ALIGNMENT OF CORPORATE REAL ESTATE STRATEGY AND CORPORATE BUSINESS STRATEGY

Turning knowledge into practice
P5 28-1-2016
CONTENT

1. Relevance
2. Literature research
3. Problem statement
4. Research question
5. Research design
6. Research population
7. Empirical research - survey
8. Empirical research - Interviews
9. Conclusions and recommendations
10. Questions
1. RELEVANCE

- Personal
  - Interest triggered during internship

- Scientific
  - Development of role as described in literature

- Professional
  - Scoping interviews
  - Market impact

725,000 square meters
700 organizations
## 2. LITERATURE RESEARCH

<table>
<thead>
<tr>
<th>Journal</th>
<th>Article</th>
<th>Authors</th>
<th>Date</th>
<th>Problem</th>
<th>Scientific relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Journal of Corporate Real Estate</td>
<td>Best practice, best model, best fit: strategic configuration for the institutionalization of corporate real estate management in Europe.</td>
<td>Kampf-Dern, Pfnur</td>
<td>2014</td>
<td>The configuration of general management frameworks combined with real estate strategy elements</td>
<td>This study will assist to improve the performance of CREM and sets a stage for further research.</td>
</tr>
</tbody>
</table>

### Conclusion

There are 11 best practices identified. A single best practice was however not identified.

### Extent

Further research could analyze in depth configurations of best fit cases.

### Methodology

The CREM map was developed to form a solid foundation for further research. Based on the depth of the research a case study approach was chosen. Each case study was combined with a semi structured interview. Which was complemented with company-internal documents and material.
### 2. LITERATURE RESEARCH

**Analysis of research progress**

<table>
<thead>
<tr>
<th>Nr</th>
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</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Journal of Real Estate Research</td>
<td>Managing corporate real estate assets: current executives' attitudes and prospects for an emergent management discipline</td>
<td>Voordt</td>
<td>2004</td>
<td>There is a need for a comprehensive framework that integrates the strategic role of corporate real estate assets with organizational performance.</td>
<td>The current research provides valuable insights into the current state of real estate management and its impact on organizational performance, offering guidance for future research and practice.</td>
</tr>
<tr>
<td>7</td>
<td>Journal of Real Estate Research</td>
<td>Linking real estate decisions to corporate strategy</td>
<td>Novak, Roesel</td>
<td>2004</td>
<td>The research highlights the importance of aligning real estate decisions with corporate strategy for competitive advantage.</td>
<td>The study contributes to the field by providing empirical evidence of the strategic value of real estate in contemporary organizations.</td>
</tr>
<tr>
<td>6</td>
<td>Journal of Corporate Real Estate</td>
<td>Corporate-Property Strategy is integral to Corporate-Business Strategy</td>
<td>Riratanaphong, Voordt</td>
<td>2003</td>
<td>The study shows that integrating property management into corporate strategy is crucial for achieving competitive advantage.</td>
<td>The research emphasizes the need for a strategic approach to real estate management, which aligns with broader corporate objectives.</td>
</tr>
<tr>
<td>8</td>
<td>Journal of Real Estate Research</td>
<td>Measuring the added value of workplace management and performance</td>
<td>berry, Allen, coenen, Veale, singer, scheffer, lindholm</td>
<td>2014</td>
<td>The study contributes to the literature on the added value of workplace management by providing a framework for measuring performance.</td>
<td>The research provides a valuable tool for organizations to assess and improve workplace management practices.</td>
</tr>
<tr>
<td>10</td>
<td>International Journal of Strategic Property Management</td>
<td>Competitive advantage from operational corporate real estate disposals</td>
<td>louko, Veale</td>
<td>2014</td>
<td>The research focuses on the strategic implications of corporate real estate disposals for competitive advantage.</td>
<td>The study contributes to the understanding of how real estate disposals can contribute to corporate strategy.</td>
</tr>
<tr>
<td>11</td>
<td>Journal of Corporate Real Estate</td>
<td>A framework for identifying and measuring value added by corporate real estate</td>
<td>burling, lindholm, lindholm</td>
<td>2004</td>
<td>The framework offers a systematic approach to assessing the value added by corporate real estate.</td>
<td>The research provides a valuable tool for practitioners to evaluate the contribution of corporate real estate.</td>
</tr>
<tr>
<td>12</td>
<td>Journal of Corporate Real Estate</td>
<td>Enhancing the contribution of corporate real estate to corporate strategy</td>
<td>Sander, Singer, brown, Voordt</td>
<td>2003</td>
<td>The study highlights strategies for improving the contribution of corporate real estate to corporate strategy.</td>
<td>The research offers practical recommendations for enhancing the strategic role of corporate real estate.</td>
</tr>
<tr>
<td>13</td>
<td>Journal of Property Investment &amp; Finance</td>
<td>Real estate value: creation and destruction</td>
<td>Voordt, Voordt, Veale</td>
<td>2004</td>
<td>The research explores the dynamics of real estate value creation and destruction.</td>
<td>The study provides insights into the complex interactions between real estate value and economic conditions.</td>
</tr>
<tr>
<td>5</td>
<td>Journal of Corporate Real Estate</td>
<td>Corporate real estate and competitive strategy</td>
<td>singer, Coenen, Voordt</td>
<td>2003</td>
<td>The research examines the role of corporate real estate in competitive strategy.</td>
<td>The study contributes to the understanding of the strategic importance of corporate real estate.</td>
</tr>
</tbody>
</table>

The table above summarizes key studies related to real estate management, focusing on the alignment of real estate decisions with corporate strategy, the added value of workplace management, and the strategic role of corporate real estate in competitive advantage.
2. LITERATURE RESEARCH

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<tr>
<th>Nr</th>
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<tbody>
<tr>
<td>10</td>
<td>Journal of Property Investment</td>
<td>A test of corporate real estate strategies</td>
<td>Voordt, Riratanaphong, Jensen, Van Coenen, Sarasoja, McGreal, Roulac, Adair, Meerwijk, Lindholm, Louko</td>
<td>2012</td>
<td>The link between real property strategy and overall business strategy</td>
<td>Superior corporate property strategies enhance the enterprise’s competitive advantage and can lead to improved performance.</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Journal of Corporate Real Estate</td>
<td>Strategic organizational strategy into corporate real estate management</td>
<td>Voordt, Coenen, der Voordt</td>
<td>2014</td>
<td>The relationship between various elements of real estate strategy and overall business strategy</td>
<td>The model is considered to deliver a significant contribution to the recognition of the growing importance of strategic property management as an enabler of competitive advantage.</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Journal of Property Investment</td>
<td>Corporate-real estate and competitive strategy</td>
<td>Voordt</td>
<td>2006</td>
<td>The relative contributions of different strategic management strategies</td>
<td>This research can be used to design further research that qualifies and quantifies the relationship between corporate real estate strategy and overall business strategy.</td>
<td></td>
</tr>
</tbody>
</table>

Still not integrated

Still not recognized

Still not aligned
3. PROBLEM STATEMENT

- Real estate strategy is not yet integrated sufficiently into the core business strategy.

- The added value of corporate real estate management (CREM) is not captured.

- Knowledge gained from research is not reaching the appropriate people on the appropriate functions.

- Real estate managers seem to miss the knowledge, tools or directions needed to implement the scientific knowledge into practice.
4. RESEARCH QUESTION

What actions are needed to close the gap between theory and practice in the use of corporate real estate strategy in the corporate business strategy to add value, in terms of profitability and competitive advantage for the whole organization?
5. RESEARCH DESIGN

Current state of research field
- State of the art on alignment from both academic research and industry
- Progress over the years

Literature research

Theoretical underpinnings / contextual research
- Define area in which practice and theory meet
- Sharpen variables and ways of measurement

Literature research
Interviews, expert meeting

Implementation into practice / Exploratory, empirical and analytical research
- Practices from industry
- Benchmark data for comparison
- Experiences from experts

Survey, Interview, data analysis

Analytical and evaluating, recommendations

Combine sub questions to main answer

Evaluation of data

Research phase
Needed information
Research method
5. RESEARCH DESIGN

Turning knowledge into practice

Practice

Academic theory

Implementation in practice

Literature research

Survey and interviews

Scoping interviews

Research problem

Feedback from professionals

Variables design definition

Research design and methodology

Expert panel

Expert panel
6. RESEARCH POPULATION

- 75 Invitations sent for the survey
- All invitations focused on office users
- 33 respondents who filled in the survey
7. EMPIRICAL RESEARCH - SURVEY

- 33 respondents

- 28 questions:
  - Knowledge transfer
  - Organizational structure
  - Reporting lines and variables
  - Innovation programs
  - Alignment
  - Obstructing factors

### Functions of respondents

<table>
<thead>
<tr>
<th>Position</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Head of Corporate Real Estate Management</td>
<td>Director Transaction Real Estate</td>
</tr>
<tr>
<td>Global Real Estate Planner</td>
<td>Director Real Estate</td>
</tr>
<tr>
<td>Int Real Estate Director</td>
<td>Asset manager</td>
</tr>
<tr>
<td>Sr. Procurement Manager - Category Manager EMEA CRE&amp;FM</td>
<td>Portfolio Administrator</td>
</tr>
<tr>
<td>Procurement Category Manager</td>
<td>Market Transaction Manager</td>
</tr>
<tr>
<td>European Programme Manager</td>
<td>Portfolio manager</td>
</tr>
<tr>
<td>Transaction lead</td>
<td>Manager Corporate Real Estate</td>
</tr>
<tr>
<td>Manager Real Estate</td>
<td></td>
</tr>
</tbody>
</table>
7. EMPIRICAL RESULTS - SURVEY

- All respondents have some form of knowledge development

- The use of academic publications is low compared to other channels

<table>
<thead>
<tr>
<th>Size of CRE department</th>
<th>0-2</th>
<th>3-5</th>
<th>6-10</th>
<th>11-20</th>
<th>21-50</th>
<th>51+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visiting seminars</td>
<td>1</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Newsletters</td>
<td>0</td>
<td>4</td>
<td>7</td>
<td>6</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Professional courses</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Colleagues</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>6</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Academic publications</td>
<td>0</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>15</td>
<td>25</td>
<td>23</td>
<td>9</td>
<td>24</td>
</tr>
</tbody>
</table>

Channels of knowledge development
7. EMPIRICAL RESULTS - SURVEY

Organizational structure and reporting

- Most real estate departments only report on a managerial level

- 3 respondents report to the C-suite level
### 7. EMPIRICAL RESULTS - SURVEY

**Organizational structure and reporting**

<table>
<thead>
<tr>
<th>Number</th>
<th>Average Score</th>
<th>Lowest</th>
<th>Highest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent real estate department</td>
<td>7</td>
<td>4.43</td>
<td>3</td>
</tr>
<tr>
<td>Finance</td>
<td>5</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Corporate office/general management</td>
<td>4</td>
<td>3.5</td>
<td>2</td>
</tr>
<tr>
<td>Administration/shared services</td>
<td>3</td>
<td>3.67</td>
<td>3</td>
</tr>
<tr>
<td>Human resources</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Procurement</td>
<td>6</td>
<td>3.33</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>3.57</td>
<td>2</td>
</tr>
</tbody>
</table>

- How high are the CRE departments valued for their contribution to the organization
- CRE departments that are structured independently are valued higher than CRE departments that are linked under another department
- Biased respondents due to self assessment
7. EMPIRICAL RESULTS - SURVEY
Measurements and reporting

- Standard cost KPIs high represented

- Flexibility measurements have lower attention
7. EMPIRICAL RESULTS - SURVEY

Alignment with other departments

- The workplace concept is dedicated to the character of the organization
- The workplace concept is aligned to the activities of the employees
- The workplace concept is dictated by the available space and the layout of the office

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Character of organization</th>
<th>Employee activities</th>
<th>Layout of offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth strategy</td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Consolidation strategy</td>
<td>2</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Optimization of portfolio</td>
<td>7</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Outsourcing strategy</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8. EMPIRICAL RESULTS - INTERVIEWS

Four interviews conducted, a sanity check on the survey results

Don’t forget that real estate is a facilitating piece of the business, it is no core business
*Interviewee 1, 2 and 4*

It will be very hard to incorporate an independent real estate department in the overall business, if it is not part of the core business
*Interviewee 1 and 2*

Reporting the added value and contributions of the real estate department towards other parts of the business is key
*Interviewee 1, 2, 3 and 4*
8. EMPIRICAL RESULTS - INTERVIEWS

The level of innovation and application of new techniques is lacking behind, because it is not always required for the business case to innovate.
*Interviewee 1, 2, and 3*

In the end, the organization will have to pay for innovations, these will then only be applied when profitable
*Interviewee 1 and 2*

When innovating, often the knowledge of outside specialist is required to complete the innovations
*Interviewee 1 and 3*
9. CONCLUSIONS AND RECOMMENDATIONS

Actions towards closing the gap

- Independent real estate departments:
  - Are valued higher for their added value
  - They have more often direct reporting lines to C-suite and executive levels
  - Show the best score on the financial limitations criteria

Identify added value → Transform added value into KPIs, metrics, benchmark → Develop strategies for portfolio implementation
9. CONCLUSIONS AND RECOMMENDATIONS

Actions towards closing the gap
9. CONCLUSIONS AND RECOMMENDATIONS

Actions towards closing the gap

**Practice**
- Evaluate business case on innovative potential based on:
  - Internal reporting opportunities
  - Data set
  - Internal alignment/structure
  - Mutual understanding of concepts

**Theory**
- Conduct academic research

**Outside specialists**
- Keep informed on new practices and models
- Service on applying new methods when required

Potential overlap with new knowledge and opportunities

Practice and outside specialist to keep updated on new developments and connect with practice for benchmarking and best practice identification.
10. QUESTIONS