ALIGNMENT OF CORPORATE REAL ESTATE STRATEGY
AND CORPORATE BUSINESS STRATEGY

Turning knowledge into practice

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Alignment of corporate real estate strategy and corporate business strategy

Colophon

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Preface

This report represents the first steps towards the research proposal for my graduation research. This research will be conducted at the department of Real Estate & Housing of the faculty Architecture at the University of Technology in Delft. This P2 report is the first step towards the graduation research focusing on the alignment of corporate real estate strategies and core business strategies. The overall research process which started in February 2015 will take close to a year until January 2016.

The corporate environment is becoming more and more competitive; many business lines have over the past decades evolved in order to utilize their potential added value at the most. As corporate real estate management had been lacking behind on that surface real estate is the designated business line to start contribution to the profitability and the competitive advantage of an organization. The challenge lies in the definition of the current knowledge and mapping why this is not applied efficiently in practice.

This P2 report will make the effort towards describing the state of the art knowledge on this subject and will be a step towards challenging the current way of managing real estate in the corporate environment.

I would like to thank Ilir Nase and Alexandra den Heijer for contributing to this research by reading and re-reading my work and actively contributing by literature suggestions and structural research initiatives. Next to that I would like to thank everyone at CBRE Amsterdam who was kind enough to make time for me whenever I needed information and advice.

Daan Lutjeboer
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Keywords: Real estate strategy, added value, competitive advantage, corporate strategy, alignment
Summary
In the current competitive business climate organizations need to get all their business lines into shape. Many of the key business lines as HR, finance and IT have been collaboration on a strategic surface in order to be as competitive as possible. Corporate real estate management has not yet been sufficiently included in this collaboration between business lines. Although the scientific knowledge regarding the alignment of CRE strategy with the organization has been developing over the last years it is seen that the knowledge is not applied in practice.

The cause of this missing link between theory and practice should be investigated in order to show how real estate management can add value to the whole organization when aligned with the business strategy. This requires real estate departments to be able to intensively collaborate with the other key business lines.

The way real estate departments can add value to the organization as a whole should be measured and reported. This requires a methodology to measure added value in terms of profitability and competitive advantage. This research will focus on these aspects and analyze business cases to see what the results of implementing these measures in organizational strategy can be and what is needed to make these implementations possible.

This leads to the main research question of this graduation research:

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?
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1 Introduction

Companies are always trying to improve in terms of profitability and competitive advantage in order to meet their mission, vision and strategic targets. Over the last two decades there has been an increase in research and implementation of several business relevant fields. In the field of human resource, finance and research and development much has been written and has been absorbed by the industry as welcome improvements for their businesses. The management of corporate real estate has however been a neglected pillar in a company’s strategy as up to 2004 only about a third of all Fortune 1000 companies incorporate real estate as a part of their core business strategy (Osgood, 2004).

Most corporations still view their real estate as a cost center, recent studies however have shown that the implementation of a real estate strategy within the corporate strategy can have positive effects and result in added value for the overall business (R. Appel-Meulienbroek & Feijts, 2007; Then, Tan, Santovito, & Jensen, 2014).

The relevance of this research subject is shown by the recent developments in real estate strategies of companies. Multiple Dutch companies have in recent years adapted their real estate strategy to match the strategy of the core business. Some organizations have done that successfully. But recent developments with Vroom en Dreesman, a large Dutch retailer, have shown that there is still a big opportunity and challenge (V&D, 2014). There are still businesses that are not fully utilizing the potential that is in a solid real estate strategy.

The alignment of these real estate strategies and core business strategies differ in theory and in practice. What is blocking the proper alignment and the utilization of the possible added value? What tools do the real estate managers require to get the message across to the responsible board members? In other words, what would be 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 for the whole organization?

1.1 Structure

This report will start with a description of the personal relevance to this research theme. After the personal motivation the scientific and professional relevance are described. The relevance of this research is backed by the problem analysis from which the main research question and all underlying sub questions will emerge. By stating and linking the research targets and the methods that will be used to the (sub) questions that have been stated the research proposal will be structured. The road to answering all the research questions is further described by the research methods and approach and the timeline that results from that section. The theoretic framework will define strategy and real estate strategy and separates added value in profitability and competitive advantage.

1.2 Personal motivation

A personal interest on this subject emerged during an internship at CBRE, more specific the business line Global Corporate Services. This business line focuses on the larger multinational corporations with substantial real estate portfolios. During this internship I noticed that companies are still focusing on cost reduction strategies regarding their real estate. By purely focusing on the costs I believe the efficiency of the employees is not guaranteed while this has a large influence on the total efficiency of a company. It was this notification combined with my interest in strategic management that I started focusing more on the strategic link between corporate real estate and core business.
As a student of real estate and housing it bothers me that real estate is such a low priority on the list of companies, which makes this an excellent opportunity to increase the influence of real estate in the business environment.

My vision on this subject is that real estate can contribute much more to the overall business performance as is currently thought of and applied in practice. At this moment companies are focusing too much on cost reduction, and from a first view you can’t blame them during an economic crisis. But real estate has much more to offer than simply providing a roof above the heads of your clients, customers and employees. By evaluating the current position and roles of the stakeholders within the real estate process, and by making the added value of corporate real estate tangible for corporate executives, real estate can start contributing to the overall profitability and competitive advantage of a company. It is my objective to place real estate management there where it belongs; in the minds of corporate managers and directors so that its alignment with corporate strategy may add value to the organization as a whole.

1.3 Personal learning objectives
My academic learning objectives are a part of the key drivers behind this research. The personal development is aimed at understanding real estate strategies, their place, effects and ways they are implemented. By approaching this from an academic perspective the current knowledge will be the fundament of this personal development.

This research should help me develop my analytical skills further through the process of reading, processing and analyzing current literature and gathered research data. Drawing clear conclusions from this is hard, and by doing this research I am hoping to become more advanced in this.

Implementation in the practice has always been one of my key drivers. This will be a reoccurring factor in this research and thus makes it an interesting learning objective and of course on of my main research questions. My personal objective would thus be to connect the research for a large part to the practice and learn how to transfer the knowledge as effective as possible.

1.4 Scientific relevance
There are several scientific papers available describing the relation between corporate strategy and corporate real estate strategy and the role of added value in this perspective. Much research has been done on corporate strategy itself and more and more research is conducted in which the connection between real estate strategy and corporate strategy is made. Both the academic world and practice realize that in such a competitive world real estate courses are needed to prepare students for their future tasks. The required skills and knowledge needs to be transferred first within the academic world and then to practice through those students (Boyd, Amidu, & Smith, 2013).

Over a time of nearly 25 years the body of knowledge emerged from the decision making model of corporate real estate management (Veale, 1989). At this point Veale already pointed out that despite the great value of real estate assets they are really undermanaged. His findings were that one of the most important reasons for this under management was that corporate real estate managers do not maintain the adequate data required for this. Veale stated that the corporate real estate practice should move towards a more strategic approach to develop a proactive and comprehensive decision making process. Four years later in 1993 Nourse and Roulac stated that most businesses don’t have a formal real estate strategy due to the fact that that real estate strategies have not been clearly described (Nourse & Roulac, 1993). The earlier problem that was determined by Veale, seeing corporate real estate as a strategic business asset is again recognized by Nourse and Roulac. The lack of context in showing how real estate can fit in an organization is blocking further integration. Almost ten years later in 2002 Gibler, Black and Moon conclude that
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most real estate divisions seems to be operating in isolation from other business disciplines even though the possible competitive advantage gained from integrating business drivers (Gibler, Black, & Moon, 2002). What can be seen is that in all cases the authors keep coming back to one conclusion; practitioners are still not applying the knowledge that is on hands on the topic of integration real estate strategy into the business.

Figure 4 shows the model which was created picturing the value adding attributions of real estate strategy. The conceptualized added value of corporate real estate for the organization as a whole is further worked out in later research of Lindholm (A.L. Lindholm, 2008; A. L. Lindholm & Leväinen, 2006). Despite this research of Lindholm, corporate real estate and facility management still had no way to prove their potential added value for the business (Jensen, Van der Voordt, Coenen, & Sarasoa, 2014).

So although this research subject has been touched by a wide range of researchers the message does not seem to be getting across. As Scheffer Singer and Van Meerwijk have put it before in 2006, the question remains in what way these theories connect to the reality and thus how these theories and models are applied in the industry (Scheffer, Singer, & Van Meerwijk, 2006). Corporate real estate assets are still undermanaged and from a scientific viewpoint it would be interesting to see how the alignment could be completed and how the potential added value, profitability and competitive advantage that is in that opportunity can be utilized (Louko, 2004).

The scientific gap would be the linkage of the existing theories with the current practice. How can parts or modules of the different models, which are showing that real estate can provide added value to the organization, be combined and implemented into practice.

1.5 Professional relevance

“In the current climate of business, every part of an organization must think and act strategically to squeeze out every possible competitive advantage. It is not good enough to be operationally efficient. Every part of the organization must be effective in contributing, wherever possible to the leadership strategies.” (RICS Research, 2012).

Possible positive attributes of CRE and FM are nowadays not clearly communicated within an organization. A cause-and-effect chain of the influence of FM strategy is rarely seen (RICS Research, 2012). If CRE and FM start to articulate and communicate their values better throughout the organization they can start to play a more central role and more strategic role in boosting the competitive advantage of the organization. There should be a way to make the added value, one of the most tangible assets of an organization, tangible. Human resource as an intangible assets has been a top priority of managers for many years (Gamble, Thompson, & Peteraf, 2013).

As for the alignment of FM and core business strategy the 2012 RICS Research report already has some recommendations. They define a six gap model, in which every gap is bridged in an individual step. In the end they are connecting the several strategic business units to the strategic FM department. But would it not be much more effective to place the FM strategic department as one of
the other strategic business units in order to operate much more intertwined with each other (RICS Research, 2012).

In that way a business will become much more flexible and responsive and thus can react faster to the changing environments. A business will be able to adapt much more efficient and change their strategy in conformity with all the strategic business units to a better suiting form of competitive advantage.

1.6 Industry experiences

In order to determine whether or not the above mentioned problems are also experienced as problems by the industry a series of scoping interviews were conducted. These interviews were conducted with employees of CBRE Netherlands who combined work with real estate managers of more than 15 multinational organizations. This fact that the interviewees had work relationships with real estate managers in a broad scale of organizations made it possible to picture an all-round image of the current situation on this subject.

The first what can be noticed in all the interviews is that all interviewee state that the mandate real estate departments have from their superiors is often unclear. This has to do with the framing and boundaries of the role of the real estate manager and often results in long and inefficient process which can eventually be terminated when there is a decision to be made. Next to that the tools available to the real estate managers are not sufficient. They lack the ability and tools to process large amounts of data and report this in an efficient way to the right people.

There are companies who have in their own way already integrated real estate management in the overall business process and these companies are benefiting from these integrations. What could be an interesting next step is identifying a best practice case in which a well performing company can be analyzed and a matrix with variables can be developed. This could in a later stage be the start of further case study comparisons (Appendix I).
2 Problem analysis

When focusing on corporate real estate strategy and corporate business strategy a clear definition of strategy should be at the start of the research to form the first boundaries of the research. The scoping of the term strategy comes from the book *Essentials of Strategic Management, The Quest for Competitive Advantage* which seems very suiting when looking at added value and competitive advantage. The current explanations of what strategy is focusses on the question “*how are we going to get there?*” (Gamble et al., 2013). This approach enables corporate executives to develop game plans which react on the current state of the market, competitors and other challenges that a company will encounter. Gamble, Thompson and Peteraf continue to amplify this strategic question by formulating several sub questions which relate to strategy. Here it becomes clear that a company’s strategy is completely focused on *how*. What can be directly noticed is that in their amplification they state: “*how to manage each functional piece of the business (R&D, supply chain activities, production, sales and marketing, distribution, finance, and human resources)*.” (Gamble et al., 2013). In this whole idea real estate is not included. Real estate is not seen as a part of a company’s strategy even though there is much to win through synergy advantages with real estate (Krumm, Dewulf, & De Jonge, 1998). Real estate is not seen as a functional piece of the business. Which is strange since more and more research is providing evidence that real estate should be seen as a fifth resource for a company (Harris & Cooke, 2014). This has been visualized in what they call a super nucleus. Where is shown that all strategic pillars will together support an enable employee and productive workforce Figure 2 (Kadzis, 2012).

If this definition of Gamble et al is combined with what Varcoe and O’Mara (Varcoe & O’Mara, 2011) state about how to define corporate real estate a clear gap becomes visible. They define corporate real estate as “*the function within an enterprise that manages its physical work, production and customer engagement environments.*” (Varcoe & O’Mara, 2011). They write that corporate real estate has, within many companies, evolved over the last years. Corporate real estate is no longer just focusing on managing real estate transactions and design and construction projects, but it has rather enlarged its operating field to contain also activities that support the physical workspace, financial and business strategy and the implementation of work strategies which lead to advantages for the business as a whole (Varcoe & O’Mara, 2011). The gap which can be defined by combining these different authors is that Gamble et al don’t count real estate as one of the functional pieces of a business where Varcoe and O’Mara state that real estate can add value for the whole business and can act as a functional part due to many steps the field has made. The question that arises is whether business strategist notice and acknowledge the developments in the CRE strategy field.

Osgood made a clear picture of how these two aspects could be combined, how the core business strategy and real estate could, on a high level, be aligned (Osgood, 2004). A clear distinction is made in what he perceives to be the building blocks of an organization: mission and vision, customers and markets, products and services, distinctive competencies and values and culture. Osgood shows how
real estate can overlap with the strategy of an organization and points out that this could be turned into a client specific strategy Figure 3.

Lindholm took this idea of Osgood one step further. By developing a model that in principle identifies real estate strategies which can create added value to the core business, contribute to the wealth of the firm and its shareholders Figure 11 (A.L. Lindholm, 2008). This model couples real estate decisions and actions to real estate strategies. A number of real estate strategies is listed in the model and what kind of real estate strategy will be implemented or what combination of strategies that could be used should be related to the overall corporate policy, its current position and the influence from the environment. If these models are already developed and the relevance of real estate strategy alignment has been described, how can it still be that real estate assets are under managed and real estate policies are still focused too much on task managing instead of business policy (Veale, 1989)?

The RICS Research of 2012 focusses more on the connection, relation and communication of different stakeholders (RICS Research, 2012). A gap is thereby identified which relates to how the vision and strategy of an organization are explained and rolled out through an organization. In a survey performed by RICS some statements about FM were polled by FM professionals. It showed that more than 80% of the respondents agree that it is hard to define the value FM adds to an organization, despite the fact that is very easy to quantify the costs of FM in terms of costs per square meter and FTE per square meter (Davies & Sharp, 2014). The statements within this case study report go beyond this single point though. Approximately 90% of the respondents agree that FM is currently seen as a support function instead of a strategic function within the organization. To do this the respondents believe that to place FM towards a more strategic role new ways of value delivery should be found.

Value delivery of FM is one thing, the quantification in that is as important as the added value itself. By defining the added value it can be made tangible and can back FM towards its role as a strategic component of the organization.

Large steps have to be made before this can be achieved. Around 65% of the respondents agree that their board of the organization understands the contribution FM can make to the success of the organization. The fact that 90% of the respondents still say that FM is more a support function than a strategic function shows that a link with core business policy is still not made (Davies & Sharp, 2014).

**RICS Case study Strategic FM: talent management at Mitie Client Services**

Since real estate and people are for a company its biggest assets, these two pillars are more connected than is though initially (Davies & Sharp, 2014).
In the RICS case study *Strategic FM: talent management at Mitie Client Services* it is recommended that facilities management should work more with leadership groups within the organization. By doing this the FM and real estate department can collaborate better with the human resource department and the IT department. In order to attract the best talent available, who will add value to the overall organization, the influence FM has on a business should be emphasized.

The positioning of the role of the real estate manager is an issue in this perspective. Real estate managers tend to report to the board about their progress, financial performance and requirements and thus have only an informing role towards the board of an organization. Real estate managers are seldom involved in determining the strategy of the organization. The corporate real estate strategy is a subordinate of the overall corporate strategy.

2.1 Problem statement
Real estate management is still today a neglected topic in the corporate business environment. Real estate strategy is not yet integrated sufficiently into the core business strategy. Though literature and studies claim and show that real estate strategies can provide added value for the whole organization in terms of increased profitability and competitive advantage. The added value of corporate real estate management (CREM) and facilities management (FM) is under-utilized. The knowledge gained from research in this field is somehow not reaching the appropriate people on the appropriate functions. Real estate managers seem to miss the tools or directions needed to implement the scientific knowledge into practice. Real estate as a value adding resource is not high enough on the corporate agenda to make the contribution to the organization, its processes and its value.

2.2 Research question
Based on the initial literature research and the resulting problem statement the main research question is:

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?
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Sub questions
What is the current state of the art of added value in terms of profitability and competitive advantage of aligning the corporate strategy and real estate strategy?

What is the gap between theory and practice?

What is the reason behind the gap between theory and practice?

How efficient is the current role of the real estate department?

What tools are needed in order to make these state of the art opportunities for added value measurable for the real estate managers and board members?

What tools would the involved actors need in order to integrate theory into practice?

2.3 Conceptual model
The literature research pointed out that the connection between theory and practice is still not made efficiently. To be able to start implementing the real estate strategy into the core business strategy the current role and processes of the real estate managers should be examined. This will make it possible to look into the troubles currently experienced related to integrating both strategies.

Figure 5 Conceptual model (own figure)

The conceptual model in Figure 5 shows where this problem is situated within the organization. It shows that this research will focus on the alignment of corporate real estate management with the
other strategic business lines which form the overall corporate strategy that leads to a higher profitability and improved competitive advantage. When zoomed in on this link the conceptual model shows that the focus will be on the link between the theoretical framework which has been developed and the implementation into practice. An important issue here is that corporate real estate management should be placed among the other strategic business lines (Figure 4), but the question is how?
3 Research goals
The main goal of this research is the development of a guideline for real estate professionals, which they can use to bring the theory and practice of aligning and implementing real estate strategies in the organizational strategy closer together. A method for identifying opportunities within companies and be able to address them.

To be able to do so this research will face two major challenges. One research challenge and the design challenge.

The research challenge will encompass the definition of the gap between theory and practice. It involves the definition of added value for this research and defines the role and position of the real estate manager within the organization.

The research challenges will be the first step in the direction of solving the design challenges since the frame is determined and the problem that is on hands is further defined. The design challenge focusses on the development of frameworks and solutions to solve the problem. Several challenges for the design part can be listed:
- The creation of a process identifying the opportunity of utilizing the added value in case of aligned strategies
- A recommendation for converting this specified added value into key performance indicators (KPIs), metrics and benchmarks
- A decision support model in which the determined KPI’s, metrics and benchmarking are linked to strategies which can be applied to the portfolio of an organization.

3.1 Research approach
The problem will be approached from a qualitative perspective by gathering and processing data related to the impact of real estate on a company’s performance. This data can be obtained by performing case studies and send out surveys to real estate professionals. The data and knowledge gather by this step will enhance the current body of knowledge on this subject and will further act as a base on which to create the models.

By interviewing real estate professionals a better view will be created on how they see their role as real estate managers within the organization and what they think they will need in order to be able to start implementing real estate as a strategic asset. Interviews with members of the board could give an insight on how real estate is perceived top down. By making yourself familiar with both opponents it will hopefully become clear what is currently missing, showing, convincing and explaining the corporate executives how real estate strategy integration can result in competitive advantage.
3.2 Practical approach
The chosen research methods and approach are closely linked with the research question and the sub questions which are stated earlier in this research proposal. Multiple research methods are needed in order to answer the research and sub questions since the nature of the questions vary.

At the base of this all lies the literature research, which is an iterative process throughout the P1 and P2 phases and which will occasionally reoccur during the later phases. This iterative process means that the literature will be visited multiple times during the research and will be processed more into depth gradually. This ensures a first overall principle of the current situation on this subject and then will dive deeper into the methods that have previously been applied. This research structure also allows the answers of individual sub questions to support other sub questions and the answer coming from them by a kind of feedback loop in which the new data can be used to sharpen the research.

3.3 Problem solving
The sub questions stated in section 2.2 can be divided in several categories.

Theoretical underpinnings:
- What is the current state of the art of added value in terms of profitability and competitive advantage of aligning the corporate strategy and real estate strategy?
- What is the gap between theory and practice?

Then there are the questions which are more aimed at the practical implementation in practice:
- What is the reason behind the gap between theory and practice?
- How efficient is the current role of the real estate department?

And finally there are the problem solving questions which focus on the end products:
- What tools are needed in order to make these state of the art opportunities for added value measurable for the real estate managers and board members?
- What tools would the involved actors need in order to integrate theory into practice?

The iterative process will create a feedback loop from which better, more to the point data, may enrich the end result. The idea is that the end result is more than the sum of all parts, which can only be achieved if the components are supporting each other (Krumm et al., 1998).

Figure 7 feedback loop in solving research questions (own figure)
4 Research methodology

Roughly the graduation research can be divided into four methodological steps. These steps will eventually lead to the answers on the research question set earlier in this report. The four methodological steps are visualized in Figure 8 at the end of this methodology chapter.

4.1 Literature study
The theoretical framework of this graduation research will be defined later in this P2 report. The literature research will form the basis of this. The theoretical framework and boundaries will form the starting point of the further research. In literature study touches several chapters:
- Definition of added value in this research and the link to competitive advantage and profitability.
- The current role of the real estate manager and the boundaries of the real estate management department.
- Starting point of the research. What is the current knowledge on this subject?

The first chapter regarding added value will dive further into the definition of added value for this research. What is used in current literature and what would fit into this research? The emphasis will lay with competitive advantage and profitability in this research. The chapter about the role of the real estate manager will look into what corporate real estate departments and managers do and can do within an organization. What is there range of operations and where could they contribute more to the organization? The last chapter will focus more on the current knowledge on this subject, what are the models the guidelines that are available. In other words, what is the knowledge that should be turned into practice?

4.2 Empirical research
This part of the research is all about looking at the practice. What is currently happening and what could be interesting case studies for the rest of the research. Scanning the current industry practices should be done quite broad in this stage because but companies with large corporate real estate departments as well as companies without those departments should be taken into the research. The industry could be approached through professional network association a good example of this is CoreNet Global, a network society for real estate professionals. Most of the case studies will be approached through my graduation company CBRE. Through CBRE it is possible to get in contact with a large number of firms from all kind of industries. This could be large multinational firms as well as smaller local firms. The interesting part in this is that the firms all have different stages of implementing real estate further into their organization. Some might already have elaborate real estate strategies while others are still in an exploring phase.

4.3 Comparative case study approach
The previous two methodologies make it possible to make this step when combined. By combining the identified case studies with the boundaries determined in the chapter before that a best practice case can be identified. This best practice can function in the further design of the research by forming the base of the model used for case study comparisons. These case studies can be conducted by performing interviews with real estate executives and by doing desk research in which the focus will lie at internal codes and guidelines of the organizations.

4.4 Feedback with professionals
The key aspect of this graduation research is turning knowledge into practice. The last part of this research is therefore very important because this will transfer all the knowledge to practice. Feedback with professionals on the findings of this research is key in enabling them in the future to...
make the next step in aligning corporate real estate strategy with the core business strategy and by that contribute to the organization.

4.5 Research model
The research model was constructed by analyzing research literature in this field. In this case the main learning objective whilst reading was not to understand the problem and the solution but rather what kind of problem and question were described and what methodology was used to tackle and answer these questions.

As described earlier in chapter 2 the research question and sub questions can be divided in several categories.

By comparing these sub questions to the literature and analyzing how similar types of questions have been addressed previously (and how effective) a research model was constructed describing for each research question what would be the required information and what the most effective research methodology would be.

4.6.1 Methodology and usefulness
The research will be based on the literature research which was conducted during the P1 and P2 phases. The input is structured in several criteria related to added value and competitive advantage together with the effects of those points on the corporate real estate management process and its subsequent effect on the overall business performance.

The aim of the research is to eventually lead to tools which will enable corporate real estate departments to turn knowledge into practice and actions. The research will therefore be practically orientated. Keeping a feedback loop with professionals during the research will ensure the research is not only going in the right direction for academic purposes (this is after all secured by the graduation mentors) but also on the right path for a practical implementation. The initial scoping interviews during the P1 phase are the first step in this process. These interviews were however only conducted with one kind of real estate stakeholder for a better overview of the problem and to ensure a broader input different kind of stakeholders should be included in this information gathering process.

There are in fact several ways that can lead to both qualitative and quantitative input for the model:
- Literature research
- Expert meetings
- Interviews
- Case studies

Unfortunately the time for this research is limited and not all approaches can be done within the time frame. Table 1 Methodology for the shows a trade of matrix involving the research approaches and several criteria regarding information gathering, time requirements and availability.
<table>
<thead>
<tr>
<th>Methodology</th>
<th>Time consuming</th>
<th>Information outcome</th>
<th>Possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Literature research</td>
<td>High</td>
<td>Very valuable as fundament of the research</td>
<td>Easy possible</td>
</tr>
<tr>
<td>Expert meetings</td>
<td>Medium</td>
<td>The discussion resulting from multiple experts together in one meeting can be interesting by hard to process</td>
<td>Small, it will be hard to organize a meeting were multiple experts will be attending in a short time period</td>
</tr>
<tr>
<td>Interviews</td>
<td>Medium/High</td>
<td>Valuable if possible to meet different real estate stakeholders</td>
<td>Good possibilities within graduation company and possibilities to use their connections</td>
</tr>
<tr>
<td>Case studies</td>
<td>Medium</td>
<td>Valuable for the factual substantiation of the research</td>
<td>This depends for a part on the willingness of organizations to provide the required information</td>
</tr>
</tbody>
</table>

Table 1 Methodology for the graduation research

Based on the matrix defining the several options a combination of literature study, interviews and (small/superficial) case studies will be used. The literature research will provide for the theoretical background of the model. The interviews will feed it with information and requirements from the practice. These interviews will possible bring forth more information in the form of industry reports, annual reports and other grey literature.
<table>
<thead>
<tr>
<th>Sub Question</th>
<th>Question</th>
<th>Objective</th>
<th>Required information</th>
<th>Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>What is the current state of the art of added value in terms of profitability and competitive advantage of aligning the corporate strategy and real estate strategy?</td>
<td>Describe the state of the art to establish the point of comparison for the further sub questions</td>
<td>Most recent views and models on the alignment of real estate strategy with corporate strategy</td>
<td>Literature study</td>
</tr>
<tr>
<td>2</td>
<td>What is the gap between theory and practice?</td>
<td>Describe the bridge between theory and practice</td>
<td>The level of alignment in practice</td>
<td>(grey) literature study</td>
</tr>
<tr>
<td>3</td>
<td>What is the reason behind the gap between theory and practice?</td>
<td>Define needed direction of model and recommendations</td>
<td>What are the restrictions in achieving further alignment</td>
<td>Interviews</td>
</tr>
<tr>
<td>4</td>
<td>How efficient is the current role of the real estate department?</td>
<td>Determine the limitations of the role of the real estate department within the network</td>
<td>Direct input from real estate managers regarding their role and limitations</td>
<td>Interviews, survey</td>
</tr>
<tr>
<td>5</td>
<td>What tools are needed in order to make these state of the art opportunities for added value measurable for the real estate managers and board members?</td>
<td>Develop tool/measurement and recommendations on how to measure and report</td>
<td>Best practice cases to compare</td>
<td>Case study, company data analysis</td>
</tr>
<tr>
<td>6</td>
<td>What tools would the involved actors need in order to integrate theory into practice?</td>
<td>Link required tools with the involved actors regarding knowledge implementation</td>
<td>Interactions between actors, source of new knowledge</td>
<td>Case study</td>
</tr>
</tbody>
</table>

Table 2 Methodological framework
4.6.1.1 Theoretical underpinnings

This first subsection of the sub questions focusses on the base of the research. The current state of
the theory and practice is evaluated to be able to formulate the future research steps as accurate as
possible.

Sub question 1:

What is the current state of the art of added value in terms of profitability and competitive
advantage of aligning the corporate strategy and real estate strategy?

Goal

The goal of this first sub question is to describe the current position and progress of the subject. By
analyzing this question this question will also provide a part of the boundaries of the research. For
this question to be answer the terms profitability and competitive advantage will have to be explored
and decided on what is the scope of those criteria in this research.

Methodology

If the first sub question is compared to what is already written in the literature, using the earlier
created literature matrix the research of Singer, Bossink and Vande Putte springs to mind (Singer,
Bossink, & Vande Putte, 2007). They ask themselves how organizations use corporate real estate
strategies to support their competitive strategies. Their methodology focusses on case studies
founded on initial literature research provided several strategies to compare. A literature based
model is constructed in order to compare and categorize the case studies.

If this is translated to the first sub question of this research this leads to the methodology which
would suit this kind of question. Based on current literature it should be able to collect several up to
date models and ideologies of several leading researchers summarizing the current state of the art.

Sub question 2:

What is the gap between theory and practice?

Goal

The goal of this sub question is to make the first translation to the practice. By further building on the
findings of the first research question and comparing them to the processes and ways of working in
the practice the gap can be determined, the extend of the problem can be revealed in this way.

Methodology

The methodology for this question is also like the previous sub research question focussed on
literature research and case studies. For this sub question a focus on grey literature could probably
provide good information regarding to what extend new theories are applied in practice. This
research approach is comparable to the approach of Riratanaphong and Van der Voort who tried to
measure the added value of workplace change and focussed on the comparison between theory and
practice (Riratanaphong & van der Voordt).

4.6.1.2 Questions regarding the practical implementation into practice
This part of the research will focus more on the practical implementation. The role of the real estate department is evaluated and the ways of working in the industry are more closely investigated.

**Sub question 3:**

**What is the reason behind the gap between theory and practice?**

**Goal**

This sub questions aims to connect the answers of the previous sub question to a cause. Why do we see what we are seeing? The goal is to reveal where to problem origins. Are real estate professionals not aware of new theories and models? Are organizations to rigid to implement new ways of managing their real estate? This should make clear on what surface the eventual model and recommendations should focus.

**Methodology**

The approach for this section of the research will consist of interviews with professionals and research through case studies. Here the focus should lie at the grey literature like industry reports and even more the annual reports of the companies that will be subject of the research.

**Sub question 4:**

**How efficient is the current role of the real estate department?**

**Goal**

This sub question derives from the initial scoping interviews which were conducted back in March 2015 during the P1 research phase. From these interviews it became clear that the mandate of real estate managers within their organization is not always clear and/or sufficient. The goal of this research question is to actively investigate on this assumption that the role of the real estate department is not shaped efficiently enough. In the end it should mark the restrictions that real estate professionals are encountering every day during their work.

**Methodology**

This research sub question could benefit from a qualitative approach combined with a more quantitative confirmation. The initial methodology should consist of interviews, as these kinds of questions can be answered best by being in direct contact with the subjects which are the real estate managers. Contact to these people should be fairly easy through my contacts at CBRE. Since interviews take up a lot of time and confirmation across a wider spectrum of the industry would be positive the main findings from the interviews could be processed into a survey in which can be measured if the issues that came from the interviews are indeed relevant in a larger part of the real estate management industry.

**4.6.1.3 Problem solving questions which focus on the end products**

This section focusses on the eventual solution, what tools are required in the end for overall improvements. The tools are separated in two different sub questions. One question regarding the tangible aspect of added value and how this can efficiently be reported by real estate professionals, the last sub questions is more directed towards the eventual integration of real estate strategies and core business strategy.
Sub question 5:

What tools are needed in order to make these state of the art opportunities for added value measurable for the real estate department and board members?

Goal

Added value is a subject which is hard to make tangible. This sub question aims to provide ways for real estate professionals to make added value easier to report. This will require ways to make added value (profitability and competitive advantage) better measurable. Tools or recommendations are needed at this part of the research.

Methodology

A proper understanding of added value, profitability, competitive advantage and measurement tools is required in order to tackle this issue. This will require a literature study on the selected subjects in order to form a solid foundation for the tools and recommendations that will eventually come from this.

Sub question 6:

What tools would the involved actors need in order to integrate theory into practice?

Goal

Improved measurement and reporting is one issue to tackle in the research, this does however not automatically align corporate business strategy with corporate real estate strategies. What will eventually be needed to integrate theory into practice is the question that will be answered here. The goal is to provide tools or recommendations on the processes within organization that will lead to better implementation of knowledge and best practice approaches.

Methodology

To be able to answer this question a solid understanding of the processes within organizations are required. Because all organizations are different it might be possible to identify a number of categories by conduction case studies. In this way an approach/model/answer can be provided to all scenarios that are encountered. This will allow linking the core business strategy to the corporate real estate strategy and providing best practice for the processes between those strategies.

4.6.2 Working towards the main research question

The next figure illustrates the total overview of all the sub questions and the methodology chosen for those questions. These questions will eventually all conclude towards the main 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? All the individual sub questions are a part of this larger main question which can be answered at the end of P4 when all sub questions have be addressed and this can all be compared in the define conclusion of this graduation research.
4.7 Variables and measurements

The variables and measurements in Table 3 define further what can be categorized per type of added value. This is further elaborated on in the theoretical framework chapter. Not all measurements and variables are fixed for the rest of the research as much depends on what kind of data respondents are willing and able to provide.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Sub Variable</th>
<th>Measurement</th>
<th>Example</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profitability</strong></td>
<td><strong>Cost reduction</strong></td>
<td>KPI</td>
<td>Cost €/SQM</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td>Minimize operating expenses</td>
<td>KPI</td>
<td>Cost €/SQM</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td>Space efficiency</td>
<td>KPI</td>
<td>FTE/SQM</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td>Balance between in-house and outsourced</td>
<td>Metrics</td>
<td>% of own CRE FTE against hired CRE FTE</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td>services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Increased productivity</strong></td>
<td><strong>Workplace concept</strong></td>
<td>Metrics</td>
<td>Rate 0-5 more productive with workplace concept</td>
<td>Interval</td>
</tr>
<tr>
<td></td>
<td>Amenities provided</td>
<td>Metrics</td>
<td>Rate 0-5 contribute amenities to performance</td>
<td>Interval</td>
</tr>
<tr>
<td><strong>Flexibility</strong></td>
<td><strong>Owned/Leased</strong></td>
<td>Benchmark</td>
<td>% owned and leased</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td><strong>Length of contract</strong></td>
<td>Benchmark</td>
<td>Number of months per contract</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td><strong>Fixed based on industry</strong></td>
<td>Metrics</td>
<td>Yes or no</td>
<td>Nominal</td>
</tr>
<tr>
<td><strong>Time to Market</strong></td>
<td><strong>Time to open/close location</strong></td>
<td>KPI</td>
<td>Time passed</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td><strong>Internal tuning time</strong></td>
<td>Metrics</td>
<td>Tuning between departments</td>
<td>Ratio</td>
</tr>
<tr>
<td><strong>Employee satisfaction</strong></td>
<td><strong>Talent retaining</strong></td>
<td>Metrics</td>
<td>How long do employees stay at company</td>
<td>Interval</td>
</tr>
<tr>
<td></td>
<td><strong>Happiness employees</strong></td>
<td>Metrics</td>
<td>Rate satisfaction 0-5</td>
<td>Interval</td>
</tr>
<tr>
<td></td>
<td><strong>Workplace concept</strong></td>
<td>Metrics</td>
<td>Rate satisfaction 0-5</td>
<td>Interval</td>
</tr>
<tr>
<td></td>
<td><strong>Location/amenities</strong></td>
<td>Metrics</td>
<td>0-5 0 not important 5 very</td>
<td>Interval</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td><strong>CRE included</strong></td>
<td>Metrics</td>
<td>Yes or no</td>
<td>Nominal</td>
</tr>
<tr>
<td></td>
<td><strong>New RE developments</strong></td>
<td>Benchmark</td>
<td>Rate against competitors</td>
<td>Interval</td>
</tr>
<tr>
<td></td>
<td><strong>Cross section innovation</strong></td>
<td>Metrics</td>
<td>Intercompany collaboration</td>
<td>Interval</td>
</tr>
</tbody>
</table>

Table 3 Research questions, objectives, information and methodology
4.8 Research population and research sample

In Figure 9 the research population is defined. The research population provides the eventual scope of the research, categories of organizations that will be approached in the empirical stage of the graduation research. A clear distinction is directly made between profit and non-profit organizations. As on non-profit organizations will not be driven by profitability and competitive advantage they are excluded from this research.

From the globally active profit driven organizations only those who are active in the Dutch market will be taken into the research. This will make the research applicable to the Dutch practice when completed. This does however not mean that information from abroad cannot be used in this graduation research. If a company operating in the Dutch market has their global real estate division located in London this information could be used to see how it will reflect in the Dutch branch of the organization and in the Dutch market.
By focusing on organizations active in providing services to other businesses and customers a distinction is made towards organizations that rely more on offices. This graduation research will not focus on logistic or industrial real estate. In the end all subjects in the population will be real estate end users. Organizations investing or managing real estate will not be considered in this research. The focus will lie at the corporate end user.

Research sample

At this part of the research it is hard to formally define the research sample. When looking at the data, clients and connections of the graduation company CBRE an assumption can be made regarding the type and range of possible research subject. Table 4 shows an initial estimate of possible research subjects. Whether these will be participating in surveys, case studies or interviews is at this point in time hard to tell.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Core business</th>
<th>Location</th>
<th>Size (employees)</th>
<th>Size (revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adecco</td>
<td>HR</td>
<td>Global</td>
<td>33.000</td>
<td>€ 20 B</td>
</tr>
<tr>
<td>ING</td>
<td>Banking</td>
<td>Global</td>
<td>53.000</td>
<td>€ 15.5 B</td>
</tr>
<tr>
<td>ABN AMRO</td>
<td>Banking</td>
<td>Global</td>
<td>22.000</td>
<td>€ 8 B</td>
</tr>
<tr>
<td>Rabobank</td>
<td>Banking</td>
<td>Global</td>
<td>48.000</td>
<td>€ 12.8 B</td>
</tr>
<tr>
<td>Wolters Kluwer</td>
<td>Printing</td>
<td>Global</td>
<td>18.000</td>
<td>€ 3.6 B</td>
</tr>
<tr>
<td>Booking.com</td>
<td>IT</td>
<td>Global</td>
<td>4.400</td>
<td>€ 6.8 B</td>
</tr>
<tr>
<td>USG people</td>
<td>Detachment</td>
<td>Global</td>
<td>58.000</td>
<td>€ 2.3 B</td>
</tr>
<tr>
<td>Philips</td>
<td>Technology company</td>
<td>Global</td>
<td>113.700</td>
<td>€ 21.4 B</td>
</tr>
</tbody>
</table>

Table 4 Assumption of research sample (ABN Amro, 2015; ING Group, 2015; Phillips, 2015; PRICELINE GROUP INC., 2014; Rabobank, 2015; USG People, 2015; Wolters Kluwer, 2015)
5 Organization and schedule

5.1 Organization

Domain

This graduation research falls under the domain of Real Estate Management. The research question of this research lies at the essence of the department. An overlap with any of the three other domains within the Real Estate and Housing master is due to that highly unexpected.

Research theme

Within the domain of Real Estate Management this research is linked to the research theme: Successful Corporate Real Estate (CRE) strategies to support profitability and competitive advantage. The research is not aiming in providing strategies that will lead to higher profitability and competitive advantage but is attempting to get real estate strategy at the table when designing the core business strategy. In that way real estate can add value to the whole organization.

Graduation mentor

Ilir Nase is the primary graduation mentor. His constructive way of approaching the problems of this research have been proven valuable from the start.

Alexandra den Heijer is the second graduation mentor. Her vast experience and up to date knowledge and commitment have been very useful. She is perfectly capable in expressing the view of the Real Estate Management department at the TU Delft which is of course an important part in the research.

Graduation company

My graduation company is CBRE in Amsterdam. This has resulted after an internship in 2014. The interesting approach in this construction is that CBRE is not setting an assignment to work out. They leave the direction of the research and academic structure up to the university. A lot of experience, data and connections are available. My primary contact within the organization is Remco Kroeze, Senior Director of the department Global Corporate Services who focuses on large organizations who use a lot of real estate.
5.2 Schedule

Figure 10 Research schedule and critical deadlines
Figure 10 shows the main timeline and process of this graduation research. During the research design in the P2 period it would be interesting to identify a best practice in order to make compelling comparisons during case studies and interviews. Before this best practice company could be identified the borders and boundaries of the research should be further defined though. This would be the first step during the P2 period. By analyzing how previous authors approached their problems and methods the research method for this research should be designed which is correlated with the boundaries.
6 Theory

6.1 Corporate business strategy

Corporate business strategy being an important part of this graduation research will be elaborated on based on several academic text books and research literature of renowned strategy researchers. The definition of strategy itself is discussed follow by important aspects and principles of strategy. A differentiation in kinds of strategy is made and the five most common basic corporate strategies are discussed after which the link between corporate strategy and real estate strategy is made based on existing research models.

6.1.1 Strategy and it’s definition

Strategy itself is a term used in a wide variety of cases. Subjects seem to be more interesting and books are selling better when the term strategy is used. Before corporate real estate strategies will be further introduced and coupled a wider and more basic understanding of the term strategy will be discussed.

An organizational strategy is the answer to the questions how something is achieved. The question how to get somewhere is what drives managers and policymakers in designing business approaches and making decisions. A strategy usually focusses on a certain amount of key points. The key strategy points consists of the attraction and retaining of customers, competition against rivals, position of the organization within the market they are operating in, how to respond to changes in these environments, how to manage all functional pieces of the business and how reach certain set company achievement targets. Michael Porter describes this strategic positioning with six necessary principles of which several are perfectly in line with what this further graduation research is about. The six fundamental principles strategies need are: right goal, value proposition, distinctive value chain, trade off, fit of elements and continuity of direction (Porter, 2001).

These six principles will be discussed shortly after which some of them are connected to this research and elaborated on further.

Right goal: The only right goal should be long term superior return on investment. As Porter describes that real economic value can only be created when customers are willing to pay a price for the products or services a company is providing that exceeds the costs of those products or services.

Value proposition: Value proposition is related to how you can bring your advantage as a company forth to customers. How do you differentiate yourself from the competition? This is the unique selling point of an organization. It shows why clients or customers should choose your organization instead of the competition. The way a company is able to deliver its value proposition is part of its competitive advantage, or at least its attempt to. This is the guidance on how the company wants to approach the customer and create value for its customers. The level of value a company is aiming to provide for its customers is directly related to the price customers are willing to pay for a certain product or service.

Distinctive value chain: Not only what you are presenting or producing can be a part of the strategy like the value proposition part. The way a company is servicing its clients or is producing and selling its products is also an important fundament of strategy. This is a distinctive value chain, delivering the same products as the companies competitors only in different (more efficient) ways. Porter describes several aspects of the value chain through which distinction could be reached: manufacturing, logistics, service delivery, marketing and human resource management. Notice real estate management is once again not in this list.
Trade-offs: A product or service cannot have everything, it is virtually impossible to combine all the possible advantages together into one product or service. That is why a company will have to make trade-offs. These trade-offs can occur both on the part of the final product or service and on the side of the production process.

Fit: All the sub parts of a company are in the end reinforcing the overall value adding process towards an optimal product or service, this is the concept of synergy (Krumm et al., 1998). So it is hard to make changes or decisions in one area of the business without interfering with other parts of the business or the final product. Fit makes it also harder for competitors to copy the actions of a company. When all elements of a business are collaborating towards one goal copying one part of that chain will not do much for the final results. This makes it harder for competitors to get on the same line with the best performing company in the industry.

Continuity of direction: It is often seen in politics. A government is making changes and adapting policy, but after four years a new government could be seated facing the opposite direction and undoing all the previously adjusted laws and regulations and thus diminishing some eventual progress. This is what continuity of direction is all about. Without this continuity of direction it is hard for a company to develop unique skills which allow for more efficient or productive measures. Continues reinvention of the company is a sign of poor strategic management and will in the end not lead to competitive advantage.

6.1.2 Types of organizational strategy
Starting in the 1950s and with rapid expanding knowledge through the 70s and 80s the field of strategy has made great developments. Many theories have been described through the years but according to Steensen the had not yet been clearly divided into types (Steensen, 2014).

What Steensen found from previous literature was that strategy is being perceived as communications, intentions and realized. In other words it is what higher management is outing towards organization members regarding their shared ambitions and what they have already done and achieved. This is all broken down into five types of organization strategy.

Shared strategy: A shared strategy focusses on communication between actors within an organization. A shared strategy is perceived as relatively consistent as it is between multiple actors and thus sets out a larger picture. This can be linked back to the fundament of strategy the fit, in which all aspects of an organization should fit within the strategy. It is seen as that managers are trying to position their company in a unique position in the playing field (Mintzberg, 1982; Porter, 1996; Steensen, 2014).

Hidden strategy: In politics and more processed based industries hidden strategies are perceived more often. This is when strategic actors have intentions focused on the behavior of members of the organization but when they are not openly communicating these intentions. Managers could have been keeping strategy from the public in order to be able to revise them in the future. As we have seen earlier this could have been a sign of poor strategy as changing strategy over and over will not lead to continuity of directions (Quinn, 1982).

False strategy: If the eventual intentions of the strategy actors differ from what is communicated towards organization members it is regarded as a false strategy. These false strategies can be seen as a form of bluffs towards competitors. When a certain company is communication that they are going towards a certain direction just to trigger a reaction by their competitors it is perceived as a false strategy (James, 1984).
Learning strategy: Within an organization many interactions between actors take place, in a lot of cases this will consist of intuitive actions and decisions. These actions can eventually be seen as learning strategy (Stacey, 1996). Some might even argue that such large organizations cannot possibly be managed in a strategic way due to all these intuitive and unstructured interactions.

Realized strategy: With a realized strategy managers believe that was has actually happened was indeed the strategy and purpose. Several researchers in the field of strategic management believe that the strategy of the managers should be linked more closely to what the strategic actors do on a day to day basis, this will be more elaborated on later when linking strategy to real estate (Jarzabkowski, Balogun, & Seidl, 2007; Jarzabkowski & Whittington, 2008; Whittington, 2006).

6.1.3 Strategy and competitive advantage

Strategy and competitive advantage provide a one on one link. An organization will strive for a competitive advantage over its competitors through a chosen strategy. Five main strategies are described by Gamble, Thompson and Peteraf: The low-cost provider strategy, broad differentiation strategy, focused low-cost strategy, focused differentiation strategy and the best-cost provider strategy (Gamble et al., 2013).

Low-cost provider strategy: The essence of this strategy is to achieve lower overall cost than other competitors and thereby appealing to a large amount of customers from a wide part of society. Discount retailers like Aldi and Action can be counted as low-cost strategies. Not only their products are being sold at low prices, their real estate reflects their strategy, often located on B and C locations and with a sober design.

Broad differentiation strategy: This strategy focuses on servicing a large scale of customers. This requires a large amount of different services and products. Compare it with the Hema, which has a wide range of products and services in the store. And again this reflects in their real estate strategy. From large shops in the shopping high-street to locations on train stations and public transport hubs.

Focused low-cost strategy: Aiming on a specific customers segment and competing with rivals by a low cost approach. The main difference with a low-cost provider strategy is that this kind of strategy focusses on a small group of customers.

Focused differentiation strategy: Focusing on a small group of customers and providing excellent products and services is what the focused differentiation strategy is all about. The intention is to compete with other competitors on the base that there are better and more specialized service and products. On the real estate service this would result in the luxury shops that are located in expensive shopping streets. These retailers offer high value products and services for a small market segment.

Best-cost provider strategy: Combining the best elements of several strategies. This strategy is about value for money, delivering good products for an honest price for a lot of customers. As an example from practice Albert Heijn could be used. A supermarket with a huge amount of products they are selling at within different price categories. Looked more closely at real estate they have differentiated as well by opening large supermarkets, small shops at public transport hubs and extra-large shops with an even larger product base.

These different strategies describe how an organization is aiming to realize its long term goals.
Alignment of corporate real estate strategy and corporate business strategy

Figure 11 Support of real estate interventions to overall strategy (A. L. Lindholm, Gibler, & Leväinen, 2006)
6.1.4 Real estate and organizational strategy

The selection of an organizational strategy has an overall impact on all the functional business lines. If the terms and definitions explained earlier in this research are combined with real estate perspectives and the further purpose of this research some of them stand out. In a recent study conducted in the UK showed that alignment is an important part of improving the contribution that real estate can have to the organization as a whole (Langford & Haynes, 2015). If this is compared with the strategy aspects before this is the fit an organization should have. The fit of different business lines with each other which will result in a higher value creation in the end. This should be a shared strategy in which all strategic actors within the organization are up to speed on the goals and aims of the organization while working towards those mutual goals (A. L. Lindholm & Nenonen, 2006). This organizational fit and shared strategy will in that way eventually support the value chain in which more value can be created. A great picture of that relation has been described by Lindholm et al who, on the level of shareholder wealth maximization, have shown how strategy and real estate strategy and interventions are related, see Figure 1 (A. L. Lindholm et al., 2006). It is needed for organizations to align their real estate actions with the environment in order to stay alive in a competitive environment (Palm, 2013).

This has not been always thought of as is thought of today. At the end of the 1980s a lot of organizations were still only looking at real estate issues seriously when the organization was in serious financial distress (Avis, Gibson, & Watts, 1989). Is seemed that real estate strategy was only created in an ad hoc manner, only when real estate issues surfaced. And that while real estate should support the business continuously and steer towards more competitive advantage for the business (Ali, McGreal, Adair, Webb, & Roulac, 2008).

The role of the corporate real estate department within an organization has been changing over the past years moving more and more towards the strategic role the literature is implying. From the role of task manager in a more operational perspective the CRE function has developed gradually to being a strategic business component of an organization Figure 12 (De Jonge, 2013). If CRE departments succeed in aligning HR, IT and CRE for workplace measures than the CRE department will become more relevant within the organization and this will enhance their impact on the whole organization (Jones Lang LaSalle, 2013).

Although there are clear actions and real estate interventions linked to real estate strategy in the model of Lindholm, real estate is not clearly linked yet with other business lines within the organization in this model. The aim of the model is to show what actions are possible and how real estate can contribute to the maximization of shareholder value through profitability growth and
revenue growth. Although improvements in profitability are an important part of this research regarding the graduation laboratory and research theme there should be another layer in such a model which focuses more on competitive advantage and corporate business strategy as a whole. The presence of clear policies and activities for CRE managers combined with clear interactions between different business lines can enable managers to make strategic decisions (Gibson & Luck, 2006).

Figure 13 CRE as the fifth resource (R. Appel-Meulenbroek & Feijts, 2007)

6.1.5 Conclusion and further research
The fundamental approach of this chapter has shown the basic components and directions of corporate strategy. A first preliminary link has been made with real estate strategy through the research of several researchers. This has shown that real estate strategy and the actions resulting from that strategy can be linked directly to certain goals within corporate business strategy such as improving profitability and revenue growth with maximizing shareholder value in mind. The next step would be to connect real estate strategy in an earlier stage with the corporate business strategy in order to be able to connect to different kinds of organizational strategy. This will create the opportunity to show that the alignment of real estate strategy with organizational strategy and by that the alignment of real estate with other business lines as HR and IT can have positive results in the end. The question remains what the model will look like for identifying opportunities.

6.2 Added value

6.2.1 An introduction to added value
Added value can be perceived from a large number of perspectives. For the further research process the term added value will be defined showing the boundaries and the scope of this research. Based on literature concepts from several researchers the concept of added value is further defined. These added values will act later in the process as the criteria in the model. Based on the graduation laboratory and the research theme of this graduation research the focus will lay on increasing profitability and competitive advantage. Added value can roughly be divided in added use value and added value with a focus on costs (H. A. J. A. Appel-Meulenbroek, 2014). For the purpose of this research added value will be separated in profitability, focusing on the financial added value on one side and on the other side look towards competitive advantage in which the added value related to use and experience is more closely studied. The aspects of added value in terms of profitability and competitive advantage are based both on experiences from practice and academic literature (CBRE EMEA Research, 2015; Den Heijer, 2012).
The field of added value from a corporate real estate perspective has made significant progress over the past 50 years. Where in the 1950s the focus was only on effectiveness the developments throughout the years have resulted in an concept in which besides effectiveness also efficiency, productivity, flexibility, creativity and sustainability have been adopted (Rirathanaphon, Van der Voordt, & Sarasoja, 2012). The development of more elaborate ways of measuring added value is much needed as the practices in which only efficiency and not effectiveness is measured is not sufficient enough to make strategic decisions (R. Appel-Meulenbroek & Feijts, 2007; De Vries, De Jonge, & Van der Voordt, 2008). From practice an extra aspect of added value comes forth. Besides focusing on flexibility, efficiency and individual approaches alignment within an organization can bring many synergy advantages for a company (Arkensteijn & Kroeze, 2014; Krumm et al., 1998).

6.2.2 Profitability through strategy
The first question that has to be tackled is. What are the measurements of profitability? And how do adjustments made by the CRE can possible influence those measurements within an organization. How are these different lines within a corporation connected and what will the impact be of changing real estate practices in the organization compared to the effects they will have on the other business lines.

These issues actually form the basis of which variables will eventually be used in this graduation research. The literature already states that it is a difficult concept to grasp (Krumm & De Vries, 2003). But as the focus within organizations comes more and more on the overall added value of the firm corporate real estate departments need to show what they contribute at the bottom line.

Figure 14 Real estate decision drivers (CBRE EMEA Research, 2015)
Variables for profitability

Cost reduction: Still one of the most important aspects within corporate real management. According to an occupier survey conducted by the CBRE EMEA research team real estate cost is still they key driver in real estate decisions Figure 14 (CBRE EMEA Research, 2015).

To the cost reduction aspect of profitability a number of actions can be linked. Both from practice and from the academic literature actions linked to real estate cost reduction are given (CBRE EMEA Research, 2015; A. L. Lindholm et al., 2006).

![Real estate actions to reduce costs](image)

**Figure 15 Real estate actions to reduce costs (A. L. Lindholm et al., 2006)**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Academic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier consolidation initiatives</td>
<td>Minimize acquisitions and financing costs</td>
</tr>
<tr>
<td>Energy management</td>
<td>Minimize operating expenses</td>
</tr>
<tr>
<td>Relocation to cheaper sub markets</td>
<td>Create economies of scale in acquisitions</td>
</tr>
<tr>
<td>CAPEX reduction initiatives</td>
<td>Conduct routine maintenance</td>
</tr>
<tr>
<td>Facilities management sourcing negotiations</td>
<td>Balance between outsourced and in-house services</td>
</tr>
<tr>
<td>Business/Staff change</td>
<td>Act as a control mechanism</td>
</tr>
<tr>
<td>Lease renegotiation</td>
<td>Utilize government incentives</td>
</tr>
<tr>
<td>Improved space efficiency</td>
<td>Establish workplace standards</td>
</tr>
</tbody>
</table>

**Table 5 cost saving measurements from practice and research perspective**

The measures given by both the industry and the academic literature differ but do not contradict each other as it should be seen as additional options to achieve a certain goal. These measurements can be taken used further in this graduation research when preparing the case studies and interviews with professionals.

Increase productivity: Increased productivity will lead to more turnover per employee which will enable a company to make more profit with the same amount of cost or make the same amount of profit but with less employees and costs. This will benefit the eventual profit of an organization. This has a lot of connections with workplace strategies. Through workplaces strategies employees can be triggered through be more productive by providing all the resources they require and by creating a healthy environment for them to work in. As can be seen in Figure 14 the quality and location of infrastructures and amenities is an important aspect in making real estate decisions which has to do with providing your employees with all they require to perform well. Figure 17 shows that increasing employee productivity is an important driver in selecting workplace strategies.
Alignment of corporate real estate strategy and corporate business strategy

Figure 16 Effective cost saving initiatives (CBRE EMEA Research, 2015)

Measurable aspects for increasing productivity could be checking whether or not workplace strategies are being deployed and to what extend employees value these changes and think they are more efficient.

Figure 17 Main drivers of workplace strategy programmes (CBRE EMEA Research, 2015)
6.3 Competitive advantage

Corporations are continuing their search for competitive advantage. This world has become driven more and more by globalization, technology, innovation and sustainability and this is can be seen in the daily practices and newly developed corporate strategies. Real estate is influencing within these organizations a more complex network of suppliers and by that it has a certain input regarding the competitive advantage of an organization (Acoba, Braun, & Rick, 2010).

What can be understood under competitive advantage and what aspects of competitive advantage are involved in real estate strategies and core business practices. Those questions will need to be answer and will be part of the theoretical frame of this research. All kinds of aspects of competitive advantage can be thought of but not all will be relevant and it is not possible within the timeframe of this graduation research to dive into all different options and side steps.

The concept of competitive advantage has shifted throughout the years. Since the mid-1980s the focus on competitive advantage shifted more to internal aspects of an organization. More focus on the unique internal resources and capabilities instead of how to position the corporation within the market. These internal resources and the alignment between them will enable a CREM department to create tailor made products and services for the organization which is the foundation of the added value and competitive advantage delivering aspect of CREM (Anker Jensen et al., 2012; Krumm et al., 1998). Competitive advantage is linked with capabilities and competences needed to produce services and products that can be sold in the market. It is said that this is of fundamental importance for an organization to design a competitive strategy (Porter, 2004; Singer et al., 2007).

Three generic strategies for competitive advantage can be described: lowest costs, differentiation and focus see chapter 1 Figure 18(Singer et al., 2007). This research will dive deeper into the pillars of competitive advantage and the integration of real estate with other business service lines in that process. It is after all the balance between different parts of the business which has to be correct in order operate strategically with success (CBRE EMEA Research, 2015). The pillars of competitive advantage will form an important part of this further research.

**Flexibility:** To what extend are organizations flexible in adoption their real estate to their current needs? Is an organization able to change their real estate use in a short period? The balance between freehold and leasehold real estate assets is in this asset a good benchmark. The percentage of owned and lease real estate gives a clear picture of the structure of a company’s portfolio. This can give an overview of how the capital of a firm is placed and how flexible this capital can be deployed (Liow & Ooi, 2004). This can even be analyzed further be evaluating the length of an average lease contract and by looking at the type of real estate that is owned and the type of real estate that is leased. Leased sites are probably more common and easy to find in the market. Whilst the freehold sites could be high technical sites that can be vital for the production of services and products. By benchmarking these numbers a flexibility factor can be assigned to organizations.

**Time to market:** The time an organization needs to go through the process of problem identification to solution finding and problem solving can have a large impact on a company’s overall operations. A swift response to the company’s needs allows operations to be continued or expanded fast. This will have a positive effect on the overall performance of the organization compared to slower reaction competitors.
Alignment of corporate real estate strategy and corporate business strategy

**Employee satisfaction**: It is recognized that good performing employees are a critical driver for the business performance. HR and talent management has become a key strategic priority. As the economy is recovering, the war on talent starts to emerge again. The search for high skilled professionals is one of the main challenges and has become more important in the past years (Lekha & Thomas, 2014; Serban & Andanut, 2014).

Figure 19 shows that 33% of all respondents mentioned labor/skill shortages in their response. Benchmarking the time an employee is working at the same company can be an interesting way in finding out if real estate can contribute to the overall employee satisfaction. By comparing companies with advanced workplace strategies with companies without those workplace strategies, a link can be made between the advantages of integrated workplace design and the satisfaction and retaining of employees.

![Figure 18 Competitive advantage for organizations (Porter, 2004)](image)

**Figure 19 Main challenges of corporates (CBRE EMEA Research, 2015)**

**Innovation**: Innovation in terms of technology integration and HR integration will continue to take an important place in corporate real estate management. Integration of technology will be one of the key drivers in bringing the business as a whole forward (Sheth & Mahajan, 2013).
7 Preliminary outline final report

Preface

Summary (NL&EN)

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Appendix
8 Literature


PRICELINE GROUP INC. (2014). ANNUAL REPORT. Delaware: PRICELINE GROUP INC.


Alignment of corporate real estate strategy and corporate business strategy


9 Appendix

Appendix 1 Scoping interviews

Roy Erkelens, Associate Director Global Corporate Resources at CBRE Netherlands was the first interviewee. Roy works with both Dutch organizations and multinational organizations and he stresses out that the degree real estate is incorporated into the business strategy is for a large degree dependent on the kind of business case. In the case where a real estate decision is directly in relation with the core business, like opening a new store, real estate is much more integrated in the decision making model. However, as Roy notices, in these cases the local real estate manager of the company is often passed by corporate executives who take matters into own hands. So the question is whether the real estate is supporting a business case or is it purely a cost center which has to be made.

To assess how real estate is perceived in a business a lot more information is needed like how is the real estate noted on the balance sheet of the organization. Or how long is the timeline executives are looking at? What is the bigger picture of the organization?

Steven Chon, Associate Director Global Corporate Services at CBRE Netherlands and RE&H alumnus, was the next person to be interviewed. Steven is involved with a lot of international operating organizations and states that corporate real estate managers are indeed missing tools in order to push real estate higher on the corporate agenda. He explains that corporate real estate teams have for a longer time been trying to put real estate closer to the business decisions. The problem with this is that real estate is approached from a whole variety of viewpoints as Roy also mentioned earlier. It often depends on the business case that is on hands what kind of role is appointed to real estate. Often it is seen that real estate is one of the last things to be handled and in that stage the message to the real estate managers is “this has to be done, fix it” within clearly defined boundaries. In that case there is virtually no room for real estate managers to approach a case from a strategic real estate perspective. Real estate is too often seen as a last variable which has to be solved within a business case.

Jeroen de Vroome, Associate Director Global Corporate Services at CBRE Netherlands is focusing on both national and international companies. He states that profitability and competitive advantage should be defined further before this can be made measurable. What you see in large organizations is that there is a very long approval process of real estate initiatives which has to be examined by several boards and committees and somewhere in the end there could be a high ranked person who disagrees and then the whole project could be redirected in another direction. This shows that the initial mandate the real estate managers start with is actually insufficient. There are companies who are already implementing this in a more effective way. These companies have included the corporate real estate department in their decision making model and have created guidelines and directives for the development of new offices. This allows the real estate department to react swiftly from desires of the business that requires for more office space. This pre developed guideline is thus a way of the corporate real estate department to fulfill the needs of the business as soon as possible and add value to the organization as a whole.

Remco Kroeze, Senior Director Global Corporate Services at CBRE Netherlands is in contact with both real estate managers at firms and their higher management. Remco describes that it is hard to generalize the added value of corporate real estate management regarding profitability and competitive advantage. The term competitive advantage can be seen very broad. It is an important step to generalize the criteria that you would like to take into account during the research. Are you going to look at efficiency, talent retraction or accessibility? There are numerous options and here boundaries become very important.
Alignment of corporate real estate strategy and corporate business strategy

Developing a clear list of variables or criteria is an important step in this process not only to create boundaries but also to be able to process the data and, perhaps even more important, report the data and the added value of real estate to the higher management.