Corporate Real Estate Alignment in Practice

A study on how corporate real estate is aligned by multinational corporations in different industries in practice and its relation to theory

Graduation presentation Tine Nientker, April 18th 2017
MSC Management in the Built Environment
Introduction

Why corporate real estate alignment?
Background

The problem in corporate real estate
Conclusion
Comparison
Findings
Theoretical framework
Research design
Research question
Background
Introduction

Source: Ascot advisory
Corporation

Before:
- HR
- IT
- R&D
- Finance
- CREM

(Joroff et al., 1993)
Alignment

1. An arrangement in which two or more things are positioned in a straight line or parallel to each other.

2. An agreement between a group of countries, political parties or people who want to work together because of shared interest or aims.

Source: Cambridge dictionary
Alignment is something that does exist through multiple departments in a corporation.
Alignment in CRE

Corporate Real Estate Management is “the management of a corporation’s real estate portfolio by aligning the portfolio and services to the needs of the core business, in order to maximize the added value for the business and to optimally contribute to the overall performance of the corporation”.

Source: Dewulf et al., (2000)
Research question
Main research question

“How is corporate real estate alignment by multinationals in different industries done in practice and how does this relate to the models found in theory?”
Sub-research questions

- What is the current state regarding corporate real estate management?
- What is the current state regarding corporate real estate alignment models?

- How can the type of alignment be defined?
- Which components are present within the corporate real estate alignment process?
- Is the alignment process at the multinational corporations control-oriented or involvement oriented strategy? What kind of perspective do they have?
Research design

How to research corporate real estate alignment in practice
Research design

Phase 1
• Scope of subject

Phase 2
• Critical literature review
• State of theory

Phase 3
• Case based study
• State of practice

Phase 4
• Cross case comparison
• Comparison theory and practice
• Conclusions

Conclusion

Comparison

Findings

Theoretical framework

Research design

Research question

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Theoretical framework

State of theory
State of theory

Most important aspects:
• Form
• Directionality
• Cognitive objects
• Relationship

Source: Heywood & Arkesteijn (in press)
State of theory

Most important aspects:
• Understanding corporate strategy
• Understanding corporate real estate strategy
• Designing real estate strategy
• Implementing real estate strategy

Source: Heywood & Arkesteijn (2013)
State of theory

Most important aspects:
• Stakeholder management
• Change management
• Information management
• Relationship management
• Management of the power distribution
• Preconditions management

Source: Beckers & van der Voordt (2014)
State of theory

Most important aspects:
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Source: Beckers & van der Voordt (2014)
Findings

State of practice of corporate real estate alignment
Findings corporation A – Chemicals

‘Invest in a market-driven portfolio that creates value for our shareholders and customers”

Sales: $48.788 million
Operates in 180 countries

49.500 employees
Five operating markets
How do they do it?

CRE alignment in practice

Once a year: update on corporate strategy
Translate corporate strategy into CRE strategy by global CRE director
Very different CRE strategy? Approval of CEO needed
Regional Workplace Services managers construct and prepare plans, approval of global CRE director
Assess effect of CREM actions and report back from local, to regional to global
Comparison

Cross-case comparison and relation theory and practice
Five different industries
<table>
<thead>
<tr>
<th>Focus</th>
<th>Connection with the business</th>
<th>Role department</th>
<th>Real estate plans</th>
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<td>Regions are responsible for implementing. Approval is done by regional and global real estate boards.</td>
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**Five different industries**

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**Background**

**Research question**

**Research design**

**Theoretical framework**

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## Comparison

- **Theoretical framework**: The theoretical framework is built around the research question and hypothesis. It provides a comprehensive understanding of the research context and objectives.
- **Findings**: The findings section summarizes the results of the research, highlighting key insights and observations. It includes statistical analysis, qualitative data, and any significant findings from the study.
- **Conclusion**: The conclusion draws conclusions from the findings, addressing the research question and providing implications for future research and practical applications.

### Conclusion

The conclusion section synthesizes the key findings and their implications. It reinforces the significance of the research and suggests areas for future exploration. The conclusion highlights the contributions of the study to the field, emphasizing the relevance of the findings to ongoing discussions and future research initiatives.
## Five different industries

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### Comparison

- **Findings**: The theoretical framework and research design are applied consistently across all industries.
- **Introduction**: Each industry has a unique background, setting the stage for the research question.
- **Research question**: Specific to each industry, reflecting the unique focus and connection with the business.
- **Research design**: Tailored to each industry, ensuring alignment with the theoretical framework.
- **Theoretical framework**: Common across all, providing a robust foundation for the findings.
- **Conclusion**: Synthesizes the comparison, drawing conclusions based on the findings.
The puzzle of theory and practice
Theory & Practice

Four types of relationships did not appear to be present in practice

All six corporations said something about relationship between corporate strategy and CRE strategy

Source: Heywood & Arkesteijn (in press)
Theory & Practice

Strategy integration and evaluation of the process were underexposed in practice.

All corporations do pay attention to the four main building blocks.

Source: Heywood & Arkesteijn (2013)
Theory & Practice

All management types are used in practice.

Both strategy types are extreme, all corporations have a mix of the two strategies.

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<th>Power distribution</th>
<th>Preconditions management</th>
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<td>• Homogeneous group of stakeholders</td>
<td>• High influence on financial resources</td>
</tr>
<tr>
<td><strong>Change management</strong></td>
<td>• Focus on operational developments</td>
<td>• Cost driven solutions</td>
</tr>
<tr>
<td><strong>Information management</strong></td>
<td>• Strategic information</td>
<td>• Focus on operational excellence</td>
</tr>
<tr>
<td><strong>Relationship management</strong></td>
<td>• Long term focus on CRE and internal stakeholders</td>
<td><strong>Preconditions management</strong></td>
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<td><strong>Stakeholder management</strong></td>
<td>• Focus on client</td>
<td>• Reactive CREM</td>
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<tr>
<td><strong>Change management</strong></td>
<td>• Structured interaction CRE and internal stakeholders</td>
<td>• Advisory and operational role of CREM</td>
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<tr>
<td><strong>Information management</strong></td>
<td>• Long term focus on CRE</td>
<td>• Bottom up decision making</td>
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<td><strong>Relationship management</strong></td>
<td>• Focus on customer and end user</td>
<td><strong>Preconditions management</strong></td>
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<td><strong>Power distribution</strong></td>
<td>•Ad-hoc interaction with CRE and internal stakeholders</td>
<td>• Marginal influence on financial resources</td>
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Source: Beckers & van der Voordt (2014)
Conclusion

The puzzle of theory and practice
The puzzle of theory and practice

“How is corporate real estate alignment by multinationals in different fields of expertise done in practice and how does this relate to the models found in theory?”
Thank you!
Questions?