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CORPORATE REAL ESTATE STRATEGY: A REVIEW

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Abstract

Corporate Real Estate and the contribution of Corporate Real Estate Strategic Management on Business Performance is a widely discussed area in the real estate industry. Top management of key real estate sectors including retail, office, and hotel industry is gradually reviewing possible Corporate Real Estate Strategies to incorporate with the strategic business plan of the organization. On the other hand changes in the business setting, including co-working and flexible work plan, digitization of the business work, and the introduction of smart real estate confirm the necessity of holistic approach on Corporate Real Estate Strategy to integrate business decision. Notwithstanding, top management of the business organization is in a vacuum to an identification of the comprehensive form of Corporate Real Estate Strategies in the business application. In this context, this study aims to review the literature on the application of Corporate Real Estate Strategy in different business sectors and identify the common form of Corporate Real Estate Strategies for easy reference. The study has done the systematic literature review process of articles published during 1980-2018 based on the defined rubrics and identifies mostly cited 7 Corporate Real Estate Strategies for general application in business organization to link Corporate Real Estate to Performance of the organization.

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Keywords: Corporate real estate, business organization strategy, review.



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1. Introduction

The real estate is a dynamics resource not only affects the real estate portfolio of the organization. It has an impact on people, physical space and performance. Thus, real estate identified as strategic resources to contribute to the organizations' performance. The management of the real estate of a non-real estate organization or in-other-words management of Corporate Real Estate (CRE) is a maneuver around the business environment with the intention of making highest and best use of the property and to support the performance of the organization. Thus, the top management of the business organization is attentive on possible ways and means on linking real estate to business strategy. The main reason for such cautious is to minimize the potential negative impact or financial losses of holding a real estate. According to the market study of JLL Lanka (2017), top management of the business organization is reconsidering the medium-term strategic involvement of real estate in the corporate agenda.

After the year 2000, the business environment of the world change at an ever-increasing rate. This dynamic change includes introduction of sophisticated technology and service delivery. Therefore, in order to be successful, organizations need to be able to response the dynamic changes in the business environment effectively and efficiently. Thus, assessing the resource base of the internal environment becomes a key area to identify possible implementation of the strategy to enjoy a sustainable competitive advantage and business performances (Barney, 1991). This help the organization to reach the opportunities prevail in the environment over its internal strengths while minimizing any weakness. As a physical and heterogeneous resource, CRE of an organization is able to create Valuable, Rare, Inimitable and Non-Substitutable (VRIN) characteristic over other resources and allow the organization to create Sustainable Competitive Advantage over it. In this context, as noted by Barney (1991), CRE is one source of internal resource which has the capability to create dynamic business opportunity over successful management.

2. Problem Statement

According to Jones Lang LaSalle INC (2018) Report on CRE Trends confirms that between 20% and 30% of the working population in the world now working in on-demand services where space requirement is marginal. Further, it is noted that work space utilization of many organization is underutilize of a typical workday. Further, the technological advancement of the world allow organization digitize the office space and allow home-base work culture where holding of large stock of CRE become a disadvantage for an organization. Thus, flexible working space, promote branding though real estate and digitally driven real estate become important aspect in corporate strategy in organization. Not only that the World Health Organization alert that largest health risk on world by 2030 is the depression which is an outcome of poor work environment management. One advantage of CRE is its wellness architecture including management of indoor air quality, thermal comfort, international layout and active design, location and access to amenities and employee engagement on designing which support to create healing physical environment. This significantly reduces the work related depression. On the other hand, CRE has the capacity to minimize potential threats in business environment and support for organization performance.

Even though, it is noted that gradual incorporation of CRE into business strategy, a possible articulation of comprehensive strategic spectrum on Corporate Real Estate Strategy (CRES) is not evident. Hence, most of top managers of organization claim that their incapability on the utilization of CRES in their organization setting. Further, as noted Veale (1989), Carn, Black, and Rabianski (1999), Roulac (2001) alignment of CRES and Business Strategy is not clearly evident. This is mainly due to poor articulation and review of possible options on CRES in the business environment. On the other hand, the complex multi-dimensional CRES required focusing on revenue generation and cost minimization of the organization through CRE management which would be useful to business managers in practice and for formulation of the advance theory. Therefore, effective identification of CRES has become a key result area for any organization.

3. Research Questions

- What are the most cited CRES based on literature review on CRES?
- How to form a conceptual CRES which is suitable for the strategic application in an organization?

4. Purpose of the Study

The term strategy derived from a Greek term as *stratēgia* which defined as art of troop leader or office of general. Later this military term has been adapted to a business environment where business organization also competes with each other which create a battlefield within the business environment. In this context, Corporate Real Estate Strategy (CRES) is identified as a programme of corporate real estate actions designed to achieve long-term objectives of the organization. The importance of CRES has been identified by Veale (1989) and noted that:

Both business schools and business itself should work to develop a well-organized and comprehensive approach to managing a corporation's real estate assets. Such an approach can begin to provide three key factors: first, a strategic framework for connecting the many elements associated with corporate real estate [. . .]; second, a means for prioritizing real estate demands and guiding overall policy and strategic direction; and third, the development of management tools and systems that can inform, support, and improve the actual decision making process.

This confirms the gradual movement of business organization towards to articulating well-structured CRE strategy for organizations.

The review of selected 24 articles based on rubrics defined in Table 1 below noted that literature does not confirm a universal terminology on CRE strategy. Most commonly used term was "Added Value" of CRE by De Jonge (1996), Den Heijer (2011), Van der Voordt, Prevosth, and Van der Zwart, (2012), and Jensen, van der Voordt, and Coenen (2012). However, scholars like Nourse and Roulac (1993), Lindholm and Gibler, (2006) and Lindholm and Leväinen (2006) defined these CRE programme as CRE Strategy. On the other hand scholars like Bradley (2002), define these CRE programmes as "Performance measurement" and Van Meel, Martens, and van Ree, (2010) as Objectives. As all scholars discussed the same conceptual overview, the study proposed a terminology as CRE Strategy.

5. Research Methods

The study applied a systematic literature review process to identify possible CRE strategies commonly stated by scholars. In the systematic literature review process, authors identify and review all research that has been undertaken on Corporate Real Estate Strategy. In this context, the Google Scholar search is done with the keywords of “Corporate Real Estate” and “Strategy” which published during the period of 1980-2018. Total of 349 research publication has been shortlisted by the search and then study use rubric to refine the most important publications. The rubric used to refine the most important articles is given in Table 1

Table 01. Rubrics on finding most important articles on CRE: 1980-2018

Criteria Focused	Description
Keywords	The keywords should be synonymous with Corporate Real Estate, Strategy and Performance
Abstract	The abstract explained the applicability, review or use of CRE strategy
Research Objectives and Research Questions	The objectives are about application or review on Corporate Real Estate Management and Strategy
Material included	The qualitative or quantitative review on CRE strategy has been considered
Participants/Respondents	Executives, Real Estate Consultants, or Experts' in Corporate Real Estate
Research Design and Strategy	Both qualitative and quantities studies on CRE strategy considered
Measures/Analytical Tools (Data Analysis)	Qualitative or quantitative methods of analysis acceptable. Focused given on multi-criteria analysis, and decision models in the context of quantitative studies as well as qualitative methods such as Grounded theory, Content analysis, Narrative analysis considered
Results and Conclusions	The results should focus on identification of CRE strategy or confirmation of CRE strategy
Credibility and Reliability	The article should disclosure potential limitation of the study and its impact on the final results

Source: Defined by authors (2018)

Once the rubric principle applied to 349 articles, it has been shortlisted to 24 articles. The results of identified 24 articles have been review and done the content analysis to identify possible CRE strategy for an Organization.

6. Findings

Pioneer on CRES discussion was Nourse and Roulac (1993), who introduced CRES as “Alternative Real Estate Strategy” which includes: Occupancy Cost Minimization, Flexibility, Promote Human Resource Objectives, Promote Marketing Message, Promote Sales and Selling Process, Facilitate and Control Production, Operations, Service Delivery, Facilitate Managerial Process and Knowledge Work and Capture Real Estate Value Creation of Business. According to the strategic perspective of Nourse and Roulac (1993), except to the last CRE programme which focused on the investment aspect of the organization, all other seven focused on the operational aspect of the organization.

The next important CRES discussion was put forward De Jonge (1996) with the idea of “Elements of Added Value of the Real Estate”. The focused area is on how to transform CRE to a value-added resource from cost generating asset. The value-added elements introduced by De Jonge (1996) includes; Increasing Productivity, Cost Reduction, Risk Control, Increase of Value, Increase of Flexibility, Changing the Culture and PR, and Marketing. One important contribution of De Jonge (1996) is the identification of impact on CRE on Human Resource Development. The possible stimulation power of a conducive work environment and its inculcation of innovation was introduced.

Even though Lizieri and Ward (2000), Gibson (2000), and Gibson and Louargand (2001) discussed the CRE as a strategy, the salient discussion was put forwarded after De Jonge (1996) was Lindholm and Leväinen (2006). The strategic contribution of CRE as the Profit generator and Revenue growth introduced. The seven “Added Value of CREM” by Lindholm and Leväinen (2006) identified as Increase Value of Assets, Promote Marketing and Sales, Increase Innovation, Increase Employee Satisfaction, Increase Productivity, Increase Flexibility and Reduce Costs. Unlike Nourse and Rouiac, (1993) and De Jonge (1996), the model explains the rationale of CRES on profitability and revenue of the organization and its link on shareholder wealth maximization. In addition, the model introduced operational level decision of each Added Value of CREM or in other words CRE strategy.

In the year 2010, Van Meel et al. (2010) discuss possible nine CRES as a practical guide for planning an office space. The objective of the practical guide is to increase the performance of the office through space management. These nine strategies are identified as Reduce Costs, Reduce Environmental Impact, Increase Flexibility, Enhance Productivity, Attract and Retain Staff, Encourage Interaction, Support Cultural Change, Stimulate Creativity and Express the Brand.

Later in 2010, the FM Value Map was introduced by Jensen (2010), as a Facilities Management Strategy. The Value Map was an outcome of inductive reasoning on about CRE strategy used in Nordic countries. It is a strategic application of CRE in the context of Facilities Management. The value map proposed possible ways and means of effective management of Corporate Real Estate through facilities management and its contribution to the performance of the business. In this model, Jensen (2010) focused on how to create value to the overall business through effective management of “Facilities” of the organization. The FM Value Map identify 10 outcomes of CRES as economic, social, spatial, environmental, satisfaction, cost, productivity, reliability, adaptation, and culture which contribute the satisfaction of four stakeholder group includes society, staff, customers, and owners. One important finding of this model is the incorporation of environmental sustainability as a separate CRE strategy. This is an extended contribution to outcome put forwarded by Lindholm and Leväinen (2006).

After review on FM Value Map by Jensen (2010), later Den Heijer (2011) reviewed how the hierarchy of adding value of CRE contribute to profitability, productivity, competitive advantage, and sustainable development in the context of the university environment (the case study area). In this study, Den Heijer (2011) argued that effective management of CRE is inevitable for the performance of the university. Den Heijer (2011) reviews the strategic management of CRE in three contextual levels namely: university, society, and impact on individuals. These contributors of adding value or in other words CRES includes Controlling Risks, Increasing Real Estate Value, Reducing Footprint, Decreasing Costs, Increasing Flexibility, Increasing User Satisfaction, Supporting User Activities, Improving Quality of Place, Supporting Image, Supporting Culture, Stimulating Innovation, and Stimulating Collaboration.

Later, a study by Van der Voordt et al. (2012) on adding value by CREM on Dutch hospitals identify nine added values of real estate namely; Support Image, Improve Culture, Increase Innovation, Reduce Cost, Improve Financial Position, Controlling Risk, Increase User Satisfaction, Improve Productivity, Improve Flexibility. According to Van der Voordt et al. (2012) the implementation of nine added value strategies are supported to improve the performance of the hospital.

6.1. Propose Corporate Real Estate Strategy

The review of most cited literature on CRES based on 24 scholarly articles published during the period from 1980-2018 able to identify and summarized most possible CRES for general application in business organization. Accordingly, study identifies and confirmed similarity and differences between each strategy. CRE strategies introduced by Nourse and Roulac (1993), De Jonge (1996), Lindholm and Leväinen (2006), Jensen (2010), Van Meel et al. (2010), Den Heijer (2011), and Van der Zwart et al (2012) were mostly cited in these articles. The outcome of this comparison enables to study to identify 7 Corporate Real Estate Strategies which could be identified as global CRES in the business environment. Based on this analysis the study proposed seven mutually exclusive CRE strategies. In-depth review of each strategy helps to study the formation of definition on each strategy. Refer table 2 for details.

Table 02. Corporate real estate strategies for organization's performance

CRE Strategy	Definition
Reduce Cost	A real estate strategy that combines real estate decision and business decision to reduce operational cost of real estate.
Flexibility	A real estate strategy on willingness to change, compromise, or modify the real estate decisions to maximize the output as per the changing business environment
Productivity	A real estate strategy that ensures effective use of real estate to gain maximum efficiency of operations of business and contribute to the productivity to the organization
User Satisfaction	A real estate strategy which ensures pleasant physical surroundings which keep employees engaged and satisfied in the work environment
Facilitate Interaction	A real estate strategy to facilitate formal and informal encounter between employees and stimulate knowledge creation of the organization
Promote the Brand	A real estate strategy that combines organization's marketing goals and offer a right mix of real estate portfolio to add value and maintain integrated marketing message.
Increase Real Estate Value	A real estate strategy to combine management decisions to maximize the market value of the real estate portfolio over the period of time.

Defined by authors based on summarized review on Nourse and Roulac (1993), De Jonge (1996), Lindholm and Leväinen (2006), Van Meel et al. (2010), Den Heijer (2011), Van der Zwart and Van der Voordt (2012), and Jensen et al. (2012).

7. Conclusion

This study reviews the literature on Corporate Real Estate strategy discussed by scholars during the period of 1980-2018 and constructed a comprehensive strategic option to practice in the business

organization. The study was able to compressively review mostly cited article in the context of Corporate Real Estate Strategy and identify similarities and dissimilarity as well as the progressive development of the strategic review on Corporate Real Estate. The systematic literature review confirmed that all leading scholars in the context of CRES discussed the same operationalization of CRE strategies under different conceptual terms. However, bottom-line of the strategy is similar. The ambiguity on strategy is mainly due to the literal meaning of terminology used by each scholar. To overcome this limitation, a common terminology and appropriate definition of each strategy which enable the universal application proposed.

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