SUCCESSFUL REAL ESTATE STRATEGIES FOR MULTINATIONALS

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Date of Report: 27-01-2009
Date of Presentation: 30-01-2009

Delft University of Technology
Faculty of Architecture
Master track: Real Estate & Housing
Master of Science laboratory: Corporate Real Estate Management
Preface

It is with pleasure that I present my graduation thesis. This thesis is written within the framework of the graduation laboratory Real Estate Management of the department of Real Estate & Housing of the faculty of Architecture, Delft University of Technology.

This graduation thesis aims at researching the success of corporate real estate strategies and categorizing them in order to learn lessons from the past. In addition, this thesis presents certain aspects and characteristics that form a successful corporate real estate strategy.

I would like to extend a word of gratitude to the people and organizations that have kindly cooperated in the realization of this graduation thesis.

In the first place I would like to thank my mentorship team, that has provided me with guidance on both methodological issues as well as the research content itself. Herman Vande Putte: your always present and professional guidance and critical notes were of great value to me, and leaded this thesis to a success. In difficult times you were able to solve problems with so much convenience. Jo Soeter: your enormous (historical) knowledge of real estate, economy and organizations provided real added value to my thesis, and brought it to a broader perspective.

My special thanks go out to my third mentor Jackie de Vries. Jackie, you were always there for me, and always willing to provide new comments to my work. Even in the last phase of my research it was possible to address you with so many questions. Thank you so much!

My great appreciation go out to the several executives of the organizations that have participated in this research: Mr. Verhoeven (Royal Ahold), Mr. Stuip & Mr. Wilton (AkzoNobel), Mr. deGendt (ING Group) and Mrs. Mekking (Royal Shell).

I would like to thank my parents who gave me the opportunity to study here in Delft. Through all the good and bad times you always supported me and gave me the right advice. I will always remember your encouragement.

Also I would like to thank my roommate Adriaan. Adriaan, we shared so much together. During our graduation process, we supported each other to keep on going. In the past five years a true friendship has been built.

Finally, but most importantly, I would like to thank my beloved Els. Els, your endless love, enthusiasm, interest, compassion and patience gave me so much strength to keep on going and bringing my study and graduation to an end. You’re always in my heart.

I hope you will enjoy reading this graduation thesis.

Mark-Jan Kreijkes
The Hague, January 27, 2009
Voorwoord

Met vreugde bied ik u mijn afstudeerrapport aan. Dit rapport is geschreven binnen de afstudeerriectie Real Estate Management van de Master Real Estate & Housing van de faculteit Bouwkunde, Technische Universiteit Delft.

Dit afstudeerrapport onderzoekt het succes van vastgoedstrategieën, en deze te categoriseren zodat lering getrokken kan worden uit het verleden. Daarnaast presenteert dit rapport factoren en eigenschappen die een succesvolle vastgoedstrategie vormen.

Hierbij wil ik een woord van dank doen uitgaan naar personen en organisaties die een bijdrage hebben geleverd aan de totstandkoming van dit afstudeerrapport.

Als eerste wil ik graag mijn mentorenteam bedanken, die mij hebben begeleidt op zowel het methodologisch gedeelte als de inhoud. Herman Vande Putte: jouw altijd aanwezige en professionele begeleiding alsmede je kritische kanttekeningen zijn van grote waarde voor mij geweest, en hebben geleidt tot het succesvol volbrengen van dit rapport. In soms moeilijke tijden was je in staat om problemen in alle eenvoud uit te leggen en op te lossen. Jo Soeter: jouw enorme (historische) kennis van vastgoed, economie en organisaties hebben echt toegevoegde waarde gegeven aan dit rapport en het gebracht tot een breder perspectief.

Een speciaal dankwoord gaat uit naar mijn derde mentor Jackie de Vries. Jackie, jij stond altijd voor me klaar, en je was altijd bereid om nieuw commentaar te geven. Zelfs in de laatste periode van mijn onderzoek was het mogelijk om je te benaderen met al mijn vragen. Zeer hartelijk dank!

Mijn waardering gaat uit naar een aantal personen van de organisaties die een bijdrage hebben geleverd aan dit onderzoek. Dhr. Verhoeven (Royal Ahold), Dhr. Stuip & Dhr. Wilton (AkzoNobel), Dhr. deGendt (ING Group) en Mvr. Mekking (Royal Shell).

Ik wil mijn ouders bedanken die mij de mogelijkheid gaven om te studeren in Delft. Tijdens goede, maar soms ook moeilijke tijden, hebben jullie mij altijd ondersteund en gaven jullie mij het juiste advies. Ik zal jullie aanmoedigingen nooit vergeten.

Graag wil ik ook mijn huisgenoot bedanken. Adriaan, samen hebben we zoveel gedeel. Tijdens ons gezamenlijk afstudeerproces hebben we elkaanr op de been gehouden. In de afgelopen vijf jaar is een ware vriendschap ontstaan.

Als laatste, maar als meest belangrijke, wil ik mijn geliefde Els bedanken. Els, jouw eindeloze liefde, enthousiasme, interesse, toewijding en geduld gaven mij zo veel sterkte om door te blijven gaan en mijn studie en afstuderen tot een goed einde te brengen. You’re always in my heart.

Ik hoop dat u met vreugde en interesse dit afstudeerrapport zult lezen,

Mark-Jan Kreijkes
Den Haag, 27 januari 2009
Summary

Every organization uses real estate to accommodate employees and processes. Multinationals use a lot of real estate and usually have different types of real estate. Obviously, managing the real estate portfolio of these organizations is complex.

Problem description & main research question

In the field of Corporate Real Estate Management (CREM) it is a frequently heard statement that corporate real estate can have an important influence on the performances of organizations. To make the best out of real estate, it is considered essential to consider real estate not only as the “company’s shell” that accommodates people and processes, but to consider real estate as added value that can be used to achieve organizations (long period) objectives. Unfortunately, the importance of the added value of real estate is still not always recognized enough within organizations. By gaining insight in the key aspects of a successful real estate strategy, the chance increases that real estate strategies are not only formulated, but also actually being fulfilled. Therefore, the main research question of this thesis is:

“Which real estate strategies have been successful for Dutch multinationals, and what can be learned from these successful strategies for the future”?

Methodology

In order to answer this research question, both theoretical and empirical research is necessary. The theoretical research consists out of three chapters: business strategy, real estate strategy and economic context. The empirical research is based on four Dutch multinationals: Royal Ahold, AkzoNobel, Royal Shell and ING Group. This empirical research is a combination of document analysis, observations and multiple interviews, resulting in case descriptions. Subsequently, a cross case analyses will be made which, together with the theoretical research, will form the basis for the conclusions and recommendations.

Results theoretical research

It could be stated that the definition of the word “strategy” is not unambiguous. As a consequence, the literature does not present a clear vision on the content of a strategy. This study assumes strategy as “a plan to the objective and the objective itself”. A strategy is not static, but rather dynamic. As a consequence, both business- and real estate strategies differ every time and have a variety of content. Most business strategies of the last 20 years are based on the Position School, which considers strategies as analytical and generic rather than creative and unique.

According to many CREM researchers, both business strategy and real estate strategy should be mutual aligned, which suggests that a real estate strategy should follow the Positioning School. Based on this school, O’Mara (1999) creates differentiation in real estate strategies: Standardization, Value-based and Incremental. Joroff (1993) argues that corporate real estate should be considered as “fifth resource in order to achieve the organizations objectives”. As a consequence, the real estate strategy should be situated “between” the organization and the organizations objectives.

The literature does not present an unambiguous definition of the word “success”. In this study, success of a real estate strategy could be described as “the degree of achieving the objective”. Moreover, success could also be referred to as “what an organization perceives as successful”. By taking this view on success, it has to be mentioned that the context could be of influence to the degree of success. These context aspects could be for example: change or adaption of the organization strategy, organizations specific influences, governmental regulations and long- and short term economic cycles.
Results empirical research
All four cases are analyzed on various aspects. First of all, the organizations different real estate strategies are investigated on content, operationalization and the degree of success. In addition the alignment between both business strategy and real estate strategy is investigated. Also the influences of the (economic) context are taken into account. The results are implemented in the conceptual model. This model shows that many real estate strategies are indeed aligned with the business strategies. Yet, the empirical research shows that both pro-active and re-active alignment exists, something that theory did not mention.

In this study, a pro-active alignment is defined as:
“Based on the organization strategy, certain organizational objectives have been set out, which are implemented by (among others) the real estate strategy. The real estate strategy is aligned to the organization strategy, and the organizational objectives are realized through real estate strategies. The context is of relatively small influence on the organization”.

In this study, a re-active alignment is defined as:
“Based on major contextual changes that influences the organizations objectives, cause an adaption of the real estate strategy. The adapted real estate strategy causes the organization to act differently or set out new organizational objectives. The organizational objectives are aligned with the real estate strategy, and the real estate strategy is aligned with the organization strategy”.

The cases show that the (economic) context plays a major role in the implementation of both business and real estate strategies and the organizations objectives. The research shows that the content of successful real estate strategies differ per organization and per objective, and are mostly not primary financial driven.

Conclusions
This research shows that when using a pro-active alignment, real estate is used as fifth resource in order to achieve organizational objectives. When a pro-active alignment is used, the chances increase that real estate strategies are more successful. Main reason is that real estate is used as fifth resource, and the fact that pre-determined organization- and real estate strategies are consistent and have a clear process and content, which makes real estate used more efficiently, provided that the context is supportive.

However, this is not always the case. The research also shows that when using a re-active alignment, real estate is not used as fifth resource in order to achieve organizational objectives. Yet, the real estate strategies could still be successful. Research shows that sometimes, dependent on the combination of high contextual influences and type of organization, a re-active alignment is preferable.

The research shows that the contextual influences are very important and always have to taken into consideration. The research shows that the context influences both the process and the content of both organizational- and real estate strategies. Based on this research, several context aspects that influence the organization could be presented: the 4th and 5th Kondratiev wave, market tendencies, governmental regulations, product demands, corporate image, and customers-whishes.

It could be concluded that a successful real estate strategy does not have to consist out of certain pre determined themes. Successful real estate strategies are strategies that support the organizational objectives. The research shows that well-organized strategies with explicit themes (Like Ahold and Shell) often have a greater chance of success. In the case of AkzoNobel, the real estate strategies are context based and do not contain clear themes. Nevertheless, these strategies were successful too.

For future successful real estate strategies, it could be stated that when designing a real estate strategy, one should investigate the context and possible future developments (for example scenario planning) and determine the possible threats and opportunities. Depending on the type of organization, branch and context influences, the decision should be made whether or not to use pro-active or re-active alignment.
Samenvatting

Elke organisatie gebruikt vastgoed om haar mensen en processen te accommoderen. Multinationals gebruiken zeer veel vastgoed en beschikken vaak over verschillende typen vastgoed. Vanzelfsprekend is het besturen van de vastgoedportfolio van deze organisaties complex.

Probleem beschrijving & hoofdvraag

In het werkveld van vastgoedmanagement is het een vaak gehoorde bewering dat bedrijfsvastgoed een belangrijke rol kan vervullen in de bedrijfsprestatie. Om het beste uit vastgoed te halen is het van belang om vastgoed niet alleen te zien als “schil” om de organisatie, maar ook om vastgoed te zien als toegevoegde waarde voor de organisatie om haar (lange termijn) doelstellingen te halen. Helaas wordt door organisaties het belang van de toegevoegde waarde van vastgoed nog steeds niet altijd erkend. Door meer inzicht te geven in de belangrijkste aspecten van een succesvolle vastgoedstrategie, worden de kansen vergroot dat vastgoedstrategieën niet alleen worden geformuleerd, maar ook worden uitgevoerd. Daarom is de hoofdvraag van dit afstudeerrapport:

“Welke vastgoedstrategieën zijn succesvol geweest voor Nederlandse multinationals, en welke lering kan er getrokken worden uit deze succesvolle vastgoedstrategieën voor de toekomst”?

Methodologie

Om deze vraag te kunnen beantwoorden moet zowel theoretisch als empirisch onderzoek worden verricht. Het theoretisch onderzoek bestaat uit drie hoofdstukken: bedrijfsstrategie, vastgoedstrategie en economische context. Het empirische onderzoek is gebaseerd op vier Nederlandse multinationals: Royal Ahold, AkzoNobel, Royal Shell en ING Group. Het empirische onderzoek is een combinatie van documenten analyses, observaties en meerdere interviews, die allen resulteren in case beschrijvingen. Vervolgens wordt een cross-case-analyse gemaakt die, tezamen met het theoretisch onderzoek de conclusies en aanbevelingen vormen.

Resultaten theoretisch onderzoek

Het kan geconcludeerd worden dat er geen eenduidige definitie bestaat van het woord “strategie”. Dit heeft tot gevolg dat de literatuur geen duidelijke visie presenteert over de inhoud van een strategie. Dit onderzoek veronderstelt strategie als “een plan naar het doel, en het doel zelf”. Een strategie is niet statisch, maar dynamisch. Dit heeft tot gevolg dat zowel bedrijfsstrategieën en vastgoedstrategieën elke keer anders zijn en een variërende inhoud hebben. De meeste bedrijfsstrategieën van de afgelopen 20 jaar zijn gebaseerd op de Positioning School die leert dat strategieën zowel analytisch en generiek zijn in plaats van creatief en uniek.


De literatuur geeft geen eenduidige definitie van het woord “succes”. Dit onderzoek veronderstelt succes als “de mate van het bereiken van het doel”. Daarnaast kan succes gezien worden als “wat de organisatie ziet als succes”. Door dit standpunt in te nemen moet worden geconcludeerd dat de context van grote invloed kan zijn op de mate van succes. Deze context invloeden kunnen bijvoorbeeld zijn: verandering van bedrijfsstrategieën, organisatie specifieke invloeden, wet- en regelgeving en lange- en korte termijn economische cycli.
Resultaten empirisch onderzoek

In dit onderzoek wordt een proactieve verbinding gedefinieerd als:
“Gebaseerd op de bedrijfsstrategie worden zekere bedrijfsdoelstellingen uitgezet die worden geïmplementeerd door (onder andere) de vastgoedstrategie. De vastgoedstrategie is verbonden met de bedrijfsstrategie, en de bedrijfsdoelstellingen worden gerealiseerd door middel van vastgoedstrategieën. De context is relatief van weinig invloed op de organisatie”.

In dit onderzoek wordt een reactieve verbinding gedefinieerd als:
“Gebaseerd op grote contextuele veranderingen die de bedrijfsdoelstellingen beïnvloeden, wordt de vastgoedstrategie veranderd. Deze veranderde vastgoedstrategie heeft tot gevolg dat een bedrijf anders moet handelen of nieuwe bedrijfsdoelstellingen uit moet zetten. De bedrijfsdoelstellingen zijn verbonden met de vastgoedstrategie, en de vastgoedstrategie is verbonden met de organisatie Strategie”.

De casussen laten zien dat de (economische) context van grote invloed is op de implementatie van zowel de bedrijfsstrategieën en vastgoedstrategieën en de bedrijfsdoelstellingen. Het onderzoek laat zien dat de inhoud van een succesvolle vastgoedstrategie verschilt per type organisatie en per doel, en dat de inhoud meestal niet voornamelijk financieel gebaseerd zijn.

Conclusies
Dit onderzoek laat zien dat met het gebruiken van een proactieve verbinding, vastgoed gebruikt wordt als vijfde productiemiddel om organisatiedoelstellingen te behalen. Wanneer een proactieve verbinding wordt gebruikt, wordt de kans vergroot dat de vastgoedstrategie succesvoller is. De belangrijkste reden hiervoor is dat vastgoed gebruikt wordt als vijfde productiemiddel om organisatiedoelstellingen te behalen, en het feit dat de voorafgestelde bedrijfsstrategieën en vastgoedstrategieën consistent zijn en beschikken over een helder proces en inhoud die ervoor zorgen dat vastgoed effectiever wordt ingezet, mits een ondersteunende context.

Desalniettemin is dat niet altijd het geval. Dit onderzoek wijst uit dat het gebruiken van een reactieve verbinding het gevolg heeft dat vastgoed niet gebruikt wordt als vijfde productiemiddel om organisatiedoelstellingen te behalen, maar dat deze vastgoedstrategieën nog steeds succesvol kunnen zijn. Het onderzoek toont aan dat in sommige gevallen een reactieve verbinding wenselijk is, afhankelijk van de combinatie van hoge contextuele invloed en het type organisatie.

Dit onderzoek toont aan dat de contextuele invloeden van groot belang zijn en altijd in beschouwing gelaten moeten worden. Het onderzoek laat zien dat de context zowel het proces als de inhoud van de bedrijfs- en vastgoedstrategieën beïnvloeden. Gebaseerd op dit onderzoek kunnen een aantal context aspecten worden benoemd die van invloed zijn: de vierde en vijfde Kondratiev golf, marktomstandigheden, wet- en regelgeving, vraag naar nieuwe producten, bedrijfsimago en klantenwensen.

Het kan geconcludeerd worden dat een succesvolle vastgoedstrategie niet behoeft te bestaan uit een aantal voorafgestelde thema’s. Succesvolle vastgoedstrategieën zijn strategieën die de organisatiedoelstellingen ondersteunen. Dit onderzoek laat zien dat een goed georganiseerde strategie met expliciete thema’s (zoals Ahold en Shell) vaker tot succes leiden. In de casus van AkzoNobel zijn de vastgoedstrategieën gebaseerd op de context en hebben ze geen duidelijke inhoud. Desalniettemin waren deze vastgoedstrategieën toch succesvol.

Het kan gesteld worden dat voor het opstellen van toekomstige succesvolle vastgoedstrategieën men de contextinfluencten en de mogelijke toekomstige ontwikkelingen (bijvoorbeeld scenario-planning) moet onderzoeken, en de mogelijke bedreigingen en kansen bepalen. Afhankelijk van het type organisatie, branche en contextinfluencten moet een beslissing gemaakt worden om al dan niet te kiezen voor een proactieve of reactieve verbinding.
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Section I

Research Introduction
1. Background

1.1 Problem description

Every organization uses real estate to accommodate employees and processes. Multinationals (like Royal Ahold, AkzoNobel, ING Group and Royal Shell) use a lot of real estate and usually have different types of real estate. To make the best out of real estate, it is essential to consider real estate not as the “company’s shell” that accommodates people and processes, but to use real estate as added value that can be used to achieve organizations long period objectives (Joroff, 1993).

Appel and Feijts state: “Unfortunately, the importance of the added value of real estate is still not always recognized enough within organizations, which is keeping Corporate Real Estate managers from being at the strategic decision making table of their organization” (Appel and Feijts, 2007).

Several reasons can play a part in this:
- the allocation of (always limited) budget/time to more apparent resources
- a history of neglect of Corporate Real Estate among general management
- bad Corporate Real Estate management in the past

Research by Ernst & Young and Erasmus University exemplifies this trend of limited strategic usage of corporate real estate in the current market: more than half of the 500 largest Dutch organizations do not dispose an explicit real estate strategy. However, the research also reports that most organizations actually consider an explicit real estate strategy to be quite meaningful. Due to the complexity of the matter, they unfortunately have insufficient insight in formulating a real estate strategy. As a consequence, directors only look into real estate when concrete decisions have to be made. Because of this, there is a lack of policy embedding, and eventually that will cost them money. Fortunately it becomes clear from a real estate research by Ernst & Young that more and more organizations (62%) have a real estate strategy (Ernst & Young, 2005). Real estate is still insufficiently examined by multinationals. Reasons for this is, among other aspects, lack of knowledge of real estate and lack of real estate strategies. Moreover, real estate is less important than the core-business of the organization (Ernst & Young, 2005).

1.2 Corporate Real Estate Management

In the field of Corporate Real Estate Management (CREM) it is a frequently heard statement that corporate real estate can have an important influence on the performances of organizations. De Jonge (1994) defined corporate real estate management as: “the range of activities undertaken to attune corporate real estate optimally to corporate performance”. He further states that in terms of a match between business (demand side) and real estate (supply side), connecting the strategic and operational level. The four perspectives were translated into different domains relating to corporate real estate management: general management, asset management, facility management and project management, see Figure 1.

![Figure 1: The CREM domain (De Jonge, 1994)]
According to Joroff (1993), corporate real estate is a strategic resource in the set of the corporations other production resources: capital, people, technology and information. These resources have tight mutual relations, as seen in Figure 2. This means that corporate real estate is “the fifth resource” to achieve the organizations objective.

1.3 Business Strategy

Strategy is a subject that is and has been written about extensively. It seems simple to define the word strategy. Jacobs gives a characteristic: “important” (Jacobs, 2005). When in practice the word strategic is used, it could easily be exchanged for important. A strategic plan seems to be more valuable than an action plan.

However, there is no unambiguous definition of strategy. Whereas a “strategy” was originally referred to as a predetermined phased plan to get from a starting point ‘A’ to a specific objective ‘B’, determining the objective of a strategy later also became part of a process over time. Strategy design places the focus either on the process, or on the contents and sometimes even on both (Mintzberg, 1999). Thus, a business strategy could be described as the process and content in order to achieve a certain objective. Besides, organizations could have different strategies to achieve different objectives, as shown in Figure 3.
1.4 Context
The strategy, used by organizations to realize their objectives is depending from the context in which the organization operates. Also the life cycle of the organization itself plays an important role (Krumm, 1999). There is no standard strategy for each organization. Obviously, managing the real estate portfolio of these organizations is complex. One of the aspects that play a role is the manner of managing the real estate portfolio. This can differ from simply accommodating people and processes, to the strategic management of real estate portfolio, where real estate is considered as added value. Beside that, more factors play an important role. For example, the historical development of the organization, merging and take-overs, the economic situation and the organization’s policy. Creating a real estate strategy is based on choices which are related to the factors like the organization’s objectives and the organization’s business strategy, within a context. It is clear that as a consequence, a lot of possibilities exist to create a real estate strategy for the real estate portfolio of an organization.

1.5 Aligning corporate real estate strategies to business strategies
Based on the arguments mentioned above, it shows us that in order to use real estate as “fifth resource”, corporate real estate strategies should be aligned with business strategies. Thus, by aligning real estate strategies with the business strategies, the organizations efficiency will increase, and real estate will be of added value to the company. Real estate in this perspective means to realize organizational goals. In addition, the context is of significant importance, as seen in Figure 4.

![Figure 4: Top: Organization without CREM as fifth recourse. Bottom: Organization using CREM as fifth resource](image-url)
2. Objective and main research question

2.1 Objective and result of the research
The objective of this research is twofold. By gaining insight in the key aspects of a successful real estate strategy, the chance increases that real estate strategies are not only formulated, but also actually being fulfilled and taken along in the decisions of an organization.

Because of the lack of knowledge and the lack of interest by the multinational, it is difficult to create a successful real estate strategy. If there would be guidelines for creating a successful real estate strategy, these strategies would be designed and applied more easily, and there would be less hesitation for the organization to make one.

The second objective is to investigate whether a corporate real estate strategy would be more successful when aligned with the business strategy. It is not clear that aligning these two strategies creates added value to the corporate real estate strategy in itself.

The mean objective of this research is to provide more insight into formulating a successful corporate real estate strategy. To achieve this objective, this research provides a theoretical framework which will be compared to four cases. These cases will be implemented with a cross case analyses. As a result, this research thesis will be an advisory report for those managers in corporations that have final responsibility over formulating and applying strategic corporate real estate strategies.

2.2 Main research question
The problem description and the objective of this research leads to the following main research question:

“Which real estate strategies have been successful for Dutch multinationals, and what can be learned from these successful strategies for the future?”
3. Readers guide

This thesis is divided into 5 sections. The structure is based on the (chronological) subsequent stages in the research process, as shown in Figure 5.

Section I – Research Introduction: This section presents the background of the research, the objective and the main research question.

Section II – Research methodology: This section presents the research methodology. The section will discuss the research design, the data collection and the research organization.

Section III – Theoretical framework: This section covers three chapters. Chapter one discusses strategies in general & business strategies. Chapter two will investigate real estate strategies, and the last chapter will discuss the economical context.

Section IV – Case studies: This section will provide information considering the cases. The shortened case descriptions and the cross case analyze will be presented. The full case descriptions are placed in the appendices.

Section V – Conclusions: This final section will summarize the thesis and present conclusions and recommendations.

Figure 5: Thesis structure based on (chronological) subsequent stages of the research progress
Section II

Research Methodology
1. Research design

1.1 Research design
The research design exists out of 4 separate parts. The first part is a broad exploration of the research field. The second part is the theoretical framework. This framework is based on literature. On the basis of this theoretical framework, the empirical research is conducted. This empirical research is a combination of document analysis, observations and multiple interviews, resulting in case descriptions. Subsequently, a cross case analyses will be made.

The last phase exists out of a conclusion and evaluation which will be based on both the theoretical and empirical research. This research design is presented in Figure 6.

Figure 6: Research design
1.2 Research questions

As mentioned previously, the main research question is:

“Which real estate strategies have been successful for Dutch multinationals, and what can be learned from these successful strategies for the future?”

The main research question can be divided into several sub research questions, which can be divided into 4 different classes:

Business Strategies (Theoretical Framework)
1. What is a strategy, in general?
2. Which types of Business Strategies can be distinguished?
3. Which themes can be distinguished within a Business Strategy?
4. How can the success of a Business Strategy be measured?

Real Estate Strategies (Theoretical Framework)
5. Which types of Real Estate Strategies can be distinguished?
6. Which themes can be distinguished within a Real Estate Strategy?
7. How can the success of a Real Estate Strategy be measured?

Economic Context (Theoretical Framework)
8. What are the most dominant factors of the Economic Context?

Case studies (Empirical Research)
9. Which themes are mentioned in real estate strategies of the Dutch multinationals?
10. Which themes have lead to successfully fulfill the planed objective of the real estate strategy of the Dutch multinationals?
11. Which themes have lead to unsuccessfully fulfill the planed objective of the real estate strategy of the Dutch multinationals?
1.3 Research method
This research project is considered to be explorative. The research questions therefore consist of an open nature. The quest for qualitative information necessitates a combination of theoretical and empirical research.

Sub research questions 1-8 are considered to be answered by theoretical research. Sub research questions 9-11 are considered to be answered by empirical research. The collection and analysis of the research data is conducted during the empirical research phase.

In order to answer these open, qualitative questions during the empirical research phase, a series of case studies of several Dutch Multinationals have been made. These cases are investigated by 3 methods:
- Document analyses (Annual reports, related literature, papers and articles)
- Observations (on site and environment)
- Interviews

The interviews cover a wide range of subjects, that all have to do with the content of the real estate strategy, varying from financial considerations to site selection, from regulations to business strategy, and so on. The information that derived from these interviews is considered as a representation of the manner in which these corporations have implicitly formulated their corporate real estate strategy. The outcome of both theoretical research and empirical research will provide the answer of the main research question and will lead to conclusions and recommendations.

1.4 Case Selection
The selected cases for the empirical research are the same cases that Peter Krumm used in his PhD research: “Corporate real estate management in multinational corporations” (Krumm, 1999). The idea is to “update” this book by using his cases. There are several reasons to choose for the Krumm-cases:
- The book of Krumm provides background information that can be used in the research.
- By using the cases of Krumm, this research can contribute to an update of the book. The CREM department is looking forward to this.
- Some information is already present about these cases, which can be used in this research.

The Krumm cases exist out of eight Dutch multinationals: ABN Amro, Royal Ahold, AkzoNobel, ING Group, Philips, Shell, Unilever and Vendex.

For this thesis, the following cases are investigated: Royal Ahold, AkzoNobel, ING Group and Royal Shell.
According to Yin (1994), there are three different methods to analyze cases, see Figure 7.
- Singular case study
- Plural case study
- Retrospective case study

A retrospective case study provides a description covering multiple years. Attention has to be paid to influences due to time, culture and market situations. An advantage of a retrospective analyses is the presentation of the organizational development over time.

![Figure 7: Different types of case studies (Yin, 1994, visualized by van der Schaaf, 2002)](image)

1: Singular case study
2: Plural case study
3. Retrospective case study

In this thesis the selected cases are investigated over a certain period. This period had to be chosen with care. The following criteria were used:
- The period is not solely of the last few years. Real Estate Strategies usually span a long time and besides, it is interesting to see a certain development over years. As a consequence, a long time span in necessary.
- The period must not be too short. A period of 10 years will be dissuaded, since it is possible that the corporate real estate management and strategies are non-active in precisely those 10 years. Besides that, it is possible that in the specific period not much information is provided.
- The period must be after World War II. After WW II the rebuilding stage started and therefore most interesting in the field of real estate. Also, the period must be reasonably recent in order to organize interviews with the appropriate executives.

When we combine all these criteria, we can conclude that the selected cases will be investigated over a time span of approximately 35 years, from 1970-2008.

The cases Ahold and AkzoNobel will be used as basis of the empirical research. A thorough cross case analyses is made of these two cases. The findings and conclusions are subsequently compared with the other two cases: Shell and ING Group, described by another graduation student, Lennaert Diephuis. This means that the case studies will also be retrospective. Besides that, the cases Ahold and AkzoNobel will also be investigated in depth and with each other, which means that all 3 methods suggested by Yin will be used.
Section III

Theoretical Framework
Introduction Theoretical Framework

Section III of this report contains the theoretical framework. This theoretical framework acts as a basis for the case studies. This basis will be formed only from existing theories and literature, and therefore the theoretical framework forms a good basis for the empirical research.

The theoretical framework consists out of 3 chapters, as Figure 8 shows:

Chapter 1 will start of with theories about strategy in general, in order to answer sub research question 1. Further, chapter 1 will discuss the design and development of business strategies. This chapter continues with business strategy themes, and with methods to measure the success of a business strategy. Chapter 1 will provide answers to sub research questions 1-4.

Chapter 2 will discuss different real estate strategies. A differentiation will be made between the design and the content of these strategies. This chapter will finish of with methods to measure success of real estate strategies and the alignment of both business strategies and real estate strategies. Chapter 2 will provide answers to sub research questions 5-7.

Chapter 3 provides information concerning the Economic Context of the research. In the time span of 35 years, specific aspects will be investigated such as economic development, employment, business development, real estate cycle, real estate development and trends. Besides, a differentiation will be made between the long- and short term economic cycles. The last chapter provides specific answers to sub research question 8.
1. Business Strategy
This chapter consists out of the following paragraphs, following the research questions:
1.1 What is a strategy, in general?
1.2 Which types and themes of Business Strategies can be distinguished?
1.3 How can the success of a Business Strategy be measured?

1.1 What is a strategy, in general?
Dictionaries describe strategy as a plan or policy to achieve a certain objective. The most simple
and perhaps also most widely used definition of strategy is “the way in which and the resources
with which a (previously determined) objective is achieved” (de Jonge, 2007). In fact, strategy is
therefore the implementation of a “plan of approach”, particularly if previously determined
objectives are concerned. Strategic management, or even better: strategic planning, is
consequently the preparation of a plan of approach. In organizational, management and business
knowledge, strategy is increasingly considered the framework within which all other activities take
place. It creates the conditions with a view to an organization’s going-concern and success, and
has implications for the organization’s other areas (Starren, 1998).

However, in Henry Mintzberg opinion, there is no unambiguous definition of strategy. He
emphasizes this in his book “Strategy Safari: A Guided Tour Through The Wilds of Strategic
Management” (Mintzberg et al, 1999). In his book, Mintzberg presents five meanings to strategy.
All of these start with a P:
- Strategy is a Plan (1), an indicator, a guide on the path to get from here to there.
- Strategy is a Pattern (2), a consistent behavior in the course of time.
- Strategy is a Position (3), a link of certain products and certain markets.
- Strategy is a Perspective (4), the fundamental behavior of the company.
- Strategy is a Ploy (5), a maneuver, meant to deceive the competitor.

Jacobs (2005) joins Mintzberg in his book “Strategie, leve de diversiteit”. He increases the 5 P’s to
15 P’s:
- Plan: he adds Program (6) and Planning (7). He uses Pyramid (8) as a synonym for
organization.
- Pattern: he adds Path (9), and the Past (10).
- Perspective. He adds Personality (11), Profile (12), Paradigm (13) and Perception (14).
- Ploy. He adds Principle (15).

Also, there is agreement about the definition Strategy. Chaffee (1985) formulates seven “points of
agreement”. Mintzberg (1999) agrees with him:
- Strategy concerns both organization and environment
- The substance of strategy is complex
- Strategy affects overall welfare of the organization
- Strategy involves issues of both content and process
- Strategies are not purely deliberate
- Strategies exist on different levels
- Strategy involves thought processes
(Chaffee, 1985, in Mintzberg et al., 1999)
The differences and the agreements, as well as the many books that have been written about strategies, show that there is no overall agreement about the definition of Strategy. Idenburg (1993) agrees with this obscurity and therefore he makes a simple classification of strategies, based on themes that Mintzberg and Jacobs use as well: process or purpose orientated, see Figure 9.

![Figure 9: four perspectives on strategy shaping (Idenburg, 1993)](image)

This classification shows the tension between the different ways of thinking about strategy shaping. Does the emphasis lie on the goal or the process? The classification goal orientated process orientated shows four approaches: logical incrementalism, guided learning, rational planning and emergent strategy. These four approaches are extreme and it does not mean that every strategy is one of these and can be placed in one category. Idenburg defines the four approaches as following:

- **Rational planning:**
  "Rational planning as a form of strategy development is concerned with the development and formulation of attainable objectives".

- **Guided learning:**
  "In this view on the process of strategy development, a common image of reality, a common language and the joint acquisition of new insights is just as important as the definition of exact goals for a desired future".

- **Logical incrementalism:**
  "Logical incrementalism recognizes that the reality of strategic management comprises steering goals as well as people".

- **Emergent strategy**
  "According to this view, it is not possible to develop a perspective of the future and formulate explicit objectives in an unpredictable environment; instead, it is necessary to react in a flexible opportunistic and accidental manner to new unpredictable developments (...)".
The approaches rational planning and emergent strategy by Idenburg show similarity to the figure of Mintzberg (Figure 10). In this figure, he states the relation between the rational and the emergent strategy.

![Figure 10: the relation between rational and emergent strategies](image)

Strategic management thus becomes (intentionally) providing additional steering as to the existing situation and the strategy is the accompanying “plan”, whether or not written down. In this context, Mintzberg (1994) distinguishes a “planned strategy” (what an organization wishes to change and tries to do in order achieve this) and an “emerging strategy” (what is currently taking place). Therefore, there are habitual objectives and working methods that are more essential (more real) than the strategic plans, even more so if the latter remains merely slogans or pieces op paper (De Jonge, 2007).

**Research question 1: “What is a strategy, in general”?**

Summarizing, it could be stated that a strategy can not be presented as unambiguous. Further, the literature does not give a clear content of a strategy. However, Mintzberg’s figure does give a certain clarity that a strategy is both a plan or road to the objective and the objective itself. Nevertheless, this well-considered strategy could be influenced by the emergent strategy. This means that a strategy is not static, but rather dynamic. Therefore, when investigating Business Strategies, it is interesting to investigate the strategy design rather than the content.
1.2 Which types and themes of Business Strategies can be distinguished?

Introduction; The development and design of business strategies
The Design, Planning and Positioning School all belong to the so-called prescriptive approach toward strategic management. The majority of other schools belong to an approach that frequently is referred to as the descriptive approach. The prescriptive schools can be classified based on the following three characteristics (Verschuren, 2000):

- Strategy is a deliberate choice, based on a market survey, the strengths and weaknesses of the organization, and the goals that the corporation aims to reach.
- Strategy is formulated initially and implemented in a subsequent stage.
- Strategy is made known throughout the organization when formulated.

The descriptive schools can be classified based on the following three characteristics (Verschuren, 2000):

- Formulation and implementation of strategy is not subsequential, but are part of a reciprocal, iterative process. This implies that strategies can never be planned on a long term basis.
- Due to altering circumstances and/or learning processes, a strategy can be changed on a continuous basis. Therefore, the strategy is not made explicit.
- Intended strategy will partially not be realized and realized strategy will partially not be intended initially.

The rapid emergence of the Positioning School was caused by a general dissatisfaction about the Design and Planning Schools. The course of this trend is depicted in Figure 11. The diagram illustrates the spread of activities (academic publications) in the field of strategic management among the various schools of strategic management theory. It should be noted that the diagram is impressionistic of its nature. The data conveys subjective estimates on the amount of published work in the field. On average, the diagram presents an image of subsequent dominance by initially the Design School, but swiftly succeeded by the Planning School with a large increase during the seventies. The Planning School finally had to renounce its dominancy to make way for the Positioning School that emerged during the eighties. (Singer, 2005).

![Figure 11: Historical development of the ten schools of strategic management (Mintzberg, 1990)](image)

Now that the position of the three major (prescriptive) schools within the entire field of strategic management theory is discussed, a slightly more detailed notion of these schools will be given. First, a general introduction to the premises of both the Design School and the Planning School is provided. Following on that matter, a more detailed discussion on the Positioning School is brought since this movement forms the basis of the approach toward real estate strategies in this research.
**Design School**
Simply put, this movement holds the point of view that the model of strategic management is primarily focused on reconciling the internal capacities of an organization with the external possibilities that surround them. Basically, their motto runs: “find the right combination” (Singer, 2005).

The basic model of the Design School particularly emphasizes the importance of evaluating external and internal circumstances and thereby aiming to dig up the threats and opportunities in the surroundings as well as the strengths and weaknesses of the organization itself. About the way strategies actual come about, with respect to content, little is published by the adherents of this school, except for the remark that it involves a creative act.

Another characteristic element of this approach with respect to the formulation of strategies, is the fact that several possibly suitable strategies are drawn up. The next step in the strategic management process is to evaluate these strategies and subsequently choose the strategy that suits the needs of the corporation best.

Although the view toward strategic management has grown into various directions over time, the SWOT model still constitutes the basis of most literature on strategic management. “The Design School has laid the foundation for further developments in other schools,” Mintzberg et al put it briefly (Mintzberg et al, 1998).

**Planning School**
The movement of the Planning School accepted most of the premises made by the Design School. Indeed the Planning School employed the same model as the Design School, yet in their opinion this model needed to be highly formalized. “Strategies should evolve out of a controlled, consciously executed process of formal planning, subdivided into clearly separated steps, each consisting of its own checklists and supported by its own techniques.” Basically, their motto runs: “predict and prepare”. The emphasis that this movement puts on parsing and formalization, implies that the attention was mostly concerned with the operational aspect of strategic management, especially with the planning over time, the programming, and the assessment of budgets.

**Positioning School**
Although the Positioning School accepted most of the premises that underlay the Planning and Design School, as well as their fundamental model, it added content, in two ways. It did so in the literal sense of emphasizing the importance of strategies themselves, not just the process by which they were to be formulated. And it added substance: after all those years of the general pronouncements of the Planning School model, the Positioning School, by focusing on the content of strategies, opened up the prescriptive side of the field to substantial investigation” (Mintzberg et al, 1998).

Furthermore, this approach toward strategic management breaks with two fundamental principles of the traditional schools of thought. Both the Design and Planning School consider the formulation of the content of strategies to be a unique and creative act. The Position School replaces the concept unique by the concept generic. The concept creative gives way to the concept analytical. In Figure 12, the three most important characteristics are emphasized (Singer, 2005).
**Porter and the Positioning School**

With his book *Competitive Strategy* in 1980, Michael Porter (a Harvard Business School professor and a leading authority on competition and strategy) gave the initial impetus to a new approach toward strategic management. This approach toward strategic management breaks with the prevailing perspective of the so-called Design School and Planning School. These schools consider the formulation of the content of a strategy to be a unique and creative act. The Position School (as the approach by Michael Porter and like-minded is generally referred to) replaces the concept unique by the concept generic. Furthermore, the concept creative gives way to the concept analytical.

According to Porter (Porter, 1985), the fundamental basis of above-average performance in the long run is sustainable competitive advantage. Though a firm can have a myriad of strengths and weaknesses vis-à-vis its competitors, there are two basic types of competitive advantage a firm can possess: low cost or differentiation. The significance of any strength or weakness a firm possesses is ultimately a function of its impact on relative cost or differentiation. Cost advantage and differentiation in turn stem from industry structure. They result from a firm’s ability to cope with the five forces better than its rivals.

The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above-average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus. The relationship between the various types of competitive advantage is depicted in Figure 13.

![Figure 13: The various types of competitive advantage (Porter, 1985 in Singer 2005)](image)

The notion underlying the concept of generic strategies is that competitive advantage is at the heart of any strategy, and achieving competitive advantage requires a firm to make a choice -- if a firm is to attain a competitive advantage, it must make a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it. Being “all things to all people” is a recipe for strategic mediocrity and below-average performance; because it often means that a firm has no competitive advantage at all.
Cost leadership is perhaps the clearest of the three generic strategies. In it, a firm sets out to become the low-cost producer in its industry. The firm has a broad scope and serves many industry segments, and may even operate in related industries. The firm’s breadth is often important to its cost advantage.

In a differentiation strategy, a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price.

The focus strategy is quite different from the others because it rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment of group of segments in the industry and tailors its strategy to serving them to the exclusion of others. By optimizing its strategy for the target segments, the focuser seeks to achieve a competitive advantage in its target segments even though it does not possess a competitive advantage overall.

There are two fundamental differences between the Design and Planning Schools and the new approach. In the first place, Porter shifts the focus of attention from the process of formulation to the actual content of strategies. In the second place, the conception of formulating a strategy as a unique and creative act is rejected. The Positioning School offers more insight in practicing strategic management due to the clear arrangement in a limited number of options and the analytical approach to come to a choice for a specific generic position.

There have been a few critical notes on Porters Competitive Strategy. Mintzberg’s criticism on the Positioning School is primarily focused on the narrowness of the scope that is being used. This narrowness focuses on the concepts range, context, process, and strategy. Another point of criticism with respect to context is the remarkable attention that is being paid to the dynamic aspects of strategic positioning. On one hand, the movement’s maxim is to study meticulously and proceed in a generic manner, but on the other hand their advise is to act swiftly and unsuspected. According to Minzberg, this problem is possibly caused for the most part by the emphasis the Positioning School puts on external circumstances at the expense of internal capacities (Mintzberg et al, 1998).

Research question 2: “Which types of Business Strategies can be distinguished”?

Research question 3: “Which themes can be distinguished within a Business Strategy”?

Summarizing, it could be stated that most Business Strategies in the period 1980-2008 are based on the Positioning School, since this school is the most used in the entire strategic management industry. That means that these Business Strategies should not only be “the plan or road to the objective” but also have a certain content. Besides, this content is more analytical and generic rather than creative and unique.

It has to be ascertained that these business strategies are based on American organizations. This could mean that these findings could not be applied to European (and obviously Dutch) organizations due to the different context. And it is precisely the context that could make a difference. Yet, this thesis investigates (Dutch) Multinationals and therefore, these findings could easily be applied to these organizations since all the investigated multinationals are active globally, including in the USA.

Still, the literature does not give clarity which themes should be in the content of these Business Strategies. However, Porter (1985) argues that the content must be focused to one of the various types of competitive advantage: cost leadership, differentiation, focus on costs, focus on differentiation.

This means that, when investigating Real Estate Strategies, the analytic and generic aspects of Business Strategies will be of great influence, since Real Estate Strategies should be aligned with Business Strategies.
1.3 How can the success of a Business Strategy be measured?

Measuring success is actually measuring organization performances. But organizational performances are often aligned to the type of organization.

Tangen (2005) reviewed many academic and professional journals of the past 30 years for publications on organizational performance. He came to the conclusion that performance is a compound variable embodying:

- competitive advantage or excellence
- profitability
- productivity.

Competitive advantage has been defined as the (developments in) market share, and productivity as the ratio of output/input. Profitability is defined as the difference between benefits and costs. Productivity is the most difficult to quantify, especially if the organization concerned is a centre of expertise, a service provider or an educational institute. The assessment of performance variables depends on the position and interests of the various stakeholders and is therefore affected by context variables such as legislation, market developments, social trends or demographic developments (Vries et al, 2007).

There are several types of Performance Indicators. One of the most generally known Performance Indicators are the Key Performance Indicators (KPI) and the Balanced Scorecard (BSC).

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<td>- Employee Turnover</td>
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<td>- Gender Ratios</td>
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| Figure 14: A random set of KPI (Wikipedia, 2008) |

Research question 4: “How can the success of a Business Strategy be measured”?

Summarizing, it could be stated that there are many ways to measure organizations and organizational objectives. Based on literature review, de Vries (2007) concludes that non of the used KPI for organizational success refers to real estate. Another comment on these KPI used in business is that the organizational success is segmented into little non integrated pieces, which can lead to sub optimal solutions. In this research success of business strategy is seen as realizing organizational objectives. Success of business strategies is in this perspective not totally objective, but can be measures in many different ways.
2. Real Estate Strategy

This chapter consists out of the following paragraphs:
2.1 Which types and themes of Real Estate Strategies can be distinguished?
2.2 How can the success of a Real Estate Strategy be measured?

2.1 Which types and themes of Real Estate Strategies can be distinguished?

2.1.1 Introduction; Generic strategies by O’Mara

Just like the term Strategy, there is no overall accepted definition for the term Real Estate Strategy. The term Strategy has always been vague, and therefore Real Estate Strategy is even vaguer. There are very few definitions that can be found in the literature:

- A corporate real estate strategy is a plan to assert the corporate real estate portfolio in a manner that contributes both directly as well as indirectly to the long-term profitability and continuity of the corporation (Singer, 2005).
- The appliance of management strategies to the property portfolio of an organization, to achieve its operational objectives efficiently (Edwards&Ellison, 2004).

In her book *Strategy and Place: Managing Corporate Real Estate and Facilities for Competitive Advantage*, Harvard Design School lecturer Martha O’Mara (O’Mara, 1999) employs the basic concepts of the Positioning School in order to help corporations in gaining more insight into the strategic management of their corporate real estate portfolio.

As discussed in chapter 1, Michael Porter uses two concepts to create the discrepancy between the different generic strategies, namely

- the type of competitive advantage, and
- the scope of activities.

Analogous to this approach, the theoretic framework of Martha O’Mara also acknowledges two concepts that create a discrepancy between the different generic corporate real estate strategies:

- strategic uncertainty, and
- views on action in organizations.

The next paragraphs provide an excerpt from the book Strategy and Place about the main issues concerning generic corporate real estate strategies.

2.1.2 Strategic uncertainty

The more uncertain managers are about their company’s future, the more they want to delay major commitments until either better information or a clearer vision is available. Long-term commitments to facilities or capital improvements are avoided as much as possible. The extend of this uncertainty influenced by variety of factors. First of all, the inability to forecast space requirements can be based on uncertainty about the future success of the corporation’s products or service, because neither the actions of its competitors nor the customer acceptance can be predicted. Also the effects of new implemented operating technology is sometimes difficult to anticipate. Finally, there often is a great deal of uncertainty about the financial constraints over the acquisition of facilities, since the often high investment costs need to be paid upfront while the revenues that need to compensate these investments are frequently received on the long term. Uncertainty about future real estate requirements predominantly occurs at corporations in the startup and fast-growth stages.
2.1.3 Two views on action in organizations

There are essentially two opposing, but not necessarily exclusive, ways of viewing what drives action in organizations. Some theories claim that organizational behavior is primarily driven by an economically rational response to production requirements or environmental constraints. This rational-instrumental perspective implies that decisions about facilities are made in an economically rational way, taking into account available external resources, the technological requirements of production, and embedded resource allocation systems. Economically rational means that the highest value output is sought at the lowest investment cost. Another group of theories, which are collectively referred to as valuation-symbolic theories, presume that behavior in organizations is based upon social and emotional criteria. Organizational phenomena are viewed as socially constructed. According to the valuation-symbolic perspective, the basis for real estate decisions is how well they reflect the management style, the hierarchy, and the status and power of the organization’s members. To put it briefly, the facility serves as a symbol of the organization’s culture.

Based on the fundamental influence of both strategic uncertainty and the different views on action in organizations, a classification of generic strategies is generated as depicted in Figure 15.

![Figure 15: Generic corporate real estate strategies: standardization, value-based & incrementalism (Singer, 2005)](image)

According to O’Mara, corporations can either choose to assert their corporate real estate portfolio in an incremental, value-based, or standardized manner. Corporations operating from a rational-instrumental perspective will (depending on the strategic uncertainty) approach their real estate decision making in either an incremental (at high uncertainty) or standardized (at low uncertainty) manner. Corporations operating from a valuation-symbolic perspective base their real estate decision making on the extent to which the values of the corporations are reflected. The strategic uncertainty of the corporations following the latter approach can often be considered moderate.
2.1.4 Standardization strategy

A standardization strategy attempts to control and coordinate facility design and real estate operations across the entire organization. Standards are set centrally and applied throughout the company. In order to standardize real estate and facilities decision making, a company must be able to make some confident predictions about its future facility requirements. An extensive use of a standardization strategy often is found at companies which occupy a great deal of real estate, have fairly predictable use of these assets based upon function and place a priority on control and efficiency. In general, the older and larger a company is, the more likely both design and operating standards will be found. Standardization is all about control: cost control and control over behavior. Standardization becomes a method of strategic decision making when established standards are used to guide real estate and facility decisions. A new project is planned using established procedures and designed according to existing design standards. While companies that are either incremental or value-based in their approach to real estate decision making also may use design standards when planning a new facility, this does not necessarily mean that they are using a standardization strategy. Incremental companies may have some design or space standards, but the acquisition and planning of each new project is undertaken one at a time, with little future planning and not much concern for following standard procedures. Under a value-based real estate decision making strategy, design and operating standards may help the company to handle the complexities of a large project, but they do not drive the outcome of the project.

A standardization approach to real estate and facility decisions is most appropriate for companies operating in relatively stable competitive environments. Companies in more predictable competitive environments usually have predictable patterns of inputs and outputs. Stable markets often pressure these companies to compete as low-cost producers, so the cost controlling aspects of standardization’s scale economies can help sustain cost advantages. Standards are easier to implement since much of the company’s product development and production can be routinized. Of course, having policies in place is integral to every support function within any organization and real estate is no exception. It is critical that the company is clear about why the particular policy is in place and how it directly contributes to enabling competitive advantage. Outsourcing day-to-day facility operations also leads to greater standardization of policies and operations.

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<td>- Better control over allocation of resources</td>
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Figure 16: The various advantages and disadvantages of a standardization strategy (Singer, 2005)
2.1.5 Value-based strategy

A value-based strategy deliberately expresses the values and strategic direction of the company in the real estate decision making process. When a value-based strategy is followed, people not only speak of the building’s function but also highlight its meaning to the organization. A value-based approach recognizes that people construct social meaning out of their physical environment. A value-based strategy actively celebrates this innate human behavior. A value-based strategy embraces what Place means to the organization and uses Place to support its goals. The value-based approach is proactive about using the inherent power of the physical setting to symbolize values and influence behavior. It embraces and utilizes the setting’s communicative powers to the organization’s advantage. You can detect a value-based approach in action when organization members speak about what their work environment means to the organization in non-economic terms. The value-based approach considers the company’s relationship with its customers, employees and the community.

Figure 17: The various advantages and disadvantages of a value-based strategy (Singer, 2005)
2.1.6 Incremental strategy
An incremental strategy is apparent when space is acquired in bits and pieces over time. The more uncertain managers are about their company’s future, the more they want to delay major commitments until either better information or a clearer vision is available. Under these conditions, the primary concern of the company is to meet the physical requirements of the work to be done – that which is immediately identifiable and tangible. Companies pursuing an incremental strategy rarely put much emphasis on employee amenities or visual aesthetics. Designer frills are not tolerated. There are three major reasons why companies pursue incremental real estate and facility strategies. Uncertain competitive conditions are the drivers of two reasons: (a) an inability to forecast space requirements based on uncertain product demand in the future and (b) a lack of management time to plan and make decisions during periods of high growth and rapid change. A third set of reasons for making decisions incrementally are based upon (c) financial considerations: a desire to conserve capital for future commitments or to take advantage of late-breaking opportunities in the real estate market.

Research question 5: “Which types of Real Estate Strategies can be distinguished”?
Research question 6: “Which themes can be distinguished within a Real Estate Strategy”?

Summarizing, it could be stated that the three different Real Estate Strategies by O’Mara are fully aligned with Porters view on Business Strategies. O’Mara’s Real Estate Strategies are analytical and general strategies, which could be implemented easily into every organization. This means that Real Estate Strategies of every organization (including the four cases in this thesis) could be classified into the differentiation that O’Mara presents.

On the other hand, these Real Estate Strategies by O’Mara remain rather general and do not go into any details. As a consequence, O’Mara does not argue about different themes within a strategy. Apparently, both Business Strategies, and Real Estate Strategies do not present themes that form the content of these strategies.

So how is it possible to investigate whether a Real Estate Strategy is successful or not, without knowing the content of such a strategy? In order to answer this question, it is necessary to investigate how to measure success without knowing the content. The next paragraph will discuss this more thoroughly.
2.2 How can the success of a Real Estate Strategy be measured?

First of all, this paragraph will discuss what success actually is. Furthermore, this chapter will investigate how to search for success themes within the real estate strategies in the case studies and how to measure these successes. This information is essential to answer research questions 10 and 11.

2.2.1 What is success?

Success is a very common, frequently used word. Everyone has a certain idea of what success actually means, but it turns out to be very difficult to give one clear explanation.

The dictionary states the following:
1. A good result
2. The achievement of an objective or goal
3. The achievement of something desired, planned, or attempted
4. The attainment of wealth, fame, or position

Remarkable and interesting to see is that the word “success”, in combination with CREM is hardly used by researchers and almost never founded in research thesis’s or papers. In the CREM literature, the word success is replaced by “organizational performance” and “added value”.

De Vries (2007) defines organizational performance as “the fulfillment of organizational objectives from the perspective of various stakeholders”. Since the “fulfillment of organizational objectives” could be seen as “success”, one could translate success into the fulfillment of organizational objectives.

Lindholm agrees with de Vries by stating success as following: “success factors are considered as key aspects where targets must be reached in order to succeed in business objectives and strategies. Success factors are the central element in identifying the CREM performance”.

Apparantly, researches rather talk about added value in stead of success. However, it is important to mention that these added values must always be aligned with the organizational objectives. This means that when talking about successful Real Estate Strategies, these strategies must support the added value of the organization, thus the organizational objectives.

2.2.2 Business Strategy aligned to Real Estate Strategy

According to several researchers, the company’s real estate strategy should be aligned or even integrated with the business strategy. There is an overall agreement that this link should exist, but barely perceived.

Gibler states that “To be most effective, organizations should follow a corporate real estate strategy that is consistent with overall corporate strategy and coordinated with other functional areas (Gibler et al, 2002).

Cooley agreees and states “Assembling a real estate strategy is a complex undertaking with many parts that must be integrated seamlessly to form a coherent picture. Real estate strategies are linked closely to the business plan in realistic and practical ways” (Cooley, 2002).

As Lindholm et al argue, “the strategic management of the real estate portfolio must be derived from and support the overarching corporate strategy in order to ensure an effective contribution to the corporation as a whole”. (Lindholm et al, 2006).

In 2001, Roulac even warns companies who do not integrate their business strategy and real estate strategy: “It is a rare occurrence for a corporate business strategy to include a corporate real estate strategy. Not to have a corporate real estate strategy is to put the enterprise at risk”. He concludes with the words: “The prospective payoff of superior corporate property strategy is enormous. Superior corporate property strategies promote multiple objectives of strategic advantage, innovation, business growth, productivity, human resources, business profitability and wealth creation.
Superior corporate property strategies enhance the enterprise’s competitive advantage and core competencies by creating and retaining customers, attracting and retaining outstanding people, contributing to effective business processes to optimize productivity, promoting the enterprise’s values and culture, stimulating innovation and learning, and enhancing shareholder wealth”. (Roulac, 2001).

Lindholm and Levainen agree and argue that the organizations wealth will increase when real estate and business strategies compare: “Maximizing the contribution of property to the wealth maximization of the firm’s shareholders requires development of an organizational strategic plan that drives a supporting real estate strategy”. (Lindholm and Levainen, 2006).

But the link between real estate strategies and business strategies also work the other way round.

Nourse and Roulac state: “An organization’s real estate decisions will be effective if such decisions support the enterprise’s overall business objectives. This result can be achieved only by the explicit consideration of how real estate strategy supports corporate strategy and the sub strategies for component elements of the corporation, and then in return how specific real estate operating decisions support the real estate strategy”. (Nourse and Roulac, 1993).

Scheffer et al (2006) support this statement and argue: “The contribution of corporate real estate to overall business objectives is a topical subject, currently more than ever before”.

The statements above show us that it is essential to align both the business strategy and the real estate strategy, in either directions. Thus, not only must the real estate strategy proceed out of the business strategy, but also the real estate strategy must support the business strategy.

2.2.3 Added Value

The switch from success to added value is also being made by Lindholm: “The success of CREM should be, the CREM ability to create added value for the businesses and to contribute to the overall performance of the corporation”. (Lindholm, 2008). But what does added value actually mean? Again, the literature does not give one clear answer to this question.

Nourse and Roulac (1993) come to the conclusion that all too often the dominant emphasis tends to be on the financial goal of cost minimization. Thus, they see that corporations should be able to consider their CRE strategies from a wider perspective than just cost minimization. According to Nourse and Roulac, to effectively support a range of corporate objectives, multiple, rather than single real estate strategies may be required. In Table 1, they list eight types of real estate strategies that encompass how a company’s property decisions can be guided (Nourse and Roulac in Lindholm, 2008).

In an effort to pinpoint the added value of real estate, de Jonge described seven elements of added value (Table 2) contributing to the transformation of real estate from mere “cost of doing business” to a true corporate asset (Krumm, 1999). De Jonge also identified cost reduction, flexibility, and the relationship between real estate and marketing as the ways real estate can add value to the firm. His list differs from that of Nourse and Roulac (1993) by reformulating facilitating operations to increasing productivity, more clearly identifying increasing value as a strategy, highlighting changing culture by introducing workplace innovations, and grouping a range of real estate decisions under the heading of risk control.
### Table 1. Alternative real estate strategies (Nourse and Roulac, 1993 in Lindholm, 2008)

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1. Occupancy cost minimisation | - Explicit lowest-cost provider strategy  
- Signal to critical constituencies of cost-consciousness |
| 2. Flexibility | - Accommodate changing organisational space requirements  
- Manage variability/risk associated with dramatic escalation/compression space needs  
- Favor facilities that can readily be adapted to multiple uses by corporation and others |
| 3. Promote Human Resource objectives | - Provide efficient environment to enhance productivity  
- Recognize that environments are important elements of job satisfaction and therefore compensation  
- Seek locations convenient to employees with preferred amenities |
| 4. Promote marketing message | - Synthec statement of substance or some other value  
- Form of physical institutional advertising  
- Control environment of interaction with company’s product/service offering |
| 5. Promote sales and selling process | - High traffic location to attract customers  
- Attractive environment to support/enhance sale |
| 6. Facilitate and control production, operations, service delivery | - Seek/design facilities that facilitate making company products/delivering company services  
- Favor locations and arrangements that are convenient to customers  
- Select locations and layouts that are convenient to suppliers |
| 7. Facilitate managerial process and knowledge work | - Emphasize knowledge work setting over traditional industrial paradigm  
- Recognize changing character, tools used in, and location of work |
| 8. Capture the real estate value creation of business | - Real estate impacts resulting from demand created by customers  
- Real estate impacts resulting from demand created by employees  
- Real estate impacts resulting from demand created by suppliers |

### Table 2. Elements of Added Value of Real Estate (de Jonge, 1996 in Krumm, 1999)

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1. Increasing productivity | - Offering adequate accommodation  
- Site selection  
- Introducing alternative workplaces  
- Reducing absence of leave |
| 2. Cost reduction | - Creating insight into cost structure  
- More efficient use of workplaces  
- Controlling costs of financing |
| 3. Risk control | - Retaining a flexible real estate portfolio  
- Selecting suitable locations  
- Controlling the value development of the real estate portfolio  
- Controlling process risk during (re)construction  
- Controlling environmental aspects and labour conditions |
| 4. Increase of value | - Timely purchase and sale of real estate  
- Redevelopment of obsolete properties  
- Knowledge of and insight into real estate market |
| 5. Increase of flexibility | - Organisational measures (working hours, occupancy rates)  
- Legal/financial measures (mix owns/rent/lease) |
| 6. Changing the culture | - Introducing workplace innovations |
| 7. PR and marketing | - Selection of location  
- Image of buildings  
- Governing corporate identity |
Lindholm, Gibler and Leväinen (2006) conclude on basis of 26 researched organizations, that there are seven different real estate strategies (added values) in order to increase performance: (de Vries, 2007).

- Increasing the value of assets
- Promoting marketing and sales
- Increasing innovation
- Increasing employee satisfaction
- Increasing productivity
- Increasing flexibility
- Reducing costs

They combine this with so called “value drivers” increase revenues and improve the profitability, which can be seen in Figure 19. According to the Vries, the problem with this model is that the “value drivers” overlap each other. The profitability is the difference between revenues and costs. Besides, they do not distinguish mutual relations between the real estate strategies and they leave the context out of consideration (de Vries, 2007).

It is clear that based on the statements above, that the added values come in many different ways. Again, there is no complete list of all the different added values. As Gibson (2000) and Roulac (2001) emphasize that “CRE is a multidimensional asset that can add to corporate profitability and shareholder value in many ways”. (Gibson and Roulac in Lindholm, 2008).
2.2.4 Measuring Added Value

Neely et al. (1995) describe performance measurement as the process of quantifying action, where measurement is the process of quantification and action correlates with performance. They further propose that performance should be defined as the efficiency and effectiveness of action.

Lindholm (2008) states about measuring performance, in common: “Strategic performance measurement is the process whereby the strategy of an organization is translated into concrete objectives and the achievement of those objectives is evaluated. Performance measures are the means for determining the status of a success factor. A single success factor can be assessed using multiple measures”.

Lindholm & Gibler (2005) investigated the most commonly used corporate real estate management performance measurement tools (Table 3):

| Cost                        | Occupancy cost per square foot (Arthur Andersen, 1993; Nourse 1994; Bon et al., 1994; Massheder and Finch, 1998; Bdeir 2003) |
|                            | Occupancy cost per customer (Bon et al., 1994) |
|                            | Occupancy cost per employee (Arthur Andersen, 1993; Massheder and Finch, 1998; Bdeir, 2003) |
|                            | Occupancy cost per dollar or per unit of revenue (Nourse, 1994) |
|                            | Occupancy cost per seat (Bdeir, 2003) |
|                            | Occupancy cost as a % of total operating expense (Arthur Andersen, 1993; Bdeir, 2003) |
|                            | Occupancy cost as a % of operating revenue by building or business unit (Massheder and Finch, 1998) |
| Space efficiency           | Square feet per employee (Arthur Andersen, 1993; Nourse, 1994; Massheder and Finch, 1998; Bdeir, 2003) |
|                            | Percent of space occupied (Nourse, 1994; Bdeir, 2003) |
|                            | Gross floor area per usable floor area (Massheder and Finch, 1998) |
| Satisfaction               | Customer satisfaction (Bdeir, 2003) |
|                            | Employee satisfaction with work environment (Arthur Andersen, 1993; Nourse 1994; Bdeir, 2003) |
|                            | Number of helpdesk calls per square foot (Bon et al., 1994) |
|                            | Provision of amenities (Bdeir, 2003) |
|                            | Absentee rates by buildings (Massheder and Finch, 1998) |
| CRE unit efficiency        | Cost per corporate real estate employee (Bdeir, 2003) |
|                            | Actual extra occupancy cost versus predicted cost (Massheder and Finch, 1998) |
| Portfolio efficiency       | Cost of acquisitions versus returns (Massheder and Finch, 1998) |
|                            | Holding costs per year (Massheder and Finch, 1998) |

Table 3. The most commonly used corporate real estate management performance measures (Lindholm, 2008)
Lindholm (2008) presents in Table 4 a list of researchers which have suggested some more innovative measures for measuring the corporate real estate performance. Table 4 presents some measures suggested by various authors that are thought to be more innovative and suitable for strategic measurement of CREM. They can be grouped into:

- 1) employee satisfaction
- 2) CRE unit efficiency
- 3) marketing and sales
- 4) strategic involvement
- 5) productivity
- 6) financial performance.

These measures represent the range of impacts that real estate decisions can have on the organization’s performance, both directly and indirectly. For example, the choice of facility location and design can impact employee satisfaction, which in turn will influence productivity and turnover.

<table>
<thead>
<tr>
<th>Financial performance</th>
<th>Ratio of expenses to revenue (for income statement) (Lubieniecki and Descher, 2003)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital expenditures (for cash-flow statement) (Lubieniecki and Descher, 2003)</td>
</tr>
<tr>
<td></td>
<td>Value of property, plant and equipment (for balance sheet) (Lubieniecki and Descher, 2003)</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>Quality of indoor environment (lighting, air conditioning, temperature) (Kincard, 1994)</td>
</tr>
<tr>
<td></td>
<td>Noise level (Kincard, 1994)</td>
</tr>
<tr>
<td></td>
<td>Location success factors (proximity to required transportation modes, access to employees; amount of local amenities) (Duckworth, 1993; Lubieniecki and Descher, 2003)</td>
</tr>
<tr>
<td></td>
<td>Ratio of office to common areas (Lubieniecki and Descher, 2003)</td>
</tr>
<tr>
<td>CRE unit efficiency and quality</td>
<td>Number of service requests handled in a month (Tranfield, 1995)</td>
</tr>
<tr>
<td></td>
<td>Response time to the service requests (Tranfield, 1995; Kincard, 1994; Varcoe, 1996)</td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction with responsiveness (Amaratunga and Ballany, 2000)</td>
</tr>
<tr>
<td></td>
<td>Time taken to turn around jobs (Tranfield, 1995; Hinks and McNay, 1999)</td>
</tr>
<tr>
<td></td>
<td>Range of services offered (Amaratunga and Balany, 2000)</td>
</tr>
<tr>
<td></td>
<td>Projected revenue against budget (Lubieniecki and Descher, 2003)</td>
</tr>
<tr>
<td></td>
<td>Employee satisfaction with CRE services (Duckworth, 1993; Lubieniecki and Descher, 2003)</td>
</tr>
<tr>
<td></td>
<td>Total operating expenditures versus budget (Hinks and Monay, 1999; Lubieniecki and Descher, 2003)</td>
</tr>
<tr>
<td>Marketing and sales</td>
<td>Location success factors (proximity to required transportation, access to customers, distance to other sites and businesses) (Duckworth, 1993; Lubieniecki and Descher, 2003)</td>
</tr>
<tr>
<td></td>
<td>Rating based on building attributes (Duckworth, 1993)</td>
</tr>
<tr>
<td>Strategic involvement</td>
<td>CRE involved in corporate strategic planning (Lubieniecki and Descher, 2003)</td>
</tr>
<tr>
<td></td>
<td>CRE integrated with HR strategies (Lubieniecki and Descher, 2003)</td>
</tr>
<tr>
<td></td>
<td>CRE activity involved in firm-wide initiatives such as special asset use, consolidations, or shared services opportunities (Lubieniecki and Descher, 2003)</td>
</tr>
<tr>
<td>Productivity</td>
<td>Distance employees commute (Duckworth, 1993)</td>
</tr>
</tbody>
</table>

Table 4. Examples of more innovative performance measures found in the literature (Lindholm, 2008)
Measuring added value is difficult. Krumm and de Vries (2003) state that “The direct added value of professional real estate management is consequently often considered to be of no value. The indirect effects of real estate are however hard to quantify and therefore often not taken into account.

“The more difficult criteria are sometimes forgotten, overlooked or simply dismissed as not worth measuring” (Leduc 2001 in Krumm and de Vries, 2003).

Summarizing, it could be stated that using “added values” is not the answer in order to measure the success of a Real Estate Strategy. Besides, mutual relations between different organizational objectives in combination with the always existing context, makes it even more impossible to clearly pinpoint certain added values that stipulate the success of a real estate strategy.

This means that the pursued course is correct in theory, but does not give the answer one would wish for this thesis. As a consequence, from now on, this thesis will measure success directly, without using the added value. This new course is presented in Figure 20.

![Figure 20: new proposal of measuring success](image)
In this thesis, success is presented as the degree of difference between the initiative plan and the final objective, as shown in Figure 21.

![Figure 21: Success: the degree of difference between the objective and the result](image)

There are only a few researchers who argue about measuring success in general. However, most researchers discuss the measurement of success in combination with a certain scientific field.

According to Atkinson, measuring success or failure, in general, is measuring the achievement of the objective. But, several aspects have to be taken into account, for example the so called Iron Triangle of cost, time and quality. But not exclusively these three. It is possible to take into account aspects like efficiency, information, satisfaction, impact, long-term measurement, short-term measurement, or other overruuling criteria. (Atkinson, 1999).

Vande Putte states: “successful is measuring the degree of achieving the objective. The degree of success is: within the subject, advancing towards the objective”. (Vande Putte, 2008).

**Research question 7: “How can the success of a Real Estate Strategy be measured?”**

Summarizing, it could be stated that measuring the success of a Real Estate Strategy could be described as “the degree of achieving the objective, yet taking context aspects into account”. These context aspects could be for example:

- Business Strategy,
- Specific aspects that influence the organization at that time,
- Governmental regulations,
- Long- and short term economic cycles,
- (global) economic situation.

Thus, it could be concluded that measuring success is not objective but subjective. Moreover, because success could also be referred to as “what an organization perceives as successful”. Therefore it is not quite logical to measure the success on a certain objective scale, such as a 1-10 scale. That is why in this thesis is chosen for a 3 point scale, as shown in Figure 22.

![Figure 22: degree of success: not successful, reasonably successful, very successful](image)
3. Economic Context

The last chapter of the theoretical framework consists the Economic Context. This chapter will provide answers to sub research question 8. The Economic Context is of high relevance in order to analyze the cases over time, since the context will be of influence to decisions made by these Dutch Multinationals. In the time span 1970-2008 several aspects will be taken into account, which can be divided into two segments:
- Global developments
- Local developments

The case descriptions and analyses will only cover the Dutch real estate management and strategies. Yet, Multinationals are globally active and therefore it is necessary to investigate the Global and long term economic cycles and developments.

Besides these Global developments, the Local aspects have major influence on the cases. Several aspects will be investigated, such as economic development, employment, business development, real estate cycle, real estate development and trends. These aspects are the so called short term economic cycles.

3.1. Global developments

Since Multinationals are active all over the world, it is not of any use to investigate every single countries economic aspects. This means that the Global economic context must be brought to a higher level, the so called long term economic cycles.

The most common used long term economic cycle are the Kondratiev waves. (Kondratiev, 1925). These waves are, in theory, described as sinusoidal very long-run macroeconomic cycles in the modern world economy. Averaging fifty and ranging from approximately forty to sixty years in length, the cycles consist of alternating periods between high sectoral growth and periods of slower growth, see Figure 23.

![Figure 23: the Kondratiev waves of the modern world economy (Invented by Kondratiev, 1925).](image)
Some researchers divide the Kondratiev wave into four “seasons”, namely:
- Spring (improvement – plateau)
- Summer (acceleration – prosperity) of the ascendan t period
- Fall (recession – plateau)
- Winter (acceleration – depression) of the downward period.

Kondratiev identified three phases in the cycle: expansion, stagnation and recession. More common today is the division into four periods with a turning point (collapse) between the first and second two.

The phases of Kondratiev’s waves also carry with them social shifts and changes in the public mood. The first stage of expansion and growth, the “Spring” stage, encompasses a social shift in which the wealth, accumulation, and innovation that are present in this first period of the cycle create upheavals and displacements in society. The economic changes result in redefining work and the role of participants in society. In the next phase, the “Summer” stagflation, there is a mood of affluence from the previous growth stage that change the attitude towards work in society, creating inefficiencies. After this stage comes the season of deflationary growth, or the plateau period. The popular mood changes during this period as well. It shifts toward stability, normalcy, and isolationism after the policies and economics during unpopular excesses or war. Finally, the “Winter” stage, that of severe depression, includes the integration of previous social shifts and changes into the social fabric of society, supported by the shifts in innovation and technology.

There is controversy over the validity of Kondratiev’s theory among researchers. Some believe that not enough is attributed to actual human errors that have created some of the economic situations of history, and too much to the inevitability of the characteristics of the phases of the waves. There is also controversy over Kondratiev’s research. Many believe that the conclusions and results of his research are based because he highlighted and used only certain events to reach his conclusions and left out other important data and events that could have affected his outcomes.

Most cycle theorists agree, however, with the "Schumpeter-Freeman-Perez" paradigm of five waves so far since the industrial revolution, and the sixth one to come. These five cycles are
- The Industrial Revolution - 1771
- The Age of Steam and Railways - 1829
- The Age of Steel, Electricity and Heavy Engineering - 1875
- The Age of Oil, the Automobile and Mass Production - 1908
- The Age of Information and Telecommunications - 1971

These cycles are visualized in Figure 24:

![Figure 24: The five ways of Schumpeter-Freeman-Perez. (BSI, 2003).](image-url)
Summarizing, it could be stated, that the information provided above, shows that both the Kondratiev waves as well as the Schumpeter-Freeman-Perez waves could be applied to the high developed regions, such as Europe and the USA. Yet, multinationals are situated in both high developed regions, as well as average and even low developed regions. It is quite common to situate headquarters, offices and R&D centers in high developed countries, while production facilities are situated in low developed and low wages regions.

Fact is, that both waves show a descend of industrial activities, petrochemicals and automobiles as from the seventies. As from the eighties, information technology and high-tech increases enormously until the present years. These global aspects certainly influence the Dutch Multinationals researched in this thesis.

3.2. Local developments
In this paragraph the local (Dutch) economic developments will be presented. The paragraph is classified into 3 segments:
- Highlights Dutch history
- Local economic developments
- Local real estate developments

3.2.1 Highlights Dutch history

The renewal in politics (1967)
The sixties and seventies are well known for there wild years. In that period the attitude of a lot of people changed. In the past people had esteem for there leaders. In the sixties and seventies the leaders received more and more criticism. This criticism did not only influence the politics, but also penetrated the business world and the company's.

Oil crisis (1973)
The first oil crisis ended 25 years of fast economic growth. Investments were cut back and the unemployment started to increase. It is hard for the Dutch people and the politics to get used to this situation. Because of the second oil crisis in 1979 the Netherlands fell into big trouble. After the second oil crisis the unemployment increased dramatically. Especially in the marine-, metal-, textile- en construction industry a lot of people lost their job.

Unemployment (1985)
In the early eighties the Dutch economy was very bad. In four years time 27.000 companies became bankrupt. Thousands lost there job. In 1984-1985 there was a record unemployment of over 800.000 people in the Netherlands. Besides that, the Dutch government had a huge budget deficit. The government had to economize. There was a major cut down in payment and benefits. People were pessimistic. In the late eighties the economy became a little healthier and stabilized; the unemployment decreased.

Economic recovery and recession (1987-2008)
After the crisis a better period started. The world economy recovered and the Netherlands took advantage out of it. Especially in the ICT, service industry and banking institutions, the amount of jobs increased dramatically. The computer was incorporated rapidly into companies. Halfway the nineties internet made its arrival. The ICT industry made a lot of money. The Dutch were not frugal anymore. They spent a lot of money and the increasing stock market attracted a lot of people. Also the government was optimistic about the future. Nevertheless, a lot of people hade a minimum payment. The cities had a lot of deprivation of city areas. People who could afford it bought a house in the new VINEX suburbs.
From 1994 until 2000 more than a half a million people found a job. The employment increased with 2,6 percent a year, a lot more that Europe’s average. In the period 1989-1998 the working population increased to 1,2 million people (+22 percent).
As from 2008 a major global financial crisis occurred, which will lead to a drastic recession for the upcoming years.
3.2.2 Local economic developments

This paragraph starts off with some industrial developments. As mentioned before, AkzoNobel is one of the main research cases of this thesis. AkzoNobel is a chemical company started in the Netherlands as from 1950. The company started off with producing fibers for among other things, textiles. As shown in figure 25, the three branches Textiles, Final Chemicals and Base Chemicals decreased enormously. It is clear that the chemical branches in the Netherlands made a swift increase till 1975, and subsequently made a decrease till the present time.

It are those three branches in which AkzoNobel is the most active. Yet, when viewing Figure 25, the employment in these same branches did not heavily change. Especially the chemical branches decreased just a little in the period 1975-2001.

The next two pages will provide useful background (thus economic context) information in order to investigate the cases. The first page considers employment, business capital formation and industrial investments. The second page provides information considering retail.
3.2.3 Local real estate developments

In the sixties the investment in buildings grew very rapidly (Figure 26). The post-war reconstruction activity was insufficient to fill the need for buildings of a growing population and a growing economy.

![Figure 26: Capital formation of buildings and infrastructure, CBS, RE&H Building Economics](image)

In the sixties non-residential building investment grew to the same extent as residential building investment. After a first top in the early seventies non-residential building has a cyclical loop with an overall top in 2001.

In the early eighties non-residential building investment shrunk heavily. In the mean time the economic growth diminished and the nominal interest got above 10%. The Dutch economy suffered from an international economic crisis and from a financial crisis. The government budget deficit grew and this led to a growing government debt and an increasing interest on that debt which created new deficit. Direct and indirect labor costs got higher and became an obstacle for growth of export of goods and services. The balance of payments (export minus import) nevertheless did not create further problems because the Dutch economy has an export surplus from growing natural gas export in combination with rising energy prices since the seventies.

From 1983 on a rapid growth of non-residential building was part of an all over recovery of the Dutch economy. A better control and a strict limitation of the government deficit and debt and of labor costs contributed to growing economic initiatives and capital formation by the market sector.

The quantitative link between changes in investment in non-residential buildings and changes in investment in machinery is weak and indirect in the nineties. After 1995 especially office construction is booming until 2001. This links with the growth of investment in ICT (computers, databases, software). After 2001 total investment is declining. In 2005 investment in non-residential buildings is still waiting for recovery. Especially the office market stagnates.
The low investment in buildings in the early eighties was also related to an interest record with an interest rate on mortgages of 11% in 1981 (Figure 27). Nominal (mortgage) interest and inflation declined since 1982, but real interest climbed to nearly 8% in 1987. The decline of non-residential building in the early nineties was in combination with high nominal and real interest levels and diminishing economic growth. This decline was an overreaction of the market.

From 1995 on all was positive for real estate investment. Nominal mortgage interest was declining from about 7% in 1995 to about 5% in 2001 and real interest from about 5% to incidentally 1% in 2001. Economic growth was high with more than 4% growth in 1998/1999. The shortage of especially office buildings was high and development for the free market could be started without financial loss because of risk.

Research question 8: “What are the most dominant factors of the Economic Context”?

Summarizing, it could be stated that both long term cycles (Kondratiev) and short term cycles are of mayor importance to the context of the research. According to Smidt and Wever (1987) the post-war industrialization in the Netherlands would profit from the “upswing” of the fourth Kondratiev wave. Philips and Akzo were major players at that time. As from 1975 the Kondratiev cycle changed from industrialization towards information technology and high tech. During that period, chemical organizations (like AkzoNobel) had a tough period and had to emigrate to low wages countries.

For the retail branch (the case Ahold) it were tough times during the period 1970-1980. Consumers were not willing to invest and were careful with money. After 1980 the consumers expenditure increased until the present time. This consumers expenditure could be connected with the fifth Kondratiev wave, where service plays a major part.

These conclusions are also visible in the real estate development in the period 1970-present:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sixties</td>
<td>Upswing driven by overall growth</td>
</tr>
<tr>
<td>Seventies</td>
<td>Stagnation and becoming more cyclical</td>
</tr>
<tr>
<td>Eighties</td>
<td>Recovery after 1983 is driven by innovation economy and growth service sector</td>
</tr>
<tr>
<td>Nineties</td>
<td>After a dip an upswing to peak in 2001</td>
</tr>
<tr>
<td>After 2001</td>
<td>Decline of building activity, stagnation of growth GDP and of employment growth</td>
</tr>
</tbody>
</table>
Summary Theoretical Framework

This final paragraph of the theoretical framework combines all the results and presents the most important outcomes. Subsequently a theoretical framework is presented. This framework forms the bases on which the cases will be investigated and compared.

Outcomes

First of all, a strategy is both the plan or road to the objective and the content itself. A strategy is not static, but rather dynamic. This means that every strategy is different and subsequently, every real estate strategy is different. Because every multinational is different, has different objectives and has a different context, it is not possible to define a typical real estate strategy with typical themes.

Because real estate strategies should be aligned with business strategies, a real estate strategy should contain certain analytic and general aspects, following the Positioning School. Still, the literature does not give clarity which themes should be in the content of these (real estate) strategies. Porter (1985) argues that the content must be focused on one of the various types of competitive advantage: cost leadership, differentiation, focus on costs, focus on differentiation.

Subsequently, O’Mara (1999) creates differentiation in her real estate strategies: Standardization, Value-based and Incremental. Yet, the Real Estate Strategies by O’Mara remain rather general and do not go into any details. As a consequence, O’Mara does not argue about different themes within a real estate strategy or context influences.

Based on these findings the following conceptual model is designed, see Figure 28.

![Figure 28: The conceptual model, as a basis to further research the cases.]

In theory and in the ideal situation, an organization sets out objectives and creates business strategies in order to achieve these objectives. Thus the arrows should go from left to right: from the organization to the objectives. Joroff (1993) argues that corporate real estate is the fifth resource to achieve the organizations objectives. As a consequence, in the conceptual model the real estate strategy is placed between the organization and its objectives. Thus, the conceptual model visualizes the alignment between business objectives and real estate strategy, and shows the processes of the case. The grey, dotted line suggests that there is always a certain direct alignment between the organization and the organizations objective. Because this alignment is always present and considered as logical, this line will be omitted in the subsequent conceptual models.

Since literature does not give any exclusive themes which create the contents of both business- and real estate strategies, these themes are not presented in the figure. As the conceptual model will be applied to the cases, the figure will be complete with interpretation of the strategies, the course of the arrows and the influence of the context.
Based on the literature, it could be stated that measuring the success of a Real Estate Strategy could be described as “the degree of achieving the objective, yet taking context aspects into account”. These context aspects are considered very important and could be for example:

- Specific aspects that influence the organization at that time,
- Governmental regulations,
- Long- and short term economic cycles,
- (Global) economic situation.

It could be concluded that measuring success is not objective but subjective. Moreover, because success could also be referred to as “what an organization perceives as successful”. Therefore it is not quite logical to measure the success on a certain objective scale, such as a 1-10 scale. That is why in this thesis is chosen for a 3 point scale, as shown in Figure 29. The level of success is therefore measured by literature review and interviews. Besides, in order to keep the conceptual model clarifying, the degree of success of a real estate strategy is not implemented in the conceptual model, but in Figure 29. In the conclusions of this thesis both alignment and the degree of success will be taken altogether.

![Figure 29: degree of success: not successful, reasonably successful, very successful](image)
Section IV

Case Studies
Introduction

In this chapter short versions of the case descriptions Ahold and AkzoNobel are presented and the cross case analyses is made of all four cases. Based on the full case descriptions in the appendices, both Ahold and AkzoNobel will be thoroughly analyzed by using the conceptual model and the 3-point-scale degree of success. The findings and conclusions are subsequently compared with the other two cases: Shell and ING Group. This method is visualized in Figure 30.

![Figure 30: The conceptual model, as a basis to further research the cases.](image)

Based on the knowledge of the cases, the conceptual model (Figure 30) can be filled in to make clear how real estate strategy is aligned with business strategy. When possible, the objectives and themes of the real estate strategy will be pinpointed and filled in. As a consequence of the description in time and changes in strategies, the cases are divided in several periods in order to analyze the cases properly.

![Figure 31: The conceptual model, as a basis to further research the cases.](image)
1. Description Royal Ahold

Ahold (in full Royal Ahold N.V.) is the holding of an international group of quality supermarkets active in Europe and the United States. Ahold’s headquarters is based in Amsterdam. Ahold’s activities are focused in local food retail markets where they achieve a number one or number two position. Ahold is listed on Amsterdam Euronext (AEX) and the Frankfurt Stock Exchange. Ahold runs several different retail brands and shops.

Ahold’s assets are:

<table>
<thead>
<tr>
<th>Europe (Netherlands)</th>
<th>Europe (Scandinavia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Albert Heijn</td>
<td>- ICAAB, (60%)</td>
</tr>
<tr>
<td>- Albert.nl</td>
<td>- Pingo Doce</td>
</tr>
<tr>
<td>- Gall &amp; Gall</td>
<td>- Feria Nova</td>
</tr>
<tr>
<td>- Etos</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Europe (Czech Republic &amp; Slovakia)</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Albert</td>
<td>- Stop &amp; Shop</td>
</tr>
<tr>
<td>- Hypernova</td>
<td>- Giant – Landover</td>
</tr>
<tr>
<td></td>
<td>- Giant – Carlisle/Tops</td>
</tr>
<tr>
<td></td>
<td>- Peopod</td>
</tr>
</tbody>
</table>

1.1 Growth (1867-1996)

Abstract of Krumm

Mr. Albert Heijn started of in 1829 with a small shop in groceries in Zaandam. The firm’s growth benefitted of the economic growth in the region. In 1887 the product line of the grocery store changed from the original great variety of products, to a focus on food. The increase of wealth in the Netherlands, urbanization, product innovations and the import of exotic products opened up new possibilities for the retail business. In 1895 the second store was opened in Purmerend, and in 1897, Albert Heijn had opened more than twenty stores spread over the western part of the Netherlands. In October 1899, Albert Heijn relocated its “head office” to Zaandam (the centre of the Dutch food-industry) in order to improve the logistics and distribution of his products.

The expansion in the following years contained not only supermarkets and serf service stores, but also “production facilities” and distribution centers. In 1948 Albert Heijn opened up its closed family structure and became the first grocery chain to go public by introducing its stocks on the AEX.

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1 Annual report, Ahold, 2007
2 Website Ahold.com
3 Krumm (1999)
In 1960 Albert Hein decided that all the remaining service stores had to be replaced by 180 supermarkets of 200 sqm and 120 supermarkets of 500 sqm. The goal was to double its market share to 14%. In 1970, at the end of the 10-year program, nearly all service stores had been replaced by self-service/supermarket stores. Albert Heijn operated 222 self-service stores, and 163 supermarkets, totaling almost 125,000 sqm, a market share of 12.7%.

As a result of series of serious changes in the Albert Heijn organization the corporate headquarters relocated into a 18-floor building in Zaandam in 1971. In 1972 the Albert Heijn organization was restructured and the Ahold name was introduced. The name Ahold was introduced in order to avoid misunderstandings between Albert Heijn on the one hand and the growing number of other companies resulting under the holding structure of Ahold.

In 1974 Ahold decided to expand its shopping activities outside the Netherlands, into Spain and the USA. In the period from 1974 to 1979 the world faced a recession. The recession displayed itself in shrinking turn-overs and increasing energy-prices and resulted in a global excess capacity. From 1982 to 1993 the market share increased from 16.1 to 18.7%, and in 1985 to 20.2%. In 1981 Albert Heijn introduced the concept of franchising and combined the local knowledge and personal commitment of a free franchise shop and the benefits of centralized perfectionism of a chain store. In 1986 Albert Heijn, maintained 425 branches with a sales area of approximately 295,000 sqm, and a turn-over of fl. 4.5 billion. Since 1995, Ahold is trying to expand its activities in Asia. In 10 years time Ahold expects to raise 10% of its turnover out of Asia.

In 1988 the construction began for the new headquarters of the Ahold Holding at the Albert Heijnweg 1 in Zaandam. The building, in use since 1990, displayed a certain ambition, power, and solidarity.

**CREM**

In order to co-ordinate all activities regarding real estate, the directorate “Onderzoek, Bouw & Ontwikkeling” was founded in 1959. In addition a real estate department “Directoraat Onroerend Goed” (DOG) was founded in 1966, which was involved in the acquisition of new locations and properties, site-selection, disposal, management, and location analysis. In order to limit the amount of money locked in bricks and stones Albert Heijn founded (together with an investment firm) the 50%-50% “A-Horn” in the fall of 1963. A-Horn would erect new buildings and consequently rent them to Albert Heijn, to find new ways to finance acquisitions of real estate, providing the possibility to allocate financial capital in the core businesses.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total assets (€ million)</th>
<th>Debt-to-equity ratio</th>
<th>Coverage ratio</th>
<th>Operating cash flows (€ thousands)</th>
<th>Net income (€ thousands)</th>
<th>Earnings per share (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>356,121.7</td>
<td>1.88</td>
<td>N.A.</td>
<td>3.80</td>
<td>12,962.2</td>
<td>0.13</td>
</tr>
<tr>
<td>1980</td>
<td>587,239.3</td>
<td>2.05</td>
<td>5.23</td>
<td>N.A.</td>
<td>23,534.4</td>
<td>0.18</td>
</tr>
<tr>
<td>1984</td>
<td>1,293,411.5</td>
<td>1.93</td>
<td>2.92</td>
<td>N.A.</td>
<td>40,243.5</td>
<td>0.25</td>
</tr>
<tr>
<td>1988</td>
<td>2,015,412.0</td>
<td>1.70</td>
<td>3.70</td>
<td>353,807.7</td>
<td>88,904.3</td>
<td>0.32</td>
</tr>
<tr>
<td>1990</td>
<td>1,959,454.8</td>
<td>1.67</td>
<td>4.10</td>
<td>302,824.4</td>
<td>110,408.6</td>
<td>0.38</td>
</tr>
<tr>
<td>1992</td>
<td>2,494,055.0</td>
<td>2.83</td>
<td>3.00</td>
<td>340,182.3</td>
<td>125,194.9</td>
<td>0.42</td>
</tr>
<tr>
<td>2002</td>
<td>2,973,672.6</td>
<td>3.00</td>
<td>2.90</td>
<td>345,929.5</td>
<td>136,422.0</td>
<td>0.45</td>
</tr>
<tr>
<td>2003</td>
<td>3,673,153.1</td>
<td>2.50</td>
<td>2.40</td>
<td>307,966.5</td>
<td>155,606.3</td>
<td>0.45</td>
</tr>
<tr>
<td>2004</td>
<td>4,701,189.3</td>
<td>2.83</td>
<td>2.92</td>
<td>402,267.3</td>
<td>185,841.6</td>
<td>0.52</td>
</tr>
<tr>
<td>2005</td>
<td>4,191,417.7</td>
<td>2.63</td>
<td>3.12</td>
<td>691,010.3</td>
<td>297,187.4</td>
<td>0.57</td>
</tr>
<tr>
<td>2006</td>
<td>6,747,268.7</td>
<td>3.70</td>
<td>3.32</td>
<td>522,655.4</td>
<td>288,982.0</td>
<td>0.65</td>
</tr>
<tr>
<td>2007</td>
<td>7,748,469.9</td>
<td>3.64</td>
<td>3.04</td>
<td>548,692.5</td>
<td>433,753.6</td>
<td>0.80</td>
</tr>
<tr>
<td>2008</td>
<td>11,426,373.3</td>
<td>4.75</td>
<td>3.18</td>
<td>1,257,604.1</td>
<td>547,100.0</td>
<td>0.93</td>
</tr>
<tr>
<td>2009</td>
<td>14,285,842.0</td>
<td>5.17</td>
<td>3.18</td>
<td>2,609,870.0</td>
<td>752,107.0</td>
<td>1.15</td>
</tr>
<tr>
<td>2010</td>
<td>25,490,024.0</td>
<td>6.45</td>
<td>2.80</td>
<td>2,000,734.2</td>
<td>1,115,991.0</td>
<td>1.51</td>
</tr>
<tr>
<td>2011</td>
<td>32,216,460.0</td>
<td>3.30</td>
<td>2.65</td>
<td>2,375,721.5</td>
<td>1,115,521.0</td>
<td>1.79</td>
</tr>
<tr>
<td>2012</td>
<td>24,728,000.0</td>
<td>2.43</td>
<td>3.04</td>
<td>2,486,000.0</td>
<td>3,245,000.0</td>
<td>-0.85</td>
</tr>
<tr>
<td>2013</td>
<td>23,398,000.0</td>
<td>3.33</td>
<td>0.70</td>
<td>1,900,000.0</td>
<td>-50,000.0</td>
<td>-0.04</td>
</tr>
</tbody>
</table>

**Figure 31: Financial Information Ahold**

In 1987 all the real estate activities were centralized into Ahold Vastgoed. At that time, Ahold Vastgoed managed a real estate portfolio of fl. 800 million which equals 40% of Ahold's real estate portfolio in the Netherlands. The other 60% of the real estate portfolio was rented. Nowadays, Ahold Vastgoed is involved in Portugal, Czech Republic, China, and Indonesia. Activities in South America are coached by Ahold Real Estate in the USA.

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4 de Jong, DeJong, Mertens and Roosenboom (2005), p.35
5 de Jong, DeJong, Mertens and Roosenboom (2005), p.51

Graduation Thesis
1.2 Becoming mature (1996-2001)

Ahold’s growth strategy can be separated into the international growth strategy and the domestic growth strategy. In the period 1989-2003, Ahold acquired 97 companies and entered 26 countries for the first time. Ahold has 3 different ways to achieve the domestic growth 6:

1. more efficient square meters, thus more turn-over with the same sqm.
2. increase square meters, thus more turn-over with more sqm by opening new supermarkets.
3. take-over other competitors, thus more turn-over with more sqm by take-overs.

Before 1996 the real estate strategy was to possess nearly all real estate in order to act as an investment company. Possessing real estate was useful in order to maintain strategic assets and locations but as soon as a location was guaranteed for the future years it was no longer necessary to own the real estate 7. Changes in the market 8 led to scarce numbers of available locations while competition in order to obtain the locations became more intense. This situation led to a more detailed and improved real estate strategy. The new real estate strategy can be summarized into 5 key aspects 9: Inspiration, Innovation, Quality, Choice and Social involvement. Based on these key aspects four new strategies were formulated, each with a different focus:

1. Inner urban strategy
2. Outer urban strategy
3. Vinex strategy
4. Deprived area strategy

The content of these strategies differ every time, for every different location. This means that there is a “basic strategy” which will be adjusted for every different proposal. For instance, when developing an AH XL, the parking facility must be excellent and free of charge. While developing a deprived area supermarket, safety, appearance and “local” employees are a major issue.

“Accessibility and approachability are the key elements in our decision. When these two aspects are below average, we do not build an AH supermarket. We would rather have a supermarket with less turn-over than a bad accessible one 10.”

1. Inner urban strategy

“Developers and investors do not have sufficient knowledge of the retail branch. Therefore, their products do not match our demand. Given the high rents on average locations, forces us to gain more influence on the retail real estate. As a consequence we will cooperate with developers and even develop our own real estate 11.”

![Figure 32: Albert Heijn supermarkets on Inner-Urban locations, in Amsterdam and The Hague](image-url)

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6 Interview Verhoeven (2008)
7 Interview Crassee (2008)
8 Krumm (1999), p 16
9 Vastgoedmarkt (1999), p. 55
10 Interview Verhoeven (2008)
11 Vastgoedmarkt (1999), p. 55

Graduation Thesis
2. Outer Urban strategy

“We want our customers to be able to buy where and when they want. We take the consumers wishes as guidance for our real estate decisions. Every real estate decision within Ahold is impregnated with retail. Therefore, we have several types of shops: XL at the periphery of the city, convenience shops in the city centre, small & swift shops in filling stations and train stations and internet-shops¹².

Figure 33: Albert Heijn supermarket in a outer urban location

3. Vinex strategy

“We have to locate there, whatever the costs are. These locations will be ready in 10 years time, so we will lose money at first. But eventually we will make good profit. Customers know us and they will like us. We have to be there for the people¹³.

Figure 34: A temporary supermarket in the Vinex location “Vleuterweide”, in the outskirts of the city of Utrecht

4. Deprived area strategy

“We want our employees to be a reflection of the society. When the district goes well, we are doing well. Our customer is our first priority. Our main objective is be situated everywhere, that includes the fragile districts. Of course, it is a long term business without any guarantee. In the first period of time we will not make profit. OPS is not a chatting consultation; we want results. The city of Enschede is our pilot project. OPS is looking for connections with the strategic plans of the municipality and the corporations¹⁴.

Figure 35: Albert Heijn supermarket in a deprived area

¹² Vastgoedmarkt (2000), p. 81
¹³ Interview Crassee (2008)
¹⁴ Woningraad (1998), p.15


1.3 Decline (2001-2003)

At the end of the ‘90’s the inner- and outer urban strategy were very successful. The Vinex strategy was nearly completed, and the growth targets were realized since Ahold’s market share increased. The deprived area strategy was less successful, mainly due to the lack of mutual trust between various involved parties. Ahold’s main objective was growth, which was mainly achieved by international expansions. These international take-overs were not as profitable as thought\textsuperscript{15}. The cause and exact details of the internal financial crisis are not relevant for real estate strategies; therefore this case description does not go into these details.

Probably the biggest consequence of the crisis was the lack of trust of the customers. Not only the company was worth a lot less money, Ahold’s market share in the Netherlands was drastically decreased form 27% to 22%. Albert Heijn once was a solid and confident company which was trusted by the customers. In the road to recovery Ahold had to gain trust and market share again. In this period the inner- and outer urban strategy kept on going, with some adjustments.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Ahold_share.png}
\caption{The Ahold share in the period 1996-2008. In March 2003 the Ahold share was worth less than $2^{16}}
\end{figure}

\textsuperscript{15} de Jong, DeJong, Mertens and Roosenboom (2005), p.4
\textsuperscript{16} DFT.nl
1.4 A new cycle (2003-2008)
Due to the major crisis, a big reorganization took place in order to recover from the crisis. The leading thread running through the business strategy for many years, was taken up again. The main objectives for the years 2003-2006 were market share, customer satisfaction and profit margin. For the years 2006-2009 the key aspects will be growth and innovation. In the mean time, the board of management decided to build a new corporate Headquarters in Amsterdam. It was the most logical place for a Dutch multinational, since nearly all (Dutch) multinationals are situated there. By moving to Amsterdam, a clear statement was made that Ahold is not the same as Albert Heijn. Moreover, the new headquarters represents clarity, approachability and transparency. Over time the Inner Urban strategy has evolved in an own way. The Outer Urban strategy has not substantial changed after the crisis. A new strategy, “Convenience” originated from the inner urban strategy, and became more active than ever after the crisis.

Inner urban strategy
For Ahold Vastgoed it became increasingly difficult to obtain good inner urban retail space. A professional prospectors and development department was not sufficient anymore. So AVG changed its development division in order to approach the retail market even more active, all to strengthen the objective: assets & locations. The project development division became more often the initiator and often cooperated with other public parties, such as project developers and municipalities in order to obtain good quality inner urban locations.

Figure 37: A new type of Inner Urban Strategy in the town of Breukelen

In the town of Breukelen AVG had a small and simple supermarket in the city center. AVG sold the asset to the municipality, which made residential apartments in stead. In return, the municipality offered AVG a big complex which could be redeveloped into a bigger Albert Heijn supermarket and new apartments on top. AVG cooperated with BAM in order to realize the apartments. The supermarket on the ground level is AVG’s property, and the apartments are sold to private individuals. The supermarket in Breukelen was the first AH with a complete new layout and a new fingerprint payment system.

Convenience strategy
AH To Go are convenience shops for people who want fast, fresh and divers food. Customers will be in these shops for about 3 minutes. The shops are very small, approximately 50-150 sqm and with a reduced assortment of 1000 articles. These shops are situated where a lot of people come together, such as train stations, filling stations, subways, city center, and even in big offices. The objective is to have an AH To Go on the largest train stations in the Netherlands.

Figure 38: AH To Go in a train station

Of all operated real estate strategies, only one was not successful, namely the deprived area strategy. As a consequence, AVG focused on “semi-deprived” areas which apparently are more successful.

17 Interview Verhoeven (2008)
18 Winkelnieuws.com (2008)
2. Description AkzoNobel

The organization

AkzoNobel is one of the largest chemical and coatings companies of the Netherlands and is positioned 424th on the Fortune global 500\textsuperscript{20}. The name of the company reveals that AkzoNobel is the result of a series of merges: the name Akzo was formed by the merge of the Dutch companies AKU and KZO in the early seventies; the merge between Dutch AKZO N.V. and Swedish Nobel industries A.B in 1994 gave the company its current name. Besides these two merges, Akzo Nobel is the result of numerous companies joining forces over a period of many years, some of the predecessors dating back to before 18th century. Today, AkzoNobel has activities in more that 80 countries, including 20 locations in the Netherlands. The company is headquartered in Amsterdam and is a market-driven and technology-based, serving customers throughout the world in three sectors: decorative paints, performance coatings and specialty chemicals.

History (1973-2008)
The history of AkzoNobel is influenced by many factors, one of the most notable the oil crisis of 1973. Oil was one of the raw materials that AKZO needed for the manufacturing of fibers. During the crisis period, Enka Glanzstoff, a subsidiary of AKZO came in, mostly financial, problems. The business strategy during the ten year crisis period was straightforward: it was characterized by efficiency, cost reduction and no new investments, unless absolutely necessary\textsuperscript{21}. The period from 1977 to 1981 was one of survival, AKZO had to balance carefully between limited financial space and necessary strategic investments\textsuperscript{22}. The tough business strategy eventually showed success in 1983. The period from to 1983 to 1993 can be described as profitable. Since the time of survival was over, the Board of Management adopted a new business strategy: “back to core business”. This strategy focused on selling non core divisions in order to invest in core business divisions like Pharma, Chemicals and Coatings\textsuperscript{23}. Besides these investments, the organizational change from Divisions to Business Units was official in 1993. Finally, during this period, environmental care became more and more important.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{organizational_structure.png}
\caption{Organizational structure AkzoNobel, 2008}
\end{figure}

\begin{tabular}{|c|c|}
\hline
\textbf{Company figures AkzoNobel (2007)}: & \\
Revenues: & € 14.4 billion \\
Net Income: & € 903 million \\
Total equity: & € 19.2 billion \\
Employees: & ± 60,000 in over 80 countries \\
\hline
\end{tabular}

\textsuperscript{19} Annual report, Akzo Nobel, 2007
\textsuperscript{20} CNN Money.com
\textsuperscript{21} Annual reports, AKZO, years 1970-1980
\textsuperscript{22} Wolpert, p.76
\textsuperscript{23} Wolpert, p 96
The merger in 1994 between AKZO NV. and the Swedish Nobel Industries A.B. created a holding company which held a number of operating companies spread all over the world. The operating companies were clustered in four groups: Chemicals, Coatings, Pharmaceuticals and Fibers. The integration of AKZO and Nobel went alongside with the creation of a business unit based organization. One important consequence of the business unit organization is that responsibility and authority was decentralized to the business units to enable quick decision making and implementation in a rapidly changing market.

The period spanning the years 1998 through 2007 is characterized by acquisitions and sales, in order to follow the business strategy “back to the core business”. Pressured by the shareholders and with a new CEO, Akzo Nobel chose to sell the pharmaceuticals business Organon. Akzo Nobel reinvested the revenues from the Organon sale in its business of coatings and chemicals: the British company ICI, specialized in chemicals, coatings and adhesives was bought in 2008. Today, with most of the merger work completed, AkzoNobel aims for organic growth as a solid base for future expansion. The idea behind this is that organic growth, although it proceeds slower than acquisitions, is more sustainable. The company conducts its diversified activities through units, which report directly to the Board of Management.

Corporate Real Estate Management
It could be stated that Corporate Real Estate Management within AkzoNobel is organized per location, or sub-business unit. Neither on corporate nor on business unit level does AkzoNobel have departments for Real Estate. Written real estate strategies, formulated in advance of making real estate decisions, do not exist. The function of real estate is to facilitate the business units and the production processes. In general, every sub-business unit is responsible for its real estate. Every sub-business unit has its own manager responsible for the site, and thus also for the real estate. Real estate decisions are initiated by these managers and have to be approved by the managing director of that particular business unit, and by the Board of Management.

Since 2000, real estate is an elementary component of the so called “Corporate Directives”24, which cover topics concerning among others: risk management, resource management, and also real estate management & site management. The corporate directive on real estate states the policy is: “to optimize the utilization of available real estate and to sell or lease real estate not utilized with full disclosure of environmental conditions”. As a consequence of the Corporate Directives, it is AkzoNobel’s strategy to sell locations and real estate offices where relevant. New offices like Amsterdam and Amersfoort are leased and plants like Delfzijl and Rotterdam are leased from the local Port Authority. The corporate directives cover the financial aspect of the real estate strategy, other aspects and real estate management are organized more ad-hoc rather than deliberate.

Real Estate portfolio
The real estate portfolio of AkzoNobel consists out of three building types: offices, R&D and plants. Many of the locations in the Netherlands feature a mix of these three types of real estate. The locations Amsterdam, Amersfoort (and in the nearby future) Arnhem solely have offices. An estimation of the total square meters of all the locations in the Netherlands is not available at this time. The real estate portfolio is estimated to contain 80% plants and 20% offices and laboratories. A fraction can be defined as representative, like the Headquarters in Amsterdam and the offices in Amersfoort and Arnhem. Another characteristic of the real estate portfolio is that the majority of AkzoNobel buildings in the Netherlands is older than 30 years. At location level, more specified real estate data is available.

The next page shows several data and information considering AkzoNobel’s real estate portfolio. In addition, both the cases of Arnhem and Hengelo are described in more detail.

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24 Intranet AkzoNobel
<table>
<thead>
<tr>
<th>Period</th>
<th>Type of real estate</th>
<th>% of total portfolio (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>60’s</td>
<td>Plants and research</td>
<td>30%</td>
</tr>
<tr>
<td>70’s</td>
<td>Plants and offices</td>
<td>45%</td>
</tr>
<tr>
<td>80’s</td>
<td>Plants and offices</td>
<td>5%</td>
</tr>
<tr>
<td>90’s</td>
<td>Offices and research</td>
<td>10%</td>
</tr>
<tr>
<td>&gt;2000</td>
<td>Offices and research</td>
<td>5%</td>
</tr>
</tbody>
</table>

Figure 40: estimated classification of the real estate portfolio in the Netherlands


Figure 41: Real Estate changes in square meters for the sites Arnhem and Hengelo

Source: observations, documentations and interviews
2.1 Arnhem

The location of AkzoNobel in Arnhem can be characterized by enormous changes. Changes based on both external and internal influences. The external influences concerned the fiber-crisis which eventually led to the closing of several fiber plants in Breda, Wuppertal, and also Arnhem and Ede. The internal influences concerned the company's decision to move the headquarters from the IJsselraan to the Velperweg, and many years later to move the Headquarters to Amsterdam.

As mentioned, AkzoNobel (and thus the site of Arnhem) does not have a real estate strategy formulated in advance. Still, looking at the real estate actions undertaken for this site, certain logic can be found. For example, every new building was built on the site itself, instead of rented somewhere in the city, since the site was AkzoNobel's property. The fiber-crisis in 1970, which lasted for 10 years, and came just after the merger of AKU and KZO, resulted in the closure of the fiber plants in Arnhem. Apart from a few offices and laboratories, the site in Arnhem was fully occupied with these plants. After the closure of these plants, the Arnhem site existed only out of offices, technical departments and R&D. The first action of the new AKZO company in 1970, was to arrange a new Headquarters. KZO was situated in the east and south of the Netherlands, AKU was based in Arnhem, on the Velperweg. The new Board of Management founded the new Headquarters on “neutral territory”, on the IJsselraan in Arnhem, 2 km from the Velperweg, thus not on the main site. In the 10 years of Fiber-crisis, no new offices or plants were built.

Based on a study in 1979, the new headquarters of Akzo was situated (for efficiency reasons and cost reductions) in the old main building at the site. By moving the headquarters to the site of the Velperweg, a global center of AKZO was created. By the time that the Board of Management moved to the Velperweg, the site was not maintained properly. The old, unused plants were not even demolished, and the trees grew through the roofs.

In 1985 the chairman of the Board of Management, Mr. Loudon, appointed a location manager in order to make the Velperweg complex a nice looking, well ordered and endurable place. Also, the location manager was in charge to build the new corporate Headquarters. To force this decision, AKZO bought the site from ENKA in order to realize the new plans and to create a new modern corporate centre. The following objectives were the result:

- The front view of the Velperweg became representative and prestigious. The new Headquarters contributed to this objective.
- All remaining buildings and services in Arnhem were concentrated to the Velperweg
- The security of the site was increased.

Together with these three main objectives, old buildings, plants, fences and parking areas were demolished. In 1991 the new corporate Headquarters was opened. Together with the new Headquarters, the site was rehabilitated with a new look, parks, renovated buildings and a proper parking area. The merger between Akzo and Nobel in 1994, lead to more employees in the Headquarters. From now on, the Velperweg had the status “Akzo Nobel Centre”. Efficiency and integration were the logical consequences of the merger.

In the period 1998-2000 there were several interventions at the Velperweg concerning upgrades, centralizations and renewals. Two exactly the same R&D buildings were build in Arnhem and Deventer to accommodate employees from Hengelo, since R&D Hengelo had to close. In 2000, a couple of months before the grand opening of the new R&D building the Board of Management decided not to centralize the research, but to keep it the way it was. As a result the building was never opened officially and was unused for about 30%.

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27 Van Kavel tot Center, p.81
28 Interview Wilton
In 1998 governmental regulations came into force concerning laboratories. It was forbidden to have laboratories on height and on multiple floors in one building. Akzo Nobel decided that the main laboratory would become the main office building of Akzo Nobel. This relatively new building was good looking and met the requirements of the modern office standards. The former headquarters, “the Enk”, became unused property, that had to be disposed. In 2002 “the Enk” and the surrounding area was sold, and transformed into partly modern apartments and office units, with respect to the architecture of the fifties. The Enk became a leading example of the Dutch mission to transform former offices into apartments.

The years 2003-2006 were characterized by restructuring selling and acquiring several businesses. Pharma was sold to Schering-Plough, and with these revenues, ICI was bought. From now on, AkzoNobel focuses only on Coatings and Chemicals. The Board of Management decided in 2006 to build a new corporate Headquarters on the Zuidas in Amsterdam. Considerations for this movement were: upgrading the corporate image, close to the Amsterdam airport and the capital city and in the heart of the Dutch centre. The Board of Management decided to move in a temporary Headquarters in Amsterdam (in 2007) also on the Zuidas, ahead of the realization of the new headquarters. As a result, at the end of 2007, the Headquarters on the Velperweg was largely unused and the remaining employees were moved to another remaining building on the site. With the global Headquarters moved to Amsterdam, the Velperweg lost its “epicenter” of the world, and remained with only two office buildings and two research buildings. In the nearby future, one of the office buildings will be rented out to Teijin Aramid.

Due to the movement of the Headquarters out of Arnhem, this building was unused and, according to the Corporate Directives, a sale and lease back strategy will be followed. Due to efficiency several departments moved into other buildings which resulted in multiple unused property. According to the Corporate Directives, the objective is to sell the entire site and assets, including the buildings still used by AkzoNobel, on the Velperweg in the coming years. The real estate agent advised to rent out the unused property now, in order to achieve the best price from the future developer/investor later.

At the start of 2009, the decision is made to demolish C3 in order to realize a parking area to facilitate C2 and the former Headquarters. This decision was made in order to partly sell the site.
2.2 Hengelo

The professional salt industry started in 1919, when the salt company KNZ started a salt plant in Boekelo, a small village in the eastern part of the Netherlands. In 1935 the salt plant was moved from Boekelo to Hengelo, alongside the new Twentekanaal. The plant in Hengelo originally produced salt, but after World War II emerged rapidly with new products such as Chlorine and MCA. In addition, Hengelo had its own Power Plant, R&D center and offices and included the divisions of Salt and Basic Chemicals.

As mentioned, AkzoNobel (and thus the site of Hengelo) does not have a real estate strategy formulated in advance. Still, looking at the real estate actions undertaken for this site, certain logic can be found. For example, new buildings and plants were always developed on their own site, and close by important plants. Research buildings and technology centers, which did not have a direct link to the plants were still built on the site, next to the plants.

The development of the site in Hengelo in the last 25 years is the result of both internal and external influences. An internal change influencing real estate was the formulation and implementation of the 1989 “focus on production” business strategy. This strategy focused on a separation between production and sales. Before 1989, every division had its own sales office. By maintaining all the production sites, but centralizing all the sales offices in Amsterdam, it became possible for a location to give full attention to either production or sales. These changes took place when AKZO was making the organizational change from divisions to business units. According to the Board of Management, concentration of all the sales offices was a step in the right direction. From that moment on, Hengelo focused on production and R&D only: the salt and MCA plants were updated and the salt specialties became fully automatic. Also, the Hengelo site constructed a new power plant in 1990 (Salinco).

The first changes based on external influences at the site were the result of legislations that ordered the decrease (and finally total prohibition) of chlorine transports. The plant in Hengelo produced 70,000 tons chlorine each year. This chlorine was transported to plants in Rotterdam and Delfzijl for further production and products like PVC. The chlorine transports by train were considered dangerous for the environment and cities and received strong public pressure. The protest campaigns influenced the decision to reduce the chlorine production in Hengelo and eventually the chlorine covenant.

This covenant prohibited chlorine transports and meant the closure of the chlorine plant in 2006. The remaining production and personnel, were transferred to Delfzijl, a city in the North of the Netherlands. In return, AkzoNobel received €65 million to compensate employees and to support the building of a new Chlorine plant in Delfzijl. Anticipating the full closing of the plant, AkzoNobel together with Dutch labor union FNV, formulated a social employee plan in 2003. The plan to reduce 270 jobs included early retirement, transfer to other plants in Hengelo, temporarily and definite transfer to Delfzijl to build the new plant.
After the closure of the chlorine and MCA plants the Board of Management decided that these parts of the site should not be leased out, but rather sold entirely. Thus only the Energy & Salt departments would remain. The year 2007 started with the demolishment of the Chlorine and MCA plants, as well as making the site ready for new activities. This meant not only demolishing the buildings and plants, but also soil remediation.

<table>
<thead>
<tr>
<th>Year</th>
<th>Activity</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>Start salt production plant</td>
<td>Plant</td>
</tr>
<tr>
<td>1948</td>
<td>Opening electrolysis plant</td>
<td>Plant</td>
</tr>
<tr>
<td>1956</td>
<td>Opening office</td>
<td>Office</td>
</tr>
<tr>
<td>1960</td>
<td>Opening lab</td>
<td>Lab</td>
</tr>
<tr>
<td>1966</td>
<td>Expanding electrolysis plant</td>
<td>Plant</td>
</tr>
<tr>
<td>1966</td>
<td>Expanding salt plant</td>
<td>Plant</td>
</tr>
<tr>
<td>1965</td>
<td>Opening E</td>
<td>Plant</td>
</tr>
<tr>
<td>1970</td>
<td>Opening energy</td>
<td>Plant</td>
</tr>
<tr>
<td>1972</td>
<td>Opening F</td>
<td>Plant</td>
</tr>
<tr>
<td>1972</td>
<td>Opening office (T.C)</td>
<td>Office</td>
</tr>
<tr>
<td>1974</td>
<td>Expanding office (T.C)</td>
<td>Office</td>
</tr>
<tr>
<td>1975</td>
<td>Expanding electrolysis plant</td>
<td>Plant</td>
</tr>
<tr>
<td>1975</td>
<td>Opening MCA</td>
<td>Plant</td>
</tr>
<tr>
<td>1975</td>
<td>Opening facilities</td>
<td>Office</td>
</tr>
<tr>
<td>1989</td>
<td>Opening RTC</td>
<td>Lab</td>
</tr>
<tr>
<td>2006</td>
<td>Downgrade office</td>
<td>Office</td>
</tr>
<tr>
<td>2006</td>
<td>Downgrade MCA</td>
<td>Plant</td>
</tr>
<tr>
<td>2006</td>
<td>Downgrade Chlorine</td>
<td>Plant</td>
</tr>
<tr>
<td>2007</td>
<td>Downgrade TC</td>
<td>Office</td>
</tr>
</tbody>
</table>

Figure 44: The red framed areas are the demolished plants, which were demolished halfway 2007.

Since 2006 all the buildings in Technology Centre were not in use by AkzoNobel. Nevertheless, the buildings were in reasonable good conditions and have the opportunity to provide money for the coming years from rents. The idea was to lease out the buildings for a short time period (5 to 10 years), after which the area could be sold to a developing company. Halfway 2008 about 80% of the buildings are leased out to several renters. In the nearby future the strategy is to sell A5b and MCA at once (25 hectares) and the Technology Center at once. The demolished Chlorine area will remain AkzoNobel’s property for future expansions.

Looking back, the strategy of Hengelo of the last 25 years can be described as “trying to survive within strict legislations”. As a consequence, no expansion of plants or offices can be seen at the site. The size of the plants stayed the same, while office and research slowly decreased. Because of the closure of two out of four plants, AkzoNobel tries to sell major parts of the site. Again, the real estate strategy is straightforward: try to rent out the offices as much as possible and sell the site in reasonable pieces for a reasonable price.
3. Analyses Royal Ahold

As mentioned in the case descriptions, Ahold could be differentiated into 3 periods of time:
- Growth & Maturity (1970-2001),
- Decline (2001-2003),
- A new cycle (2003-2008)

As a consequence, the conceptual model will be filled in, and the measurement on successful real estate strategies will be analyzed by periods of time.

3.1 Growth & Maturity (1970-2001)

In the “maturity” years of Ahold (1996-2001), the organization had a very professional CREM department. This CREM department was there for one reason: to support the business strategy. One could state that Ahold has the classic example of how to integrate the real estate strategy into the business strategy. Also, Ahold has the classic example of using real estate as “fifth resource” in order to achieve organizations objectives. During the maturity years, the decisions made by the Management Board considering new objectives, always took place in dialogue with the CREM department. Only when business strategies and objectives could be operationalized into real estate strategies, the Board approved. Based on this analyses, the situation could be visualized as following, see Figure 45:

![Figure 45: Procedure during the mature years of Ahold (1996-2001)](image-url)
The degree of success of the Inner Urban Strategy

The inner urban locations were hard to achieve. Therefore, Ahold had a significant CREM department which supported mainly the inner urban strategy. Despite of the decreasing private consumption growth from 3% to 1% and the tough competition, Ahold managed to grow in the inner urban areas, thanks to the internal supporting departments. In Ahold’s opinion the strategy was successful, although achieving the right positions became even more difficult.

The degree of success of the Outer Urban Strategy

Ahold wished for a long time to locate in the periphery of the city, thus the outer urban areas. Since the government did not allow these large retail stores, this strategy was impracticable. As soon as the government released the legislations (in 2000), Ahold located itself in several big cities with AH XL stores. The strategy was very clear, including a clear content. However, the period between the authorization of the government and the crisis was reasonably short (2 years) in order to fully implement the outer urban strategy.

The degree of success of the Vinex Strategy

From the moment on that the government pointed out the large Vinex locations (large outer city areas for massive new housing developments), Ahold’s business strategy was to be located in these areas. Even without the proper infrastructure, shopping and retail facilities, Ahold located temporary AH stores in each and every Vinex location. Since AH was the only retailer in the area and the Vinex inhabitants were exactly the type of AH customers, this strategy was very successful. By the time all Vinex locations were (nearly) finished, AH covered all these areas with their stores.

The degree of success of the Deprived Area Strategy

Ahold launched OPS (Overleg Platform Stedelijke Vernieuwing) in order to remain active in the deprived areas. Ahold did not want to give up. From the beginning it seemed successful and several other parties were willing to join. After a year or two, the progress that was made in the early start, was made undone. The main reason was the lack of mutual trust and the unwillingness to invest in long term profit areas. Summarizing it could be stated that this strategy was successful in the initiative phase, but eventually turn out to be unsuccessful.
3.2 Decline (2001-2003)

In the crisis years of Ahold (2001-2003) the smooth operationalization of the organizations objectives were far more difficult than before. Not only because of the financial consequences of the crisis (more difficult to invest), but also the fact that the organization had trouble to find partners in doing business. Mutual trust was vanished. Besides, Ahold lost an enormous amount of market share, thus turn-over. As a consequence, the inner- and outer urban strategies continued, yet in much smaller scale. By that time, the Vinex-strategy was already accomplished. The last strategy, the deprived area strategy, stood on hold. Due to the crisis, investing in long term profit was not done.

It could be summarized that the context (crisis, decrease of trust and decrease of market share) was of mayor influence on achieving the (real estate) strategy objectives. Based on this analyses, the situation could be visualized as following, see Figure 46:

![Figure 46: Procedure during the crisis years of Ahold (2001-2003)](image-url)
The degree of success of the Inner Urban Strategy

In the crisis years of Ahold the smooth operationalization of the organizations objectives were far more difficult than before. Not only because of the financial consequences of the crisis (more difficult to invest), but also the fact that the organization had trouble to find partners in doing business. Mutual trust was vanished. As a consequence, the Inner Urban Strategy did go on, yet in much smaller scale.

Inner Urban Strategy: Reasonably successful

The degree of success of the Outer Urban Strategy

In the crisis years of Ahold the smooth operationalization of the organizations objectives were far more difficult than before. Not only because of the financial consequences of the crisis (more difficult to invest), but also the fact that the organization had trouble to find partners in doing business. Mutual trust was vanished. As a consequence, the Outer Urban Strategy did go on, yet in much smaller scale.

Outer Urban Strategy: Reasonably successful

The degree of success of the Deprived Area Strategy

It are exactly the crisis years, where long term investments are not done within Ahold. Establishing shops is only allowed when direct profit will be made. This is why the Deprived Area Strategy was officially given up.

Deprived Area Strategy: Not successful
3.3 A new cycle (2003-2008)

In the growth years after the crisis (2003-2008) it was Ahold’s main objective to gain more market share. Due to the crisis, not only the turn-over decreased dramatically, but also the customers did not trust Albert Heijn (thus Ahold) anymore. In order to gain more market share, Ahold started the “war of the prices”. Besides Ahold’s new objective, the original objective (namely growth) was re-installed. As a consequence, the existing real estate strategies were re-installed too.

The “old” strategies (Inner- and Outer Urban) were successful directly after the crisis, yet extra investments in project development had to be made in order to gain the good locations. This means that Ahold really perceived real estate as one of the main resources in order to achieve its objectives. By investing more money into CREM it was possible to achieve the objectives.

The new Convenience strategy was a success too, and the same knowledge and resources were used to gain these locations. Besides, due to the increasing consumer expenditure from $\frac{1}{2}\%$ to $2\%$ in three years time, Ahold received an extra boost.

Also, the Deprived area strategy was re-installed, since there was more room for long term profit. After all, this was one of the original strategies to achieve the main objective, namely growth. The original idea was to invest in the really deprived area’s. Yet after a couple of years, Ahold encountered that investing in deprived area’s was no success. Main reason was that Albert Heijn still had the image of good quality, thus more expensive. People were willing to go a long way round to a cheaper supermarket, with less quality and less assortment. As a result, investing in deprived area’s was no success, so Ahold focused on “semi-deprived” areas. In these areas Ahold did not have stores, yet people were willing to pay slightly more for better quality and more assortment. When the opportunity occurred to buy approximately fifty C1000 supermarkets in exactly these “new” locations, Ahold did not hesitate for one moment.

Summarizing, it could be stated that Ahold did not walk away when problems occurred, but slightly changed its objectives. Interesting to see is that when changing the business objective, the real estate objective changed as well. Based on this analyses, the situation could be visualized as following, see Figure 47:
### The degree of success of the Inner Urban Strategy

After the crisis, it was not sufficient anymore to gain locations by having a big prospectors department. Inner urban locations became even more scarce, and Ahold decided to increase its own development team specialized in these difficult and integral locations. With this development team it was possible to gain the right locations for the right price. Once again, Ahold dominated the Inner Urban retail-grocery-market.

<table>
<thead>
<tr>
<th>Degree of success</th>
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<tbody>
<tr>
<td>Inner Urban Strategy: Very successful</td>
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</table>

### The degree of success of the Outer Urban Strategy

Ahold wished for a long time to locate in the periphery of the city, thus the outer urban areas. Since the crisis was come to an end, Ahold could refocus on this strategy as well. The original objectives could be reinstalled. As a consequence, Ahold opened a lot of new AH XL in the outer urban area’s and has a dominant position in these kind of supermarkets.

<table>
<thead>
<tr>
<th>Degree of success</th>
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<tbody>
<tr>
<td>Outer Urban Strategy: Very successful</td>
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</tbody>
</table>

### The degree of success of the Convenience Strategy

In the period before the crisis, the convenience shops were already launched but they never really received enough attention. After the crisis, this strategy became more and more advanced. Ahold discovered a new type of customers, namely the “quick travelers”. For these customers, Ahold launched the “AH To Go” shops which are located in train stations, filling stations, subways, city center, and even in big offices. The objective is to have an AH To Go on the largest train stations in the Netherlands. Right now, all the largest train stations already have an AH To Go, and Ahold whished to expand even more in city centers.

<table>
<thead>
<tr>
<th>Degree of success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience Strategy: Very successful</td>
</tr>
</tbody>
</table>

### The degree of success of the Semi-Deprived Area Strategy

Due to the crisis, OPS was officially given up. Yet after the crisis, Ahold wished to reinstall this strategy on their own, without any other parties involved. Still, the strategy remained unsuccessful. The major reason for this unsuccessful strategy was the type of customers. Since the price perception of AH was high, especially by the inhabitants of these areas, AH did not make money. As a consequence, Ahold did not give up, but focused on the “semi-deprived areas”. It appeared to be that these areas were a success, since these inhabitants were willing to pay slightly more for better quality and more assortment. In order to call the Semi-Deprived Area Strategy completely successful, Ahold needs more time to expand and to optimize its assortment.

<table>
<thead>
<tr>
<th>Degree of success</th>
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<tbody>
<tr>
<td>Semi-Deprived Area Strategy: Reasonably successful</td>
</tr>
</tbody>
</table>
4. Analyses AkzoNobel

The case of AkzoNobel could be divided into two situations. AkzoNobel has a real estate strategy (originated out of the Corporate Directives) as from the year 2000. In this analyses both situations, before and after the Corporate Directives will be described.

4.1 Before the Corporate Directives

The case description of AkzoNobel shows that there is no clear CREM department within Akzo Nobel. There are different business units within the organization which are responsible for different parts of real estate (management). It is clear that AkzoNobel does not consider real estate as "fifth resource" in order to achieve organizations objectives. As a consequence, Corporate Real Estate Management and real estate strategies are hardly important for the organization. For AkzoNobel, real estate is just a resource or precondition to produce.

Despite no clear CRE strategy, it does not mean that there is not one to distinguish. When looked at the real estate decisions more closely, logic can be found. For many years, AkzoNobel always let real estate decisions depend on the situation. For example, when a certain factory needed more space, they looked for opportunities whilst the local regulations made AkzoNobel to act in a certain way. This resulted in the fact that some plots were owned, some were rented, and some were leased (from the Port Authority). Every time a new building is necessary, proposals are forwarded to the Management Board.

AkzoNobel is a very context driven organization. Different context aspects have had major influence on AkzoNobel. For example during the 4th Kondratiev cycle, industrialization grew rapidly and AkzoNobel built lots of factories. Ten years later (1980) when this trend was over, these factories were useless and AkzoNobel had to focus on new products such as new chemicals, biochemical's and nanotechnology. It could be stated that AkzoNobel continuously had to anticipate to the context and find new products that fits the market, thus change the organizations objectives.

Summarizing it could be stated that the organization sets out business objectives without considering real estate. By the time real estate is needed or changed, the Management Board decides. This means that real estate strategies and the real estate management are more ad-hoc rather than deliberate. Since AkzoNobel is a context driven organization and continuously had to change the organization, an arrow is placed, leading from the organization towards its objectives. Also an arrow is drawn leading from the objectives, through real estate towards the organization. All of this, based on the context. This general conclusion of AkzoNobel could also be implemented for the case in Arnhem, see Figure 48:

![Figure 48: Procedure within AkzoNobel, general (1996-2000)]
For the case of Hengelo, the procedure is a different story. The case description of Hengelo shows us that the implemented changes are mainly influenced due to the context. Several context aspects such as governmental regulations and protests forced AkzoNobel to shut down the chlorine factory in Hengelo. This means that real estate decisions were not influenced by the organization itself or by business objectives, but due to the context. As a consequence, the organizations objectives had to change, and with that, the organizations main targets. Thus an arrow is placed, leading from the objectives towards the organization. Based on this analyses, the situation could be visualized as following, see Figure 49:

![Figure 49: Procedure within AkzoNobel, Hengelo (2000-2007)](image)

**The degree of success of upgrading the plot and new Headquarters in 1991, Arnhem**

When the corporate Headquarters moved in an old building on the plot in Arnhem in 1980, the Management Board appointed a location manager in order to make the plot a nice looking, well ordered and endurable place. Also the Management Board decided to build a new corporate headquarters on the plot. In order to do so, the old factories had to be demolished, new research buildings and laborites should be built and a new Headquarters building had to be developed. Within 10 years, the plot made a major change form a production plot towards the nice looking, global epicenter of AkzoNobel. Although the metamorphosis took 10 years, the strategy was very successful, and the business objective was certainly achieved.

**The degree of success of several moves to other buildings, Arnhem**

In the period 1998-2000 several moves between offices on the Velperweg took place. Due to several moves, some buildings were unused and remained that way. In 1998, the Management Board decided to build a new research building in order to accommodate several divisions in Arnhem. Suddenly, a couple of months before the grand opening, the Management Board decided not to centralize these divisions, but to keep it the way it was. As a result, the new research building is unused for about 30%. Summarizing, it could be stated that many moves were successful, yet the consequences (like unused new property) were absolutely not successful.
4.2 After the Corporate Directives

When the Corporate Directives were launched, AkzoNobel had to abolish the situation of multiple variants of using real estate (possession, renting, leasing). Thus, AkzoNobel forced themselves to divest their assets for now and for the future. So from that moment on, AkzoNobel’s real estate strategy was purely financial: all assets must be rented or leased. Besides, all unused property must be sold as soon as possible.

It is AkzoNobel's goal and strategy to sell all the locations, land and offices that they own. Of all the locations they possess, sale and lease back will be applied. Also, all the new offices like Amsterdam and Amersfoort are leased. Besides that, some other plants and factories in the Netherlands like Delfzijl and Rotterdam are let out by the Port Authority. This situation will not change in the future.

So AkzoNobel has a real estate strategy only for a couple of years now. But still, the real estate strategies and the real estate management are more ad-hoc rather than deliberate. Every time a new building is necessary, proposals are forwarded to the Management Board. Besides, AkzoNobel is still a very context driven organization. Since AkzoNobel is a context driven organization and continuously had to change the objectives, an arrow is placed, leading from the organization towards its objectives. Based on this analyses, the situation could be visualized as following, see Figure 50:

![Figure 50: Procedure within AkzoNobel, general (2000-2008)](image)
The degree of success of selling the plot, 2001

Due to several moves to other buildings, the oldest building (de Enk) on the Arnhem plot became unused property. In 2001 (according to the Corporate Directives) the Management Board decided to sell the Enk plus the surrounding area. After a year the Enk was sold successfully. Subsequently, the whole plot of Arnhem will be sold and the remaining buildings will be leased. Since the plot in Arnhem is desirable, this will not be a problem. The plot in Hengelo will remain leased of the Port Authority. Summarizing, in a few years, all AkzoNobel’s real estate will compliance to the Corporate Directives.

The degree of success of moving the Headquarters to Amsterdam, 2006

In 2006 the Management Board decided to move the Corporate Headquarters to Amsterdam. Yet, because the new construction will not be finished before 2011, the Management Board decided to make an early move (in 2007) to a temporary Headquarters in Amsterdam. This means that this building will only be rented for 5 years, yet has to be fully equipped and facilitated. Besides that, the headquarters in Arnhem could easily last for 10 more years. As a consequence of the move, the selling of the plot has to speed up, since the old headquarters is unused property. Summarizing, according to real estate (strategies), it could be stated that this hasty move had more disadvantages than advantages. According to management decisions and point of view, this action was very successful, since the board wanted to be located in Amsterdam as soon as possible.
5. Cross case analysis Ahold – AkzoNobel

5.1 The success of real estate strategies

Ahold
During the full time span that Ahold has been thoroughly investigated (1996-2008) Ahold operated 5 strategies:
- Inner Urban strategy
- Outer Urban strategy
- Vinex area strategy
- (Semi) Deprived area strategy
- Convenience strategy

Of all these strategies, only one, the (Semi) Deprived area, was unsuccessful. Main reason was the influence of the context, namely that the type of location and consumers did not match the AH supermarkets. Since AH has the perception of being more expensive, the supermarkets were not visited enough by these type of (low income) consumers. Except from the crisis years and the deprived area strategy, the context was hardly important for Ahold. The economy, and especially the consumers growth was stable, and was hardly of influence on Ahold’s major growth.

During the crisis years all real estate strategies were not so successful. Due to the crisis, Ahold had to contend with a bad image and a financially unhealthy organization. The context variables in the conceptual model, were the only ones that changed. Therefore the conclusion is that the strategies were not so successful due to the context.

AkzoNobel
As mentioned before, AkzoNobel is a context driven organization. Constantly, AkzoNobel has to adjust to the economic cycles and market demands. As a consequence, AkzoNobel had to develop new products that fit the market and had to adjust its business objectives constantly.

It is interesting to see that AkzoNobel’s real estate strategies are principally a direct consequence of the context, yet they are (reasonably) successful. The real estate strategies itself were successful as long as they were fully supported by the organization.

Conclusions regarding the success of real estate strategies:
1. The context plays a major role in the success of real estate strategies. For a retail organization, context aspects such as the right customers and the corporate image seem to be dominant factors. For production organizations the economic context such as long term cycles, market demands and new product demands seem to be dominant factors.
2. When the organization really supports the real estate strategy in order to achieve certain objectives, a real estate strategy is successful, provided a supportive context.
3. Ad-hoc real estate strategies could be successful too, as long as they are supported by the organization, and fit in the contextual variables.

5.2 Content of real estate strategies

Ahold
All the five strategies mentioned in the previous paragraph, have a very clear content. Every strategy has a different content based on for instance: location, type of supermarket and target population. Also all the strategies have several “hard” aspects (such as number of sqm, turn over, parking places) and “soft” aspects (location, surrounding area, approachability, safety).

Thus, Ahold’s real estate strategies are always very clear and consist of various aspects. Some of these aspects are measurable in an objective way, others are not and are hard to operationalize.
AkzoNobel
AkzoNobel's real estate strategies do not all have a very clear content. Sometimes, when a strategy is a direct consequence of the context (closure chlorine factory), the strategy is very clear: shut down and demolish the factory within 1 year. In other cases, the strategy consists out of several vague statements: “the plot should be nice looking, well ordered and an endurable place. Also, a new Headquarters should be built within 5 years”.

Conclusions regarding the content of real estate strategies:
1. Successful real estate strategies consist of both qualitative and quantitative aspects.
2. These aspects are all based on explicit added values for the organization.
3. None of the aspects within the content have a primary financial focus.

5.3 Alignment of real estate strategies and business strategies
As mentioned in the theoretical framework, the arrows in the conceptual model symbolize the way organizations manage to achieve their objectives. When the arrows run from “left to right”, thus from the organization to the objective, an organization has a certain proactive process. When the arrows run from “right to left”, thus from the objectives to the organization, an organization has a certain reactive process. In addition, when the arrows run through the real estate strategy and from left to right, an organization uses real estate as fifth resource in order to achieve the organizations objective, thus alignment between real estate strategies and business strategies exists.

Ahold
In every situation, even during the crisis, Ahold has a proactive process in order to achieve the organizational objectives. In addition, the arrows always run through the real estate strategy in the right direction. Thus, Ahold always considers real estate as fifth resource in order to achieve the organizations objectives, even in hard times.

AkzoNobel
In the case of AkzoNobel, the process is considerably different. Dependent on the context, the arrows run in either directions. When the organization is faced with changing context aspects (such as economic cycles, different market demands or different products), the organization changes its objectives, thus reactive. When AkzoNobel is faced with sudden and drastic context aspects (such as a forced closure of the chlorine factory) the objectives changed and as a consequence, the original organizational targets had to change, thus reactive. Actually, due to the many changes and context aspects, it was hardly possible for AkzoNobel to act proactive.

But, whatever the situation is, the arrows never run through the real estate strategy in a proactive direction. What ever changes appear, real estate is adjusted in the at that moment properly way, without considering foreseeable changes in the future, or possible added values of real estate. However, real estate strategies seems to be often successful, regarding the solved problems. But regarding to the development of the portfolio of Arnhem in time, real estate strategies could be more efficient, when the decisions were based on foreseeable future developments.

Conclusions regarding the alignment of real estate strategies and business strategies:
1. Alignment of real estate strategies and business strategies varies on the type of organization/branch and the influence of the context.
2. The level of success of real estate strategies seen from object and short-term perspective is not dependant on the alignment of real estate strategies and business strategies. Seen form portfolio and longer term perspective, lack of alignment is less efficient.
3. It could be possible, yet not verified, that AkzoNobel did not achieve all its organizational objectives due to inefficient use of real estate, especially for the case of Arnhem.

In the next chapter, the findings and conclusions mentioned above, will be compared with the other two cases: Shell and ING. As mentioned earlier, Shell and ING will be investigated less thoroughly and will only be compared to the findings and conclusions based on Ahold and AkzoNobel. The findings and conclusions founded so far, are based on different types of organizations, namely a food retailer and a production company. It is likely that these findings and conclusions are not generalizable, and therefore are compared to the two other cases Shell and ING, a production company and a financial service provider.
6. Findings compared to Royal Shell and ING Group

6.1 Royal Shell

The case of Royal Shell could be divided into two situations. The first time period till 1994, where Shell did not have a real CREM department and the real estate was managed by the Shell Pension fund. The second time period after 1994, where Shell launched SRE, Shell Real Estate.

6.1.1 Shell Pension fund, before 1994

Before 1994 within Shell, all responsibilities were decentralized to the operating companies, there was no real corporate real estate department. Every individual operating company had its own policy towards real estate. The Shell Pension fund was leading in the management, advisory and expertise concerning real estate. All the office and R&D property of Shell was owned by the Shell Pension fund in order to achieve a certain Return On Investment (ROI). Real Estate was not considered as fifth resource to achieve organizational objectives, but to achieve return on investment. Based on this analyses, the situation could be visualized as following, see Figure 51:

![Figure 51: Procedure within Shell (1975-1994)](image)

Degree of success on Return on investment

The real estate strategy of Shell is considered to be purely financial. In order to achieve a certain return on investment, the Shell Pension Fund owned and invested in Shell’s own real estate. As a consequence, real estate was not managed by Shell Pension fund, but locally and ad-hoc. Nevertheless, when looking at the real estate strategy itself, it could be stated that the strategy is indeed successful and achieved a successful ROI of 12%.
6.1.2 Shell Real Estate, after 1994

With the real estate management shift to SRE, the management had shifted from a financial to a real estate perspective. With objectives merely based on the real estate and the way it is supporting the core activities. It could be stated that the corporate real estate strategy is considered as fifth resource in order to achieve the organizational objectives. The CRE strategy focuses primarily on cost reduction and increasing productivity. Due to the economical developments and globalization, it became problematic for Shell to attract and attain high qualified and educated employees. The real estate strategy changed gradually from increasing productivity into increase employee satisfaction. The new strategy “Shell Works” (implemented since 2008), is the result. In this strategy a standard high quality work environment is prescribed. Based on this analyses, the situation could be visualized as following, see Figure 52:

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**Figure 52: Procedure within Shell (1994-20008)**

**Degree of success of SRE supporting the core business**

The real estate strategy of Shell is considered to be supporting the core business. Despite the fact that SRE is already 8 years old, SRE is still a service department rather than a fully professional CREM department. Only since 2008 the document Shell Works is finalized. This document is considered as a standardized office and building concept. Yet, most of it still needs to be implemented. It could be stated that after 8 years, the CREM department has actually just started acting really professional. And so far, there have been insufficient objectives achieved.
Conclusions regarding the success of real estate strategies:
1. Since the “ROI strategy” was very clear and received an enormous boost from the economic context (prosperous years), this strategy was very successful.
2. Although the “supporting the core business strategy” has been active for 8 years now, it did not achieve as much objectives as hoped. Major reason is that this strategy has been ad-hoc for a long time, and as from 2008 shifted to more proactive. Due to the contextual changes, the real estate strategy developed from increasing productivity toward increasing employee satisfaction.

Conclusions regarding the content of real estate strategies:
1. The “ROI strategy” consisted purely out of quantitative and financial aspects, and did not support the core business.
2. The “supporting the core business strategy” consisted out of both qualitative and quantitative aspects, and supports the core business. In the first years the themes were not explicit, and therefore various. With the development of Shell works, the strategy is explicit and will be implemented globally in the Shell organization.

Conclusions regarding the alignment of real estate strategies and business strategies:
1. The “ROI strategy” was not aligned with the business strategies, yet very successful, regarding to the objective of the strategy. Regarding to the organizational objectives a clear conclusion about success cannot be drawn.
2. The “supporting the core business strategy” was completely aligned with the business strategies, yet reasonably successful. Also seen from business perspective, seen at portfolio level and long term success, this ad-hoc strategy needed to adapt to contextual changes.
3. The level of success of real estate strategies sec is not dependant on the alignment of real estate strategies and business strategies. But seen from 5th resource perspective alignment is needed.
6.2 ING Group

ING is a result of several mergers in 1991. Before the merger there was no clear real estate (management) and therefore not investigated in this research. In the years after the merger, the service industry and also the banking institutions were very prosperous and increased rapidly.

From 1991 there was not one CREM department and the portfolio could be classified as incremental. In these first years, during the enormous growth and mergers, the real estate strategy was incremental and solely focused on supporting the core business by facilitating offices. As from 1995 ING Real Estate was launched and operates as the corporate real estate management department. From that moment, CREM was centralized and became focused to uniform the portfolio and increase the image of the organization. The corporate image was increased and the real estate strategy became value-based. The strategy consist out of clear objectives and themes, such as typical and remarkable offices on outstanding locations.

As from 1991, but surely after 1995, ING considered real estate as fifth resource in order to achieve the organizations objectives. Based on this analyses, the situation could be visualized as following, see Figure 53:

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**Degree of success of ING RE supporting the core business**

In the period around 1991 the real estate strategy was mainly incremental. Yet, so was the business strategy. Thus the real estate strategy was successful, just by supporting the organization. After 1995 the business strategy changed towards a more corporate image. As a consequence, the real estate strategy changed to value based, thus supporting the business objective.

**Conclusions regarding the success of real estate strategies:**

1. The real estate strategy always supported the organizations objectives. As soon as the business objectives changed (growth & mergers to increasing image), so did the real estate strategy (from incremental to value-based). As a consequence, the real estate strategy was very successful.

**Conclusions regarding the content of real estate strategies:**

1. The content of the strategies after 1995 were very clear and consisted out of both qualitative and quantitative aspects, and supports the core business.
2. In addition, several added values formed the RE strategy such as: supporting culture, increase productivity and promote image.

**Conclusions regarding the alignment of real estate strategies and business strategies:**

1. ING’s real estate strategy was completely aligned with the business strategies, and always very successful.
Section V

Conclusions & Recommendations
In the last section of this thesis the main research question and recommendations will be presented, based on the combination of theoretical and empirical research findings.

This research aims at researching the success of real estate strategies and categorizing them in order to learn lessons from the past. This requires a clear definition of both key concepts – strategy and success – and a method to measure success.

**Research Methodology**

The research methodology is a combination of theoretical and empirical research. The theoretical framework is based on (related) literature, scientific papers and articles.

On the basis of the theoretical framework, the empirical research is conducted. The empirical research is a combination of document analysis, observations and multiple interviews, resulting in case descriptions of the four Dutch multinationals: Royal Ahold, AkzoNobel, ING Group and Royal Shell. The cases were investigated by three methods, namely: singular, plural, and retrospective. The case descriptions cover a time span of approximately the last 35 years and investigate the different business strategies and objectives, the real estate strategies and objectives and the context influences. This research project is considered to be explorative. The research questions therefore consist of an open nature. The quest for qualitative information necessitates a combination of theoretical and empirical research. Based on the case descriptions and analyses, a cross case analyses is made in order to categorize the different real estate strategies and present certain aspects and characteristics that form a successful corporate real estate strategy.

As a result, this research thesis will be an advisory report for those managers in corporations that have final responsibility over formulating and applying strategic corporate real estate strategies.

**Strategy Definition**

It could be stated that the definition of the word strategy is not unambiguous. As a consequence, the literature does not present a clear vision on the content of a strategy. This study assumes strategy as “a plan to the objective and the objective itself”. It has to be mentioned that the context could be of influence to the strategy.

The corporate real estate strategy is considered subordinate to the corporate strategy. It is the concretizing of the corporate strategy for the corporation’s real estate issues. This top-down approach is not generally supported in literature, and the empirical research revealed indeed some important divergences. But, although real estate by its nature is not capable to quickly respond to the consecutive corporate strategy changes, this research considers it “best practice” to regularly reconsider the possibilities for alignment of the real estate to the overall corporate strategy.

**Context**

The contextual changes that influence the real estate strategy are both internal and external. The internal contextual changes relates to the organizational characteristics, such as people and finance. The external contextual changes could be divided into global and local developments.

The global developments relate to the long term economic cycles (Kondratiev waves). These cycles show periods of approximately fifty years, which consist of alternating periods between high sectoral growth and periods of slower growth.

The local developments represent context aspects such as the Dutch history highlights, local economic developments, market tendency and regulations.
The relation between context and real estate strategy
Mintzberg (1994) takes the context aspects into account by distinguishing a “planned strategy” (what an organization wishes to change and tries to do in order achieve this) and an “emerging strategy” (what is currently taking place). This emerging strategy could also be referred to as “aspects that influence the planned strategy”. As a consequence, a strategy is not static, but rather dynamic.

Measuring success of a real estate strategy
The literature does not present an unambiguous definition of the word “success”. In this study, success of a real estate strategy could be described as “the degree of achieving the objective”. Moreover, success could also be referred to as “what an organization perceives as successful”. By taking this view on success, it has to be mentioned that the context could be of influence to the degree of success. These context aspects could be for example: change or adaption of the organization strategy, organizations specific influences, governmental regulations and long- and short term economic cycles.

In the Corporate Real Estate Management literature, the word success is often replaced by “organizational performance” and “added value”. Based on both the theoretical and empirical research, this study assumes that using added values is not the best tool to measure the success of a real estate strategy. Besides, mutual relations between different organizational objectives in combination with the always existing context, makes it difficult to clearly pinpoint certain added values that stipulate the success of a real estate strategy.

It could be concluded that there are many different ways to measure success. In addition, success could be measured both objective and subjective. Also, the content of a real estate strategy is both quantitative and qualitative. It is useful to measure the success of a real estate strategies by investigating the themes within the real estate strategy. In the researched cases, the “overarching corporate real estate strategy” could be divided into several “sub real estate strategies” that form the concretizing of the overarching corporate real estate strategy. The research shows that it is possible to achieve a successful sub real estate strategy, without achieving a successful overarching corporate real estate strategy, and vice versa. Therefore in the case analyses a distinction is made between measuring a sub real estate strategy and the “overall success of the overarching corporate real estate strategy”.

Figure 54: the relation between rational and emergent strategies
Themes within a real estate strategy

The search for successful real estate strategies necessitates the content of the real estate strategy. In order to study the content, real estate strategy themes are required. The real estate strategies by O’Mara (incremental, value-based and standardization) are generic and do not mention different themes or objectives within a real estate strategy. The theoretical research presents numerous added values, such as the added values of Nourse & Roulac (1993) and de Jonge (1996) that could form the content of a real estate strategy.

In the empirical research, several themes are founded, which could be categorized in both qualitative and quantitative. Many themes within the real estate strategy are difficult to operationalize and justify objectively (such as: “representative headquarters”, “approachable supermarket” or “a good working environment”). As a consequence, a real estate strategy will be implemented partly based on subjective targets, which could lead to a different realization of the subjective targets. In addition, the majority of the real estate strategy themes do not contain aspects with a primary financial focus, this in contrary to business strategy themes. Apparently, real estate strategies do not focus on costs, but contribute in another way to financial business objectives. It could be stated that most themes within the investigated real estate strategies support explicit added values of the organization.
Main research question

Main research question:

“Which real estate strategies have been successful for Dutch multinationals, and what can be learned from these successful strategies for the future?”

This research shows that the degree of success of a real estate strategy depends on the combination of:
1. the (economic) context
2. the alignment of real estate strategies and business strategies.

1. (Economic) Context
The findings and conclusions of the theoretical and empirical research show that the context is of influence on the degree of success of a real estate strategy. These context aspects could be both general, as well as more specific aspects.

For a retail organization (the case of Ahold), the long term economic cycles were of influence. During the period 1970-1985 it were tough times, since the consumers were not willing to invest and were careful with spending money. After 1985 the consumers expenditure increased until the present time. This consumers expenditure could be connected with the 5th Kondratiev wave, since “service” plays an important element in this economic cycle. At the start of the 21st century, Ahold’s business strategy was to focus not only on their present customers, but also to focus on new customers in deprived areas. Due to Ahold’s high-priced image, customers were not willing to buy in these shops. This context aspect made Ahold to move out from the deprived areas and refocus on “semi-deprived” areas. Due to the internal (financial) crisis of Ahold, customers did not trust the organization and Ahold lost market share. Also governmental regulations considering mega-supermarkets were of influence for Ahold.

For production organizations (like AkzoNobel) the economic context (both global and local) such as long term economic cycles, market demands and new product demands seem to be dominant factors. AkzoNobel took advantage of the upswing of the long term economic cycle (4th Kondratiev wave) of industrialization and chemical products. Many factories were built in order to make fibers, chlorine, chemicals and coatings. The last segment of the 4th Kondratiev wave (1980-1990) was a very tough period for AkzoNobel, since their products were less needed and could be produced in foreign, low-wages countries. As a consequence, AkzoNobel tried to shift its product range in conformity with the 5th Kondratiev wave, by introducing new products, such as: biochemicals, nanotechnology coatings, high-tech fibers and new chemicals. Many old factories in the Netherlands were demolished and replaced by new Research & Development centers. The factories of these new products are mainly in low-wage countries, while the offices and R&D are positioned in the Netherlands and USA. Based on the empirical research, it could be stated that the local developments are present explicitly. Governmental regulations concerning chlorine transports, forces AkzoNobel to close a modern factory, which had major influence on AkzoNobel’s organization and its objectives.

Thus the context, whether economic related or not, has major influences on the organizational objectives, the real estate strategy process, and the real estate strategy content. Although this research did not have the objective to investigate certain context variables, it appeared that several context variables (governmental regulations, long- and short term economic cycles, customer wishes, corporate image and identity) were of major influence.

Based on the empirical research it could be concluded that the context was of influence on both the process of the strategy as well as the content of the strategy. In addition, these influences concern both business- and real estate strategies.
2. Alignment
The literature describes that the real estate strategy should be aligned with the business strategy. However, the literature does not distinguish different ways of alignment. In the empirical research two different ways of alignment is recognized: pro-active and re-active. These two ways of alignment will be discussed further.

In this study, a **pro-active** alignment is defined as:
"Based on the organization strategy, certain organizational objectives have been set out, which are implemented by (among others) the real estate strategy. The real estate strategy is aligned to the organization strategy, and the organizational objectives are realized through real estate strategies. The context is of relatively small influence on the organization".

![Diagram of pro-active alignment]

In this study, a **re-active** alignment is defined as:
"Based on major contextual changes that influences the organizations objectives, cause an adaption of the real estate strategy. The adapted real estate strategy causes the organization to act differently or set out new organizational objectives. The organizational objectives are aligned with the real estate strategy, and the real estate strategy is aligned with the organization strategy".

![Diagram of re-active alignment]
In the following schedule, all four investigated cases are categorized in type of alignment and the overall success of the corporate real estate strategy (Figure 55). This figure is the result of the cross case analyses.

<table>
<thead>
<tr>
<th>Case</th>
<th>Pro-active</th>
<th>Re-active</th>
<th>Overall success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahold</td>
<td>+</td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>AkzoNobel</td>
<td>+</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>ING Group</td>
<td></td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>Shell</td>
<td>+</td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

*Figure 55: schedule of all investigated cases*

In the analyses it is made clear that Ahold and ING always had a very pro-active alignment. Both organizations set out clear organizational objectives, which were implemented by the company’s real estate strategy. Both organizations have several “sub real estate strategies” which are all based on the “overarching real estate strategy”. In both cases, most of the sub real estate strategies were a success, which leaded to the success of the companies overarching real estate strategy. The findings and conclusions based on the cases, show that when using a pro-active alignment, real estate strategies are often more successful, provided that the context is supportive. In addition, when using a pro-active alignment, real estate is used as “fifth resource in order to achieve organizational objectives”.

The results show that although AkzoNobel always used a very re-active alignment, the companies overarching real estate strategy was successful. The case analyses of AkzoNobel show that the real estate strategies were re-active and very context driven. The case of AkzoNobel shows that using a pro-active alignment is not always possible and even desirable. Due to the context, business objectives change often and so does the organization strategy. This results in using a re-active alignment and thus, it is not possible to consider real estate as fifth resource in order to achieve organizational objectives. Yet, as shown by the case of AkzoNobel, using a re-active alignment does not necessarily have to be negative, and success could still be achieved. Apparently, the combination of the type of organization, branch and context determine whether or not a pro-active or re-active alignment is necessary and desirable.

Finally, the Shell case shows a pro-active alignment, yet with a rather negative success regarding the overarching real estate strategy. The main reason for this contradiction is Shell’s slow responds to the context and the time span of Shells transformation towards its new real estate policy. Although Shell’s sub real estate strategies are often successful, the overarching real estate strategy is not.
Overall conclusion

This research shows that when using a pro-active alignment, real estate is used as fifth resource in order to achieve organizational objectives. When a pro-active alignment is used, the chances increase that real estate strategies are more successful. Main reason is that real estate is used as fifth resource in order to achieve organizational objectives, and the fact that pre-determined organization- and real estate strategies are consistent and have a clear process and content, which makes real estate used more efficiently, provided that the context is supportive.

However, this is not always the case. The research also shows that when using a re-active alignment, real estate is not used as fifth resource in order to achieve organizational objectives. Yet, the real estate strategies could still be successful. Research shows that sometimes, dependent on the combination of high contextual influences and type of organization, a re-active alignment is preferable.

The research shows that the contextual influences are very important and always have to taken into consideration. The research shows that the context influences both the process and the content of both organizational- and real estate strategies. Based on this research, several context aspects that influence the organization could be presented: the 4th and 5th Kondratiev wave, market tendencies, governmental regulations, product demands, corporate image, and customers-whishes.

It could be concluded that a successful real estate strategy does not have to consist out of certain pre determined themes. Successful real estate strategies are strategies that support the organizational objectives. The research shows that well-organized strategies with explicit themes (Like Ahold and Shell) often have a greater chance of success. In the case of AkzoNobel, the real estate strategies are context based and do not contain clear themes. Nevertheless, these strategies were successful too.

For future successful real estate strategies, it could be stated that when designing a real estate strategy, one should investigate the context and possible future developments (for example scenario planning) and determine the possible threads and opportunities. Depending on the type of organization, branch and context influences, the decision should be made whether or not to use pro-active or re-active alignment.
Recommendations

This research is considered to be explorative, striving for discovery and not so much for verification. The RE&H department launched the “CREM-cases” research as from September 2008, and this thesis is the first result. Therefore, four cases are investigated of which two quite thoroughly. However, when viewing the CREM-case research in broader perspective, many multinationals (and maybe other big organizations) will follow and a major source of information will we gathered, of which this graduation thesis is the first.

The conclusion considering the increasing success of a real estate strategy by using a pro-active alignment is most likely, yet not verified. By using more cases as empirical data, a more certain conclusion could be stated. Also the conclusion considering that alignment is depending on the type of organization and branch needs further validation. Another conclusion considers the influence of the context. Research to the impact of the context and what themes or developments causes the most effect could be a good addition.

In order to increase the validity of the research results, more empirical data needs to be collected at more multinationals. In this thesis different types of organizations are compared. The question is whether the conclusions could be more specific by comparing organizations by type and branch. A perfect case for further comparison with AkzoNobel is the case of Royal DSM. DSM is also a Dutch multinational and originally a chemical company. Nowadays, DSM is mainly focused on Pharma, Performance Materials, Polymer Intermediates, Base Chemicals and Materials. DSM has similar problems considering economic and governmental influences and is also a production- and context driven multinational. Although Royal Philips is mainly focused on high-tech and electronics, this case could also be used as research case in comparison with AkzoNobel, DSM and Shell.

For the case of Ahold there are many organizations, yet not Dutch multinationals, that could act as a good comparison case. Concerning retail and inner urban locations, several organizations, like Schuitema (C1000), Blokker Holding and Hema are interesting cases. But also organizations that focus on strategic locations for retail, like Corio and Unibail-Rodamco are interesting. A combination of existing publications and research will increase the usability of the results of this thesis. This combination is described in “Designing a Real Estate Strategy” (DAS-Framework), therefore this research will not only deliver case descriptions for this publication, the conclusions are also relevant for the publication since this thesis shows new insights in corporate real estate management literature.

By the time this thesis was wrote, the global financial crisis occurred which influences nearly every single branch and economy in the world. Logically, the investigated Dutch multinationals will absolutely be influenced by this new type of context, on both the business and the real estate strategies. It could be advised to align the real estate and strategies in a pro-active way in order to protect the organization of this major context. This means not solely costs cutting or disposal of square meters, but reconsidering organizational objectives, formulating future developments including threads and opportunities and than formulating alternative real estate strategies that match in most optimal way to these objectives. When uncertainty is high, a more re-active alignment could be convenient for parts of the portfolio.
Conclusions regarding the success of real estate strategies:

1. The success of a real estate strategy does not depend on certain themes within the content. There are no certain explicit themes within the content that lead to success or un-success.

2. The (economic) context plays a major role in the success of real estate strategies.

Conclusions regarding the content of real estate strategies:

3. The content of real estate strategies consists of both qualitative and quantitative themes. In addition, many qualitative themes are objective and difficult to operationalize.

4. The majority of the real estate strategies do not have themes with a primary financial focus.

5. All themes that form the content of a real estate strategy are based on certain explicit added values of the organization.

Conclusions regarding the alignment of real estate strategies and business strategies:

6. The type of alignment is dependant on the type of organization, branch and the influence of the context.

7. When a pro-active alignment is used, the chances increase that real estate strategies are successful.

8. When a re-active alignment is used, the chances increase that real estate strategies are unsuccessful.

9. Both deliberate and ad-hoc real estate strategies could be successful.

10. When a pro-active alignment is used, the chances increase that real estate is considered as fifth resource in order to achieve organizational objectives, and thus act more efficiently regarding to real estate.
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Appendices

- Full case description Royal Ahold (Available on request at the CREM-department)
- Full case description AkzoNobel (Available on request at the CREM-department)