude their study by claiming the ability to confirm the findings of a growing majority of empirical studies, which identify a positive relationship between CSP and CFP. Similar to the mentioned empirical studies they do have to admit however that more research is needed to undeniably confirm these claims.

As a reaction to this overwhelming list of studies on the link between CSR and CFP, Marom (2006) claims that all the different empirical evidence of links needs to be unified in one theory. This unified theory should explain the range of different relationships that can be observed between CSR and CFP. His theory identifies two opposing forces – CSR-related rewards and costs - which then could explain all the possible relationships between CSP and CFP. It draws on the parallels between the CSR and business domains, exhibits a balance between financial rewards from satisfied stakeholders and costs incurred in producing social outputs. Marom admits his unified theory needs more work and research however; moreover it identifies some stakeholders to be worth more than others, which is a process that seems to counteract with a truly socially responsible approach.

While studying al those studies on the link between CSR and CFP, Margolis and Walsh (2003), found the researchers to be rushing of to find the missing link between a firm's social and financial performance and claimed that we need to understand the conditions under which a corporation's efforts benefit society first. They signal that despite the thirty years of inconclusive research on proving the link between CSR and CFP, corporations already invest in CSR. This claim is supported by Lee, as he remarks that:

"In 1977, less than half the fortune 500 firms even mentioned CSR in their annual reports. By the end of 1990s, close to 90% of Fortune 500 firms embraced CSR as an essential element in their organizational goal, and actively promoted their CSR activities in annual reports."

(Lee 2008)

In Margolis and Walsh's (2003) opinion the existence of CSR begs empirical explanation rather than empirical justification. Under a duty of beneficence or assistance, firms have grounds for assisting those in need, regardless of corporate culpability for the problem. If corporate

responses to social misery are evaluated only in terms of their instrumental benefits for the firm and its shareholders we never learn about their impact on society, most notably on the intended beneficiaries of these initiatives. Nor do we investigate the conditions under which it is permissible to act on stakeholder interests that are inconsistent with shareholder interests. By adopting economic assumptions, organization theory and research handicaps itself yet in another way. It leaves organizations that seek to respond to these calls for social involvement bereft of prescriptive guidance for how to do so.

Lee (2008) backs up the statements by Margolis and Walsh, as he argues that the current empirical focus of CSR research on the business case faces other theoretical issues than just inconclusive findings. Business case studies only examine a small portion of the whole phenomenon of business-society interactions. The interactions between business and society and the organizational changes occurring as a result of corporate adoption of CSR are immensely rich and dynamic phenomena, but they have not been adequately explored yet. Although he believes business case studies of CSR are still very valuable and should be continually pursued, he outlines their three shortcomings mainly to suggest that they are not enough on their own (Lee 2008):

1.   It is not clear what the business case research will achieve in the end, given that the last 30 years of research found no definite causal link between CSR and CFP.

2.   On its own, business case research has little explanatory power to account for the recent organizational changes with respect to CSR. Instrumental reasoning has undoubtedly played a key role in the diffusion of CSR in the business community. However in addition to the instrumental reasoning, there are a number of institutional as well as personal factors that effect managers' decision regarding CSR. The current state of CSR research has paid much less attention to these other factors. For instance, the personal ethics of managers can play an important role. Managers are also social beings with personal ethical standards. Pressures from social movements furthermore weigh in the managers' decisions as well. Corporations may also be influenced by institutional changes and just making ceremonial adjustment to gain legitimacy in the shifting institutional environment.

3.   Business case driven CSR falsely assumes that what is good for society should also be good for corporations. This assumption is true only under certain conditions where there are coherent institutional supports and a big enough market for virtues. Moreover business case driven CSR will bias how corporations select their CSR strategy, because not all socially responsible behaviors have equal potential profitability or market demand. The bias will result in increased corporate attention to certain social needs that are less costly and potentially profitable, while other more costly social misery will be conveniently ignored. From the perspective of society, the problems ignored by corporations may well be much more urgent issues that require corporate expertise and operational capacity. Conceiving CSR as discretionary business practices dilutes the meaning of CSR.

Based on his retrospection of the field of CSR research, Lee argues that it is about time to renew the basic research in CSR. By basic research, he means the kind of research that attempts to explain what CSR is and how and why certain CSR-related changes in organizational behaviours take place. He argues that the investment in basic research will enable the field of CSR to propel the applied research beyond the current state of seeking evidence for the financial rewards of CSR.

2.2.3 The social function of property

"The new federal constitution of 1988, issued shortly after the end of more than 20 years of military rule, introduced a new concept of land property right, which hade been strange to Brazilians up until then: the concept of 'social function of property'. The social function of urban land property legitimates the separation between the right to own property and the right to build on it."

(Rocco de Campos-pereira 2008)

Roberto Rocco (2008) identifies this social responsibility, directly related to the built environment in his work: "an urban geography of globalization: New urban structures in the age of hyper-connectivity". The social function of a property is based on the principle that the ownership of a plot does not mean an unlimited power over it, since plots are located in complex urban contexts, which are socially built; land ownership imposes obligations and limitations to the owner. Furthermore it may be argued that private projects may benefit society in general; they do benefit real estate investors and land owners in particular. These investors and land owners should be encouraged to contribute to public expenses in building new infrastructure, in order to compensate for the advantages they get from it.

For the specific case of Brazil, one example of a tool emerging from this acceptation of the segregation between property rights and building rights was a tool called the 'urban operation'. An Urban operation is a tool for urban redevelopment; through the setting up of a perimeter where large investments in infrastructure are being carried out by the public sector. Real estate investors are encouraged to buy extra building rights (e.g. extra floor area) above the limitations imposed by the prevailing zoning system, increasing their potential profits. The instrument was devised as a way to reduce public expenditure in urban redevelopment (Rocco de Campos-pereira 2008).

2.3 | Stakeholder identification

"As a management problem, stakeholder identification is not easily solved: it comprises, at least, a modeling and a normative issue. The modeling issue refers to questions like: "who are our stakeholders?" (…) The normative issue refers to the managerial implications. Relevant questions are: "To what extend are we accountable for these stakeholders, and thus willing to listen?"

(Vos 2003, p.1)

If we accept the stakeholder theory to be relevant as a framework for identifying corporate strategies, the common answer to the question 'to whom is a corporate organization responsible?' is: 'The stakeholders'. The subsequent question to be answered will be: 'to what extend does the corporate organization's accountability for these stakeholders reach?' This paragraph is as an introduction into stakeholder identification. Academic literature on stakeholder identification will be addressed; whereby Coopers' (2004) list of stakeholder identification methods will be guiding.

Clarkson (1994): The risk model
Clarkson argues that a corporate organization's stakeholder is someone who bears risks as a result of the organizations activities. His identification method incorporates social accountability into the normative concerns of stakeholder identification.Clarkson's risk model also introduces a distinction between voluntary and involuntary stakeholders. The voluntary stakeholders are those who choose to bear risks, by investing some form of capital (e.g. shareholders, investors, employees, managers and suppliers), in the organization. They are provided with added value in return for their stakes, and can withdraw themselves if they perceive the risks to be too large. Involuntary stakeholders on the other hand, do not choose to bear the risks, nor can they withdraw their stake. This risk model suggests that organizations have a moral obligation to minimize the risks and potential harms these involuntary stakeholders face, and to internalize any potential costs such risks may incur (Cooper 2004). Voluntary stakeholder, who choose to, or not to, transact with the organization can be linked through contractual accountability; the involuntary stakeholders, who have not such choice (Vos 2003), may be more dependent upon corporate socially responsible behaviour.

Wheeler and Silanpaa (1997): Primary/secondary - social/non-social stakeholders
These academics have approached the issue of stakeholder identification from their practical experience and defined stakeholders in four ways:

Primary social stakeholders	Secondary social stakeholders	Primary non social stakeholders	Secondary non social stakeholders
Shareholders and investors	Government and regulators	The natural environment	Environmental welfare groups
Employees and managers	Social pressure groups	Future generations	Animal welfare organizations
Customers	Civiv institutions	Non-human species	
Local communities	Trade bodies		
Suppliers and other business partners	Media and accedemic commentators		
	Competitors		

Table 1: Stakeholders according to Wheeler and Silanpaa

Mitchel, Agle and Wood (1997): The stakeholder salience model
Mitchel, Agle and wood claim that the importance of a stakeholder group is dependent upon its salience; the salience of the stakeholder, they argue, is dependent of the stakeholder's power, legitimacy and urgency. This tool is very much instrumental in nature. Furthermore it seems to have little in common with social accountability, as an involuntary stakeholder may have little power and can therefore be ignored when implementing the salience model in the strategy design process.

Freeman (1984): strategic management: 'A stakeholder approach'
In his landmark work on stakeholder theory Freeman claims that a stakeholder of an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives. This definition shows resemblances with Clarkson's risk model. One might state that this definition also incorporates the actors that do not bear risks as a result of an organisation's activities, but do collect benefits. These stakeholders can be incorporated into the risk model as well however as they risk to loose their attained benefits.

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Cooper (2004): summation of stakeholders found in literature
Cooper in the end summarizes the stakeholders he found in literature into the following stakeholder groups.

- Shareholders
- Non-equity investors
- Customers
- Suppliers
- Managers
- Employees
- Competitors
- Governments / regulators
- General public / community
- The physical environment
- Special interest groups

Combined approach of stakeholder identification

In the light of the modeling issue of stakeholder identification it is important to find out who the stakeholders of a corporate organization are. Additionally certain specific CREM decisions have no influence whatsoever for certain stakeholder-groups. Consequently, approaching each CREM-problem involves an analysis of the relevance of each stakeholder group. Subsequently the stakeholders deemed irrelevant can be excluded from further studies. This is no step that can be approached lightly however, as the wrongful elimination of a stakeholder group from the process could distort the outcomes drastically. The remains of this paragraph look at the general stakeholders of any corporate organization, as this could be derived from theory.

The distinction between primary and secondary stakeholders (Wheeler and SillanPaa 1997) is essential, as it shows that a clear distinction needs to be made between the stakeholders we are responsible to, (the primary stakeholders) and the 'voices' that represent them (the secondary stakeholders). The primary stakeholders are the first object of study and need the full attention in the exploration of a CSR-REM concept. The secondary stakeholders will become an essential issue, when the CSR-REM concept is made operational, cause through them managers will find out what the stakeholders want.

In line with Freeman's (1994) definition of stakeholders, the relevance of stakeholders for CSR-REM will first be assessed through the distinction between affected and affecting stakeholders. The goal of CSR-REM is to map the impact corporate real estate decisions have on stakeholders, put differently, the way corporate real estate decisions affect stakeholders. As a logical consequence CSR-REM primarily focuses on the affected stakeholders.

As shown above there are many theorists that identified stakeholders for theoretic or practical purposes. Comparing these methods, 11 different stakeholder groups, which need to be considered by management, could be distinguished.

1.   Shareholders and investors
2.   Employees
3.   Business partners
4.   Customers
5.   Governments and regulators
6.   Pressure/interest groups
7.   Society / community
8.   Media
9.   Competitors
10.   future generations
11.   shareholders/investors

As CSR-REM primarily focuses on the affected stakeholders, the following seven stakeholder groups can be distinguished.

1.   employees
2.   customers
3.   competitors
4.   suppliers/ business partners
5.   society / community
6.   shareholders / investors
7.   future generations

The other 'affecting stakeholders' are considered (and even more important: 'heard'), they do not constitute an end in themselves however. They are the means for the affected stakeholders to communicate their stakes. Benefiting the affected stakeholders' can actually be seen as the goal of both affecting stakeholders and in the light of CSR-REM, the corporate organization's management.

In many instances the environment is named as a stakeholder that needs to be considered. I agree with this statement, since all stakeholders were defined as physical human beings so far, I would like to address this aspect in a similar way and state that environment is embedded in the stakeholder group – future generations, this definition is in line with the Brundtland report (World Commission on Environment and Development 1987).

The stakeholder identification applied here, shows close resemblance to the stakeholder identification Wheeler and Sillanpaa (1997) applied. They did not however, clearly explain their theory, one can now see that primary stakeholders are affected stakeholders and secondary stakeholders are affecting stakeholders.

Stakeholder identification in Practice

The stakeholders may have been identified the stakeholders from a theoretic point of view. It is now important to look at how stakeholders are identified in practice as well. Does this comply with the theorists point of view, or do the corporate managers adopt totally different approaches?

Therefore the first part of field research is targeted at finding out what stakeholders corporate organizations consider in their CSR strategies, how this is reflected in their actions in general, and in their CREM actions specifically.

2.4 | CSR made operational

CSR is made operational through social accounting. Social accounting provides societies, with a framework to control the social performance of specific organizations and at the same time provides corporate organizations a framework to explain and promote their CSR-efforts. Many corporate organizations have already embraced the concept of social accounting and report on their social responsibilities. In recent years, various institutions, such as academics and independent analyses engineers, have developed multiple social accounting guidelines and theories in response.

The relevance of social accounting

" (…) both shareholder theory and stakeholder theory claim that when organizations operate in a specific way, this leads to maximization of societal welfare. As such there appears some justification of social contract between businesses and society (…) At present, however, these organizations are only required to produce financial accounts to shareholders rather than a wider account to society. This is because shareholder theory is presently accepted (…) this does not recognize the criticisms of the shareholder approach (…). In response to the failings of financial accounts to deal with issues of societal welfare and distributive justice social accounting has developed."

(Cooper 2004, p.28)

The most important aspect of social accounting is that it operates beyond the law and the regulatory framework – immediately placing it within the framework of stakeholder theory and CSR as shareholder theory believes it has no other obligations, besides those compelled by the authorities – in being responsible for the organization's actions and its impacts (Moodley, Smith et al. 2008). If we accept social accounting to be a means for considering societal benefits of an organization's activities (Cooper 2004), a stakeholder framework can be used to achieve suitable social accounting. This idea is supported by many academics (Cooper 2004, Roberts 1992).

Literature on Social accounting

In the literature on social accounting, multiple academics tried to address the components of CSR they deemed important. Recently Alexander Dahlsrud (2008) conducted an interesting research, in which 37 definitions of CSR found in the literature available at that moment were analysed. According to Dahlsrud, all definitions comprised any or multiple of the dimensions stated below.

1.   The environmental dimension
2.   The social dimension
3.   The economic dimension
4.   The stakeholder dimension
5.   The voluntariness dimension

Dahlsrud concludes his analysis stating that these 5 dimensions typify the characteristics of the broad concept called CSR and could be used as the components a social accounting framework.

Social accounting in practice

Over the last decade multiple initiatives were initiated to point out the relevance of social accounting, these initiatives furthermore provided corporate organizations social accounting guidelines and frameworks. As an example, two of these initiatives will be shortly introduced below.

The Dow Jones sustainability index

"Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Indexes, STOXX Limited and SAM they provide asset managers with reliable and objective benchmarks to manage sustainability portfolios. A defined set of criteria and weightings is used to assess the opportunities and risks deriving from economic, environmental and social developments for the eligible companies." (SAM Indexes GmbH 2009)

fig 2.8: DJSI logo

The GRI sustainability reporting guidelines

The Global Reporting Initiative (GRI) provides corporate organizations a framework, which they can use to report on sustainability. Since GRI believes sustainability reports should provide a balanced and reasonable representation of the reporting organization's sustainability performance – including both positive and negative contributions - they also elaborate on the different components they deem necessary in a sustainability report.

In the "standard disclosures" (Global Reporting Initiative 2006) they specify the basic content that should appear in a sustainability report. The performance indicators, in this part, are indicators that elicit comparable information on the economic, environmental, and social performance of the organization. Six categories of performance indicators were defined:

-        Economic
-        Environmental
-        Social
-        Human rights
-        Society
-        Product responsibility

fig 2.9: GRI logo

2.5 | Corporate strategies for managing stakeholder relationships

Freeman himself believes there are multiple roads leading to Rome, regarding the application of stakeholder theory. The first thing all corporate organizations have to start with, when implementing stakeholder theory or as he calls it 'managing for stakeholders' are ironically not the stakeholders. Corporate organizations have to start by thinking about their purpose, they have to start by asking the questions: Why are we here? what are we trying to do? What do we stand for? What kind of company do we want to be? Which stakeholders do we want to create value for? What is our underlying value creation model? These questions need to be addressed in a strategy for the corporate organization as a whole before one can start thinking stakeholder by stakeholder. Furthermore he claims that in the end the art of not making stakeholder trade-offs is the essence of stakeholder theory. Find out what interest of what groups go in the same direction rather than in different directions. Find the intersections between interests, that is were the real value creating opportunities are.

Three strategies for managing stakeholder relationships
Freeman identifies three types of corporate organizations and their respective 'managing for stakeholders' strategies. Not one of them is better than the other; they just apply different approaches that all still need adequate implementation (Darden school of Business 2009).

1. The 'narrow' managing for stakeholders strategy
Corporate organizations that apply such a strategy choose 2 or 3 stakeholders and explicitly try to create value for them. Many of these corporate organizations focus on an employee-shareholder-customer strategy. What they try to do, is to have employees who are really pumped up about the company, who want to provide great services for customers. This in turn creates value for stakeholders. These organizations say: 'I'll take care of my employers they'll take care of my customers and this will create value for my shareholders'. Notice that the interests of employers, customers and shareholders are going in the same direction here.
According to Freeman this can be a sustainable strategy over time, as long as no mistakes are made regarding other stakeholder groups, such as communities or suppliers. These groups will always be there, but don't always have to be in the forefront.

2. The wider (basic) 'managing for stakeholders' strategy
The corporate organizations applying this strategy state: It is our job to balance and even better harmonize the interests of all (relevant) stakeholders. This is the more reduced concept behind creating value for stakeholders.

3. Noble cause companies
The purpose of these companies is to really make the world into a better place. Doing (or at least trying to do) something that makes a real difference in the world forms the basis for their corporate strategy. A good example of such a corporate organization is Novo Nordisk. (see box 2.5)

Novo Nordisk primary objective is to fight diabetes. Their strategy is based on this vision to really make the world into a better place. Achieving this target however, can't be done without the consideration of all stakeholders.

fig 2.10: Novo Nordisk logo

2.6 | Recapitulation and conclusions

This chapter has shown out that CSR is an exponent of stakeholder theory. The social value of the 'classic' shareholder theory based business approach, was counteracted as it fails to recognize the impact of a corporate organization's decisions on other stakeholders. The stakeholder theory approach on the other hand was justified on the basis of its descriptive accuracy (recognizing and acknowledging the impact of businesses' decisions on various stakeholders), its instrumental power (improving an organization's overall performance) and finally its normative value (referring to ethical appropriateness).

Some theorists depicted that, proving the instrumental power of stakeholder theory would make the shareholder theory redundant, as a stakeholder theory approach in that case would lead to increased shareholder value. Logically many studies have been undertaken to prove this connection, all provided high assumptions that such a link exists, but none was conclusive.
The ethical appropriateness of this specific link is arguable as well, as it contravenes Kant's principle, integrated in the categorical imperative. Accepting this link as a justification for shareholder theory would imply, that various stakeholders would be used to increase one groups wealth (the shareholders). In this context, corporate performance should be measured in terms additional to shareholder value, incorporating the stakes and interests of the various corporate stakeholders.
In the initial personal motivation, an envisioned symbiosis between corporate performance and social performance was introduced. In the light of the theoretical framework, such a symbiosis can only be achieved ethically if social performance becomes a specific aspect of overall corporate performance. As such incorporating stakeholders stakes and interests in the CREM decision making process, cannot be perceived as a means to increase shareholder value, but should be perceived as a means to increase corporate performance from a broader perspective, in which shareholder value off course remains an important component.

In the light of the above moral claims, personal and business' environmental factors become increasingly important in the integration of CSR in day to day management decisions. It can be altruistic motives, but there are certainly business environmental pressure motives as well, that persuaded managers to apply CSR management practices.
Subsequently Margolis and Walsh (2003) and Lee (2008) provided the essential observation that constitutes the basis for the envisioned research product, as they signal that despite thirty

years of inconclusive research on a link between CSR and CFP, corporations do invest in CSR. Corporate organizations are not demanding empirical justification of CSR; they are demanding empirical explanation. Explaining the impact of the specific management practice of Corporate Real Estate Management (CREM) on society, or more specifically on a corporate organization's stakeholders as such comprises the most important goal of this thesis.

Applying stakeholder theory on CREM requires a thorough consideration of the groups of stakeholders that are affected by this specific management practice. As a basis to continue on, theory was analyzed and provided seven stakeholder groups to build on (employees, customers, competitors, business partners, society, shareholders and future generations). Additionally social accounting was introduced, social accounting, aids both the manager in making more socially responsible decisions, and on the other hand aids society as it can control management, so that it would make socially responsible decisions.

Finally Freeman (1984) provided awareness of the fact that stakeholder theory, does not necessarily start with the stakeholders, it are the corporate organizations themselves who have to make a decision on for whom they want to create added value. For a corporate organization, implementing CSR can therefore start by defining a clear strategic direction.
Theoretic research on the impact of a corporate real estate object on society, does start with the stakeholders however. It is the aim to map the impact on all stakeholders, defining a strategic direction does not fit in this context.

Essential findings for further development of the envisioned product
> - Stakeholder theory provides the basis for CSR. Integrating CSR into the CREM decision making process requires the CREM managers to integrate the interests and stakes of all corporate stakeholders.
> - A broad definition of corporate performance, including the stakes and interests of various stakeholders is needed to integrate CSR into the CREM management practice in an ethical way.
> - Corporate managers do not require empirical justification, they require empirical explanation.

CSR-REM : *Understanding how a corporate real estate object interacts with society* | Jeroen Thyssen | April 2011

3

Chapter Three
Corporate Real Estate Management (CREM)

fig 3.1: Corporate Real Estate Management

"Corporate Real Estate Management (CREM) is the range of activities undertaken to attune corporate real estate optimally to corporate performance (De Jonge et al., 2004). This study aims to aid CREM managers in making more socially responsible decisions, in order to do so, the specific CREM management practice needs to be studied in depth. "

3.1 | Corporate Real Estate Management (CREM)

"De Jonge has positioned CREM in terms of a match between businesses i.e. the demand side and real estate i.e. the supply side, connecting the strategic and the operational level."

(de Jonge, Arkesteijn et al. 2008)

Through this positioning de Jonge directly links CREM to corporate performance. This perception has been adopted by the TU Delft, faculty of architecture in general and the Real Estate Management department, in specific (de Jonge, Arkesteijn et al. 2008). According to de Jonge this puts CREM in a business strategy phase, in which CREM managers aim to contribute to the value of a company as a whole by focussing on the company's mission, rather than on real estate. Keeping this perception in mind, it is important to notice however, that while academics might be researching on a business strategy level; this does not directly imply that corporate managers have adopted a similar point of view. Lindholm describes this misfit as followed:

"Corporate leaders in many firms still do not recognize the strategic potential of their real estate. They classify property as a cost of doing business rather than a value adding opportunity."

(Lindholm and Levainen 2006)

Furthermore one should always bear in mind that while corporate real estate should be aligned to the needs of the core business, this is delimited by the requirements that are characteristic for buildings. These limitations were described by de Vries through the following statement:

"This means that corporate real estate does not only have to meet the technical, functional and financial requirements of an organization, but also has to contribute to the overall performance of that organization."

(de Vries, de Jonge et al. 2008 p. 209)

Reversing this statement it becomes apparent de Vries (2008) agrees that corporate real estate has to contribute to the overall performance of an organization, she also points out the technical, functional and financial requirements, which are characteristic for a building and will always need consideration.

3.2 | CREM and Strategic management

At the TU Delft CREM is approached from a strategic management approach, as if these two concepts are inextricably linked. This paragraph explores why the TU Delft has chosen for such an approach. Subsequently will be explained what strategic management actually is and what the use of strategic management means for the CSR-REM concept.

The link between CREM and strategic management
As stated before CREM is about finding a match between business and real estate, during this process one has to try to look ahead to foresee a possible future mismatch, especially knowing that real estate is a static, hard to replace object, which has to be matched with a rapidly changing business environment Therefore one has to think beforehand about long term changes in real estate demand and supply. Strategic management helps CREM managers to cope with such mismatches (de Jonge, Arkesteijn et al. 2008).

Strategic management defined for CSR-REM
"The simplest and perhaps also most widely used definition of a strategy is 'the way in which and the resources with which a previously determined objective is achieved'. In fact, strategy is therefore the implementation of a "plan of approach", (…). Strategic management (…) is consequently the preparation of a plan of approach."

(de Jonge, Arkesteijn et al. 2008)

In the light of this study's research goal, the above definition encourages us to identify:
1. A previously determined objective – Increased corporate social performance.
2. The way in which the previously determined objective is achieved – The essence of the study is to answer this question.
3. The resources with which the previously determined objectives are achieved– adequate Corporate Real Estate decisions.

Problems occurring when not strategically thinking about CREM
The importance of firmly managing the real estate stock increases as the social and economic impact of a mismatch between real estate demand and supply becomes apparent. A mismatch could lead to unoccupied, dysfunctional real estate and unfulfilled accommodation needs at the same time. It would obstruct the development of organizations and reduce the individuals' welfare. Developing and realising real estate is expensive and time consuming. Therefore mismatches cannot be solved easily nor quickly. Financial losses may occur due to disinvestments, employees becoming dissatisfied and leaving, customers ceasing to buy products and services and even suppliers ceasing to deliver. This ultimately obstructs the realisation of the organizational objectives.

3.3 | The rationale behind Corporate Real Estate Management

The reason I and many academics with me study CREM is that we believe adequate CREM can be a value adding opportunity for a corporate organization rather than a cost of doing business. So far this has been a story about believes however. Academics off course have been searching for evidence supporting these believes. This paragraph introduces a number of relevant studies about the impact of CREM on overall corporate performance.

This paragraph will first explores studies on the impact of corporate real estate on shareholder value. Subsequently it will look at corporate performance from a broader perspective. As chapter two showed out that, this is necessary to make stakeholder theory operational (paragraph 2.3). One of the most elaborate studies concerning this subject was performed by de Vries (2008). Her study on the impact of real estate decisions on organizational performance will be explored elaborately.

1 The impact of corporate real estate on shareholder value

In recent decades academics have used a wide variety of methods to prove that corporate real estate can be of added value for a corporate organization, in ways additional to its costs minimizing opportunities. The following literature overview provides a quick exploration of this subject. Despite it being limited due to the time frame of this study, it does exemplify the wide variety of perceptions on this subject and additionally provides no reasons to believe that CREM is of no significance for shareholder value.

The researchers Rodriguez and Sirmans (1996) focused their research on understanding how real estate decisions affect firm value. Their conclusions were primarily based on the reaction of the capital markets on corporate real estate management decisions. These reactions showed to be significant beyond doubt.

Booth (1999) primarily explored another aspect of real estate, focussing on the capital encapsulated within this asset. Their research started from the idea that capital is a cost of doing business, and investors have to be paid for the risks they take. As such occupancy costs directly affect the net earnings of a firm and thus the extent of any surplus it can generate over the annual charge for the use of capital.

Liow and Ooi (2004) agree with Booth when claiming that CRE affects shareholder wealth trough its impact on net operating earnings and costs of capital. They furthermore claim however that ownership of CRE even destroys shareholder wealth, the higher the real estate assets intensity, the greater the negative impact. This idea was backed up by Nappi-Choulet (2009), as she investigated this phenomenon amongst French stock listed companies, she however added that we should derive conclusions with a lot of precaution as the current reporting of real estate assets on the balance sheets, might largely influence current day perception. An altered placement on the balance sheet can provide completely different conclusions.

The list of studies above is off course inconclusive, as I could go on introducing these studies for a long time. That is not the purpose of what I am trying to depict here however. This small grasp out of the large amounts of literature studies on the effect of CREM on shareholder's wealth, altogether provide sufficient evidence for the fact that CREM has an impact on shareholders wealth that goes beyond the costs of doing business, founded to be encapsulated in real estate assets.

2 The impact of CREM on overall corporate performance

In addition to the studies that looked at the influence of CREM on shareholders wealth (shareholder theory based analyses), there are multiple studies on the influence of the impact of CREM on the overall corporate performance, which in the end should lead to improved shareholder wealth as well, but first looks at a broader definition of corporate performance. One comprehensive study on this subject was performed by de Vries (2008), because of the importance of this study for my research; it will be introduced elaborately here.

De Vries' main standpoint concerns the fact that real estate performance currently is predominantly measured in input indicators (costs), and not output indicators (performance), in this respect her standpoint doesn't differ that much from the above studies. Her main concern regarding this approach is that it merely focuses on efficiency and not effectiveness. This measurement failure resides in the perception that real estate is not considered a tool to improve organizational performance.

De Vries starts her study by claiming that all studies into the impact of real estate on organizational performance are confronted with three major barriers.

1. There is no standard definition of organizational performance that covers all relevant aspects of the subject.

2. It is difficult to quantify the effects of real estate interventions. Financial results traditionally were – and still are – the main performance indicator. However, performance includes other relevant issues, such as image, employee satisfaction and competitive advantage. Because a standard list of key performance indicators (KPIs) is lacking, it is not always possible to make clear comparisons between organizations.

3. The impact of real estate cannot be isolated from the impact of other variables such as capital, technology, human resources or ICT, and from the external context. Real estate interventions are usually implemented together with changes in one or more other corporate assets, and in a dynamic context.

It is within the first barrier that the added value of de Vries' study lies in comparison to the studies on the relations between CREM and shareholder value. Whereas those researchers adopted a shareholder theory based approach to their studies, de Vries looks beyond shareholder value to measure corporate performance.

In an attempt to overcome this first barrier de Vries provides a definition of organisational performance herself:

"The fulfilment of organisational objectives from the perspective of various stakeholders"

(de Vries, de Jonge et al. 2008) p. 209

Through the above statement de Vries adopts a stakeholder theory approach to analyze the impact of CREM on corporate performance.

A logical subsequent step for de Vries was to derive 5 distinct real estate interventions, which might have a direct or indirect impact on 9 aspects of organizational performance. Both real estate interventions and organizational performance aspects were deducted from previous studies.
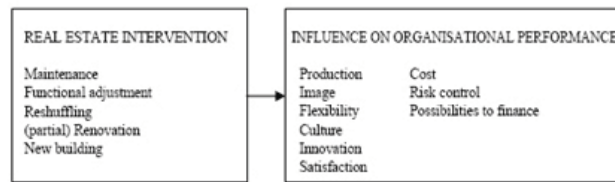

fig. 3.2: real estate interventions and possible effects on organizational performance (de Vries, de Jonge et al. 2008 p. 210)

In the end the above relations scheme resulted in a conceptual model, around three performance indicators:
1.   Productivity, ratio input output (the most difficult to assess)
2.   Profitability, the difference between benefits and costs
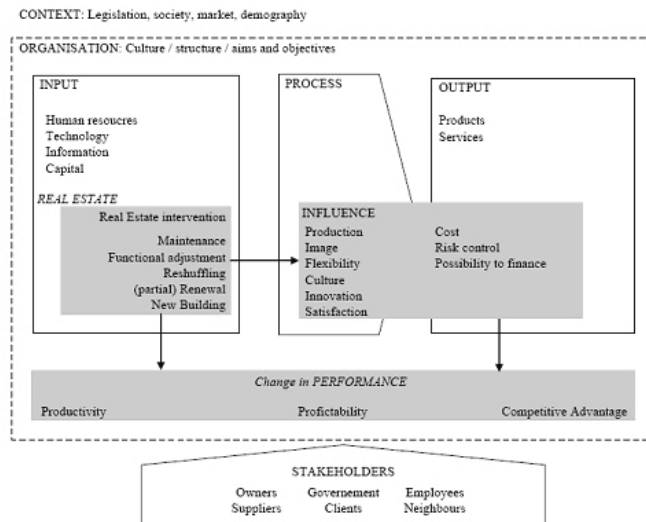3.   Competitive advantage, the development in market share

fig 3.3: conceptual framework to research effects of real estate interventions on organizational performance (de Vries, de Jonge et al. 2008 p. 211)

The framework is descriptive rather than predictive, as it shows the cause and effect relationships, but does not provide quantitative values of the effects of interventions or insight into the interrelationship between interventions. For de Vries the key to filing out this framework is identifying what productivity, profitability and competitive advantage mean for a certain organization. As such, in the end it all still comes down to identifying performance.

Recapitulation
The most trivial approach of the added value of CREM shows us that adequate CREM can reduce costs and as such increase corporate revenues. Additionally the studies depicted above, give us no reason to believe that adequate CREM does not add value for shareholder more complex ways as well. Finally De Vries' conceptual model tries to grasp the added value of CREM from a more broad approach to corporate performance, whereas she looks to be able to describe the process this involves, she wasn't able to truly grasp the added value for a corporate organization. For this study it will be essential to depict the parameters of the aimed at increased social performance. Furthre

3.4 | The social function of real estate

Whereas in early history real estate had just one function: 'providing shelter', recent academic literature depicts many more functions of the built environment. Recently Van der Voordt and van Wegen (2005) conducted a study of the functional quality of buildings. In retrospect they looked at theorists' grasps of the function of a building. They refer to architecture lector De Bruijn, who already in the 60s described the following four different functions of a building (Zeeman 1980):

1.   *A protective function:* protection of people and property against harmful influences and dangers, e.g. wind and rain, inquisitive onlookers, interferences.
2.   *Domain or territorial function:* buildings make it possible to operate in a place of one's own, without disturbance from others. Key words are privacy, safety and security.
3.   *Social function:* buildings create spaces and places in which people can carry on their activities optimally. Primary elements are health, welfare, communication and quality of life.
4.   *Cultural function:* a building must also satisfy requirements relating to the form and character of the spatial environment. The cultural function involves aesthetic, architectonic, urban design, planning and environmental factors. Culture also includes the notion of civilisation, one of whose implications are that buildings and the activities they accommodate should not be nuisance or cause damage to the environment.

Identifying, which of the above functions can add value to the social performance of an organization, provides insight into the aspects of real estate that need to be addressed in a CSR-REM strategy. Whereas the first three functions relate to the stakeholders directly using the building 'the voluntary stakeholders' the fourth function additionally affects 'the involuntary stakeholders'.

Subsequently van der Voordt and van Wegen (2005) refer to the architecture critics hillier and Leaman who also distinguish four main functions of a building, but divide them up differently.

1. Spatial organisation of activities: A building needs to provide optimum support for the activities desired by properly arranging the available space.
2. Climate regulation: A building needs to provide an optimum interior climate for its users.
3. Symbolic function: A building can be seen as the material embodiment of the specific ideas and expectations not just of its designer but also the client and the users. This makes it a cultural object, an object with social and symbolic significance and meaning.
4. Economic function: It requires investment, giving added value to raw materials.

Using this distinction between the different functions, spatial organisation of activities, climate regulation and economic function, seem to impact just the voluntary stakeholders. In this case the involuntary stakeholders are affected by the symbolic function of the building.

"Due to its symbolic function, real estate also has significant social relevance. It creates the living environment for individuals and for groups of people to obtain cultural significance. The city with its streets and squares, buildings, stations and access roads, is a civilization in collective memory. (…). The large scale of real estate intervention eradicates the collective memory of a place, as a result of which the project is located in a socio-cultural vacuum. In that case, the only thing to do is to wait until a new memory is created before the urban district comes back to life socially. (…) Real estate may also considerably contribute to the development of sustainable eco-systems and improve the quality of life in cities."

(de Jonge, Arkesteijn et al. 2008, p. 12)

This statement resembles the importance of buildings in a city and as such in society. The building is the building Stone of the city, it is the physical representation of the theoretical concept the city. Together this blocks form the physical artifact the city, whereas it is almost impossible for one block to deplete the final quality of the entire city, together they are very important, and furthermore one very special block can have a catalyst function for the rest of the city, and make the city perform better in the eyes of a multitude of stakeholders.

3.5 | CREM made operational

Making CREM operational can't be approached literally, as every corporate organization that utilizes real estate, already performs some form of Corporate Real Estate Management. In recent literature a number of models were developed however, aimed at helping Corporate Real Estate Managers to adequately manage the corporate real estate portfolio. Some of these models, which will prove valuable later in this study, will be introduced in this paragraph.

First the HK-model will be discussed, which helps CREM managers to make accommodation choices. As explained in paragraph 3.2 CREM and strategic management are undeniably linked. To cope with this, the department of Real estate and Housing at the TU Delft, faculty of architecture developed an accommodation strategy framework called the DAS-frame, which will be introduced as well.

The 'Huisvestingskeuzemodel'
The 'huisvestingskeuzemodel' (HK-model), was developed by the Center for People and Buildings (CfPB) in Delft (Ikiz-Koppejan, van der Voordt et al. 2009); HK-model can be literally translated as 'the accommodation choice model'. It confines a process model for people- and organisation centred accommodation provision through: 4 steps, a sling and a pivot within a playing field that together represent an organisation-centred accommodation process.
The 4 steps within the HK-model are:

1. Gathering information about the organization, the current accommodation, the context and the limiting conditions.
2. Define intentions through the distinction of user-groups and the determination of housing ambitions.
3. Make conceptual accommodation choices regarding workplace concept, provisions, services and means and the aesthetic quality.
4. Finalize and work out the choices made and implement them into a program of requirements, a design, a building choice, a schedule, a budget, an accommodation concept and actions for occupation.
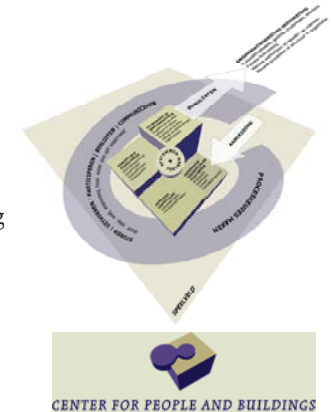
fig 3.4: The CFPB 'huisvestingskeuze model'

To make the good decisions throughout the process, per step certain process choices are needed. These process choices together comprise the sling. In the middle the pivot stands central and everything rotates around it. It provides the connection between the steps, continued tests and fine-tuning. The steps take place on a playing field with players and their interests, the energy and attention for the process and the relation with other (change) paths.

The process starts with a cause; a discrepancy is noticed between what the organisation wants and the actual accommodation. The aimed at final result is an organization centred accommodation. A carefully designed, implemented and after that understood by employees accommodation concept. This result can have multiple abstraction levels and doesn't only exist of physical but of organisational elements as well.

In step 2 of the model the conceptual choices are determined. To attune these as good as possible with the intentions and the basic principles of the organization the cfpb designed a choice matrix. Using the matrix, the ambitions of an organization can be linked to the possible choices about the parts of the accommodation concept, the freedom of choice and the organizational consequences.

The matrix consists of columns and rows. The rows show the housing ambitions of the organization and the columns describe the parts of a housing concept. The cells that are formed by this division are meant for filling out the choices connected to the accommodation ambitions. The principle can be seen in figure 3.5.

fig 3.5: The HK-model choice matrix

The goal of the matrix is to offer an organization structure in the translation process between ambitions and accommodation-choices. This translation process includes operationalisation, making the ambitions specific and translating the choices for certain parts of the housing concept, the freedom of choice and the organizational consequences. Furthermore the matrix helps to prioritise certain ambitions. The matrix invites the user to become concrete about ambitions, expectations and choices, to discuss and reason them out. The attained insights help an organization to communicate within the organisation as well as with external actors.

Designing an Accommodation Strategy Framework (DAS-frame)
Based on real estate management, strategic management and their respective challenges, De Jonge, Arkesteijn et. al (2008) developed a framework for the accommodation strategy design process. The Designing an Accommodation Strategy (DAS) framework can be used for various types of real estate and multi-level decisions in real estate management.

Key issues are the four main steering events (de Jonge, Arkesteijn et al. 2008, p. 36):

- What we need versus what we have. Determine the mismatch between current demand and current supply.
- What we (might) need in the future versus what we have now: determine the mismatch between future demand and current supply.
- Alternatives of what we could have: design, evaluate and select solutions for the mismatch
- Step-by-step plan to realise what we want to have in the future: plan for the transformation of current supply into the selected future supply.
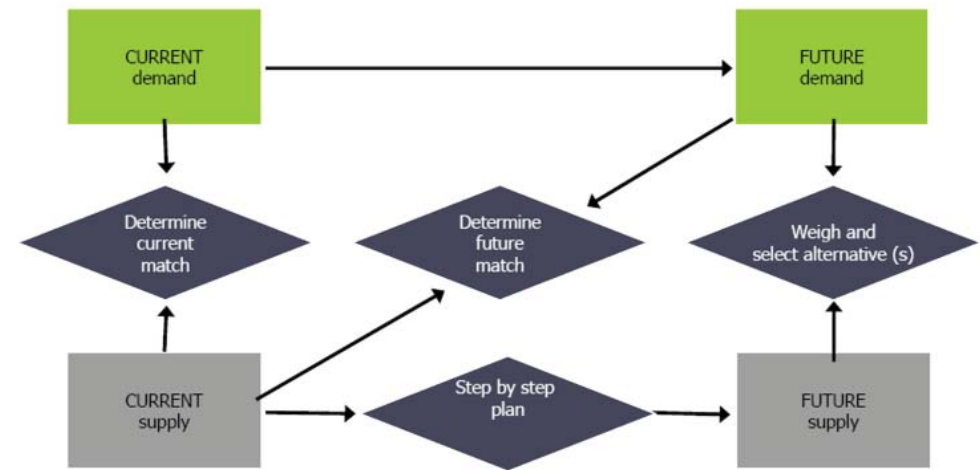
fig: 3.6: Designing an accommodation Strategy framework (DAS) (de Jonge, Arkesteijn et al. 2008, p.36)

"The design process is iterative by nature: it involves a succession of analysis and synthesis, aiming to find a match between demand and supply. When the match is not satisfactory, the outcome of the previous phases is questioned. In that situation, one might search for other solutions (supply) or one could also apply adjustments to the demand. The actual accommodation strategy is defined at the end of this process."

(de Jonge, Arkesteijn et al. 2008, p.37)

As de Jonge et all. claim that the accommodation strategy resulting from the design process is influenced by the world view of the strategy designers, their view on CSR becomes central in the product of this thesis.

3.6 | Recapitulation and Conclusions

The most important conclusion to make as a result of this theoretical exploration of CREM in a CSR context can't be found within the literature, but within the absence of literature. Whereas, theoretical research up till now has provided an extensive amount of literature confirming the social function of real estate (van der Voordt, Wegen et al. 2005; de Jonge, Arkesteijn et al. 2008), the empirical exploration of the processes that link a corporate real estate object and society appears absent.

De Vries (2008) is the researcher that has analysed this link the most into depth, as she adopts a clear stakeholder theory based definition of corporate performance, to develop a conceptual model that links real estate decisions and this 'corporate performance'. The way she defines corporate performance, is very intersting as it looks beyond shareholder value (in line with the findings from the previous paragraph). Her analysis stops however with the identification of six stakeholder groups that affect corporate performance, an additional step defining these processes linking stakeholders and corporate performance she is unable to provide.

The Das Frame (de Jonge, Arkesteijn et al. 2008) provides a useful basis for strategic thinking about real estate. At what moment in time does can CSR be integrated in this DAS frame however? There are two ways of perceiving this particular question:

1. The corporate organization will demand socially responsible real estate in the future, but does not supply it for the moment. A mismatch has occurred, and the corporate real estate supply needs to be altered to match future supply and future demand.
2. A second option is to integrate CSR into the decision making process. A corporate organization has indentified a strategic mismatch and is planning to alter the corporate real estate supply. Can CSR serve as an overlay, to be integrated into this decision making process.

It is always from a certain perspective you look and the other perspectives that provide the limiting conditions and inputs for the decision.

In the following chapters, these findings from theory will be compared to the current business practice. Since a delimited amount of information on the impact of corporate real estate decisions on society could be found in literature, it can be expected that CREM managers can't really identify these links either. Identifying this link will however constitute the main field research question, following this chapter

How do corporate organizations consider their stakeholders in the CREM decision making process at this moment in time?

Essential findings for further development of the envisioned product
- Literature linking CREM and social performanc is underdeveloped.
- There are four main steering events in the process of 'designing an accomidation strategy'
- Corporate performance linked to CREM decisions, has been defined as the fulfilment of organizational objectives from the perspective of various stakeholders (de Vries, 2008).

Part 3
Field Research

4 Chapter Four
Case study 1: TNT NV

fig 4.1: TNT's envisioned new corporate headquarters in Hoofddorp

"*TNT N.V. is a Dutch corporate organization listed on the Euronext stock exchange in Amsterdam. Through its two divisions: 'Express and Mail' TNT provides worldwide delivery solutions. TNT is Active in over 200 countries, and employs about 160.000 people worldwide (52.000 in the Netherlands), which makes them one of the largest providers of delivery solutions in the world.*"

4.1 | Short history TNT NV
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TNT NV

TNT N.V. is a Dutch corporate organization listed on the Euronext stock exchange in Amsterdam. Through its two divisions: 'Express and Mail' TNT provides worldwide delivery solutions. TNT is Active in over 200 countries, and employs about 160.000 people worldwide (52.000 in the Netherlands), which makes them one of the largest providers of delivery solutions in the world.

TNT claims to be strongly committed to responsible corporate citizenship, implementing various international standards in order to retain its 'license to operate' in the broadest sense. As a logical consequence TNT measures, benchmarks and reports on its corporate social performance.

TNT's corporate strategy is build around the aims to lead the industry by:
*   Instilling pride in its people
*   Creating value for its shareholders and
*   Sharing responsibility for the world in which it operates

TNT Real Estate

TNT's CREM department comprises an independent judicial entity, named TNT Real Estate; as such it is connected to the TNT holding providing services to TNT's two main divisions. All TNT's real estate can be found on the balance sheet of TNT Real Estate, which can be perceived as an investor renting out properties to TNT NV, leasing properties for them and providing a number of other real estate related services. TNT Real Estate describes its tasks as followed:

To manage all TNT NV's real estate transactions regarding:
-      Leases
-      Acquisitions
-      Development
-      Leasing out
-      Sales

http://realestate.tnt.com/werkwijze/index.asp

TNT Real Estate claims to be of added value for TNT NV, in view of the fact that they exactly know what TNT wants, enabling them to translate TNT's specific demands into fitting real estate solutions. Understanding the specific corporate operations, TNT Real Estate can provide better fitting real estate solutions in a smaller time frame.

Additionally the added value of TNT real estate is assumed to be found within the fact that, coordinated with corporate practice, real estate that does not fulfil its purpose anymore, or will not fulfil its purpose any more in a couple of years can be sold for a good price, providing the business liquidities. As real estate is the core business of TNT Real Estate, they know the market and can provide the best solutions for any abundant real estate object (Verwaaijen 2010).

Case study readers guide:

In chapter 2, 7 stakeholder groups key in a stakeholder theory approach to corporate management were defined. As stakeholder identification comprises a core task of CSR management (Donaldson and Preston 1995), it is essential to find out how a corporate strategy is directed at improving its performance concerning the interests and stakes of these stakeholder groups. This paragraph analyzes how the interests and stakes of the stakeholder groups are incorporated in TNT's corporate strategy.

4.1 | Short history TNT NV
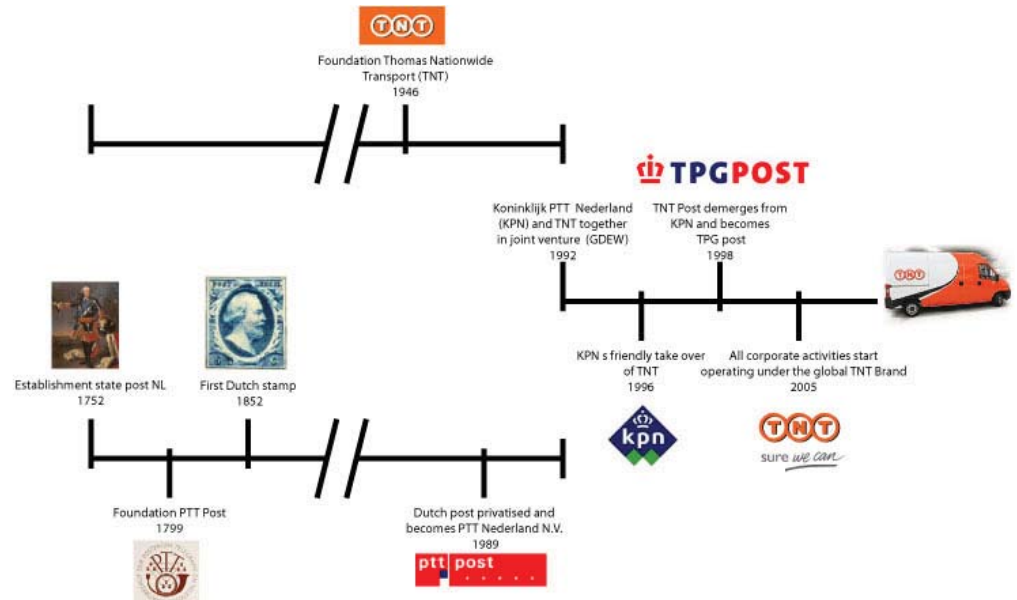
fig 4.2: TNT's history visualised

TNT's Dutch roots can be traced back more than 250 years, all the way up to 1752; the founding date of the state post in the Netherlands. It was not until 1946 however, a company known under the name Thomas Nationwide Transport (TNT) was founded in Australia. Again almost 50 years later (1992) TNT entered the Dutch market, as TNT and KPN (Dutch state post) entered the joint venture 'GD Express Worldwide (GDEW)'.

In October 1996 Koninklijke PTT Nederland (KPN) and TNT jointly announced that KPN was going to make a public bid for TNT. The friendly take over was completed only two months after (December 1996). Important steps were taken towards the integration of TNT 's and PTT Post's business activities, additionally TNT's non core business activities (Mail, express and logistics) were sold off.

In June 1998, TNT Post Group (TPG) separated from KPN, which resulted in a TPG stock being listed independently on the stock exchanges of Amsterdam, New York, London and Frankfurt.

In January 1999 PTT Post was granted the title 'Royal PTT post', in the year of its 200th birthday. In May 2002, Koninlijke PTT Post, changed its name to Royal TPG Post. The name TNT, a strong brand used worldwide for the express and logistic activities of TPG, remained unchanged.

From 14 January 2005 on, TPG started operating all its global activities under the brand name TNT. Operating under one brand is perceived to increase the recognition of the group worldwide and allow for more efficient communication on TNT's various services. As a consequence the 16th of October 2006, Royal TPG Post officially changed its name to Royal TNT Post.

4.2 | TNT's CSR strategy

"An important component of TNT's mission is its commitment to sharing responsibility for the world in which it operates. This commitment is translated into the TNT CR strategy that reflects the impact TNT's operations have on its stakeholders"
(TNT Holding B.V. 2010) p.166

Rationale behind TNT's CSR strategy

TNT claims that CSR should be embedded it in its core business, focused on delivering improved and sustainable performance for employees, the environment and other stakeholders. As such TNT NV can be perceived as a corporate organization proclaiming to adopt a stakeholder theory approach to corporate management. The statement underneath depicts the way in which TNT aspires to make the stakeholder theory approach operational, as TNT declares to be committed to valuing the stakes and interests of all stakeholders, measuring corporate performance through CSR criteria in addition to financial criteria.

"Given TNT's view that the interests of all stakeholders must need to be managed in a balanced way, TNT's annual report should report on both financial and non-financial performance (...) this is the first time TNT has integrated CR in the actual annual report and as such CSR performance and strategic performance must be the outcome of improved actions taken in day to day management of TNT's core business."

(TNT Holding B.V. 2010) p. 17

The CSR strategy

TNT's CSR strategy specifically focuses on four pillars reflecting the areas in which TNT believes to have the largest impact.

1. Employees,
2. The environment *(future generations)*
3. Other stakeholders
4. Voluntary contributions to society.

The above list of key-pillars underpins TNT's aim to adopt a stakeholder theory approach to corporate strategy in general and CSR in specific, as stakeholder groups are used to categorize the key pillars of the CSR strategy. For the year 2009 TNT defined ten key corporate responsibility focus areas structured around the four key CSR pillars (TNT Holding B.V. 2010):

1. Employees
a.   Health and safety
b.   Human rights
c.   Employee engagement

2. environment
a.   CO2 footprint
b.   Air quality

3. Other stakeholders

a.   Customer satisfaction
b.   Green services
c.   Subcontractors TNT
d.   Suppliers

4. Voluntary contributions to society
a.   Moving the World

4.3 | TNT's stakeholders approach

Box 4.1: UN "Protect, respect and Remedy" framework for Business and Human Rights

John Gerard Ruggie (Born October 18, 1944, Graz), professor in Human rights and International affairs at Harvard's Kennedy School of Government, was appointed UN Secretary-General special represent-tative on business and human rights in 2005.

fig 4.3: John Ruggie

In 2008 Ruggie's commission stated that one reason cumulative progress in the business and human rights area had been difficult to achieve was the lack of an authorative focal point around which actors expectations could converge; a framework that clarified the relevant actors' responsibilities and provided the foundation on which thinking and action could build over time. To fill this gap, Ruggie proposed the 'Protect, Respect and Remedy' framework, which rests on three pillars:

1. The state duty to protect against human rights abuses by third parties, including businesses, through appropriate policies, regulation and adjudication.
2. The corporate responsibility to respect Human rights, which means to act with due vigilance to avoid infringing on the rights on others and to address adverse impacts that occur
3. Greater access by victims to effectively remedy both judicial and non-judicial.
(Business and Human Rights Resource Centre 2010)

This paragraph primarily focuses on TNT's 2009 annual report. In this report it can be noticed that TNT dedicated 4 out 10 key focus areas to employees; the environment or as I call it 'future generations' are the subject of 3 key focus areas; 'business partners' were assigned 2 key focus areas and finally the stakeholder groups 'customers' and 'society', are merged in a single key focus area. The stakeholder group – shareholders – isn't named in TNT's CSR strategy; this should be perceived from the view that they are considered in the other half of the annual report however. Both financial report and annual report might have merged visually, analyzing the report more in depth one can still notice a strong separation between the two subjects.

1.   Employees

"TNT's employees are key to delivering TNT's results which is why TNT invests significant efforts to ensure that it provides a safe and attractive working environment."

(TNT Holding B.V. 2010) p.168

The stakeholder group 'employees' was assigned a separate pillar in TNT's CSR strategy, making them stand out over other stakeholder groups. In 2009, three key focus areas were defined for the CSR pillar 'employees'.

a.Health and safety.
Goal: prevent people getting harmed during the course of work.
b. Human rights.
Goal: Align TNT's corporate actions with John Ruggie's 'protect, respect and remedy framework' (box 6.2).
c. Employee engagement
Goal: One of TNT's mission statements is instilling pride in its people. Every employee in the workforce should feel that he or she is recognized as a valued individual and that TNT consistently supports the development of their capabilities, skills and competencies to deliver superior performance. TNT aims to create a workspace where people are engaged, rewarded competitively, work in a safe place, are treaded equally, can speak up freely are responsible and feel accountable for their actions. Therefore TNT:

-        engages people,
-        rewards people competitively,
-        treats people equally
-        lets people speak up freely
-        makes people feel responsible and accountable for their actions

2. Customers:

"TNT believes that total customer focus is a sustainable competitive differentiator and aims to exceed customer expectations by providing distinctive levels of customer care at all contact points and bases its improvement programmes on quantitative and qualitative customer feedback. This

approach ensures that required improvement actions focus on what is most important to customers rather than focussing on internal measures only."

(TNT Holding B.V. 2010)

Under TNT's CSR strategy pillar 'other stakeholders', customer satisfaction was named as a separate key focus area.

Customer satisfaction
Goals: Understand the customers, what they value and their needs and preferences and respond to them with tailored products and services. TNT's analyses have shown that 'satisfied' and 'more than satisfied' customers are more loyal, therefore TNT aims to increase the number of 'more than satisfied customers', furthermore understanding why 'less than satisfied' customers felt this way and using their feedback helps TNT to develop improvement strategies.

3. Society
TNT named society under the pillar voluntary contributions to society. The way society is approached by TNT is quite narrow however, as it only looks at voluntary contributions to society. What does this definition imply however? Doesn't including the stakeholder group society in a corporate strategy always imply that the corporate organization has voluntarily chosen to contribute something to society? Looking at TNT's CSR reports and corporate statements, under voluntary contributions to society, only the donations to charitable causes seem to be of interest however, which narrows the scope of this pillar drastically.

Voluntary contributions to society

Fig 4.4: TNT and WFP Moving the world logo

Programme, the world's largest humanitarian aid agency, since 2002. TNT commits its knowledge, skills and resources to support WFP in fighting world hunger."

p.190 (TNT Holding B.V. 2010)

Goal: Do something back for the society in which TNT operates, specifically through a partnership with the UN World Food program, known as 'Moving the world'.

corporate responsibility strategy."

<div align="right">p.177 (TNT Holding B.V. 2010)</div>

TNT assigned future generations a separate key focus pillar and named it 'environment'. For the environmental pillar only one focus area was defined in 2009, this one focus area comprises three separate elements however.

Goal: TNT aims to go beyond compliance with government regulations and customer expectations, which involves taking responsible risks to continuously seek new innovative solutions and technologies. TNT seeks to limit its impact with respect to the following three elements:
- The use of natural resources by operational activities
- Climate change by greenhouse gas emissions
- Human health by exposure to noise and air pollution.

5. Business partners
Under the CSR strategy pillar 'other stakeholders', subcontractor and supplier management were named as two separate focus areas. The interests regarding these stakeholders are rather similar however:

Subcontractors – TNT Approach to the selection and management of CR performance of subcontractors
Suppliers – Increase use of sustainable purchasing

<div align="right">p.164 (TNT Holding B.V. 2010)</div>

Subcontractors/suppliers
Goal: TNT acknowledges the significant ecological and social impact it has on its supply chain and suppliers' local communities. As such, TNT is committed to raising its social and ecological

standards as well as those of subcontractors and suppliers. TNT realises its overall footprint is larger than that from solely its own operations. Therefore TNT expects all its subcontractors and suppliers to act in a sustainable and responsible manner in accordance with all prevailing local and international legislation, and in accordance with the provisions of the TNT business principles. TNT is committed to managing its operations in a way that complies with all relevant sustainability legislation standards.

6. Shareholders
As explained before, the shareholders are not considered in TNT's CSR strategy, they are the central spill in the overall corporate strategy however.

4.4 | TNT and stakeholder consideration in the CREM decision making process

This paragraph introduces the methods applied by TNT to consider stakeholders in the corporate management decision making process in the CREM context, first TNT NV's envisioned strategic approach to stakeholder consideration will be introduced, followed by a quick introduction of how this is reflected in the practical environment of TNT Real Estate. Hereafter the different identified stakeholder groups will be analyzed and the techniques described TNT uses to find out stakeholders interests and stakes.

TNT NV

"To understand stakeholder expectations, TNT engages systematically with all stakeholder groups to better comprehend their perspectives and concerns regarding risks and responsibilities resulting from TNT's operations."

<div align="right">p. 166 (TNT Holding B.V. 2010)</div>

TNT has identified the following stakeholder groups.
- Customers
- Subcontractors
- Suppliers
- Investors (including the Social Responsibility Investor community), and
- Civil society

TNT Real Estate
Whereas stakeholder engagement is considered a strategic differentiator for the corporate organization TNT NV, TNT Real Estate was not able to make the required steps yet to adopt this strategic direction. In an interview TNT Real Estate had to admit they did not have the stakes of the different stakeholders clear in front of them. Later in the process, stakeholder engagement takes place however as different stakeholder groups are asked to join the discussion on certain real estate decisions.

1. Employees

TNT NV

- OHSAS 18001 certification - Used to benchmark workplace safety, as it sets a standard concerning health and safety for all TNT's operations, including building process requirements.

- SA 8000 certification - Sets standards to ensure transparent and decent working conditions with respect to human rights. According to TNT this approach should not only provide a framework to support compliance with laws and regulations within the applicable countries in which TNT operates by preventing the use of child labour and forced labour; but also improves health and safety, freedom of association, prevents discrimination, ensures the implementation of performance management and provides fair and adequate compensation and working hours.

- Health and safety framework – This framework was developed by TNT to provide the policies, standards guidance, materials and tools that aid TNT in its aim to effectively control risks and prevent people from being harmed during the course of their work.

- Health and safety performance measurement tools - Applied to measure the effectiveness of the health and safety framework, the measurement tools are derived from the OHSAS 18001 certification. TNT applies the measuring of fatal accidents both own and subcontractors as well as lost time accidents as key performance indicators.

- TNT engages and accommodates employees and potential employees with a disability – TNT listens to the wishes of employees or potential employees with a disability and attempts to adopt the workplace to this wishes.

- Labour relations (social dialogue) - TNT believes in the importance of social dialogue. Trade unions and work councils continue to be valuable partners. Main principles in all of TNT's relations with the trade unions and work councils are an open and transparent relationship and the timely sharing of as much information as possible. Whilst reading the CSR report of TNT NV, one can clearly notice, TNT NV actively engaged with trade unions on several occasions.

- The UN Global Compact - TNT has been a signatory of the UN Global compact since 2009, aiding them to further embed human rights into business practice.
- The CR Council - In order to stimulate the involvement of TNT's employees in corporate responsibility issues, the board of management established a CR council. Representatives of the European works council and the Dutch central works council are invited to put items on the agenda of this platform for discussion and consultation on corporate responsibility issues. The CR council consist of senior business managers.

- The global engagement survey (GES) - The GES is TNT's tool for measuring TNT's success in increasing employment pride and motivation.
- Ask employees for feedback on the GES - In 2009 TNT decided to not run the GES and postponing it until 2010. This decision was taken to make improvements to the engagement survey and to align the new strategic direction announced as a part of the vision 2015. A cross section of managers and employees was across the organization was asked to help define the necessary survey improvements and business needs.
- Test a pilot version of the GES - In the last quarter of 2009, preparations or a new global engagement survey commenced. Designing the pilot survey questions took place in close collaboration with representatives across the business. The Following the results of the pilot, the new 2010 full survey will be ready to measure TNT's employee engagement worldwide, review the full survey results to formulate key focus areas for 2010 and create action plans, which will be monitored for progress.

TNT Real Estate

HR department joins discussions on real estate development decisions – TNT Real Estate has engaged the HR department in the development process of the new corporate headquarters in Hoofddorp. The HR department joined the discussions in an early stage, however only after they were encouraged to do so by TNT Real estate. TNT Real Estate therefore claims that a corporate real estate department should not be afraid to be the frontrunner in such an engagement processes. If needed the CREM department can even encourage the HR department to engage in open discussion sessions with employees on their wishes and the motivation behind these wishes. Furthermore TNT Real Estate claims that, the CREM department shouldn't operate too dogmatic. If there is a certain number of employees (say 70%), then go for it.

Assignments for groups of employees – TNT Real Estate has asked groups of people within the organization (e.g. young or middle management) to think about assignments that usually involve out of the box thinking. These groups are send into the organization and hopefully come back with answers to a certain (real estate) problem form another perspective (box 4.3).

Box 4.3: Involve Young TNT

One example is the post offices, we are trying to sell them, but for the moment we aren't very successful. Young TNT suggested to provide day-care in them, and they started to research whether this is possible. They wrote a business plan, but in the end had to admit it there idea wasn't going to work. Ok that is too bad, but it is reality and they were involved in the process. So TNT said go on, look further. (p.6) so consultants were found within the organization.

2. Customers

"TNT (…) bases its improvement programmes on quantitative and qualitative customer feedback. This approach ensures that required improvement actions focus on what is most important to customers rather than focussing on internal measures only."

<div align="right">p.189 (TNT Holding B.V. 2010)</div>

TNT NV

- Customer needs, satisfaction and loyalty levels measured through structured service – TNT identifies customer needs, satisfaction and loyalty levels important markers that are identified through regular contact and structured surveys. To measure the differentiation elements, TNT also executes benchmarking surveys, thereby allowing it to differentiate in the most important drivers of customer satisfaction and loyalty.

- Customer satisfaction survey (Mail division) - The mail division conducts a customer satisfaction survey among customers and small-size enterprises served by the call centre once a year. An annual survey is conducted among the medium-sized and larger business customers. A larger research organization collected additional information. In total 3250 customers were scored on five customer values in 2009. The surveys have been optimized by measuring performance on all customer contact points and are compared to competitor performance.

- Customer satisfaction Research (Express division) - The express division conducts annual worldwide customer satisfaction research in which customers can complete the survey in writing or online. Analysis has shown that customers that are very satisfied spend more and also are more loyal. The continued aim is to increase the number of customers that rate express' services as exceeding expectations as ultimately this will positively impact TNT's business.

TNT real estate

Client panels – Through the use of client panels, TNT Real Estate found out what customers valued the most important missing factor in the current sales points, as such they were able to search for alterations to the real estate portfolio adopting these wishes.

3. Society

TNT NV

- The Dow Jones Sustainability Index - On the 3th of September 2009 TNT could be found on top of Dow Jones Sustainability Indexes for the 3rd consecutive year. TNT believes the DJSI ranking to be a source of company pride.

TNT furthermore restricts itself to comply with a number of global guidelines, and is a subscriber of a number of social responsibility compacts. There is however no information that could be deducted from these compacts directly relating to Real Estate, they could however be used to assess the suppliers and subcontractors approached for certain real estate developments.

- The WEF PACI - TNT is a signatory of the WEF partnering Against Corruptive initiative (PACI). TNT's CEO is a PACI Board member and TNT is actively involved In a number of PACI initiatives to combat corruption.

- GRSP - GRSP brings together governments and governmental agencies, the private sector and civil society to urgently address road safety issues, especially in low and middle income countries.

- TNT is less active member of the following associations - the European Express association (EEA), the Global express association (GEA), the conference of Asia Pacific express carriers (CAPEC) Global Road Safety Partnership (GRSP), Social accountability international (SAI), European Academy for business in society (EABIS), Investors in people for personal growth of employees and ISO 9001 for operational excellence

- Comply corporate reporting with guidelines – The GRI guidelines, UN Global compact, AA1000 framework integrating the stakeholder process in the reporting process.

TNT Real Estate

- Contact with the municipality – The only moment TNT Real Estate and the municipality actively engage in a conversation is, as one party needs something from the other party.

4. Future generations

- ISO 14001 - Internationally recognized management standard for environmental management, used to identify and manage environmental aspects and their impacts for continuously improving environmental performance.

- The carbon disclosure project – The carbon disclosure project is used to measure and report on carbon emissions.

- CO_2 efficiency index - In 2009 TNT developed a specific CO_2 efficiency index as the basis for monitoring future CO_2 energy performance. This index is based on TNT's own CO_2 efficiency of the aviation fleet, operational vehicles and buildings. An objective has been set on the CO_2 efficiency index being an improvement of 45% of the index by 2020 compared to 2007.

- Planet Me - TNT has developed a specific program to raise awareness of climate change and to act as a framework within which TNT's operations seek to reduce CO2 emissions. This initiative is called Planet Me and was launched in 2007. Its primary objective is to reduce the environmental impact of TNT's operations and to boost the financial performance of TNT by improving fuel efficiency. Planet me comprises three primary areas:
- Count Carbon, use a comprehensive system to continuously measure the CO2 performance.
- Code Orange mandatory programs to improve the CO2 efficiency of the key emission sources
- Choose orange, educating and engaging employees to be aware of environmentally responsible behavior.

- Energy efficiency – Energy efficiency of buildings is measured in kg CO2/M2, kwh/m2 or m3 gas per m2 and can be used for benchmark analysis. The overall energy efficiency including electricity, gas, heating fuel and district heating is reported in MegaJoules/m2.

- Calculate CO2 emissions subcontractors - TNT has developed a model to calculate and estimate the CO2 emissions generated by subcontracted operations.

- The Greenhouse Gas protocol - The absolute CO2 footprint can be reported in three categories as described by the Greenhouse gas protocol.

TNT real estate

LEED – In Hoofddorp TNT is developing a new headquarters, this headquarters should become the greenest office buildings in Western Europe and as such has earned a LEED platinum certificate.

5. Business partners

TNT real estate
Develop a new real estate object together with partner that share similar interests - TNT Real Estate actively searched for such partners themselves, in the development of the new corporate headquarters in Hoofddorp. Suppliers and other business partners that can prove they are actually working on their CSP partners have an advantage in the deal making. A good example provided by TNT Real Estate of another organization is the Pro-rail sustainable choice model (energieprestatieladder), helping NS to contract on other bases than just financial indicators.

6. Shareholders
Shareholder will always have influence in the decision making process, as they are still the predominant focus actors of managers. Above all, TNT still values the shareholders. They believe that every private organization will always have to bear in mind, that in the end it is all about the stakeholders.

TNT real estate
TNT real estate most actively contributes, within the financially reasonable boundaries, to the energy reduction and therefore environmental impact aspect of CSR. Environment and costs are always connected however. Whereas a government can say we let them loose, we don't care what this building costs, the corporate organization will always have to consider the cost aspect. They will always have to consider the stake of the shareholders.

CO2 reduction inevitably leads to costs reduction. Possible measures are:

* Reduction of m2 floor space
* Innovative heating systems
* Innovative lighting systems

7. Integrated approach

- Stakeholder dialogues - Between 2004 and 2008, TNT performed stakeholder dialogues with at least one group of stakeholders each year. These dialogues were designed to gather stakeholder's opinions regarding TNT's performance and approach.

- Multi stakeholder dialogues - In 2009 TNT management re-evaluated its approach to stakeholder dialogue. Management concluded that the approach used between 2004 and 2008 did not allow the various stakeholder groups to interact and exchange ideas and viewpoints with each other. In particular, where contradictory priorities were expressed, TNT recognized the need for a face to face dialogue between stakeholder groups, rather than a single dialogue between TNT and a specific stakeholder group. TNT therefore organized a multi stakeholder approach to stakeholder dialogues in 2009, which consisted of two parts.
- An online survey, which was sent to 120 stakeholders across all stakeholder groups with a response rate of almost 50%, and
- An independently facilitated multi stakeholder dialogue meeting hosted by TNT at its head office in the Netherlands.

4.5 | Recapitulation and conclusions case study 'TNT NV'

First of all TNT's CSR strategy can be analysed for its compliance with the theoretical framework, which shows clear affiliation with Freeman's narrow managing for stakeholder strategy; whereby TNT predominantly focuses on employees, but at the same time value the interests of the other stakeholders. These stakeholders additionally were similar to the stakeholders identified within the theoretical framework, as such providing these stakeholder groups a more solid basis to build on for the final product. The above case study shows that the willingness of TNT to be a responsible corporate citizen is undeniably present.

TNT is facing one major problem in its attempts to make socially responsible CREM decisions however; which is illustrated perfectly through the following statement by Flip Verwaaijen:

"I can be very honest that we don't have the stakeholders' stakes and interests, clear in front of us at the start of the CREM decision making process."

(Verwaaijen 2010)

TNT has described an overall corporate strategy, in which CSR is integrated and which shows clear affiliation with Freeman's stakeholder theory. To make this strategy operational in a CREM context, TNT lacks an important part of information however, as they have to admit literally that, they do not know, what the impact on the various stakeholders is when making a certain CREM decision. This lack of prescriptive guidance, helping TNT to identify their impact on society, supports the claims by Margolis and Walsh (2003) and Lee (2008) (see chapter 2), that corporate organizations do not so much require CSR justification, but would benefit much more of prescriptive guidance, describing the whole phenomenon of business-society interactions.

The above claim is provided an even more solid foundation, through the fact that TNT can certainly not be blamed a lack of effort to integrate CSR into overall corporate management. TNT is one of the first corporate organizations to integrate the CSR report, into the overall annual report; as such, TNT underscribes its claims to see corporate performance from a broader perspective, than just a financial one. Additionally TNT has applied the available prescriptive guidance, wherever possible, as they are sector leaders in the DJSI and an active member of the GRI, holder of a LEED platinum Label, etc. As in this context Verwaaijen has to admit that he does not have a clear image of the social impact of TNT's corporate real estate decisions (except for the environmental aspect), TNT is certainly not the only party that can be blamed for this deficiance.

Sources:

-Interview: Flip Verwaaijen, managing director TNT Real Estate
-TNT's annual report (TNT Holding B.V. 2010)
-TNT's corporate website

CSR-REM : *Understanding how a corporate real estate object interacts with society* | Jeroen Thyssen | April 2011

5 Chapter Five
Case study2: ING

fig 5.1: The ING house at the Amsterdam Zuid-As

"In ING CREM for the moment is a part of facility management. The retail department decides, on things such as concepts and location choices and the CREM department had to provide real estate that matches their wishes as good as possible. The CREM department predominantly attempts to make the portfolio as flexible as possible, so it can adopt changing demands."

5.1 | Short history

ING was founded in 1991 by a merger between Nationale-Nederlanden and NMB Postbank Group. In recent years ING has become a multinational banking and insurance group with diverse international activities. The Insurance roots of ING can be traced back to the insurance companies 'De Nationale Levensverzekering Bank' and 'De Nederlanden van 1845', which in the 60s merged into the 'Nationale Nederlanden groep'. The bank segment finds it origins in public bank services such as 'De Rijkspostspaarbank', 'De Postcheque- and Girodienst' and the 'Nederlandsche Middenstands Bank', by 1898 after a series of mergers all these banks are joined in the NMB Postbank group.

The founding of ING as one company was started in 1990 when the legal restrictions on mergers between insurers and banks were lifted in the Netherlands. This prompted insurance company Nationale-Nederlanden and banking company NMB Postbank Groep to enter into negotiations. The merger into Internationale Nederlanden Groep took place in 1991. The market soon abbreviated the name to I-N-G. The company followed suit by changing the statutory name to ING Groep N.V. Since 1991, ING has developed from a Dutch company with some international business to a multinational with Dutch roots. This was achieved through a mixture of organic growth, such as the creation of ING Direct from scratch, as well as various large acquisitions.

The first large acquisition took place in 1995, when ING took over Barings Bank. This acquisition increased the brand recognition of ING around the world and strengthened its wholesale banking presence in the emerging markets. And then there was Life of Georgia. This insurance company was acquired by Nationale-Nederlanden in 1979, resulting in a significant increase in activities in the US. Via Life of Georgia, the activities in Asia expanded considerably. However in 2004, ING as a group had become well-established in both regions and Life of Georgia was sold.

Other acquisitions, such as the Belgian Bank Brussels Lambert, strengthened the Group's presence in the Benelux. In addition, the activities in de United States were doubled as a result of organic growth and the acquisition of Equitable of Iowa, ReliaStar, Aetna Financial Services and merchant bank Furman Selz.
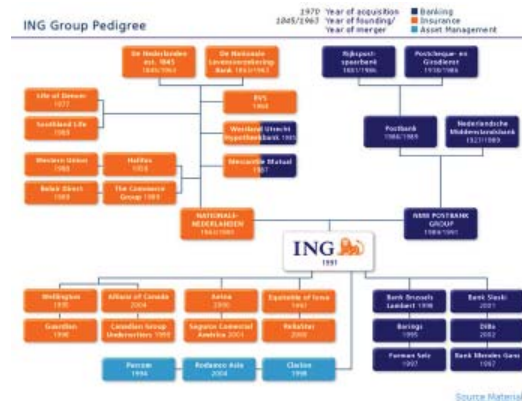
fig 5.2: The ING group pedigree

5.2 | ING and CSR

"We have more than an economic role to fulfil in society and realize that how we do business can have a direct effect on the world around us. We therefore take into account a range of social, ethical and environmental considerations. We want to do our part in preserving our planet and its finite resources for generations to come. Together with partnering organizations, we can invest in a better future for people and communities around the world."

(ING Groep N.V. 2010)

fig 5.3: ING in society logo

The Rationale behind ING's CSR strategy
The above statement tells a lot about ING and what they call 'their role in society', which actually is just another name for ING's CSR strategy:

- It shows ING is aware of its impact on the world and more specific on society and the environment.
- ING therefore believes it should enhance strategies that increase the ethical, social and environmental performance.
- ING can not do this alone however; it needs the help of partners to make this world into a better place.

This said ING's reasons for pursuing socially responsible business activities can be divided into two main pillars.

1. ING believes that a corporate organization can only do well if it does right for all its stakeholders and if it does not damages but strengthens the world around them.

For ING this belief originates from the perception that their business revolves around people and trust, as ING is entrusted with other people's money. This people aspect requires them to listen to the needs, goals and expectations of its customers and take notice when they tell them what ING can do better, at the same time they see that trust is about openness and clearness from their side. Acting responsibly furthermore would result in a better and more comprehensive risk management, a higher degree of employee pride and new business opportunities. Additionally customers are increasingly interested in the ways ING invests their money. Finally ING believes it should invest in sustainable development and in the communities in which they operate. Those communities are home to the company, customers and employees and therefore an essential component of long term success.

2. Taking stakeholders perceptions into consideration enables ING to constantly evaluate if they are on the right track.

ING believes that a successful company aligns its business decisions with the expectations and interests of its stakeholders. An open and honest dialogue with stakeholders is needed to monitor global issues, understand sensitivities and receive feedback on the way a corporate organization operates. ING believes that stakeholder engagement is not merely a matter of accepting criticism or positive feedback: it is about acknowledging the important signalling and informative function stakeholders have, proactively engaging with them and maintaining an open and honest dialogue. Such dialogue helps ING to understand sensitivities, prioritize issues, take appropriate action and to make or adapt a strategy or policies where necessary. Because after all ING believes that its license to operate comes from the trust stakeholders have in them.

ING's CSR strategy
In the light of these considerations, ING identified four key focus areas in which responsible behaviour should be reflected at all times.

1. Business | To provide high-quality, easy-to-access and understand financial products and services that meet the expectations of ING's customers, through fair treatment of these customers, doing business responsible and offering sustainable products.
2. People | To foster an open, safe, inclusive and stimulating working environment and endeavour to respect human rights in everything ING does.
3. Community | Trough community programs, ING attempts to make positive contributions to society. The global employee program 'ING Changes for Children' aims to give children a change to secure a better future.
4. Environment | To conduct business in such a way that negative impact on the environment is avoided and minimized as much as possible and look for ways to stimulate sustainable innovation.

5.3 | ING's stakeholders

ING's CEO Jan van Hommen, opens his introduction to ING's CSR report with: '*dear stakeholder*' (ING Groep N.V. 2010). This simple salute contains a magnitude of information, as can be shown through an analysis of the two separate words:

- *Stakeholder*:
At a certain point in time, ING must have asked themselves the same question I have introduced in chapter 2, 'who are we responsible to?" which led them to the concept of stakeholders.

- *Dear:*
This word tells the reader, who is a stakeholder, that he is someone deemed valuable by ING.

The fact that this 'dear' was said by Jan Hommen, makes the value of the stakeholder stand out even more, as the CEO directly addresses you, one of the stakeholders, as one of his peers.

In the previous paragraph it became already apparent that ING deems it stakeholders to be very important. The important question remains however, who does ING consider to be their stakeholders and what strategies does ING adopt, to increase its performance in the eyes of these stakeholders. ING makes the following statement about stakeholders in its annual CSR report:

"ING's license to operate relies on our stakeholders: our customers, employees, shareholders and business partners as well as governments, non governmental organizations (NGOs) and society at large"

Compared to the identified stakeholder groups (paragraph 2.4), future generations appear to be missing. This stakeholder group can however be encapsulated in the demands of NGOs and society at large.

Now it has become evident that ING has defined their stakeholders, it is important to analyze how these stakeholder groups are reflected in corporate (CSR) strategies. Looking at the four key focus areas of ING's CSR strategy (previous paragraph), most stakeholder groups are incorporated in these strategic direction statements.

Business	The stakeholder group customers is embedded in this category, as ING wants to foster an open and understandable relationship with these customers.
People	The stakeholder group employees is embedded here, as the business partners are considered to respect ING's CSR mission statements as well.
Community	Refers to the stakeholder group society
Environment	Refers to the stakeholder group future generations

ING does not refer to the shareholders in this statement. ING does publishes two annual reports however, a CSR report and a financial report.

5.4 | ING and Stakeholder consideration in the CREM decision making process

As stated in paragraph 6.2, ING considers stakeholder engagement very important. The ING CSR report 2009 depicts several methods to consider stakeholders in the corporate decision making process; this paragraph provides an overview of these methods, as well as the stakeholder engagement initiatives introduced in the interviews.

fig 5.4: Multi-stakeholder communication at ING

1. Employees

Employee engagement survey - ING continues to benchmark employee engagement across the organization. Since 2008, all ING employees have participated in an annual survey. In September 2009, a record 78.000 employees (74% of the workforce) completed the survey. As might be expected, given the restructuring and market circumstances, overall employee engagement decreased by 6% to 65%.

Encourage employee networks - where colleagues with similar culture, identity or career goal can connect with each other.

ING enables employees to complain – ING employees can disagree with certain workplace decisions, in this case ING adopts to this complaints.

Testing work place concepts – ING tests workplace concepts on a small scale to find out whether employees like to work in such an environment or not.

2. Customers

The transactional net promoter score – is used to measure measure what customers think of products and services ING offers them. The NPS asks customers to score their experience with ING immediately after they complete a transaction.

        Customer consultation
-        ING invited customers and clients to ask our senior management their questions about the economic situation and its implications for them personally.
-        ING entered into dialogue with different stakeholder groups on how we can better serve our customers.
-        ING aimed to improve the customer service by piloting an IT approach where customers score us immediately after a transaction.

Customer satisfaction measurement using the ASCI approach – ING's approach system of customer satisfaction measurement.

ING tests retail concepts on a small scale – ING tests its retail concept, such as the ING shops on a small scale.

3. Society

DJSI – aim to become a sector leader in financial services

Demands of investments thus as well for business partners - ING has a wide range of policies concerning the environmental and social impacts of business engagements. Before approving a transaction of engaging with a client carefully evaluate the environmental and social risks against ING's policies, which set benchmarks by local laws and regulations as well as international and social standards. ING has created a list of the worst offenders in all sensitive areas, excluded from all ING's services.

Open dialogue with NGO's such as Oxfam Novib - ING has been in dialogue with Oxfam Novib for a couple of years, in which discussions are organized whereby Oxfam can appoint the problems it sees in ING's policies.

ING Changes for children – ING joins forces with UNICEF as a corporate partners as part of a global charity program called ING changes for children.

fig 5.4: ING in cooperation with Oxfam Novib

Map social inclusion – ING maps social inclusion as a key performance indicator in percentage of business unit – products provided to specific groups of customers. The groups being: People in deprived areas, elderly people, non-native language speakers, people with disabilities, Young people and other.

ING complies with GRI reporting standards – The GRI reporting standards help corporate organizations, to implement comparable Key Performance Indicators for analyzing the CSR value of a corporate organization.

4. Future generations

Integrate climate change measures - We work with our partners to integrate climate change measures into our community investment activities.

ING co signed statements on the COP15 - climate conference in Copenhagen to reach a strong climate agreement.

ING operates 100% carbon neutral since 2007- By lowering the energy consumption, using

green energy and offsetting carbon emissions by investing in certified projects, we have zero net CO2 emissions. We are building a repository of knowledge and developing new approaches to disclosing the potential financial impacts of climate change in our financing and investment activities. Within the framework of the equator principles, for example we are searching for more ways to incorporate carbon-related issues into our financing activities and to calculate the carbon dioxide emissions of our customers.

ING uses Kwh purchased green energy as a key performance indicator – ING uses KWH purchased green energy as a key performance indicator, as this helps the organization to find out how well they are performing concerning the stakes of future generations.

5. Business partners

Environmental and social risks analysis - Before we approve a transaction or engage with a client, we carefully evaluate the environmental and social risks against our policies, which set benchmarks by local laws and regulations as well as international and social standards.

6. Shareholders

As a stock listed organization, ING needs to acknowledge their stakeholders in all decisions it makes, this is reflected in the CREM decision making process as well.

7. Integrated approach

ING's stakeholder engagement initiatives: -
Goal: Find out stakeholders' perceptions of ING's responsibilities in current day rapidly changing society, during a challenging year for financial markets and ING.
Tools: Invite policymakers, investors, regulators, journalists, non-governmental organizations, academics and private and corporate clients to meet with the CEO and senior management. Let an open debate take place at this meeting about ING and its responsibilities in society.

Goal: Find out how stakeholders currently perceive ING's behavior in society, report on them in annual (CSR) reports.
Tools: Open interviews with representatives of different stakeholder groups, often speakers for pressure groups.

We have a vision for how we approach business ethics, the environment, people and society. By engaging in continuous dialogue with our stakeholders we constantly evaluate our policies and adjust them where necessary.

Active engagement in dialogues - My colleagues and I actively engaged in dialogue with customers, social partners, non-governmental organizations, media, policy makers, academia and investors.

5.5 | Conclusions case study ING NV

ING's adopts what Freeman has called a 'basic (wider) managing for stakeholders approach', in its CSR strategy, whereby all stakeholders are considered on an equal foot. The four key focus areas - Business, People, Community and Environment – are used to integrate the identified stakeholder groups into the corporate strategy. ING wasn't able to integrate its CSR report into its overall annual report yet however, which is an indication of the fact that corporate performance isn't perceived as the performance in the eyes of multiple stakeholders, but still as one major stakeholder - the shareholder - and multiple other stakeholders who need to be considered while creating value for these shareholders.

ING has a defined a clear CSR strategy, which can easily linked to the theoretic framework. The translation of this strategy into CREM practice provides problems however. Implicitly, the interview and the analysed reports showed out that the CREM department did not have a clear picture of its impact on society (except for its environmental impact). Direct questions on specific cases in this direction were answered negatively, and the CREM manager, had to be pointed out that ING was actually acting responsible in some cases, which they hadn't; perceived that way themselves yet.

Furthermore ING has integrated a multitude of stakeholder engagement methods in its decision making process; they lack specific information on what questions should be asked, that can be put to practice immediately.

ING clearly proclaims the intention to integrate CSR into its day to day businesses; for the specific management field of CREM they lack an understanding of the processes that link a corporate real estate decisions and society however. As such they require to prescriptive guidance, on how to cope with the stakes and interest of various stakeholders in the CREM decision making process; rather than prove of its validity in a business model.

Sources:

- Interview: C. Wintraecken, ING CREM Asset manager.
- ING CSR reports 2009 and 2010(ING Groep N.V. 2009; ING Groep N.V. 2010)
- ING's corporate website

6 Chapter Six
Case study 3: Maxeda
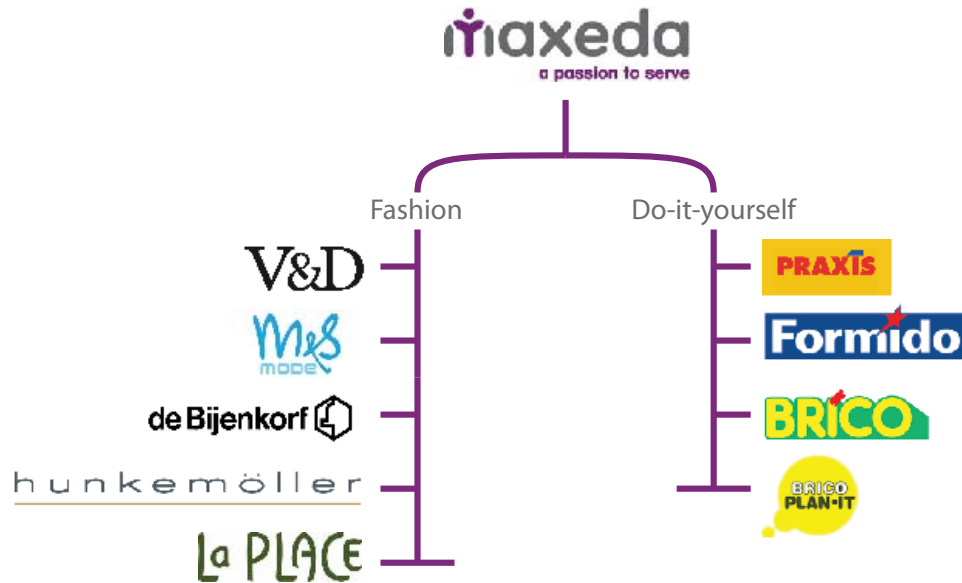
fig 6.1: Maxeda group pedigree (summer 2010)

"As the largest non-food retailer in the Netherlands, Maxeda operates department stores, DIY stores, fashion stores and restaurants trough 9 formats, employing approximately 26.000 people in multiple European, Asian and Caribbean countries, through 1.363 stores (December 2009), of which about 50% can be found in the Netherlands. Over 5,6 million people visit the Maxeda stores each week (box 6.1). Maxeda's CREM department operates decentralized through the formats. Special about CREM in retail organizations is the fact that retail is an essential element in business operations; it is not a supporting factor, but a primary aspect of the primary business."

6.1| Short history

The holding Maxeda was founded in 2006. It was already in the early 1870s the first V&D, de Bijenkorf and Hunkenmoller stores were opened however. In 1999 Vendex and KBB merged into Vendex KBB, making it the largest non-food retailer in the Netherlands, comprising a much larger amount of formats than Maxeda does at this moment. In 2004 a consortium of private equity investors took over Vendex KBB, retracting it from the Amsterdam stock exchange. Finally in 2006 the name Vendex KBB was changed into Maxeda (Maxeda 2010). Since then Maxeda has been going through a lot of changes, not of the least the disposal of several formats.

Since 2004 Maxeda has been decentralizing its real estate activities, enabling every format to operate as an individual, in all its business activities.

Box 6.1: Maxeda's 2010-2011 evolution

At the moment I started this case-study, Maxeda was still owner of V&D, La Place, de Bijenkorf and Hunkemoller, these formats were sold of throughout the 2nd half of 2010. The numbers in the introduction to the chapter reflect this. To be correct at this moment they should be adjusted downwards.

6.2 | Maxeda's CSR strategy

Maxeda believes its mission is to achieve retail leadership in every format in all markets in which they operate. To achieve this mission they have set six clear strategic priorities:

Selling More - Increasing turnover in existing stores and opening new stores
Sourcing Better - Improved purchasing both nationally and internationally
Saving Cash and Costs - Achieving savings in working capital and costs
Synergy Delivery - Promoting synergy between formats
Smile! - Increasing employee and customer satisfaction
Sustainability - Developing initiatives to contribute to a better environment

From a CSR point of view, the last two strategic priorities hold the largest significance, clearly depicting three of the six identified stakeholder groups: employees, customers and future generations. To support the mission and the accompanying strategic priorities, Maxeda introduced a business philosophy called 'a passion to serve'. Maxeda believes it can only be successful if it is willing to truly serve their employees and customers, placing a service focus at the core of the organization. Maxeda is convinced that these principles not only create the greatest strategic advantage for themselves, but make a real difference for all its stakeholders: customers, employees, suppliers, investors and the environment.

Maxeda additionally developed a formula to success, consisting of three components:
1. Win by Serving the Needs of Our People and Our Customers;
2. Maximize the Opportunities of Each Format and Optimize Group Synergy;
3. Deliver Great Results for All our Stakeholders.

Stakeholder theory therefore is embedded in Maxeda's corporate strategy, through a focus on employees and customers, in its philosophy, through multiple stakeholders and in its formula to success through multiple stakeholders. Finally Maxeda does state however that it is the customer who is king and stands at the top of the pyramid, they do claim however:

"We will only be successful if we are prepared to serve the people, who serve the customers."

Tony DeNunzio in (Maxeda 2010)p. 3

Maxeda believes the following elements of the 'passion to serve' strategy to be essential to make it work.:

1. A passion for customers.
Understanding and exceeding customer's expectations is our driving force. They will be ready to build a relationship with us. Customers want relationships, but only with companies that make the effort to reach out to them.

2. Striving for constant improvement
We are willing to change constantly in order to improve. Today's markets and customers simply demand that. Change to improve on major issues, but also on the details.

3. Respecting Every Individual
We need to have a real interest in what our people desire and aspire to. And by people we mean us, our customers and colleagues. We respect their opinions, ambitions and behaviour.

4. Delivering on Commitments
In the Netherlands we say, 'a deal is a deal'. It is this culture of discipline that is absolutely necessary for building a successful business. Discipline is the beginning of mutual trust. And trust is the beginning of good relationships.

5. Integrity is our Basis for Trust
If our integrity is unquestionable, our colleagues and customers will trust us. And trust is the most important basis for building relationships. With everybody in the business and with all our customers. Trust is a starting point for success.

6. We will always Work as One Team
We give priority to the interests of the team we work for. In the end, our personal interest will be served by giving priority to teamwork and to the interests of Maxeda.

6.3 | Maxeda and stakeholders

Stakeholders are interwoven in Maxeda's corporate strategy, and the following stakeholders are specifically named.
- customers
- employees
- suppliers
- investors
- the environment

There is one stakeholder group that appears to be missing in Maxeda's CSR strategy, which is general society. Later in the corporate philosophy Maxeda refers to this stakeholder group however as they claim that, there is a serving role of the group in relation to society as well. This serving role towards society is propagated trough a strategic people, planet and profit approach, which forms their point of view, implies that all business needs to be conducted ethically and with the interests of society in mind. To find out to what extent the different stakeholder groups are the subject of corporate strategy. I will now have a look at the strategy aspects that were aimed specifically at any one of the stakeholder groups.

1. Customers
Maxeda claims that customers should be king amongst stakeholders and stand on top of the pyramid, through the following statement:

"We will only be successful if we are prepared to serve the people, who serve the customers."

(Maxeda 2010)

Through the six essential elements of the passion to serve strategy, it becomes extra obvious Maxeda has a special affiliation with the stakeholder group customers. First of all the 'passion for customers' is an independent element, on top of the list. Furthermore the aspects of 'respecting every individual', 'delivering on commitments' and 'integrity is the basis for trust' are all concerned with the stakeholder group 'customers'. Maxeda finally believes customers are served the best trough listening to them, as they believe that what customers value the most is being heard, how this is made operational is subject of the next paragraph.

2. Employees
Employees are valued in this strategy as they are serving customers. Through this stakeholder group, king customer can gets better services. Therefore Maxeda believes it can only be successful if they are willing to truly serve their employees who can in turn serve the customers.
Maxeda aims to create conditions in which employees are committed to their work and feel responsible for their tasks and furthermore provides good, safe and healthy working conditions.

3. Society
Society is named under good causes in the annual report, as a part of sustainability. Maxeda looks at sustainability from a broader perspective, because of this the clear cut between society and future generations I applied dissolved.

"In view of the important social role of Maxeda, it is imperative that all our employees comply with the legislation and regulations of the countries in which we are active and also comply with the values and standards that apply within Maxeda and which have been laid down in this Code of Conduct."

p.9 (Maxeda 2010)

The philosophy of 'A Passion to Serve' is the guiding principle in this process. The intention of the philosophy is to deliver value to all of stakeholders. Because our formats are at the heart of society, we understand that we are able to influence the welfare of people and their environment, and we take that responsibility seriously.

4. Future generations
The last pillar of Maxeda's corporate strategy is aimed at developing initiatives that contribute to a better environment. Furthermore maxeda brings up their compliance with the needs of future generations as followed.
In the annual report a separate chapter is dedicated to sustainability, in this report Maxeda claims that sustainable business practice is a central operating principle. Furthermore they claim that in all activities, they are striving to find a balance between profitable economic growth and corporate social responsibility. The philosophy of 'A Passion to Serve' is the guiding principle in this process. The intention of the philosophy is to deliver value to all stakeholders. Because our formats are at the heart of society, we understand that we are able to influence the welfare of people and their environment, and we take that responsibility seriously.

Against that background, Maxeda launched a sustainability program consisting of six major projects:
• Energy
• Fuel
• Paper and Packaging
• Recycling
• Green Products
• Good Causes (which I consider part of the above denominator society)

5. Business partners

"Maxeda expects integrity and reliability from business partners, such as suppliers, agents and franchisees"

p.9 (Maxeda 2010)

Maxeda's responsibilities towards its business partners are embedded in the integrity and the delivering to commitments aspects of the corporate strategy. Maxeda aims to create an open and honest relationsip with thes business partners.

As Maxeda demands from itself to operate as a responsible corporate citizen, it has to demand the same from its supply chain. Therefore Maxeda has certain expectations regarding business partners as well, which are described in the code of conduct, which stipulates following working conditions that need to be met by suppliers.

-     Legal Compliance
-     Freedom of Association and the Right to Collective Bargaining
-     Prohibition of Discrimination
-     Fair Compensation
-     Working Hours
-     Workplace Safety
-     Prohibition of Child Labour
-     Environment and Safety Issues
-     Labour conditions in factories of suppliers

6. Shareholders

Within the corporate strategy, maxeda's compliance with shareholder demands are encapsulated, as the first four pillars of this strategy are directly targeted at improving shareholder value.

6.4 | Maxeda and stakeholder consideration

"The greatest respect you can show your people is to listen: Feedback is the breakfast of champions. There is a huge disrespect however if you don't turn what they have given you as feedback into action."

Tony DeNunzio, executive chairman Maxeda
http://www.maxeda.com/NL/Organization/Video/Communicate.aspx

Maxeda believes the thing customers value most is being heard. To make sure the customers whishes are heard their needs to be a chain that enables customers to share experiences, insights and ideas with the people in the front line, who need to be able to communicate them with format management, and so on. In this chain solidarity is the keyword, every link needs to be able to provide input to create a successful strategy. It is one of the key components of this strategy to always remember that the one closest to the source, will be the most successful in identifying the best road to success, the source being the customer.

1. Employees

Colleague satisfaction – Maxeda measures colleague satisfaction and considers it a key performance indicator.

Best employer awards - Praxis was nominated 'Best Employer 2009' in May by leading national newspaper De Volkskrant and market research agency Effectory.

Postal code analyses – If Maxeda moves a DC or an office it looks at postal codes of the employees and uses those to not increase the travelling time of employees.

2. Customers

Customer satisfaction - Maxeda measures customer satisfaction and considers it a key performance indicator.

Client panels – Maxeda's formulas have active client panels that actively engage in discussions on corporate decisions.

Customer loyalty cards – Through customer loyalty cards, Maxeda collects information about catchment areas, and other interesting indicators of potential success.

3. Society

Most attractive building awards (local) - Praxis' environmentally-friendly store in Roosendaal was voted among the top five 'Most attractive buildings' by the city of Roosendaal.

Most attractive building awards (national) - The Praxis Megastore in Enschede was nominated for the Association of Dutch Architects' 'Most attractive commercial building' award.

ING Retail Award for 'Best bricks and clicks store' - Hunkemöller received the ING Retail Award for 'Best bricks and clicks store' in the Netherlands.

Actively engage with municipalities in inner-city upgrades – Understanding what the municipality wants and making the municipality understand what you want can help to mutually upgrade a shopping location (see box 6.2).

Outstanding retail facades - The facade is very important for a retail shop, therefore Maxeda always attempts to create outstanding facades.

4. Future generations

Lean and Green award - V&D was awarded the 'Lean and Green' award by the Ministry of Transport for its efforts to increase sustainable transportation.

Measure electricity and Gas consumption – Maxeda measures and uses active energy management to reduce energy consumption. They set goals as well.

Benchmark good practices within the organization – Maxeda has introduced permanent benchmarking of good practices in stores and head offices.

5. Business partners

Actively engage with landlords to break contracts open – Maxeda Screened real estate contracts and actively engaged with landlords to break the unattractive contracts open. Maxeda does admit it started this process, at the locations were it had a strong power position, that is to say, were the landlords will find it harder to find new renters.

Actively engage with landlords for refurbishments – Cooperation can lead to the landlord solving some problems and the renter solving the others, so that all improvements match and everyone pitches in.

6. Shareholders

As heard before the shareholder will always remain the main component of a private organization's corporate strategy. At the core of the strategic management of Maxeda, the shareholder consequentially can also be found.

Box 6.2: The Amsterdam red carpet project

The Bijenkorf on the Dam in Amsterdam is part of this municipal project. As such the municipality has certain wishes for Maxeda, regarding the location, at the same time Maxeda has some wishes, and the landlord as well; by actively engaging with each other in an open discussion, the parties will try together to upgrade this location, that constitutes a highly representative component of the Amsterdam inner city.
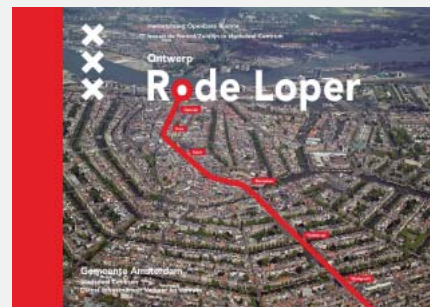
fig 6.2 : The Amsterdam red carpet project

6.5 | Conclusions case study 3: Maxeda

Maxeda's business philosophy 'a passion to serve' strategy, reveals its focus on one specific stakeholder: the customer. This complies with what Freeman has called a 'narrow managing for stakeholders approach'. Maxeda does see however that it can only serve its customers optimally if it serves its employees optimally. Consequentially, within this predominant focus on the customer a secondary focus is attended towards the employees. The consideration of the identified stakeholder groups was identified in Maxeda's CSR strategy, and all groups were considered beyond the basis of what they are legally bounded to.

Maxeda as well seemed to be unable to translate this strategy into the CREM practice and where they did so they failed to recognize it. In the interview with Otto van den Boogaard, for instance in depth questions had to be asked, to let him tell the story of the engagement of employees in the location decisions on distribution centers, this is a really nice example of combining stakeholder interests with shareholder interests, but not recognizes by the corporate real estate manager as such. Other examples are the fact that for their new corporate headquarters a renovation project was chosen, recognized as an environmentally responsible consideration, but not recognizing the socio-economic value of a renovation project.

This one interview pointed out again the main problem CREM managers are currently facing. They can name all the corporate strategies and intentions on applying CSR into day to day practice, but fail to recognize what this practically implies for them. Therefore they should be educated about the impact of their CREM decisions on the various stakeholders.

Sources:

- Interview: Otto van den Boogaard, Maxeda holding director: real estate
- Maxeda jaarverslag 2009 (Maxeda 2010)
- Maxeda code of conduct version 1.2 (Maxeda 2010)
- Maxeda's philosophy: a passion to serve (Maxeda 2010)
- Maxeda's corporate website

CSR-REM : *Understanding how a corporate real estate object interacts with society* | Jeroen Thyssen | April 2011

7 Chapter Seven
Cross case analysis and discussion

fig 7.1: The three case study organizations

"All three corporate organizations have adopted CSR as an essential aspect of corporate management. Besides many similarities between their respective approaches, differences could be distinguished as well. This chapter looks at these similarities and difference, and furthermore depicts the overall conclusions that can be drawn. These will be integrated into the final product of this thesis."

7.1 | Comparing CSR strategies
7.2 | Comparing stakeholder approaches
7.3 | Theory and practice
7.4 | How to continue

7.1 | Comparing CSR strategies

The three corporate organizations analyzed in the case studies adopted a distinct approach of CSR in their corporate management strategies. Although all case study organizations considered the stakeholder groups I identified in the corporate decision making process (chapter 2) in their respective CSR strategies, their specific approach of this 'management of stakeholders' problem differed. In line with Freeman's statements on the process he called: 'managing for stakeholders' (paragraph 2.5), I am not proclaiming that one approach is better than another, I am just pointing out the differences between the approaches

TNT | Employee centred approach

TNT's CSR strategy predominantly focuses on employees. The environment - or as I like to call this stakeholder group 'future generations - comes in second place followed by the other stakeholder groups. This can indirectly be derived from TNT's CSR reports. In 2009, three out of ten CSR focus areas were directed at the stakeholder group employees; additionally employees were named first in the TNT's list of four CSR pillars. This does not imply that, TNT considers the other stakeholder groups to be insignificant; it only depicts that TNT's main CSR focus goes out to the stakeholder group 'employees'. TNT's employee centred approach shows close resemblance to the employee-customer-shareholder strategy Freeman identified, as one of the 'narrow managing for stakeholders strategies'.

ING | Broad stakeholder management approach

ING approaches CSR from a much broader perspective, propagating to believe CSR is about doing right for all stakeholders. ING considers stakeholder engagement a very important aspect of CSR, as such they proclaim that an open and honest dialogue with stakeholders is needed to monitor global issues, understand sensitivities and receive feedback on the way a corporate organization operates. Freeman would describe ING's CSR strategy as a 'wider (basic) managing for stakeholders strategy'.

Maxeda | Customer centred approach

Maxeda propagates to believe that it should make a difference for all stakeholders. Their main focus goes out to the stakeholder group 'customers' however; as a retail organization they stay true to 'customer king' values. The approach of other stakeholders is embedded in this idea as well, as Maxeda believes they should serve the people who serve the customers. as good as possible. Furthermore they consider customer feedback to be very important and hope to learn from the people closest to the customers. Freeman would describe this strategy to be part of the group of 'narrow managing for stakeholders strategies'.

7.2 | Comparing Stakeholder approaches

Through the case studies it became apparent that the analyzed organizations adopted different strategic approaches towards the identified stakeholder groups. This paragraph provides a cross case analysis of these different approaches. The basic ideas behind the different approaches can be found in the table underneath.

	TNT	ING	Maxeda
Employees	Health and safety	Provide stimulating work environment	Serve employees, they serve customers
	Human rights	Human rights	
	Employee engagement	Provide open work environment	
Customers	Customer satisfaction	Customer engagement	Passion to serve
		Provide high quality products	King amongst stakeholders
Society	Voluntary contributions (goodwill)	Contributions to society (goodwill)	Contribute to good causes (goodwill)
	Comply with legislation	Comply with legislation	Comply with legislation
Future generations	Use of natural resources	Minimize environmental impact	Reduce energy consumption
	Reducing greenhouse gas emissions	Stimulate sustainable innovation	Recycle
	Human health through exposure to noise and air pollution		Reduce paper and packaging consumption
			Deliver green products
Business partners	CSR compliance of business partners	Respect ING's CSR strategy	Show integrity towards business partners
			CSR compliance of business partners
Shareholders	Central in corporate strategy	Central in corporate strategy	Central in corporate strategy

Table 2: The case study organization's CSR strategies compared

Employees

Analyzing the strategic approach of the stakeholder group employees, all three organizations adopt a somewhat similar approach, as they all propagate an open and stimulating working environment with respect to human rights.

Whereas ING's strategic intents stopped at this basic approach however, the other two organizations made some alterations that comply with their specific business environments:

- TNT additionally is strategically concerned with health and safety, which could be explained from fact that transport services involve more risks than working in a bank or working in retail.
- Maxeda on the other hand, adds the customer perspective to the basic strategic approach, as the customer is king in the retail business environment. This implies that corporate management serves the employees as good as possible aiding them in serving the customer.

Customers

The basic strategic approach for all case study organizations is to create customer satisfaction through the provision of high quality products. Again two organizations added some small alterations however:

- ING considers customer engagement part of its strategic customer approach.
- Maxeda as a retail organization considers customers king amongst stakeholders, therefore the CSR (and overall corporate) strategy is dedicated at creating customer value, as a consequence Maxeda attempts to consider all its business decisions from the point of view of the customers.

Society

In their strategic approach of the stakeholder group 'society' all three organizations adopt a similar approach, consisting of three main aspects:

- To comply with local and international legislation
- To comply with an organization-specific 'code of conduct'.
- To give something back through business-specific voluntary contributions to society.

Future generations

The corporate organizations' basic strategic approach towards the stakeholder group future generations is to minimize their environmental impact. All three organizations have added some strategic goals that comply with the business environment in which they operate however.

- TNT as an organization delivering transport services is aware of its specific impact on noise and air pollution. Minimizing the impact on human health of these specific types of pollution is part of TNT's strategic CSR approach of the stakeholder group 'future generations'
- ING is a financial organization and as such an investor. Through a specific strategic focus on sustainable innovation investments, ING attempts to add value for the stakeholder group 'future generations'.

- Maxeda is a retailer and therefore sells products; strategically focusing on selling green products is their additional effort to add value for the stakeholder group 'future generations'

Business partners

The case study organizations' basic approach of CSR strategies concerning business partners comprises requirements for the business partners. The organizations proclaim that business partners should comply with the specific organization's CSR strategy; as a consequence this restricts the organizations themselves to find these responsible business partners. Maxeda adds that it considers integrity of the utmost importance in business partnerships.

Shareholders

All the case study organizations consider increasing shareholder value the basic aspect of their corporate strategy, as none of the analyzed organizations can be described as a noble cause company (see paragraph 2.5). Consequentially the implications for shareholder value are considered in every business decision:

"The main goal of every decision is to increase shareholder value, whereby the implications for various other stakeholders are considered as well."

Discussion

This cross case analysis showed that the corporate organizations have some sort of basic strategic approach towards all stakeholder groups. These basic approaches are subsequently complemented with business environment specific strategies. The fact that these additional strategies are a central point of attention in these organizations does not imply they aren't considered important by the other organizations however. For instance, the fact that customer engagement is not named by TNT in its strategic approach of this stakeholder group does not imply TNT doesn't apply customer consultation. It only says something about the extent to which a corporate organization focuses on a specific stakeholder group.

As such the case study organizations' CSR have fulfilled the task Freeman dedicated to them (paragraph 2.5); as they have defined, what stakeholders they specifically want to create value for. The question remains however, how these strategic statements are made operational in a CSR context.

7.3 | Theory and practice

Corporate Social Responsibilities

The case studies have shown that corporate organizations do integrate the interests and stakes of various stakeholders in the corporate strategy. For every corporate organization a close resemblance with the identified stakeholder groups (chapter 2) could be recognized. Furthermore the social accounting instruments, developed to make CSR operational, have found there way into practice. Both TNT and ING (the two multinational case study organizations) have adopted the GRI and the DJSI framework to report on their respective corporate social performance.

TNT was the only case study organization that merged the annual CSR report and the overall annual report. As such TNT's claim to perceive corporate performance from a multi-stakeholder point of view, rather than a shareholder centred point of view is supported. Whether there is an actual difference between the integrated 'CSR-financial' report by TNT and the other two case study organizations' separate CSR- and financial- reports is highly disputable however. Within TNT's integrated report, a strong demarcation is still visible; whereby 5 separate chapters are dedicated to CSR and the other 15 to financial performance.

All corporate organizations have defined strategic CSR approaches however, which are all (business specific) acceptable approaches of the CSR-question. This confirms the first part of the claims by Margolis and Walsh (2003) and Lee (2008), as it is not empirical justification corporate organizations' require.

CREM's impact on society

Whereas the case study organizations have identified a clear strategic approach of CSR; the integration of this approach into the CREM decision making process, lacks drastically. The question: 'How is CSR integrated in the CREM decision making process, within this corporate organization?' could never be answered directly. A story about the integration of sustainability into the CREM decision making process, followed for all three organizations. Asking further information on the integration of other stakeholders into the processes drew a blank, with the interviewees. Additionally, further in the interview, through more direct questions, the CREM managers were able to provide interesting examples of stakeholder consideration in the decision making process. It was me, who had to show them the CSR value of these examples however. The case study organizations did not have the implications of their decision, for various stakeholders clear while making a CREM decision. The same problem was already observed in theory, whereby little information was available on the processes that link a corporate real estate decision and society. The corporate organization might have a clear CSR strategy, translating this strategy into the CREM decision making process is the main problem the organizations are facing. This confirms the second part of the claims by Margolis and Walsh (2003) and Lee (2008), as it is empirical explanation and guidance current literature lacks and corporate organizations require.

7.4 | How to continue

The theoretical framework showed out that CSR is made operational through social accounting, whereby the impact of corporate organizations on society is analysed through measurable parameters. Therefore making CSR operational for the CREM context would logically imply that, a social accounting framework should be created that makes the impact of CREM decisions on society measurable. The case studies have put these findings in a different light however. First of all the case studies underpin the fact encountered in theory, that there is actually very little known about the impact of CREM decisions on society. Therefore it is important that the processes that link CREM decisions and society, are clear, before one can proceed with making the impact measurable. Furthermore, it became apparent, that restricting impact to measurable factors actually delimits the scope of CSR. Some aspects just can't be described in figures.

Consequentially, the final product of this thesis will not be a social accounting tool as was envisioned at the end of the theoretical framework. It will be an instrument that educates, the CREM managers of their impact on society, whereby it is not that much important, that a predescribed way of making CSR operational in a CREM context is made available, but where the most important aspect actually is that CREM managers at least know and understand the impact of their corporate decisions on society. As such, this instrument does not predescribe managers what to do, but helps them to find out what the social implications are of their decisions. It is then up to the managers to deal with this information in a responsible way, whereby they find guidance in the defined corporate CSR strategies.

Essential findings for further development of the envisioned product
- CREM managers currently do not have the impact of corporate real estate decision on various stakeholders clear.
- CREM managers do require empirical guidance rather than empirical justification.
- CREM managers can only integrate their respective CSR strategies into the CREM decision making process, as they understand the mechanisms that link corporate real estate decisions and society

CSR-REM : *Understanding how a corporate real estate object interacts with society* | Jeroen Thyssen | April 2011

Part 4

Corporate Socially Responsible - Real Estate Management

8 Chapter Eight
How CREM interacts with society

Typical office setting
1948
Courtesy Charles Babbage Institute, Burroughs/Unisys Archives
© Charles Babbage Institute

fig 8.1: CSR-REM in 1948?

"The previous chapter depicted a picture in which CREM managers do not really know how their decisions affect society. This problem constitutes a knowledge gap that must be bridged. Understanding how a corporate real estate object interacts with society, is the main subject of this chapter, whereby CREM decisions, stakeholders and the mechanisms that link these two components take central stage."

8.1| Corporate Socially Responsible – Real Estate Management introduced.

The very initial goal of this study (paragraph 1.1| personal motivation) was to find out whether a symbiosis could be realized between corporate benefits and societal benefits trough the implementation of adequate CREM policies. Theoretical research provided the congruent scientific foundations of CSR and CREM to build on; whereby the Integration of CSR into CREM management practices would provide the basis for the aspired symbiosis. Throughout this thesis, the abbreviation CSR-REM (box 8.1) refers to this integrated approach of CSR and CREM.

Box 8.1: What's in a name?
To Integrate CSR into the daily practice of CREM, the two concepts' names have to be merged. As the word 'corporate' is part of both concepts, it can be removed once, resulting in **C**orporate **S**ocially **R**esponsible – **R**eal **E**state **M**anagement **CSR-REM**

Since CSR is about treating the stakeholders of a firm ethically or in a responsible manner (Wan-Jan 2006), CSR-REM is about treating the stakeholders of the real estate decisions of a firm ethically or in a responsible manner. It is not the dominant position of the shareholder that is leading, but the stakes and interest of all stakeholders are integrated into the CREM decision making process. This approach places CSR-REM in a stakeholder theory (Freeman 1984) context, which claims that a corporate organization can achieve the highest added value as all stakeholders' stakes and interest are valued sufficiently in its business model.

In paragraph 2.3 the following seven stakeholder groups were identified:

1.   employees
2.   customers
3.   competitors
4.   business partners
5.   society
6.   shareholders
7.   future generations

"CSR-REM is a stakeholder theory based approach to the Corporate Real Estate Management practice, valuing the stakes and interests of the seven identified stakeholder groups in the decision making process"

8.2 | Corporate Socially Responsible – Real Estate Management justified.

Justifications CSR applied on CSR-REM

In the theoretical framework CSR was justified using three theoretical concepts (see QR 8.1). Both social contract theory and the research on a link between CSR and CFP provided sufficient reasons to integrate CSR into the day to day management practice. As CREM is a specific management discipline, these justifications can be applied to CREM as well. The third

justification – the social function of property - referred to the built environment and as such justified the exploration of the CSR-REM concept directly.

Justifications of stakeholder theory applied on CSR-REM

In chapter 2 the justifications for stakeholder theory, as they were developed by Donaldson and Preston (1995) were introduced. Since CSR-REM operates in a stakeholder theory context, CSR- REM should be justifiable using these justifications.

Q.R. 8.1	CSR justified
The use of CSR in y management practices was justified through: 1. The social contract theory 2. The link between CSR and CFP 3. The social function of property

1. Descriptive accuracy
Neglecting the fact that other stakeholders are involved in CREM decisions would be naive; in the context of the Netherlands it can be assumed that other stakeholders for the moment have an input as well. Applying stakeholder theory to analyze this process of mutual and sometimes conflicting interests, gives a more elaborate image of what processes really took place when the decision was made, whereas focusing on the shareholder narrows the scope too much.

2. The instrumental power
The instrumental power of a stakeholder theory based approach to CREM, can only be justified from an ethical perspective, if corporate performance is defined in ways additional to the traditional shareholder value goals. In this case a CSR-REM conept wil always result in increased corporate performance, as its goal is to increase social value, which in term is integrated in corporate performance. Whether this results in increased shareholder value as well remains to be seen, as for the moment there is no conclusive evidence linking stakeholder theory and shareholder value exists. It can be assumed however such a link does exist.

3. The normative value
The normative value of stakeholder theory refers to the moral rights of individuals. The normative value will always be able to justify more socially oriented management as implied in every stakeholder theory application. Consequently the search for a CSR-REM concept will always be justified from a normative value point of view.

The added value of a stakeholder oriented approach to CREM

Through a theoretical framework the added value of both CSR and CREM was explored. As CSR-REM is a new concept, the added value of this concept needs to be addressed from the point of view of a merger between the two concepts. Consequently (In line with the motivations for this study), added value should be perceived from the following two perspectives:

-       added value for society
-       added value for a corporate organization

More socially responsible CREM will always prove to be valuable for society, as added value for society is the end towards, which this study attempts to be a means.

The added value of CSR for shareholders was explored in paragraph 2.3 "The link between Corporate Socially Responsibility (CSR) and Corporate Financial Performance (CFP)." Studies on this link provided non-conclusive evidence, but almost all stated that a positive link could be assumed. Since CREM is as a part of corporate management, a positive link between CFP and CSR-REM can be assumed as well.

The added value of adequate CREM was addressed in chapter 4. Most theorists believe that adequate real estate management can have not only direct positive benefits for the corporate organization, but indirect positive benefits as well (Rodriguez and Sirmans 1996; Booth 1999; van der Voordt 2003; Trundle 2005; Lindholm and Levainen 2006; Martin and Black 2006; Singer, Bossink et al. 2007; Heywood and Kenley 2008).

8.3 | CREM decisions and their impact on society

For the moment, CSR-REM is still a mere mission statement, this paragraph deals with the actual integration of CSR into the CREM decision making process.

Being an explorative study of a new concept implies that this study has to start at the top of the chain. The previous chapters have shown out that corporate organizations have clear CSR strategies. It is the translation of this strategies into the management decision making process that is problematic. The fact that CREM managers do not have the implications of their decisions for various stakeholders clear, when making a decision, constitues the main problem this study deals with. After all, how can a corporate organization consider stakeholders in the decision making process, as they do not even know how their decisions affect these same stakeholders?

In the light of the initial problem statement (paragraph 1.2), - Corporate Real Estate Managers should be aided in incorporating stakeholders' stakes and interests in their corporate real estate decisions – educating CREM managers how they influence the wellbeing of the different stakeholders becomes the core goal of this thesis. Pointing out the impact of CREM decisions on the different stakeholders helps managers to understand the significance of their decisions. The CREM managers can then themselves decide how to use this information.
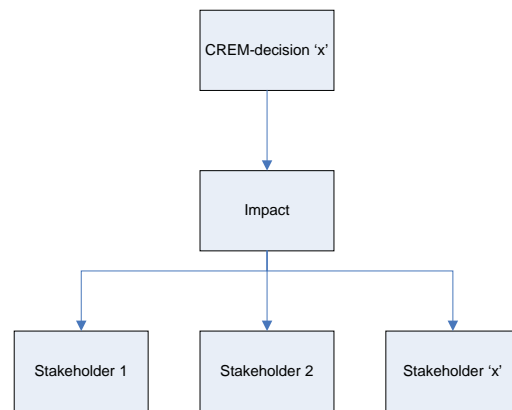
fig 8.2: CREM decisions and stakeholder impact

Structuring CSR-REM

In order to understand the impact of CREM decisions on all stakeholders, the CSR-REM concept must be structured. Understanding the different ways in which CREM influences society is an essential step in this process. The 5 dimensions of CSR depicted by Dahslrud (2008) (QR 4.2), provide the foundation for such an understanding. These 5 dimensions were developed as the result of a study on defining CSR. They do not only provide a basic understanding of the CSR definition however, but even more important, demarcate the (CSR) concept as well.

As such, these 5 dimensions can be used to categorize the different ways in which CSR influences society and can be projected on the CREM management practice to structure and understand the CSR-REM concept.

1. The social dimension

The social dimension clarifies that CSR deals with the impact corporate organizations have on society. In a CREM context this implies, that CSR-REM is about understanding, acknowledging and valuing the impact of CREM decisions on the community in which the corporate organization operates.

2. The economic dimension

The economic dimension refers to the socio economic impact of a corporate decision. It requires the socially responsible CREM manager to understand, acknowledge and value the socio-economical impact of the decisions he makes.

3. The stakeholder dimension

The stakeholder dimension depicts the previously distinguished fact that CSR is about the corporate organization's impact on its stakeholders.

4. The voluntariness dimension

Dahlsrud claims a voluntariness dimension is needed to define CSR, as this contains the prerequisite that the corporate organization is required to operate beyond legal obligations.

5. The environmental dimension

Of all these dimensions, the environmental dimension has been the most dominant in CREM management practices up till now. Consequentially many measurement systems have been developed, analyzing the environmental impact of CREM decisions, such as BREEAM, LEED and GreenCalc. As this specific dimension has already been the subject of many academic studies, the demand for an explorative study of this specific dimension is less stringent. Consequentially, throughout the remainder of this thesis, I will refer to the above measurement systems for specific information on this dimension.

Mechanisms linking CSR-REM and stakeholders

The 5 dimensions above describe the concept of CSR, these dimensions contain additional information, in comparison to the initial definition of CSR (Wan-Jan 2006), as they provide the 3 mechanisms that link corporate organizations and stakeholders as well.

1. Socio economic mechanisms

The economic dimension links the corporate organization to the stakeholders through socio economic mechanisms. Accordingly the impact of CREM decisions on socio economic mechanisms is essential in the CSR-REM context.

2. Environmental mechanisms

The environmental dimension links the corporate organization to the stakeholders through environmental mechanisms. Accordingly the impact of CREM decisions on environmental mechanisms is essential in the CSR-REM context.

3. Social (utility) mechanisms

The two above mechanisms link a corporate organization and its stakeholders indirectly. The social dimension links a corporate organization and its stakeholders directly however, as it describe the fact that a corporate decision has an impact on society. Projecting this on CREM, which deals with the physical artefact 'building', a direct link is undeniably present, as a building can directly affect the personal wellbeing of a person. This direct links between a corporate real estate decision (and thus corporate real estate object) and stakeholder, will be called social (utility) mechanisms in the remainder of this thesis.

The three mechanisms and geographical scale of impact

One very important distinguishing aspect of the above three mechanisms in a CSR-REM context, is their impact on stakeholders within different geographically demarcated areas.

1. Socio economic mechanisms

Socio-economic mechanisms affect stakeholders within the economically demarcated area in which the corporate organization operates. For study delimitating reasons, I will ignore the multination aspects of the corporate organizations and focus on the Netherlands as the largest economic context within which a corporate organization operates. In the current Dutch economic system, the main economic distinction is been made between cities. Therefore the affects of socio-economic mechanisms on society, will be analyzed from the point of view of the city. The impact of socio-economic mechanisms in a CSR-REM context consequently requires the CREM managers to ask themselves the following question:

> "How are the inhabitants of a certain economically demarcated area affected by CREM decisions through socio-economic mechanisms?"

2. Environmental mechanisms

Whereas the geographical impact area of the other two types of mechanisms is delimited; the impact area of environmental mechanisms is not, since CREM decisions made in the Netherlands have a global impact. For instance the ending resources used here, or the gasses emitted here have implications for the well being of all human beings, but also other species and even future generations. The impact of environmental mechanisms in a CSR-REM context consequentially requires CREM managers to ask themselves the following question:

> "How are the all human beings, other creatures and future generations affected by our CREM decisions through environmental mechanisms?"

3. Social (utility) mechanisms

Through social (utility) mechanisms a corporate real estate object affects stakeholders directly. Consequentially, the geographical impact area of this dimension is limited, as the people that are affected by the physical presence of a building are limited to a certain area. This type of mechanisms affects not only the users of the building, but people living in close proximity to the building as well. They deal with the way in which the physical presence of a building is perceived by the corporate organization's stakeholders.
The social dimension applied on CSR-REM implies that CREM managers need to ask themselves the following question:

> "How are the corporate organizations' stakeholders directly affected by the physical presence of a corporate real estate object?"

Fig 8.3: The three mechanisms structured according to geographical impact applied on BK city.

In correspondence with the geographical impact area of every the type of mechanism, the amount of stakeholders that is affected by a CREM decision increases exponentially as well. Whereas the social (utility) mechanism only affect the people within a small geographic region, socio economic mechanisms affect a multitude of people and environmental mechanisms again a multitude of that. Measuring the impact of CREM decisions, through the number of the stakeholders that is affected would always result in environmental mechanisms being the most important.
The above ignores another very important component however. To what extend are these stakeholders affected by the CREM decisions? Adding this component changes the picture completely. Whereas a certain material choice can provide a very small environmental impact for the entire planet, this same material choice can have a highly job satisfaction decreasing

influence on an employee of the corporate organization. This study does not claim to choose one option over the other; it merely attempts to illustrate the complexity of the balancing decisions CREM managers have to make.

The three types of mechanisms and the 7 types of stakeholders
In paragraph 2.3, the stakeholders of a corporate organization were depicted and divided into 7 main stakeholder groups (see QR 8.2). Whereas these 7 stakeholder groups refer to the corporate organization in general, in a CSR-REM context these stakeholders have to be reanalysed from the perspective of their interaction with the corporate real estate object, as for instance not every person in society is affected similarly by the presence of a certain building. The following main question will therefore be addressed:

> "How are the 7 stakeholders affected by a CREM decision through the three CSR-REM mechanisms?"

1, 2 and 3 Employees, Customers and Business partners
In the context of a CSR-REM instrument, and thus the interaction between stakeholder and a real estate object, these stakeholders can be merged, as they have one important characteristic in common: they are the actual users of the building. Consequently their demands refer to the use of the building.

The important difference between the three groups however is the extent of use, whereas employees use the building up to or even over 40 hours a week, the use of the other two groups is limited. In the end they will need to be dealt with separately in the actual decision making process, but they will share many similar interests, and the ways in which they interact with the building are similar. An additional very important characteristic of this stakeholder group is that they are known. The CREM manager knows (the most important) users of the building and can relatively easy turn to them for advice.

The users are predominantly concerned with the direct impact of the building and the plot on which it stands on their personal wellbeing. As such they will predominantly be affected through social (utility) mechanisms. From a geographical point of view they even will mostly be concerned with the interior of the building.

4. Society
As could be seen above, there are three types of mechanisms that link a corporate real estate object and society. Whereas the ways in which a corporate real estate object affects society through socio economic mechanisms is rather similar for all inhabitants of an economic region, the direct impact of a building is different for (small) groups of stakeholders. Consequentially this stakeholder group needs to be redefined in two independent stakeholder groups, defined using these mechanisms and geography specific aspects. Logically an overlap exists between these two groups of stakeholders.
- The local stakeholders, directly affected by the physical presence of the building
- The inhabitants of an economic region, affected by a CREM decision through socio economic mechanisms.

The first type of stakeholders can then be further subdivided into subgroups on which the impact of a CREM decisions again differs:

- Passers by
- Visitors of the area
- People employed in the area
- Inhabitants of the area
- Local business owners
- Employed within visual proximity of the building
- Dwellers within visual proximity of the building
- Etc

5. Competitors
The relationship between a corporate organization and its competitors in the context of the Netherlands is actually one of decency, whereby most decency rules are confined in Dutch jurisdiction. However, the mechanisms that apply for the above stakeholders, actually refers to competitors as well, as we are talking about people employed in the area. So, to a certain extent, the competitors have been incorporated in the stakeholder group society.

6. Shareholders
Shareholders are deliberately left out of consideration in the development of the instrument and thus the body of this thesis. While constantly aware of their presence, and certainly discussed in the final chapter (recommendations and discussion), they do distract of the actual goal of this thesis - added value for society - and will work delimiting as to the possibilities of CSR-REM. Therefore the instrument is first analysed independently from the shareholders; the important function of this stakeholder group will be discussed in the end however.

7. Future generations
The stakeholder group future generations was actually broadened by adding two other groups that are affected by a corporate real estate decision. Non human species and society at present were added. These stakeholders are affected through environmental mechanism.

To conclude, For the CSR-REM concept stakeholders of CREM decisions are redefined into the following four groups:

1. Users
2. Local stakeholders
3. Inhabitants of an economic region
4. Future generations, global stakeholders and other species.

8.4 | CSR-REM: quality lies within the eyes of the beholder

This study focuses on the interaction between corporate real estate and society; in other words, they ways in which corporate real estate decisions affects society. Introducing CSR into the CREM context, the study attempts to attune corporate real estate to the stakes and interests of all stakeholders. This attuning process demands interference in the decision making process on corporate real estate objects. Finally, the ultimate goal of introducing a CSR-REM concept is to persuade CREM managers to make more socially responsible CREM decisions. The first step towards achieving this goal and as such the subject of this explorative study is to understand how CREM decisions affect society (or the corporate organization's stakeholders).

As stated before, CSR-REM deals with the interaction between a corporate real estate object and society, or to be more precise, the interaction between a corporate real estate object and its stakeholders. It is this idea of stakeholders that is essential to understand the interaction between a corporate real estate object and society. Adopting a CSR approach to the CREM decision making process actually implies, looking at the quality of a building through the eyes of the stakeholders In different words: CSR-REM looks at the satisfaction, as perceived by all stakeholders, with the different CREM decisions. This satisfaction can be subdivided into four main categories:

1.   The stakeholders' satisfaction with the building being perceived from the outside.
2.   The stakeholders' satisfaction with the building being perceived from the inside.
3.   The stakeholders' satisfaction with the place at which the building is situated.
4.   The stakeholders' satisfaction with the building provision (building process).

In the context of this study quality can be translated as stakeholder satisfaction, consequentially the four main categories can be named:

1.   Exterior quality
2.   Interior quality
3.   location quality
4.   building provision quality

As CSR-REM analyses the CREM management practices from the perspective of the corporate organization's stakeholders. CREM decisions will be subdivided into these 4 types of components as well.

1.   CREM decisions on the exterior of a corporate real estate object
2.   CREM decisions on the interior of a corporate real estate object
3.   CREM decisions on the location of a corporate real estate object
4.   CREM decisions on the building process of a corporate real estate object.

8.5 | Recapitulation

The CSR-REM concept was developed to make CSR operational in a CREM context. Theoretical and field research has shown out that corporate managers, do not know what the impact of their CREM decisions on the various corporate stakeholders is. This knowledge gap needs first to be overcome, before CSR-REM can be developed further.

This chapter has provided the first steps towards bridging this gap. As it has defined the mechanisms that link a corporate organization and society (social (utility)-, socioeconomic- and environmental mechanism). Subsequently it looked at how this mechanisms, operate in a CREM context. The difference in geographical impact area was an important finding of this analysis. Furthermore the identified corporate stakeholders (chapter 2) were redefined, for the specific CREM context, as certain groups of stakeholders are affected in similar ways, and other groups needed a further subdivision. The four stakeholder groups that are affected by CREM decisions were defined as followed:

1.   Users
2.   Local stakeholders
3.   Inhabitants of an economic region
4.   Future generations, global stakeholders and other species.

Finally the CREM component was addressed. CSR-REM implies that a corporate real estate object complies with the demands of various stakeholders. The aspects of a corporate real estate object that affect the stakeholders' satisfaction with that specific object were defined, so that corporate real estate decisions could be linked to corporate stakeholders through the three identified mechanisms. These aspects were grouped into definitions that comprise real estate object's values that affect stakeholders in different ways.

1.   Exterior quality
2.   Interior quality
3.   Location quality
4.   Building provision process quality

9 Chapter Nine
The CSR-REM instrument – A balanced iterative process to understand a CREM decision's impact on society

fig 9.1: The impact of a real estate object on a person illustrated

"Chapter 8 provided a global understanding of the processes that identify the interaction between a corporate real estate object and society. In this chapter these processes are analyzed more in depth and linked to the CREM decision making process. The final product of this chapter (and thus this thesis) constitutes an instrument that helps CREM managers to describe the impact of their CREM decisions on society."

Introduction

This chapter analyses the first steps towards an operational CSR-REM concept. In chapter 8 CSR-REM was defined as followed:

"CSR-REM is a stakeholder theory based approach to CREM, valuing stakeholder's stakes and interest in the CREM decision making process"

To integrate stakeholders' stakes and interests into the CREM decision making process, one first needs to understand how CREM decisions affect a corporate organization's stakeholders. This instrument aids CREM managers in identifying the consequences of their CREM decisions on those stakeholders. Three main questions take central stage in this process (based on Deutem 2007):

1. Who are the stakeholders of the specific CREM decision?
2. What effects are experienced by these stakeholders?
3. What processes link a specific CREM decision and a corporate organization's stakeholders?

The instrument is the product of an explorative study. In the basis, an explorative study is aimed at understanding a concept and the underlying processes. As such, the CSR-REM instrument aids CREM managers to describe the effects of CREM decisions on a corporate organization's stakeholders. Whereas the product will not provide a predescribed road to socially responsible decisions, but it will help CREM managers to understand the impact their decisions have on various stakeholders. It is up to the CREM manager to use this information adequately, to make the specific CSR strategy operational.

Understanding the impact of a corporate real estate decision on the various corporate stakeholders is an iterative process over time. In the early stages of a corporate decision making process, strategic directions can be linked to large groups of stakeholders. Over time these strategic directions are translated into specific CREM decisions. The more specific these CREM decision becomes, the more specific its impact on a specific group of stakeholders can be described. Consequentially, defining the impact of CREM decisions on society is an iterative process, whereby a constant balance has to be found between the scales of its two main components: 'CREM decisions and stakeholders'.

9.1 | Impact of CREM decisions on stakeholders: the basis

Throughouth the previous chapters the goal of this study has evolved. The main concern in the end is to help CREM manager to understand the following process:
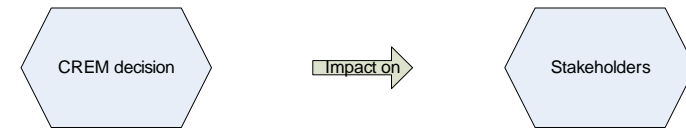
fig 9.2: CREM decisions' impact on stakeholders

CREM is a very specific management practice, dealing with the real estate objects of a corporate organization. Logically, the study deals with the mechanisms that link CREM decisions and a corporate organization's stakeholders. Three types of such mechanisms were distinguished in paragraph 8.3.
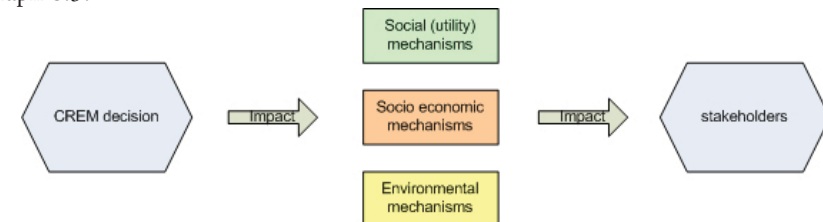
fig 9.3: CREM decisions' impact on the three identified mechanisms

Furthermore, four different types of stakeholders (groups) could be distinguished, which experience the impact of CREM decisions in different ways, due to their specific characteristics.
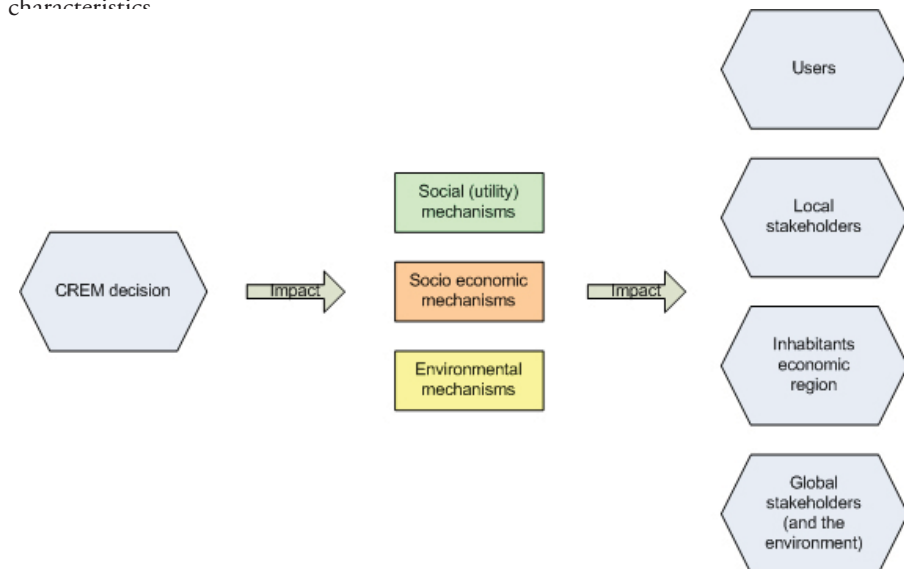
fig 9.4: CREM decisions and the 4 stakeholder groups

Similarly, different types of CREM decisions affect the stakeholder groups in different ways, whereby the way in which a corporate real estate object is perceived by the stakeholders is guiding for the specific characteristics of the four CREM decision groups.
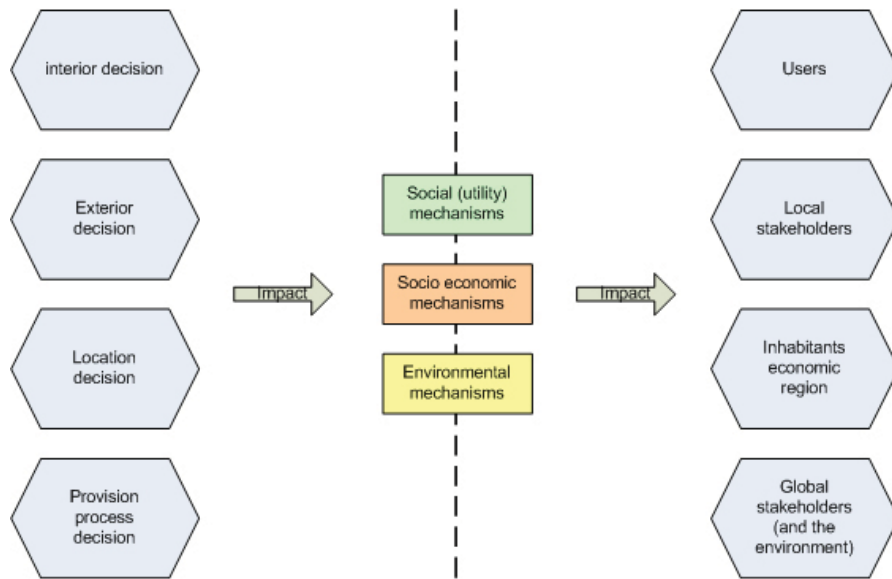
fig 9.5: 4 types of CREM decisions and 4 types of stakeholders

The question now remains, how the different types of decisions influence the different types of mechanisms and how these mechanisms in turn influence the different stakeholder groups.
To conclude: Understanding the impact of CREM decisions on the corporate organization's stakeholders consists of two interlinked main components:

- A CREM decision component

To identify the type of corporate real estate decision you are dealing with as a CREM manager,tells a lot about the ways a specifc decision can influence the corporate organization's stakeholders, and what stakeholders will be affected by this decision. The more specific CREM managers can be about the type of CREM decisions they are making, the easier it becomes to understand its impact on the stakeholders.

- A stakeholder component

At the same time the more specific a CREM manager can be about the CREM decision, the more specific the stakeholders being affected by this decision can be described. Identifying the impact of a CREM decision on the corporate organization's stakeholders is an iterative process, whereby the CREM manager over time identifies more and more precise the CREM decision and the stakeholders affected by it.

9.2 | The stakeholders component

CSR-REM deals with the interaction between a corporate real estate object and society, or to be more precise, the interaction between a CREM decision and its stakeholders. As such the instrument looks at the quality of a CREM decision through the eyes of the stakeholders, or put differently "how the stakeholders' satisfaction with the corporate organization can be influenced through a CREM decision". First of all, the stakeholders of a CREM decision can be subdivided into four main groups (paragraph 8.3), which are all affected by CREM decisions in different ways. Furthermore, these groups are characterized by different sources of stakeholder satisfaction which can be influenced by a CREM decision.

The Users
The users of a corporate real estate object are the employees, customers and an organization's business partners. Since the CREM manager knows the users of the building, information on this stakeholder group can be collected relatively easy; as such they can be engaged in the decision making relatively easy. The users of a building will predominantly be concerned with the interior of a building, as they spend a giant amount of their time within the corporate real estate object. As the CREM manager narrows down the scale of his decision the following user information can become increasingly important to identify the specific impact of a CREM decision: address, preferred mode of transportation, preferred building amenities, preferred services, travel time, working hours, etc.

Sources for user satisfaction (physical presence):
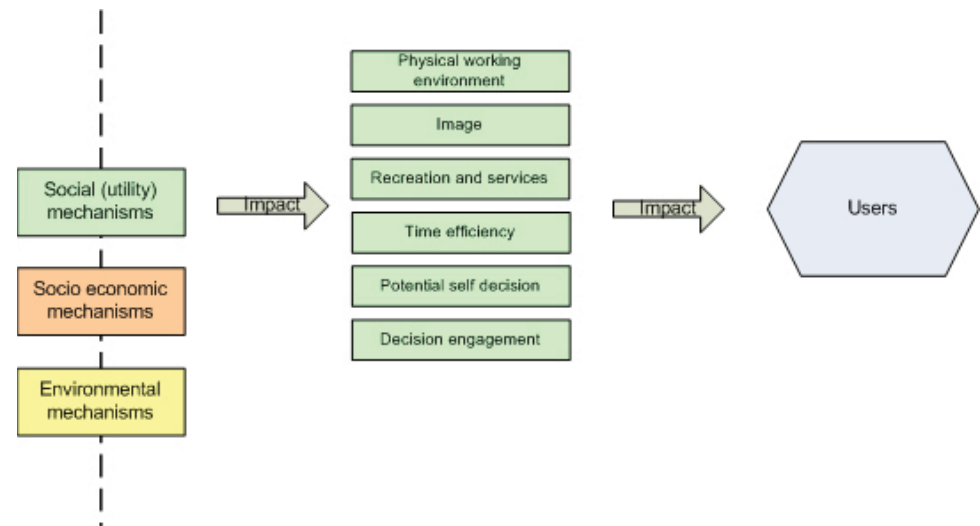
fig 9.6: sources for user satisfaction

Image (Pride) (1/6)

The image of a corporate real estate object has an impact on the users' level of pride with the corporate organization. Increased pride with the corporate organization will have a positive impact on work satisfaction, business relation satisfaction and customer satisfaction. Van der Voordt (2003) identified this impact of workplace design on this pride aspect, as he claimed that workplace design can improve the image of a corporate organization, both internally (for attracting and retaining scarce personnel) and externally (for attracting and retaining customers). Lindholm and Levainen (2006) back this up as, they describe that a corporate image reating can be influenced by specific building attributes.

Fig 9.7: The corporate real estate object employees work in influences their pride to work for a specific organization

Physical working environment (2/6)

The physical working environment has a direct impact on the users' mindset. Available types of workplace, size of workspace, interior design, daylight, interior climate are examples of consideration fields, that have a potential impact on the employee/internal client satisfaction (Lindholm 2006). Van der Voordt (2003) acknowledged the impact of the physical working environment on the users of a corporate real estate object as well as he identifies a link between increased job pleasure and greater employee satisfaction on the one side and workplace design on the other. ING furtermore backs up the importance of the physical working environment, as they consider 'providing a stimulating work environment as a strategic (CSR) differentiator.

Fig 9.8: Physical working environment influences employee's work satisfaction.

Time efficiency (3/6)

Users of a real estate object want to perform their tasks as time efficient as possible, efficiency decreasing factors have a negative impact on their satisfaction with the corporate organization. CREM decisions influence the efficiency of the users, through for instance the impact on travel time, but also the direct impact on work efficiency. Lindholm and Levainen (2006), describe this aspect as corporate real estate object's potential to increase productivity, they do not recognize the influence this aspect has on the user's satisfaction however.

Fig 9.9: Commuting time and noise can have a negative impact on user's time efficiency.

Recreation and services (4/6)

The users' satisfaction with a corporate real estate object is influenced by the availability of recreation facilities and services in and around the building (lindholm and Levainen 2006). Shops, recreational green, sporting facilities, day care facilities are examples of aspects that influence the users' mindset. Indirectly the availability of Recreation and services influences the time efficiency as well, as the users don't lose travel time to use certain services.
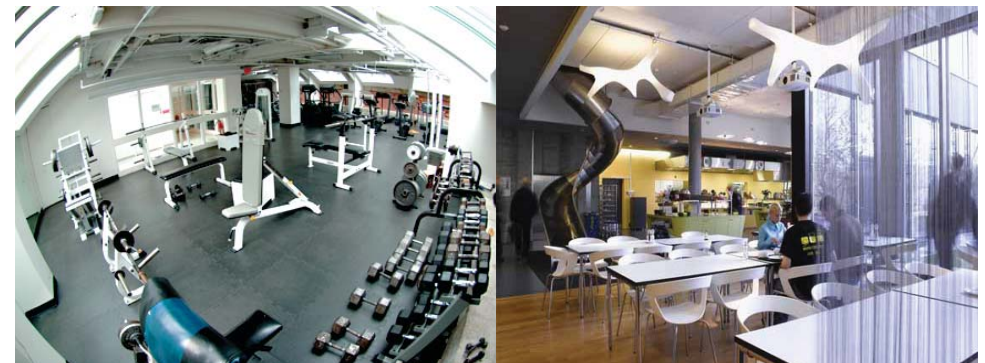
Fig 9.10: A fitness and a nicely designed restaurant can have a positive impact on the users.

Self decision potential (5/6)

Users of a corporate real estate object like to have options, for instance about the type of workplace they would like to work that day or, whether they would like to open a window or not, what type of transportation they want to commute in (Lindholm and Levainen 2006), etc.

Fig 9.11: Users want to decide themselves what mode of transportation to use, the options must be available.

Decision engagement (6/6)

Users value being engaged in decisions on a corporate real estate object, as it concerns their physical working environment. Lindholm and Levainen (2006) describe an aspect of this as they refer to he employee/internal customer satisfaction with the responsiveness of the CREM staff. Employee engagement furthermore is specifically named by TNT as a strategic CSR differentiator, ING does the same for customer engagement.

Fig 9.12: Users value engagement in the decison making process.

2. Local area stakeholders

This stakeholder group comprises the people that reside with proximity of the building and as such are affected directly by the physical presence of the building. This group can further be subdivided in an extensive amount of sub stakeholder groups, whereby all subgroups are affected through similar mechanisms, but the scale of impact on their personal satisfaction with the corporate organization is different. Potential subgroups of local area stakeholders are:

- Passers by
- Visitors of the area
- People employed in the area
- Inhabitants of the area
- Local business owners
- Employed within visual proximity of the building
- Dwellers within visual proximity of the building
- etc

Analyzing the above potential subgroups it is obvious that a the impact of a corporate real estate object on the passers by is different than the impact for someone living opposite to the corporate real estate object. Furthermore these stakeholders perceive the corporate real estate object from the outside; as such the exterior quality of a corporate real estate object will have a large impact on this stakeholder group. Important local stakeholder information can be: number of passers by, number of visual neighbours, number of local business, size of local businesses, etc.

Sources for local area stakeholder satisfaction (physical presence):
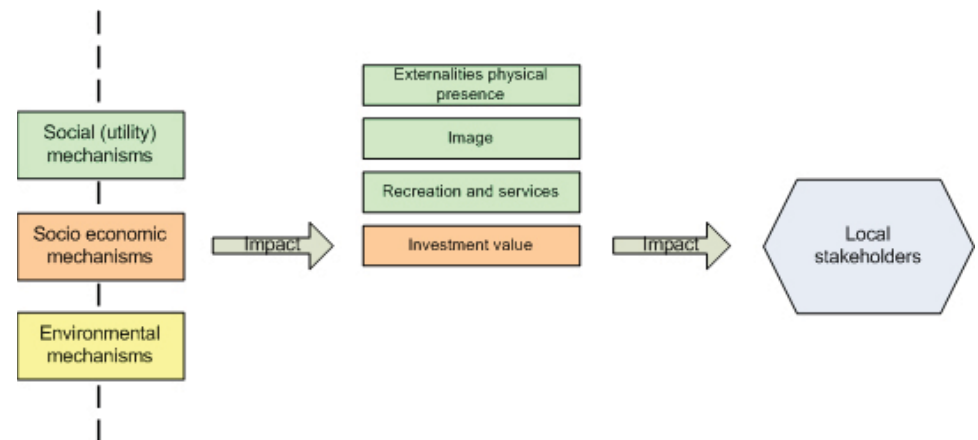
fig 9.13: Sources for local area stakeholder satisfaction

Image (1/4)

The image of a corporate real estate object has an impact on the image of an area; as such it influences the local stakeholders' level of pride with the area. A local resident for instance prefers to live in close proximity to a high quality, well maintained corporate real estate object, rather than an aged, under maintained, aesthetically non attractive office building. This is also described by Lindholm and Levainen (2006) as the image rating based on building attributes.

Fig 9.14: The corporate real estate object can have a positive (left) or negative (right) impact on the image of the area.

Recreation and services (2/4)

Corporate real estate objects can provide recreation and services to the surrounding neighborhood. This can differ from public green to, fitness facilities and even conference rooms made available for neighbourhood meetings.

Fig 9.15: The corporate organization can invest in green or provide public services

Externalities of physical presence (3/4)

The physical presence of a building can also (either positively or negatively) influence many externalities of within the area, such as nuisance, social security (Voordt and Wegen 1990), shade, sun hours, etc.

Fig 9.16: The corporate real estate object can e.g. have a positive impact on noise or a negative impact on traffic

Investment value (4/4)

Through the above affects of physical presence, a corporate real estate object can indirectly have an impact on the investment value of local businesses or real estate. Furthermore local businesses can increase in value through an increased (or decreased) customer potential, as a result of the physical presence of a corporate real estate object.

Fig 9.17: The corporate organization can have an impact on local investment values.

3. Inhabitants of an economic region

Through socioeconomic mechanisms, people within the same economically demarcated area (city, region, nation, etc.) as the one that is dealt with in the CREM decision are affected. These are non voluntary stakeholders and hard to pinpoint, little is known of them individually; characteristics of these stakeholders as a group are known however. To find out what a CREM decision's impact is on the stakeholders residing within an economic region, the corporate manager needs to find out socio economic characteristics of the economically demarcated area, he is operating in. Potential characteristics are: number of inhabitants, prosperity, vacancies, prosperity distribution, etc.

Sources for inhabitants of an economic region's satisfaction (socio economic mechanisms)
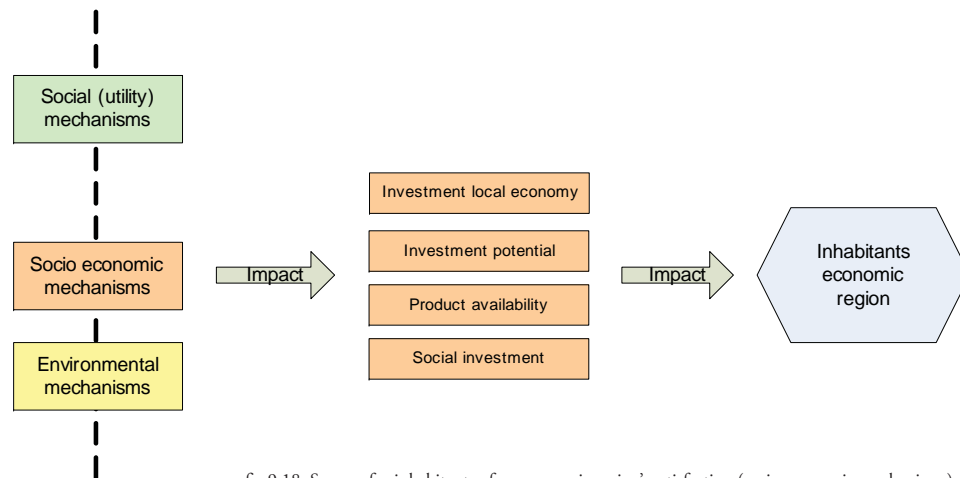
fig 9.18: Sources for inhabitants of an economic region's satisfaction (socio economic mechanisms)

Investment potential (1/4)

As a consequence of the presence of a corporate real estate object at a certain location (and thus the corporate organization at that location) the investment potential of an economic region can increase.

Fig 9.19: The corporate real estate object can have a negative impact on investment potential through vacancies

Social investment (2/4)

CREM managers can invest in an area's physical infrastructure (as is often the case in PPP constructions). Such social investments relieve local authorities financially. All investments in tasks that are considered to be tasks of public authorities can be listed under the denominator social investment. Examples are investments in public infrastructure, investments in real estate objects of high (historical) heritage value and investment in public visual arts (Schaaf 2002; Gerritse 2008; Rijksgebouwendienst 2009).

Fig 9.20: The corporate real estate manager can invest in the local area through e.g. public green or streets.

Investment in local economy (3/4)

An alteration in the corporate real estate portfolio requires adjustments perforemd by professionals, materials, etc. The economic region can benefit if these are obtained within a region.

4. Global stakeholders and future generations

The entire human population, other species and even future generations are affected through environmental mechanisms. As the impact of real estate objects on the environment has been the subject of many studies (BREEAM, LEED, Greencalc, ect) this stakeholder group does not form the main content of this research and are therefore are left out of consideration. Just as with the above stakeholder groups they can be identified more and more specifically through an iterative process however.

Fig 9.21: The corporate real estate manager invests in the local economy, through local employment

Product availability (4/4)

It is social to provide products for all people within society. Just because someone lives somewhere else doesn't mean he shouldn't be able to obtain the same services.

Fig 9.22: Products made availabe for all is a CSR differentiator.

9.3 | The CREM decision component

Four different types of CREM decisions can be distinguished (see paragraph 8,3). The subdivision into 4 types of CREM decisions, originates from the different ways in which they affect the stakeholders of a corporate organization. The decision the CREM manager faces, can either be part of only one of the decision fields, if this is not the case, the CREM manager needs to be break down the decision he faces into multiple components that each fit one of the following decision fields.

1.   Decisions that deal with the 'interior quality' of the corporate real estate object
2.   Decisions that deal with the 'exterior quality' of the corporate real estate object
3.   Decisions that deal with the 'location quality' of the corporate real estate object
4.   Decisions that deal with the 'provision process quality' of the corporate real estate object

These four categories will be described below as they already provide the CREM manager with a significant amount of information on the ways his decision affects the corporate organization's stakeholders. For the reference pictures, BK city was used, projecting, the decison components, on my personal working environment and as such increasing the enhancement of the CREM decisions making proces components.

1. Interior decisions

Potential decision fields: Interior design, furniture, building amenities, mechanical system, information and communication systems, workplace design, etc.

Under the denominator 'interior' all decisions on aspects of a corporate real estate object, physically experienced within the building will be categorized. As a logical consequence interior decisions, will predominantly affect the users of the building. Indirectly the environment can experience side effects of decisions on the 'interior quality' as well however. The impact of the decisions will predominantly be direct, through social (utility) mechanisms.

Social (utility) affected stakeholders: **The users**
    Quality aspects: Physical working environment
                                        Image (pride)
                                        Time efficiency
                                        Recreation and services
                                        Potential self decision

Socio-economically affected stakeholders: -

Environmentally affected stakeholders: **Future generations**

Example spread in decision scale

←————————————————————————→

Interior design concept   Paint color one office
for the entire concept

Interior decisions	Users	Local Stakeholders	Economic Region
	Physical environment	Image	Investment local economy
	Image	Externalities physical presence	Investment Potential
	Self decision	Recreation and services	Social investment
	Recreation and services	Investment value	Product availability
	Time efficiency		
	Decision engagement		
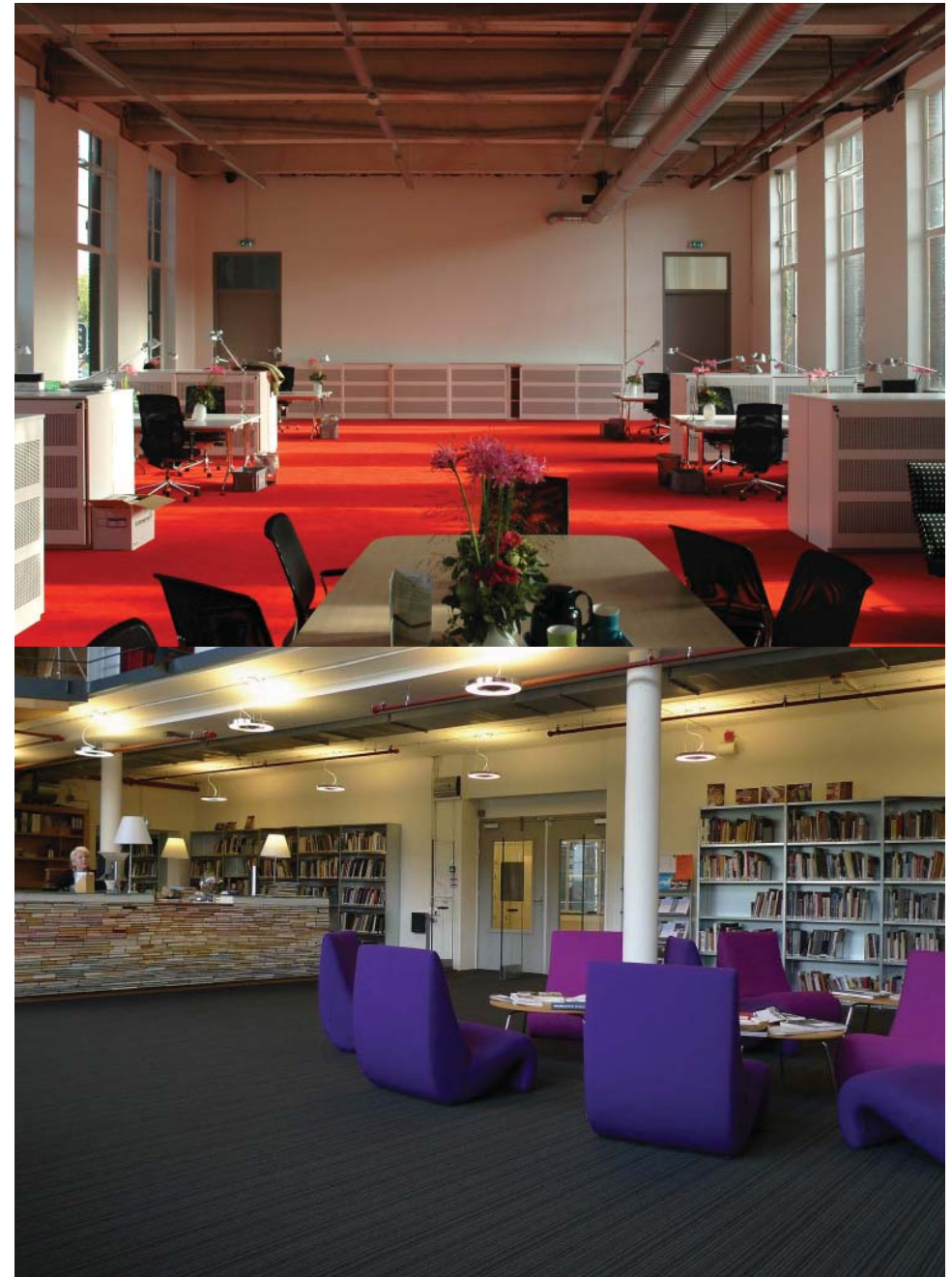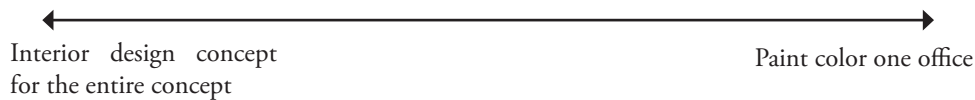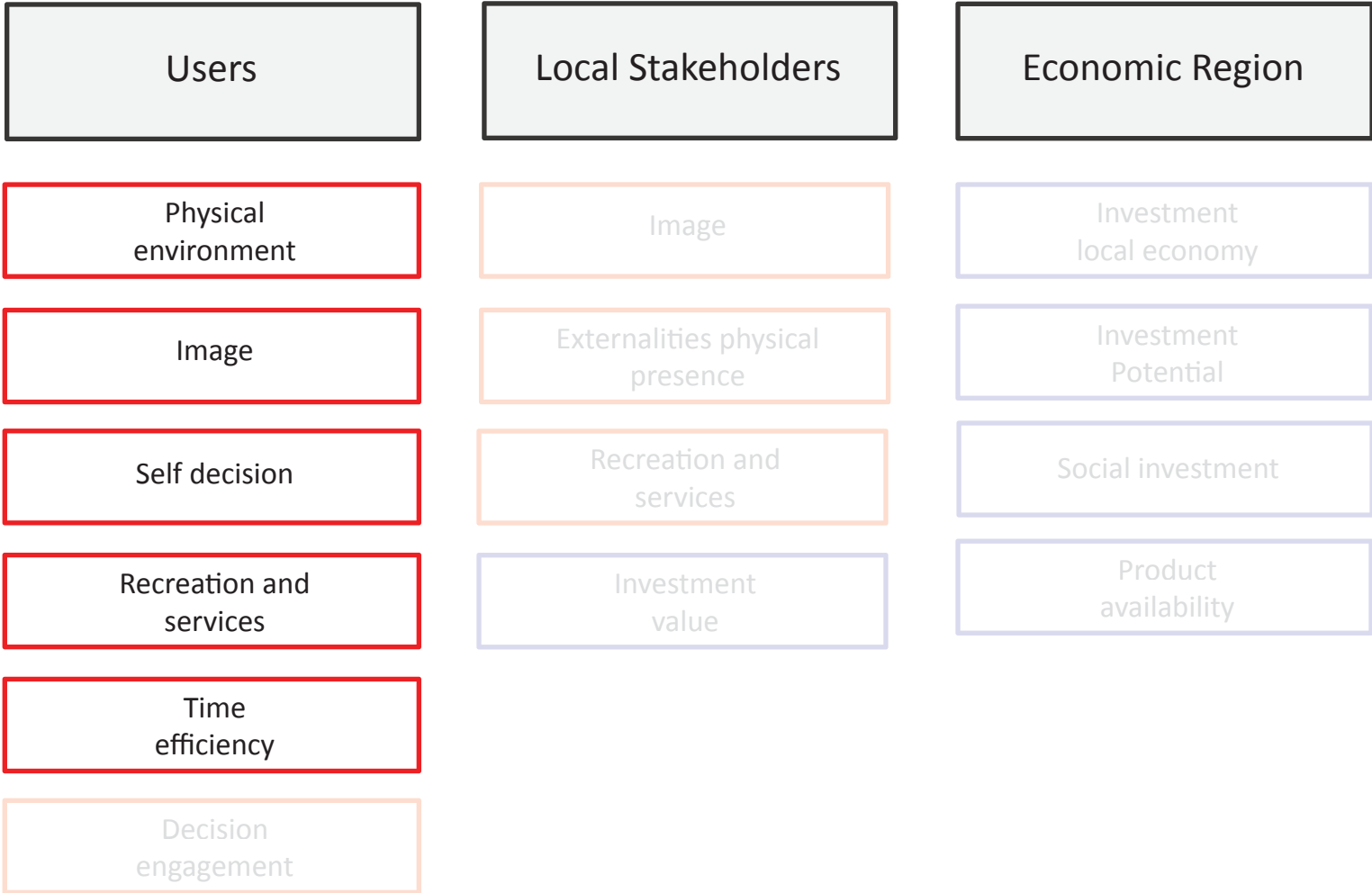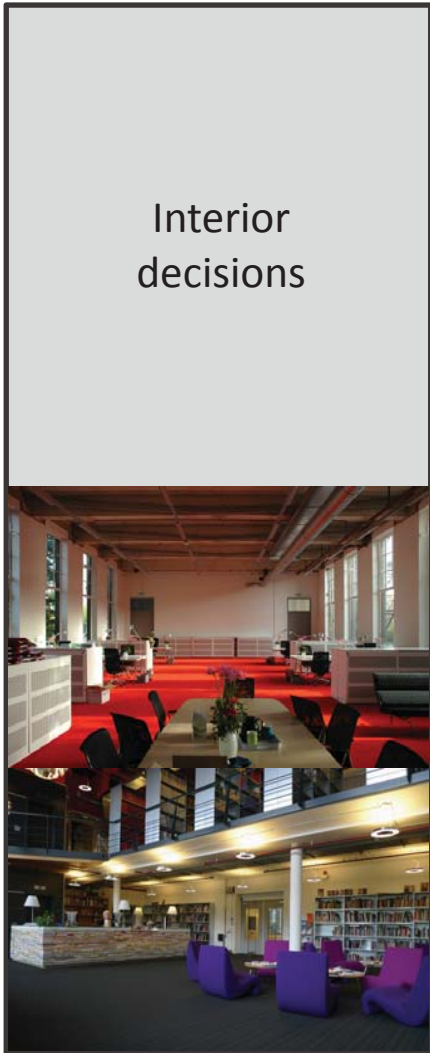
fig 9.24: Interior decisions in the CSR-REM framework

2. Exterior decisions

Potential decision fields: Exterior design (architecture), Heritage value, Public green, Parking, Maintenance, landscape design, etc.

Under the denominator 'exterior' all decisions on aspects of a corporate real estate object, experienced from the outside of the building will be categorized. The stakeholders predominantly affected by the exterior quality of a corporate real estate object are located within local proximity of the corporate real estate object, as it influences their visual satisfaction, their recreation and services availability, externalities as a consequence of the building's presence and the pride with the area. Users are affected by the exterior quality as well they are concerned only with its impact on the image of their workplace, and thus their pride with the workplace. Through socio economic mechanisms, local stakeholders and inhabitants of the economic region can be affected as well and finally through environmental mechanisms the environment can be affected.

Physically affected stakeholders:	**The users**
Quality aspects:	-Pride
	Local area stakeholders
Quality aspects:	-Visual satisfaction
	-Recreation and services
	-Externalities of the physical
	presence of the building
	- Pride
Socio-economically affected stakeholders:	**Local area stakeholders**
Quality aspects:	- Investment value
	Inhabitants economic region
Quality aspects:	- Investment potential
	- Social investment
	- Investment value
Environmentally affected stakeholders:	**The environment**

Example spread in decision scale

←——————————————————————→

Architectural concept   Paint colore of fence
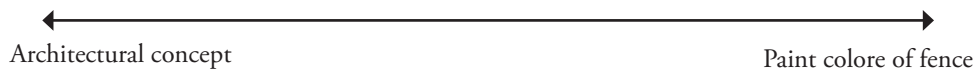
fig 9.25: exterior design BK-city
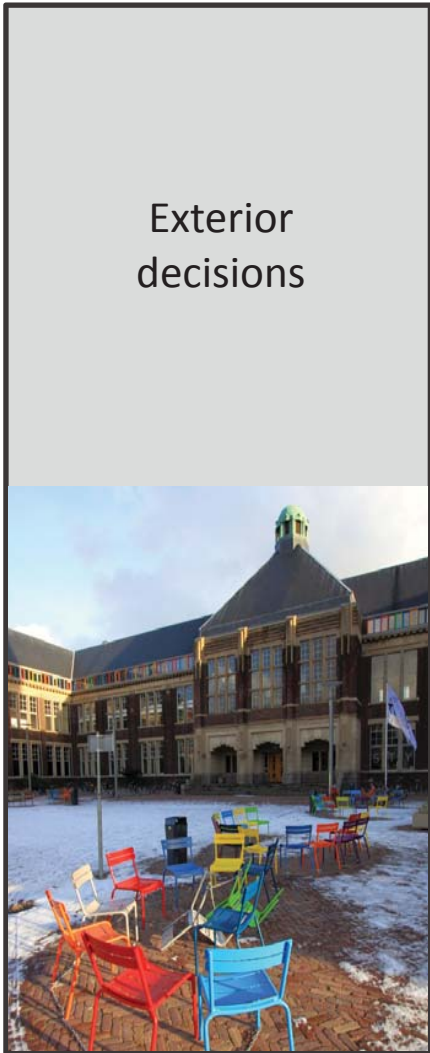
Exterior decisions	Users	Local Stakeholders	Economic Region
	Physical environment	Image	Investment local economy
	Image	Externalities physical presence	Investment Potential
	Self decision	Recreation and services	Social investment
	Recreation and services	Investment value	Product availability
	Time efficiency		
	Decision engagement		

fig 9.26: Exterior decisions in the CSR-REM framework

CSR-REM : *Understanding how a corporate real estate object interacts with society* | Jeroen Thyssen | April 2011

3. Location decisions

Potential decision fields: traffic, congestion, distance to public transport, site selection, renovation vs. development, etc.

Under the denominator 'location decisions' all decisions on the location of a corporate real estate object, will be categorized. Both users and local area stakeholders are affected by the location choice for a corporate real estate object.

Physically affected stakeholders:	**The users**
Quality aspects:	-Recreation and services
	- Time efficiency
	- Potential self decision
	Local area stakeholders
Quality aspects:	-Recreation and services
	-Externalities of the physical presence of the building

Socio-economically affected stakeholders:	**Local area stakeholders**
Quality aspects:	- Investment value
	Inhabitant's economic region
Quality aspects:	- Investment potential

Environmentally affected stakeholders:	**The environment**

Example spread in decision scale

Location headquarters corporate organization ⟵⟶ Location office of one employee

fig 9.27: Location BK-city

Users	Local Stakeholders	Economic Region
Physical environment	Image	Investment local economy
Image	Externalities physical presence	Investment Potential
Self decision	Recreation and services	Social investment
Recreation and services	Investment value	Product availability
Time efficiency		
Decision engagement		
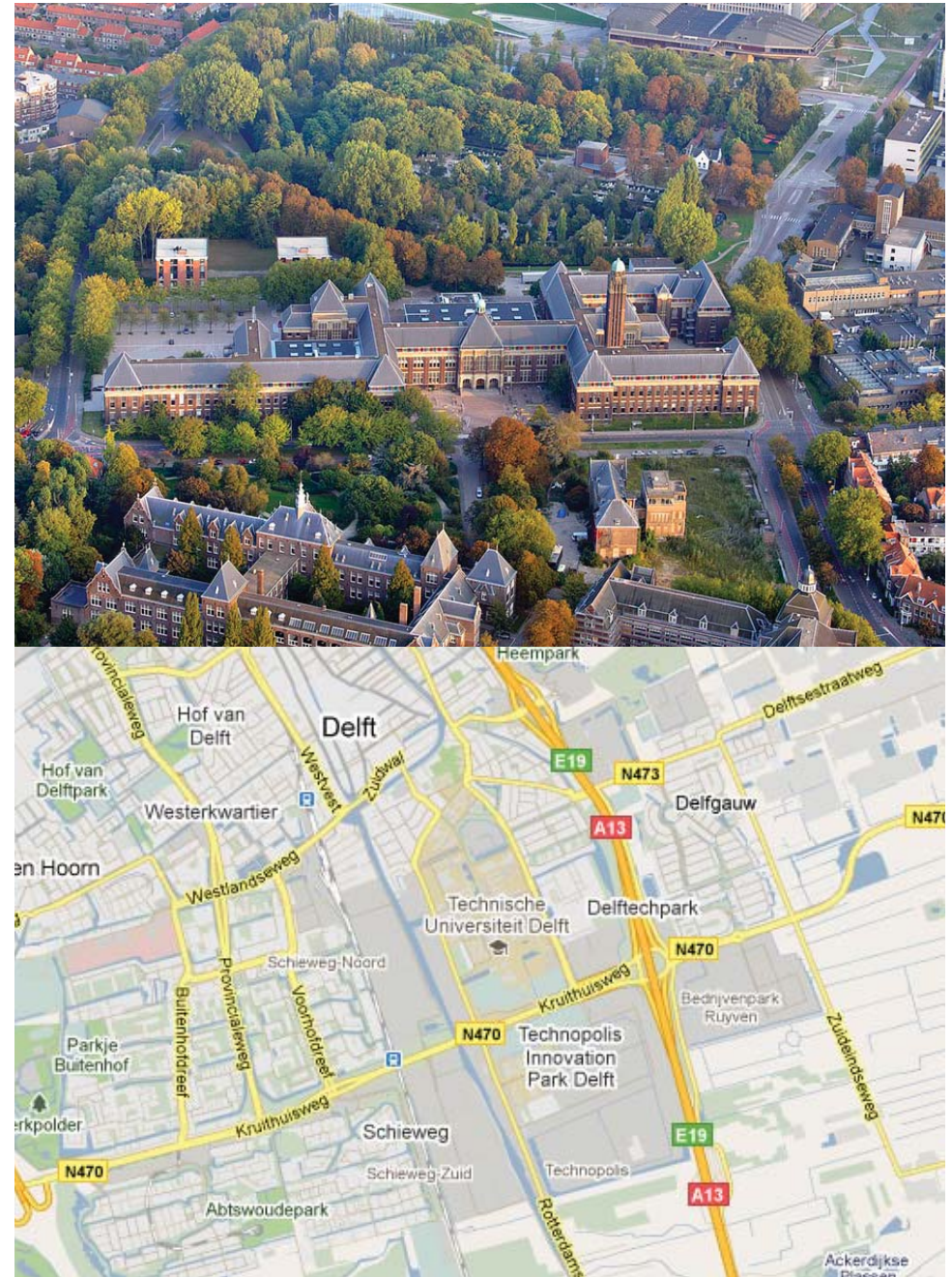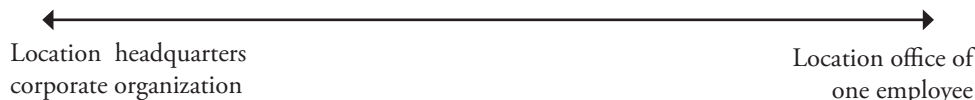
Location decisions
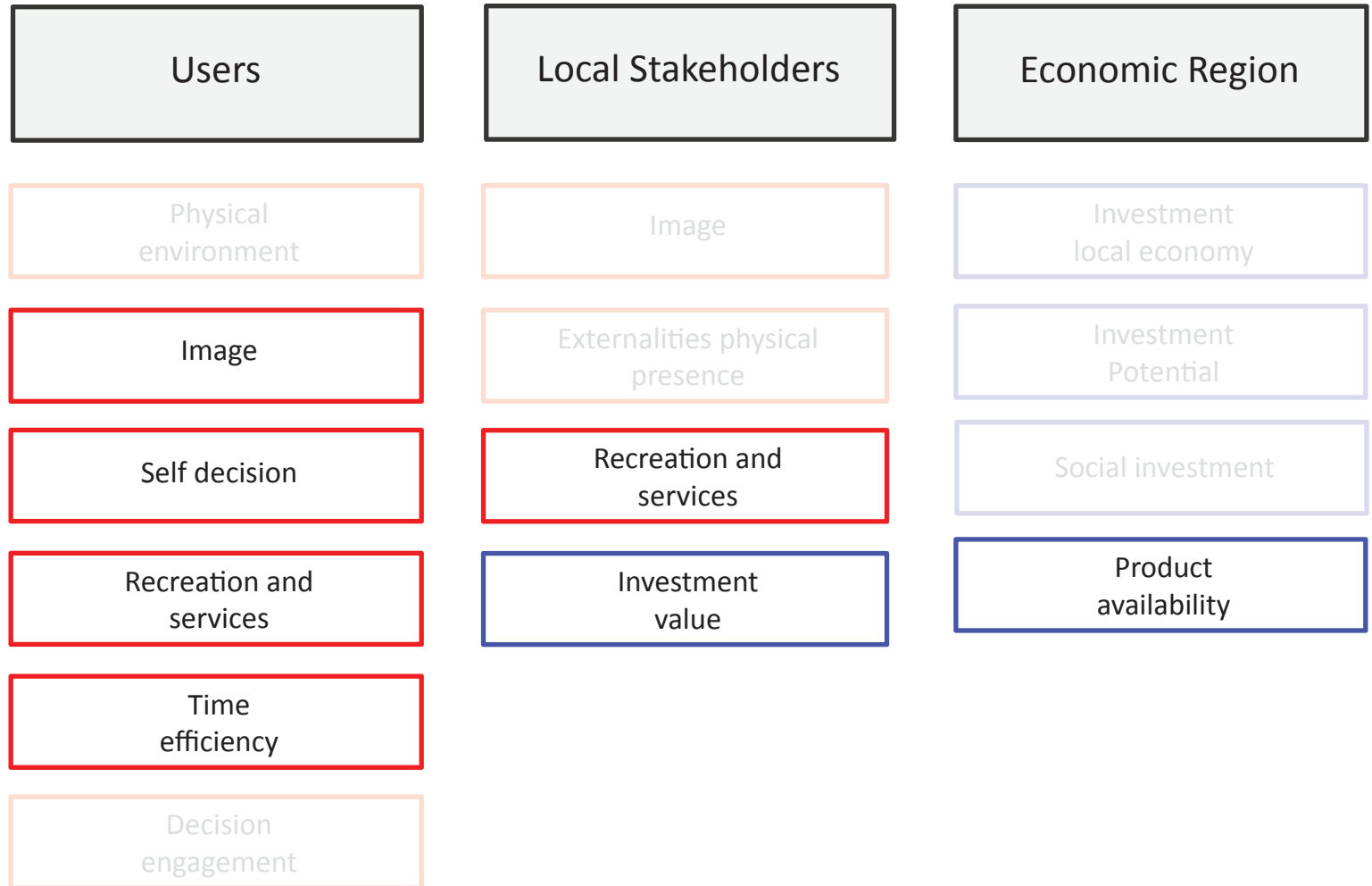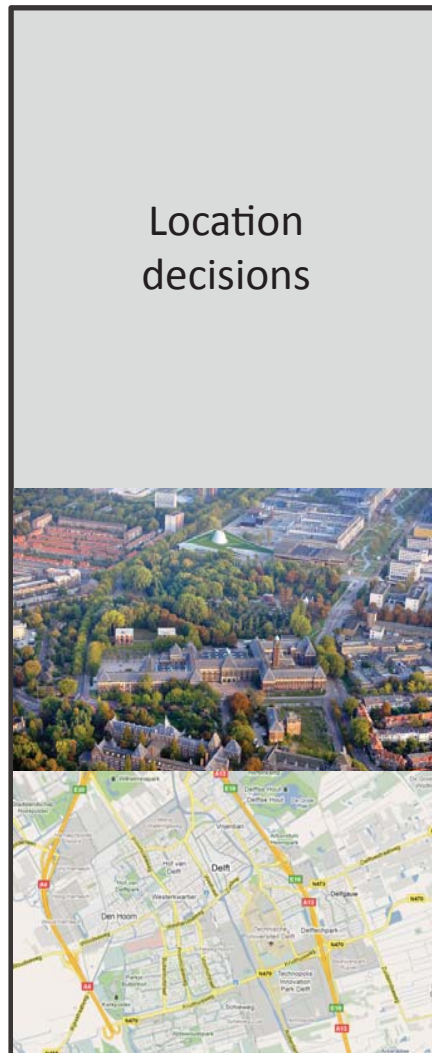
fig 9.28: Location decisions in the CSR-REM framework

4. Building provision process

Potential decision fields: Providers, provision process, stakeholder engagement, communication lines, sort term impact building process, building use and building users, etc.

Under the denominator 'building provision process' all decisions on the building process of a corporate real estate object will be categorized. Both users and local area stakeholders are affected by this process. The most distinguished characteristic of the building provision process denominator, is that it implications are often short term.

Physically affected stakeholders: **The users**
    Quality aspects: - Time efficiency
           - Decision engagement

           Local area stakeholders
    Quality aspects: - Recreation and services
           - Externalities of the physical presence of the building

Socio-economically affected stakeholders: **Local area stakeholders**
    Quality aspects: - Investment value (short term)

           Inhabitant's economic region
    Quality aspects: - Investment in local economy

Environmentally affected stakeholders: **The environment**

Example spread in decision scale

←——————————————————→

Location headquarters corporate organization   Location office of one employee

fig 9.29: Building process in Delft
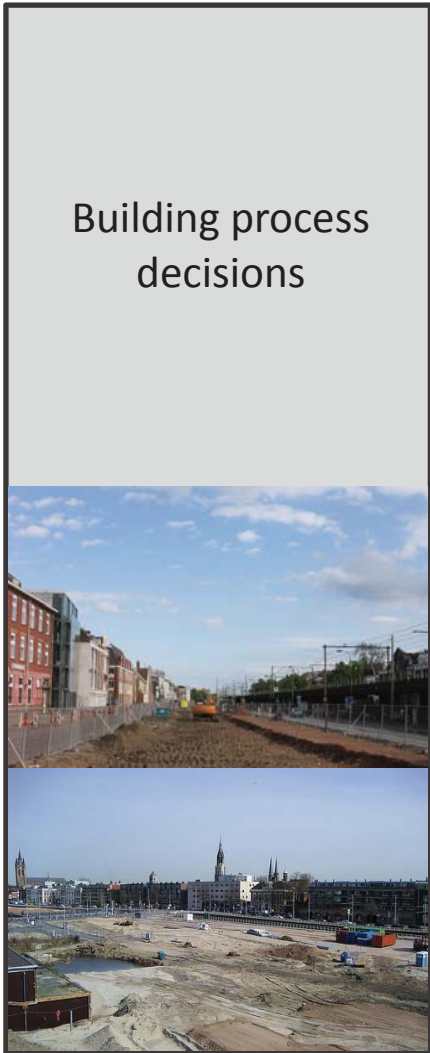
Building process decisions	Users	Local Stakeholders	Economic Region
	Physical environment	Image	Investment local economy
	Image	Externalities physical presence	Investment Potential
	Self decision	Recreation and services	Social investment
	Recreation and services	Investment value	Product availability
	Time efficiency		
	Decision engagement		

fig 9.30: Building process decisions in the CSR-REM framework

CREM decisions	Users	Local Stakeholders	Economic Region
	Physical environment	Image	Investment local economy
	Image	Externalities physical presence	Investment Potential
	Self decision	Recreation and services	Social investment
	Recreation and services	Investment value	Product availability
	Time efficiency		
	Decision engagement		
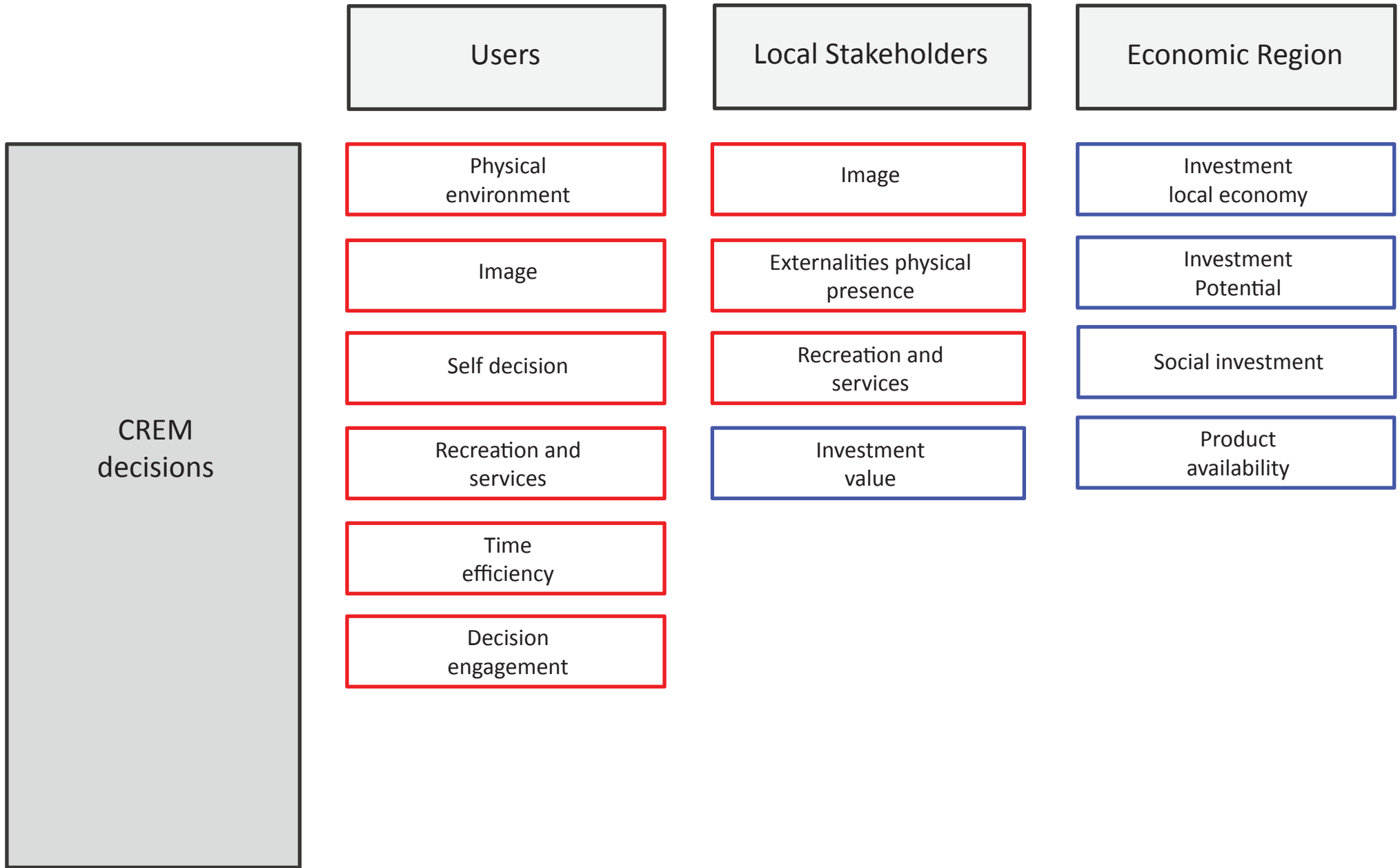
fig 9.31: The CSR-REM framework

The overall CSR-REM framework

Combining the different types of CREM decisions and their impact on the various corporate stakeholders, an overall CSR-REM framework was created **(fig 2.x)**. The framework helps CREM managers to understand the processes that link CREM decisions and society. As such, it aids them to overcome the information gap perceived in the field research; where CREM manager admitted to not have a clear image of their impact on the different stakeholders within society. Furthermore it creates awareness of the fact that this knowledge gap exists, as it confronts CREM managers with the absenteeism of important stakeholder groups, in the CREM decision making process. The practical vale of the CSR-REM framework will be described in the subsequent paragraph.

9.4 | The practical value of the CSR-REM framework

Why the framework should be used

Corporate Real Estate Management (CREM) is the range of activities undertaken to attune the corporate real estate portfolio optimally to corporate performance (de Jonge, Arkesteijn et al. 2008). Since the introduction of stakeholder theory (1984) corporate organizations started defining corporate performance in terms beyond increasing shareholder value (shareholder theory). The recent introduction of CSR into corporate strategies has increased corporate awareness on the impact of business decisions on multiple stakeholders. Translating strategic CSR goals into day to day management practice has been a problem faced by many corporate managers however, not in the least as the result of a theoretic focus on empirical justification of CSR rather than a focus on empirical explanation (Margolis and Walsh 2003). The study in front of you has first of all aimed at increasing the awareness of this problem.

Additionally it provides CREM managers a framework, helping them to understand the impact their day to day management decisions have on the corporate organization's stakeholders. This CSR-REM framework describes the mechanisms that link CREM decisions and the corporate organizations' stakeholders. As a final product in this process, a step by step plan is introduced, that can (and should) be used by CREM managers to determine the specific impact of a corporate real estate decision on a specific group of stakeholders.

It is up to the CREM manager to use the information deducted through this process appropriately. The strategic CSR directions corporate organizations have defined in recent years should help them in this process. Both literature- and field- research have shown out that corporate organizations proclaim to be willing to incorporate CSR in their management practices, the lack of empirical explanation blocked them in this process however. Future research will have to show out, whether they are truly eager to incorporate such empirical explanation, as provided in this thesis, into corporate management processes.

The provided framework is comparative in nature as it helps CREM managers to compare the impact of multiple decision possibilities. It is not able to tell the managers, what is a good decision or what is a bad decision. It does however help the manager to choose the best available option in the eyes of multiple corporate stakeholders.

When the framework should be used

CREM managers attune the corporate real estate portfolio to corporate performance in an ever changing business context. This process requires constant alterations of the corporate real estate portfolio. Dealing with these alterations, up till now predominantly focused on increasing shareholder value, in recent practice the stakeholder group 'future generations' was considered regularly as well. The framework introduced here helps CREM manager to define the impact of their decisions on the other (5) corporate stakeholder groups.

Management de facto deals with balancing different options; the CSR-REM framework aids CREM managers to balance these different options, not only from a shareholder value perspective, but from a stakeholder value perspective as well. There are two ways to use the CSR-REM framework:

1. As a descriptive framework, integrating CSR into the CREM decision making process.
The framework helps CREM managers to integrate the corporate CSR strategy, in the CREM decision making process. As such it is introduced in the process, at the moment various decision alternatives are available. It will provide the CREM manager information on the different alternatives' impact on the various corporate stakeholders; after which the CREM managers can weigh and select the alternatives, integrating the stakes and interests of all stakeholders.
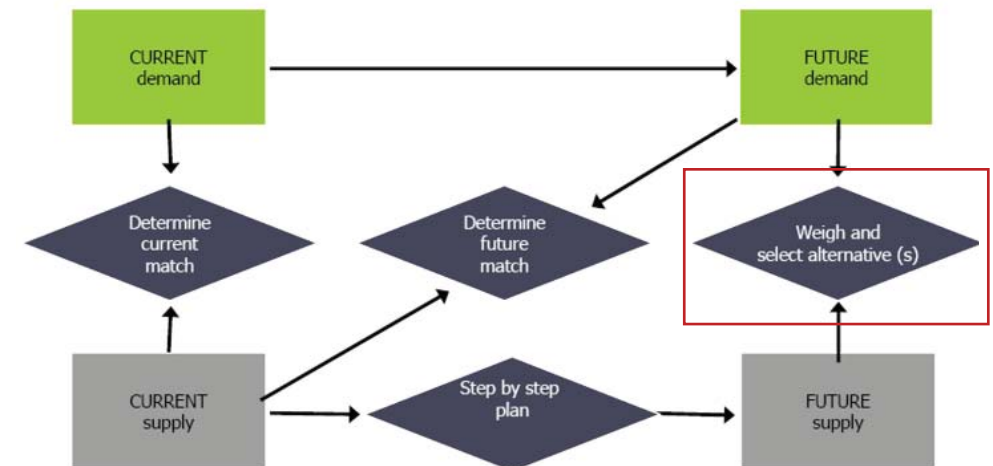
Fig 9.32: The CSR-REM framework integrated in the DAS-framework to select and weigh alternative CREM decisions.

2. As a corporate real estate portfolio evaluation tool.
In this case the framework is used in a corporate assignment, evaluating the current real estate portfolio for its compliance with the corporate real estate strategy. As this is an ex-post instrument, it can be used at any moment in time. Besides that the corporate real estate portfolio is attuned to the CSR strategy a second important aspect of this application can be noticed. Since the current corporate real estate portfolio is the result of many corporate real

estate decisions over time, it also serves as an ex-post evaluation model of these decisions, whereby the corporate organization can (or should) learn from the mistakes it has made in the past, which have resulted in the current mismatch between portfolio and CSR strategy
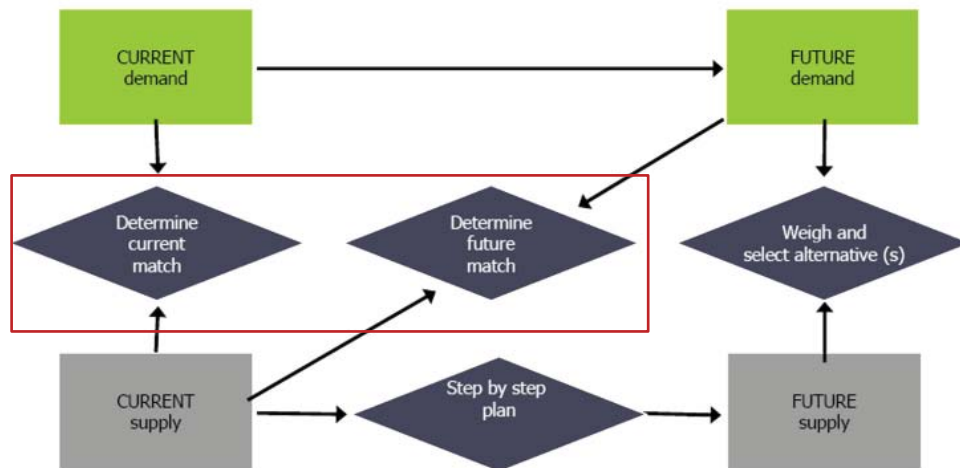
Fig 9.33: The CSR-REM framework integrated in the DAS-framework to determine current and future (mis-)matches from a CSR strategy perspective

Who should use the framework

The CSR-REM framework is not a predefined checklist that can be filled out by any layman. It requires specific thought steps to define the impact of the identified mechanisms in a certain context. Many specific sub-analysis have to be performed. The framework by nature is best used by a group of people; since the change to overlook specific links becomes smaller, as more people are engaged in the process.

1. As a descriptive framework, integrating CSR into the CREM decision making process

If the framework is adopted in this first context, the CREM managers should adequately define the type of CREM decision that is dealt with. Additionally the potential mechanisms that link the decision and the corporate stakeholders should be identified. Subsequently they can call on groups of employees, to apply a thorough analysis of these mechanisms for that specific decision, whereby they, if necessary call on stakeholder engagement methods, as they have available in manifold (see case studies), to find out the encountered impact on these stakeholders.

2. As a corporate real estate portfolio evaluation tool

In this case the framework forms the basis for an assignment. A multitude of people can perform this assignment within an organization. The CREM managers themselves for instance can perform this assignment, but can also enable other groups, of employees to perform such an assignment, which in turn can lead to a more out of the box decision. TNT provided a good example of, small groups of employees, performing certain assignments, as they regularly

ascribe assignment to Young TNT, the collective of young employees within the organization.

How to use the framework

The following 5 steps describe the path CREM managers have to walk, to understand the impact of their CREM decisions on the various corporate stakeholders, whereby the CSR-REM framework provides the necessary guidance.

1. A descriptive framework for integrating CSR into the CREM decision making process.

Step 1: Define the type of decision

The CREM decision is redefined as one of the decision types as prescribed in paragraph 9.3. If the CREM decision comprises multiple CREM decision types, the CREM decision is split into a multitude of sub-CREM decisions; which can be placed indivdually under one of the decision type groups.

Step 2: Identify the stakeholders that are potentially affected by the CREM decision

The stakeholder groups that can potentially be affected by the CREM decision are identified. Whereby the way the stakeholders experience the CREM decision is guiding in the process that forms the groups.

Step 3: Identify the mechanisms that potentially affect the identified stakeholders

The CREM decision affects a number of mechanisms (paragraph 9.3). As the type of CREM decision is defined in step 1, the number of types of mechanisms that can be affected is already delimited. CREM managers have to analyze the remaining potential mechanisms and analyze whether the mechanisms are affected in this specific context or not. Subsequently they have to define what stakeholder groups are potentially affected through these mechanisms.This step should be performed by multiple analysts, as mechanisms are easily missed by one person. As such it forms a perfect basis for group assignements within an organization (e.g. the young TNT example).

Step 4: Obtain the additional information required to understand the link between CREM decision and stakeholder groups.

The CREM manager obtains additional important information on the various stakeholder groups that are affected by the CREM decision. The required information differs for the different stakeholder groups. Consequentially the information obtaining methods differ as well.

1. The users

Users are known within the organization, as such they can be easily engaged in the decision making process. All users have specific requirements concerning the corporate real estate object. A small amendment on the corporate real estate object can have a significant impact on the users. As such the CREM management is challenged to define the link between CREM decisions as

specific as possible.

The case studies have shown out that corporate organizations have multiple user engagement methods available. Specific questions on the employees' preferences regarding the corporate real estate object have to be introduced into these methods.

2. The local stakeholders

The local stakeholders must be defined as groups that share similar characteristics. The CREM manager needs to analyze the scale (amount of persons within the group) of the groups and the impact a CREM decision has on such a group.

The impact on this group of stakeholders can be described by the CREM managers themselves. Some decisions can have specific consequences for specific local stakeholders however. Therefore they should be engaged in this process as well. Questionnaires, personal visits and other engagement methods should be used to find out the stakes and interests of these stakeholders.

3. The economic region inhabitants

The stakeholders within an economically demarcated area can be defined as one group that shares socio economic characteristics. The scale of this economic region depends on the parameter that is dealt with in the decision. It will require some research from the CREM management theme, to find these parameters that define the economic region.

Step 5: Apply the corporate CSR-strategy to make a CREM decision, well balanced between the stakes and interests of the different stakeholders.

Through the previous steps the CREM management should have obtained a clear picture of the impact, its CREM decisions have on the various corporate stakeholders; at this moment in time the shareholder and future generations' perspectives should be introduced in the process. It is now up to CREM management to make a balanced decision between the available alternatives The specific corporate CSR strategy should be used in this process, as it defines the strategic CSR direction of the corporate organization.

2. As a corporate real estate portfolio evaluation tool

The same 5 steps as introduced above are applied. The one difference beying that the analyses do not concern a potential real estate decision (ex ante), but a corporate real estate object (ex post). The real estate objects are analysed for their compliance with stakeholders stakes and interests. Subsequently the corporate organization can make a decision to alter the portfolio, where it does not match the CSR strategy. At that point the above ex-ante use of the framework, has to be introduced, as potential real estate decisions will have to be evaluated.

9.5 | Example case ex-ante use CSR-REM framework

This paragraph will provide an example case study to increase the understanding of the steps introduced in the previous paragraph. This case looks at ING's CREM decision to build a new corporate headquarters, at the 'Amsterdam Zuid-As'. The steps that ING could have, and in the light of this study should have undertaken to understand the impact of the decision on the corporate stakeholders are described.

The actual CREM decision, took place a number of years ago (late nineties). This case study will look at the effects of this decision as it was performed at this moment in time, which makes the example case study more easy to perform, as no historic data has to be looked up. As such the case becomes easier to comprehend for the reader as well. For the purpose of the case study, the time frame in which it is placed does not matter, as it is a prescreptive explanation of a process and not a factual analysis of a move that took place in the past. Consequentially this case is approached as an ex-ante analysis, whereas putting it in the historical perspective would result in an ex-post analysis. As explained in the previous paragraphs, both can be of significant use in a CREM context.
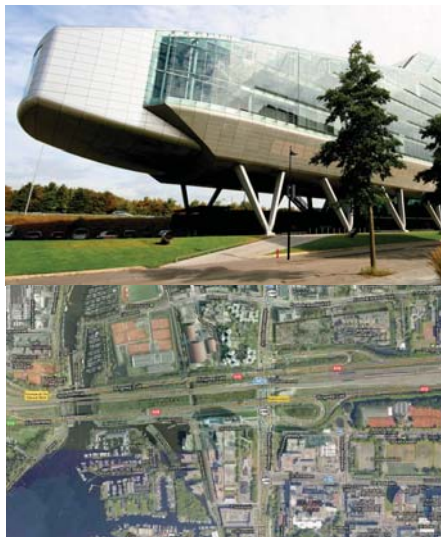
ING House (The shoe)

Location:	Amsterdam Zuid-as
Building year:	*1999-2002*
Architects:	Meyer en Van Schooten
Current use:	ING corporate headquarters
Owner:	ING Group NV
Gross floor area:	20.000 m2 (exluding car park)
Office floor area:	7.500 m2
Conference rooms:	800 m2
Auditorium:	500 m2
Lounge:	500 m2
Restaurants including kitchen:	1.100 m2
Car Park:	160 places

fig 9.34: The ING House

Step 1: Define the decision type

The CREM decision faced in this example case deals with all four types of decisions. All four types should be dealt with by CREM managers. As this example case is used to explain the practical applicability of the framework; one decision type will be discussed in this paragraph. For this specific case the location decision provides interesting insights. Therefore the location decision aspect of the total CREM decision will constitute the subject of analyses.
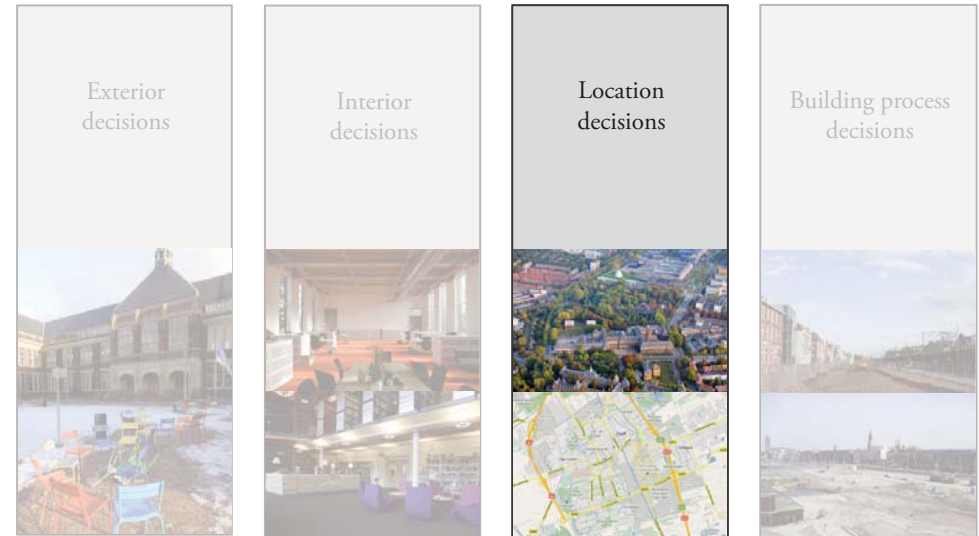
Step 2: Identify the groups of stakeholders that are potentially affected through the CREM decision

Users

Three types of main users, were identified: 'employees, customers and business partners'. These three types of users will be dealt with separately in this process. All the users stakes and interests are valued in the final decision.

1. Employees

The ING house, will accommodate 500 employees. The fact that it is a corporate headquarters, implies that the importance of the employees working here, will be relatively high within the corporate organization. Additionally 'serving' personnel, like cleaning staff, secretaries, etc will be using the corporate real estate object as well.

2. Customers

Since this is a corporate headquarters, the customers that will visit the real estate object will be of high relevance for the corporate organization; the representativeness of the corporate real estate object (and its location) will therefore be highly relevant.

3. Business partners

The business partners that will 'use' the building will consist of two types. First there are the business partners' managing staff, that visits the corporate headquarters, for important decisions, such as signing new contract. The representative value through the eyes of these stakeholders is very important. On the other hand, there are the business partners' employees that are subcontracted to perform certain tasks within the building, e.g. cleaning staff, restaurant employees etc.

Local Stakeholders

The subgroup local stakeholders requires the CREM managers to analyze the stakeholders present within a certain perimeter of the envisioned corporate real estate object. For this example case a perimeter with a radius of 500m meters was chosen. The larger this perimeter becomes, the more inclusive and correct the analysis becomes. In this example case 15 subgroups of local stakeholders could be distinguished. The attention is immediately stricken by the fact that little people live within this perimeter. The amount of social services on the other hand is very large.

Economic region

The impact of the corporate real estate object's presence will be analysed on two scales. A city district scale and a city scale. The more scales the economic impact is tested on, the more complete the analyses become, and the more specific CREM managers can define the CREM decision's impact on the various corporate stakeholders.

fig 9.36: City district: Amsterdam Zuid

fig. 9.37: Amsterdam

1. The ING house
2. Marina
3. Small scale offices
4. Large scale offices
5. Large scale offices
6. Small scale industry
7. Family dwellings (8)
8. Health education center
9. Hospital
10. Sports fields
11. Cemetery
12. Small scale offices
13. Amsterdam historic museum (burgerweeshuis)
14. Small scale offices
15. Professional sports facilities
16. Houseboats

fig 9.35: The local stakeholders of the ING House

Step 3: Identify the mechanisms that potentially affect the specific stakeholders

Location decisions	Users	Local Stakeholders	Economic Region
	Physical environment	Image	Investment value
	Image	Externalities physical presence	Investment Potential
	Self decision	Visual connection	Social investment
	Recreation and services	Recreation and services	Investment local economy
	Time efficiency	Investment value	
	Decision engagement		

Location decisions — Users

Self decision

Location decisions - Users - Self decision
2. This specific location provides the users of the corporate real estate object, the potential to use the preferred mode of transportation, as it is closeby a highway as well as a metro station. This aspect affects all three types of users.

Location decisions — Users

Image

Location decisions - Users - Image
1. This location is perceived to be of high quality, as such it is a potential source of pride (improved image) for all three groups of users. As the perceived users of the corporate real estate object are of high importance for the corporate organization, this can become very important.

Location decisions — Users

Recreation and services

Location decisions - Users- Recreation and services
3. The services and recreation facilities available in close proximity of the building have been researched within a perimeter of 500 meters. Whereas sporting facilities are highly available, lunch and day-care facilities appear absent. Public green is amongst others, provided in the closeby marina. This predominantly affects the employees.

Location decisions

Users

Location decisions - Users - Time efficiency
4. If users opt to arrive at the corporate real estate object by train the Amsterdam-Zuid intercity station is 1 km away, an extra stop with the metro is required.
5. By car the location is to be reached efficiently as it next to an A10 highway exit. This however knows high congestion problems however.
6. In the context of a corporate headquarters, the proximity of the Schiphol Airport can be important.
7. Closeby are a number of services, which can increase the time efficiency of employees. The lack of closeby lunch facilities than again can be pernicious for the time efficiency of all users.

Time efficiency

Location decisions

Local stakeholders

Location decisions - Local stakeholders - Investment value
9. No direct alteration in business values could be distinguished for local stakeholders, as no local businesses were found within the analyzed perimeter.
10. As ING propagates to build a real estate object of high architectonic value, the image of the area can increase, which could result in a higher real estate value within the area.

Potentially Affected local stakeholders:
The owners of the real estate objects: 3,4,5,6,7,12,14 and 16. These are privately owned, and therefore their value can change.

Investment value

Location decisions

Local Stakeholders

Location decisions - Local stakeholders - Recreation and services
8. Insufficient information on the corporate real estate object is available, to know whether it provides recreation or services to the local stakeholders. At first sight this appears to be not to be the case.

Potentially Affected local stakeholders:
- 3,4,5,12 and 14 | Office employees enjoying the services and recreation facilities.
- 8 | Students enjoying the facilities
- 9 | Employees, visitors or even patients of the hospital enjoying the facilities.
- 7,16 | People living here, enjoying the facilities.

Recreation and services

Location decisions

Economic region

Location decisions - Economic region - Investment local economy
11. An investment in the local economy, will take place, as a result of the building provision process.

Investment local economy

Step 4: Obtain required additional information on the identified relationships

Users

1. Users pride
The users of a corporate real estate object are known within the organization. A questionnaire (the case studies have shown out that these are available in manifold) or other forms of communication can be used to find out how the users perceive this specific location and how this affects their satisfaction level with the corporate organization.

2. Preferred mode of transportation users
Again for instance a questionnaire can be used to find out how this specific aspect affects the users. Questions such as 'are you satisfied with the available modes of transportation at this building?', can be asked.

3. Services and Recreation closeby for users
The available services and recreation facilities at the location can be tested amongst the envisioned users, through one of the available user engagement methods. Central question is: 'Are you satisfied with the services available at this location?'.

4. Time efficiency, mode of transportation: train
Find out how this location decision affects the travel time of the envisioned users

5. Time efficiency, mode of transportation: Car
Find out how this location decision affects the travel time of the envisioned users

6. Time efficiency, airport
Find out what specific stakeholders (employees, business partners and customers) use the nearby airport and how this location decision affects their time efficiency.

7. Available services, and time saving potential
Find out the potential time saving (or loss) of the location decision, as a result of the (in-) availability of local services.

Local stakeholders

8. Recreation and services available for local stakeholders
For whom do you envision to make the services available as a corporate organization? Make contact with the identified stakeholder groups (see above analysis) and find out, whether they would use them.

9. Potential alterations investment value local business
There are no local business, that could benefit from the presence of the corporate real estate object.

10. Potential alterations investment value local real estate owners
The presence of this corporate real estate object might attract the interest of other real estate investors, as such the investment value might rise. You know what stakeholders are affected by this (analyses above). When different alternatives are compared, this can become an important decision component, whereby the CREM manager has to ask himself the question: 'for what stakeholders do you want to create value?'.

Economic region

12. Relative value investment in local economy
The CREM manager should find out the socioeconomic characteristics of the specific economic region; it is the context the investment takes place in, that is important, when weighing up the different alternatives, again the main question is: 'for what stakeholders do you want to create value?'.

Step 5: Apply the corporate CSR strategy to make a well balanced decision

ING identified four key focus areas in which responsible behavior should be reflected at all times.

1. Business | To provide high-quality, easy-to-access and understand financial products and services that meet the expectations of ING's customers, through fair treatment of these customers, doing business responsible and offering sustainable products.
2. People | To foster an open, safe, inclusive and stimulating working environment and endeavour to respect human rights in everything ING does.
3. Community | Trough community programs, ING attempts to make positive contributions to society. The global employee program 'ING Changes for Children' aims to give children a change to secure a better future.
4. Environment | To conduct business in such a way that negative impact on the environment is avoided and minimized as much as possible and look for ways to stimulate sustainable innovation.

This CSR strategy, should provide ING guidance in weighing up the alternatives in a CREM decision making process. The prospect of the open and stimulating working environment, can be translated as a predominant focus on the employees' wishes and stakes.
Than on the other hand ING aims to give children a change to secure a better future, as such it can attempt to see children as the main important focus and as such choose for the alternative that provides the highest added value for children.

The comparative and iterative nature of the process
This practical application of the CSR-REM framework is comparative in nature. In itself it does not say, this is a good decision or this is a bad decision. When an alternative location is analyzed as well, the respective impact on the various corporate stakeholders can be compared.

At that moment the practical value of the framework becomes apparent. In this case ING would then be able to say: 'Look at this location, we mean this for these stakeholders, and on this other location we mean this for these stakeholders.' The CSR value resides within the fact that the corporate organization, can now opt for the 'best' alternative, knowing the stakes and interest of various stakeholders.

The iterative nature of the process resides within the fact that over time, more information becomes available on a specific CREM decision, this information has to be balanced with information on the various corporate stakeholders. Claiming for instance that 'John the manager' is happy with the location choice is of no use, as the scales do not match. Better would be 850/870 think this is the best location alternative from a time efficiency perspective. Constantly balancing the two main components 'stakeholders' and ' ' as such is an iterative process.

Part 4
Discussion and Recommendations

10 Chapter Ten
Discussion and Recommendations

fig 10.1: Discussion

"In this chapter the research product of this thesis is discussed in the light of the initial personal motivation, the research questions, the field research and the theoretical framework. Furthermore recommendations for future use and research are provided"

10.1 | Revisiting the initial personal motivation
10.2 | Revisiting the theoretical framework and field research
10.3 | Revisiting the problem statement and research questions
10.4 | Recommendations for future use and research

10.1 | Revisiting the initial personal motivation

It was my personal motivation to write a master thesis of social relevance that set me thinking about looking at CREM from a social perspective. As I had nothing but a vague idea, how corporate organizations could contribute to society through adequate CREM management, the process to demarcate the research subject of this thesis required extensive theoretical research. The final product of this study comprises a framework that links the two concepts of CREM and CSR, which adds social value as a parameter to the CREM decision making process.

In my personal motivation I furthermore claimed that a symbiosis between corporate benefits and social benefits had to be found throug adequate CREM. Looking back at this claim, it is evident that it provided many pitfalls. Not only is the distinction between corporate benefits and social benefits very hard to make, as social performance can (and should) be integrated in the definition of corporate performance. Additionally, in the case that corporate performance, is perceived as increasing shareholder value, a definite link between CSR and this added shareholder value is very difficult to define. What in the end became the most important driver of this study, was not to justify the incorporation of social benefits into the CREM decision making process, but to help corporate organizations that do value social performance in their corporate strategies, to integrate social performance in their respective CREM decision making processes, The social value of this empirical explanation of a CSR-REM concept at this moment in time (at which corporate organizations do value CSR) is at least equaly socially relevant.

10.2 | Revisiting the theoretical framework and field research

The rationale leading towards the final product

Shareholder theory vs. stakeholder theory or Friedman vs. Freeman; these antitheses constituted the introduction to the theoretical framework and as such the foundation for the entire research study. In the end it was not providing a well grounded choice for one of the alternatives that was the most important goal of this study however. The problem identified by Margolish and Wals (2003) and Lee (2008), appeared to be much more relevant; it is not empirical justification corporate organizations require, but prescriptive guidance. Corporate organizations already have adopted CSR as an essential aspect of doing business; whether they do this on the basis of altruistic-, social pressure- or even shareholder value-motives doesn't matter as long as it is a durable process and not some short-term trend. They lack the guidance, however to implement CSR into the day-to-day management practices.

Both theoretical and field research supported this claim. Especially in the context of Corporate Real Estate Management, a substantial lack of information on the mechanisms that link CREM decisions and society was encountered; the one exception being environmental consequences of a real estate object for future generations. Literature specifically linking CSR and CREM does not exist and CREM managers did literally admit they did have no idea what the impact is of a CREM decision is on the various stakeholders. Contradictory to this image, the managers were able to specifically elaborate on the corporate organization's CSR strategy.

This combination of theoretical and field research encountered a clear what can be called 'walk

the talk' problem. The CREM managers did have the talk, but did not know how to walk. In a way they even can't be blamed for this problem, as literature did provide them almost none prescriptive guidance on how to do 'walk this talk'. Then again, this is off course a 'chicken and egg problem' in which no one can be blamed, or everyone can be blamed.

The purpose of the final product

The goal of this research thesis as such became to provide a way to close this gap between 'talk' and 'walk'. Due to the limited amount of information on the specific subject and the narrow time frame, choices had to be made on what aspect of this gap were essential to counter in the final product of this thesis. Hereby the consideration that CREM managers can't make CSR affiliated decisions, if they not even know what mechanisms link these decisions and society was essential. The framework provided as a final product of this thesis, helps CREM managers and theorists to bridge this knowledge gap, as it aids CREM managers in the process that leads to a description of the specific impact of a real estate decision on society. The final step then has to be taken by CREM managers, they should use the obtained information wisely, in correspondence with the proclamations to be found within the various corporate CSR strategies.

Within this last claim, the greatest treats for the operational CSR-REM framework reside however. Not only is the adequate implementation of this framework a time-intensive process, which might restrain the CREM managers to implement it, the use of the framework furthermore only provides the required information, for the moment the managers moral responsibilities have to be trusted on to use this information correctly.

10.3 | Revisiting the problem statement and research questions

Research questions

This research thesis was build around three main research questions. In this paragraph these research questions are revisited to analyze whether they were answered, throughout the course of the study.

1.   **What is Corporate Socially Responsible – Real Estate Management?**
The personal motivation above quicky evolved into the abstract idea of merging the two independent concepts CSR and CREM; this formed the basis for an envisioned Corporate Socially Responsible - Real Estate Management concept. The theoretical framework provided the following preliminary definition.

"CSR-REM is a stakeholder theory based approach to the Corporate Real Estate Management practice, valuing the stakes and interests of all stakeholders in the CREM decision making process"

CSR-REM as such deals with the impact CREM decisions have on a corporate organization's various stakeholders. The two main (abstract) components of the concept consequentially are

CREM and *stakeholders*.

In the specific context of corporate organizations the abstract concept of stakeholders could be redefined into 7 groups of stakeholders that affect or are affected by a corporate organization: employees, customers, competitors, business partners, society, shareholders and future generations.

CREM can be defined relatively specifically, as it deals with constantly attuning of the corporate real estate portfolio to corporate performance. Corporate performance in term is an abstract term, especially since the emergence of the stakeholder theory as a valid business model. In this context, defining corporate performance as increasing shareholder value, is ethically unacceptable (Kant's categorical imperative). Creating value for all corporate stakeholders has become a more acceptable definition. TNT's integration of its annual CSR report and general annual report is a clear exponent of this process.

2.   Why Corporate Socially Responsible – Real Estate Management?
This question should be perceived from two perspectives:
- CREM managers requiring justification to integrate the CSR-REM concept into their day to day management practices;
- Theorists requiring justification for the development of such a concept.

The studies on the added value of CSR for a corporate organization have been numerous, whereby its influences on shareholder value often took central stage. Many of these studies provided wel founded assumptions for the existence of a positive link. In the ethically correct case a corporate organization defines corporate performance in terms additional to increasing shareholder value (focussing on multiple stakeholders), the validation for developing this concept becomes even more direct; as the goals of the corporate organization in genereal and the CSR-REM concept in specific match.

It is however the theorists' validation for the development of the CSR-REM concept that is much more interesting. Margolis and Walsh (2003) and Lee (2008) that provided the essential basis. They claim that empirical justification of CSR is not what the corporate organizations require, it is empirical explanation corporate organizations require. Corporate organizations do have CSR strategies; translating them into day to day management practices remains the problem. The case studies confirmed these findings, as all case study organizations could clearly depict a corporate CSR strategy; they were unable to explain how this was reflected in day to day CREM management practices however.
In line with these findings, the question has to be asked: 'what does it matter whether corporate organizations implement CSR on the basis of altruistic or capitalistic motives, the outcome is the same, a more social world?'. As such the development of a CSR-REM concept can be justified from a theorists' perspective as it provides CREM managers empirical explanation on the integration of CSR into the CREM decision making process.

3.   What contributions can be made to an operational CSR-REM concept at this moment in time.
Both field research and literature research showed out that CREM managers at this point hardly have any idea of the impact their CREM decisions have on five of the seven identified corporate stakeholder groups. Whereas the stakes and interests of shareholders and future generations taken central stage in the CREM decision making proces; the CREM managers have hardly any idea of the impact of their decisions on the remaining (5) stakeholder groups.

This knowledge gap must be bridged. First of all the awareness of a the social implications of a CREM decision should be improved and secondly CREM managers should be aided in understanding the impact their decisions have on the various corporate stakeholders
The product of this study helps CREM managers to identify this specific impact, aiding them to identify and describe the impact of a CREM decision on society. The product does not describe a predefined path to a more socially responsible CREM decision making process, but it does help CREM managers to integrate the specific corporate CSR strategy into this specific process.
It is the combination of CREM decision and stakeholders that is essential in the CSR-REM framework, the question: 'What is the consequence for which stakeholders always takes central stage'. The more you know about the stakeholders the more interesting the application of CSR-REM becomes.

Problem statement
The question remains whether the focus on these three research questions tackled the initial research problem as well. The initial research problem consisted of two parts:

-       Corporate real estate managers are not sufficiently aware or the impacts their decisions have on their stakeholders and subsequently their corporate organizations.
-       CREM managers should be aided in incorporating stakeholders' stakes and interests in their corporate real estate decisions.

First of all the problem statement was confirmed through the field research, the interviewed CREM managers did not have a clear picture of their impact on society. Furthermore it proved to be hard (if not impossible) for them to clearly tell how they considered different stakeholders in corporate real estate decisions.
The instrument that is the product of this thesis predominantly deals with the first part; as such, it helps CREM managers as depicted in the second part of the problem statement. Helping CREM managers to understand the impact of their CREM decision on society is a first step towards the integration of stakeholders' stakes and interests into the CREM decision making process. For the moment, it is impossible to provide CREM managers with a delineated path towards Corporate Socially Responsible – Real Estate Management. The instrument increases the awareness of CREM managers' impact on society however, as such giving them no reason to deny this impact.

10.4 | Recommendations for future use and research

The product of this thesis are a CSR-REM framework and 5 accompanying steps, helping CREM managers to describe the impact of their specific CREM decisions on society. The information that is deducted through this process should be used in the process of weighing up and selecting alternatives. As such the framework currently provides the basis for a comparative study between different CREM alternatives; integrating the stakes and interests of the previously under considered stakeholders into CREM decision making process. In this light, I would like to make the following recommendations for future use and research.

1. Monitor the claims on guidance rather than justification
Both theoretical as practical sources proclaimed a lack in empirical guidance rather than a lack of empirical justification of the CSR concept. This study has adopted this view. As a result an instrument that provides CREM managers empirical guidance on the integration of the stakes and interests of various stakeholders into the CREM decision making process was produced. Future research has to show out, whether the corporate organizations are truly willing to adopt this empirical guidance. Put differently, the validity of the above claims on empirical guidance rather than empirical justification have to be tested, now empirical guidance has come available.

2. Making an inventory of specific CREM decisions and their impact on society.
The framework helps CREM managers to describe the specific impact of a CREM decision on a group of stakeholders. This process requires the CREM managers themselves, to define certain specific paths. If the CREM managers communicate in an open and honest way, they can quickly learn a lot from each other and an inventory of these specific paths can be made.

3. Create CSR-REM benchmarks
The CSR-REM framework for the moment aids CREM managers in a comparative process. If the CSR-REM framework is adopted frequently; the deducted information can be used to create benchmarks. The question would then be raised, what does a CREM decision has to imply for a group of stakeholders to be considered socially responsible. If possible these benchmarks could even be used in a social accounting framework, to analyze the Corporate Social Performance of a corporate organization.

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