

## **A PROACTIVE PROPERTY MANAGEMENT MODEL THAT INTEGRATES REAL ESTATE PROVISION AND FACILITIES SERVICES MANAGEMENT**

**Danny Shiem-Shin THEN**

*Department of Building Services Engineering, The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong SAR, China*

*Tel: (852) 2766 4558; Fax: (852) 2774 6146; E-mail: bessthen@polyu.edu.hk*

Received 3 July 2004; accepted 4 February 2005

**ABSTRACT.** The creation of suitable workplace environment to support employees in performing their tasks is becoming a key issue for many organisations faced with constant change. Numerous workplace strategies have evolved in recent years to provide for convenience and flexibility, as well as functionality and privacy. Problems usually arise at the implementation stage where organisation culture and practices often run counter to the need for innovation strategies.

This paper contents that the creation of enabling workplace requires a proactive property management model that integrate real estate provision and facilities services management. The value contribution of real estate assets can only be optimised when the property/facilities professional takes on the responsibility of continuously providing appropriate facility solutions to business challenges. An essential prerequisite is the role of property/facilities management as the custodian and enabler of the corporate workplace environment. The focus of the research was to provide a business perspective to the role of real estate assets(property) in supporting the fulfilment of corporate business plans. Based a comprehensive survey of published literature and a series of in-depth interviews of corporate real estate/property/facilities managers, an integrating resources management framework was developed to model the nature of interactions between strategic business planning and facility operations in an organisational setting.

**KEYWORDS:** Strategic Property Management; Real Estate Asset Management Model

### **1. INTRODUCTION AND REVIEW**

The acceptance of real estate assets as a business resource by senior management is by no means obvious. In many organizations the role of operational real estate assets are still considered no more than a cost to business, an overhead that does not warrant serious management considerations.

The starting point of this research is to develop a conceptual framework for modeling the role of operational real estate assets in business management. The research aims to provide a clearer understanding of the perceived role of operational real estate assets in medium and large corporations and how this cor-

porate perception impacts on and influences the quality of management of their operational asset base. A principal research motivation is that there is a direct relationship between the quality of operational asset management and the prevailing perceived views of the role of operational real estate by corporate management. The corollary is that unless real estate is regarded as a business resource, the practice of operational asset management is likely to be characterized by a reactive regime where decisions are typically sub-optimal as a result of lack of awareness of the organization's strategic intent and lack of full knowledge of the asset base.

The review of literature traced the evolving role of operational real estate assets and their management practices against a background of rapid technological change and changing emphasis in management thinking about how best to manage business resources in the fulfillment of corporate objectives. The literature review covered the period from the beginning of the 1980s to the mid 1990s, which saw major fluctuations in the real estate market and rapid growth accompanied by structural changes in the supply side of the facilities management market in North American and in U.K. The same period also saw a prolonged depressed market in the economies of North America and Western Europe which had the impact of intensifying competition on a global scale. One of the consequences of the intense competition is the scrutiny on costs of running a business.

In summary, the literature review highlighted three emerging themes which influenced the research direction:

- The need to link real estate/facilities decisions to corporate strategy. (Zeckhauser and Silverman, 1983; Veale, 1989; Avis, Gibson and Watts, 1989; Wilson, 1991, Arthur Anderson, 1993; Nourse and Roulac, 1993).
- The need to proactively manage functional (physical) space as a business resource. (Lloyd, 1992; Joroff, Lauargand, Lambert & Becker, 1993; Then, 1994, Apgar & Bell, 1995; Gallup, 1996).
- The need to incorporate real estate (physical asset) requirements into an integrated business resource management model. (Apgar, 1993; IDRF, 1993; Kimmel, 1993; Sracel, 1994; Then, 1994; Pertz, 1995; The Henley Centre, 1996).

In the context of this study the scope of *Real Estate Asset Management* (REAM) embraces two principal areas of management of the corporate physical assets: *facilities provision* (that is, the provision and management of real estate operational assets to house the core business activities) and *facilities services manage-*

ment (that is, the provision of facilities-related support services required for the proper functioning of the working environment within the corporate real estate portfolio). The role of REAM in the context of business management is to ensure the timely supply of appropriate, fully serviced, functional space, as a supporting business resource required for the fulfillment of business objectives.

A qualitative approach has been adopted as the principal research method based on case study interviews and supplemented by questionnaire surveys in respondent organisations. The study is supported by a comprehensive survey of published literature and a series of in-depth interviews. An integrating resources management framework was developed to model the nature of interactions between strategic business planning and operational asset management within an organizational setting.

The proposed framework is grounded on a clear understanding of the nature and demands of core business requirements, from which the needs of real estate and facilities provisions will flow, as an integral process of managing all business resources towards the fulfillment of corporate objective and targets.

## 2. REQUIREMENTS OF AN INTEGRATED PROACTIVE MANAGEMENT FRAMEWORK

In order to achieve the much-needed alignment between business strategic direction, organizational structure, work processes and the enabling physical environment, an organization's strategic intent must clearly reflect the facilities dimensions in its strategic business plans. Proactive management of the corporate real estate resource demands clear strategic direction from senior management and clear measurable deliverables from operational management. The practice of facilities management has gradually matured in recent years. The initial preoccupation with tasks and functions has given way to an emphasis on processes and their management. More recently,

the shifts has been towards resources integration with the emphasis on provision of enabling working environment where the issues of people, processes and property are elements of the same problem seeking a common solution. (Then, S.S., 1999)

An integrated resources management framework spells dramatic shifts in competencies for both the demand side (purchasers of facilities and services) and the supply side (suppliers and service contractors). The trend towards organizational 'downsizing' and 'outsourcing' collectively imposed an onus on many organisations to seriously review their internal competencies necessary for managing the 'new era of choices and flexibility'.

A proactive management model of the corporate real estate resource necessitates constant two-way dialogue: from strategic management - the strategic intentions and direction of where the company is going; from operational management - the best way of achieving the desired outcomes in resource terms and

their ongoing management. The conceptual framework that justifies the need for a constant dialogue between strategic management and operational asset management is illustrated in Figure 1.

Figure 1 illustrates the use of the *Strategic Facilities Brief* (SFB) and the *Service Levels Brief* (SLB) as instruments for promoting and maintaining this crucial interface between strategic management decisions and operational management decisions.

The external environment impinges on both the core business performance (demand) as well as the facilities support services delivery strategy (supply). Figure 2 illustrates a framework for considering the various factors that impact on the output from the *Strategic Facilities Brief* and *Service Levels Brief*. The *enabling workplace environment* within an organization is an outcome of the response to two sets of variables within an organisation: *real estate variables and facilities services variables*.

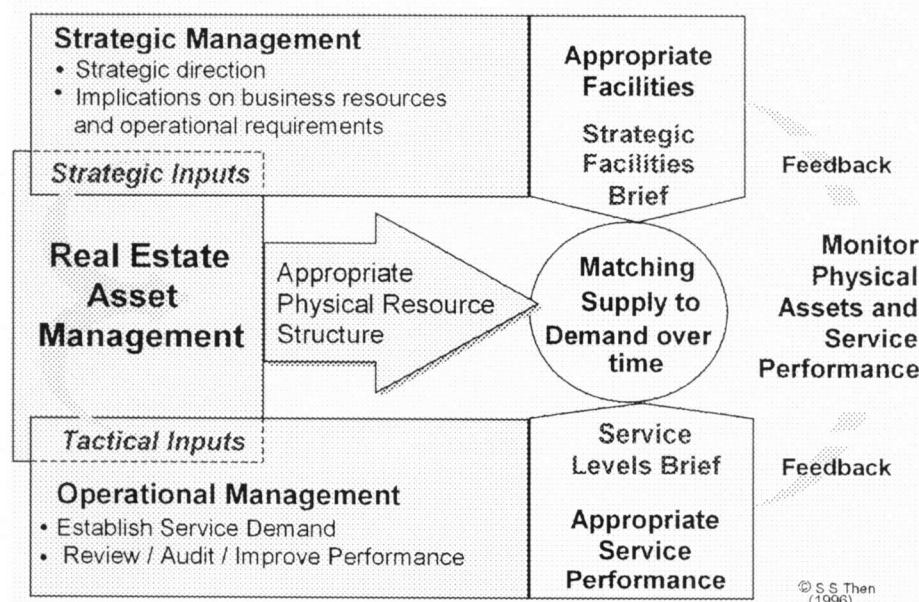


Figure 1. Justification for REAM as an Integrating Mechanism



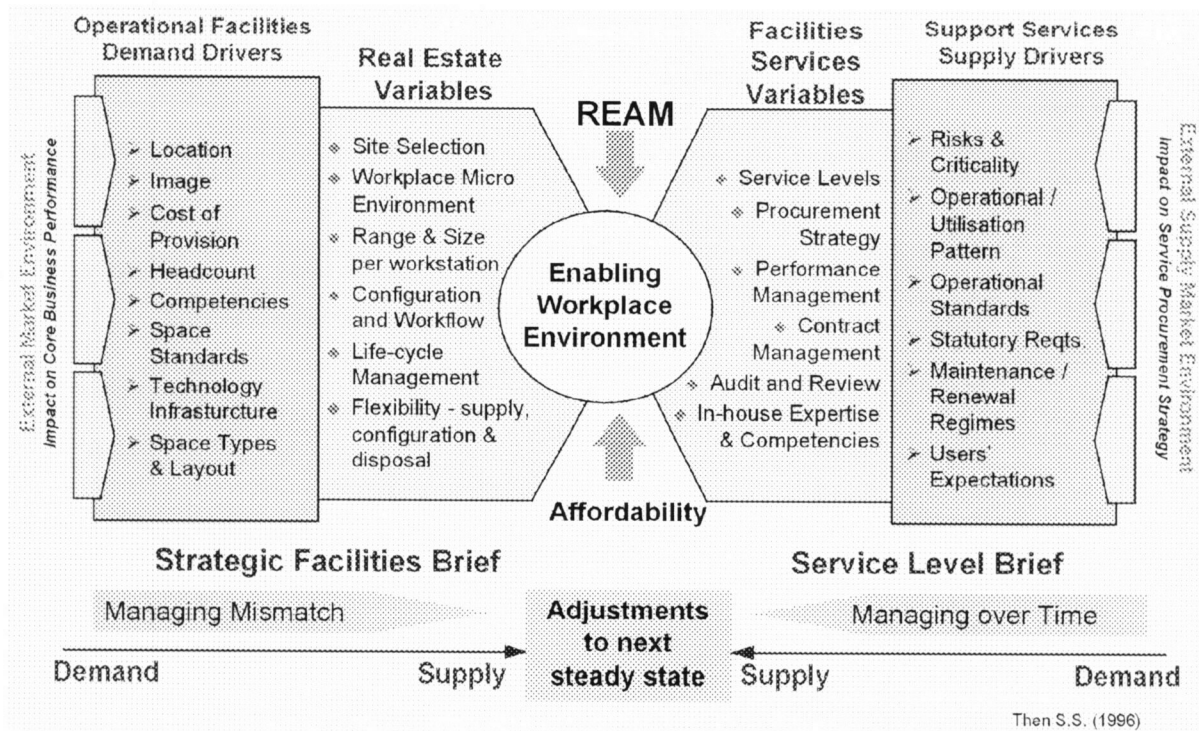


Figure 2. REAM as managing the enabling workplace environment

In deriving the variables that are ultimately reflected in the quality of the enabling working environment, evaluations are carried out at three cascading levels: (i) external market environment, (ii) organizational response, and (iii) key demand and supply factors.

The common denominator is the need to constantly adjust to a next 'steady state,' in response to external factors. The goal is to provide an enabling workplace environment that supports the achievement of the corporate goals, whatever the final product(s) or services.

Within the domain of *Strategic Facilities Brief* (SFB), the strategic management concerns are with managing mismatch between demand and supply as a response to the dynamic market environment within which the organization operates. The primary concerns of REAM within SFB are with decisions relating to asset ownership and asset management.

The SFB defines the operational needs emanating from the organization's business plans. The principal purpose of SFB is to define a

corporate guide that outlines key facilities attributes and physical service performance criteria required to fulfill the organization's objectives as dictated by the business plans.

The scope of the SFB will be influenced by the following factors:

- nature of business,
- site selection attributes,
- need for flexibility,
- proneness to technological change,
- corporate view of role of property and support services,
- resource commitment and affordability.

Within the domain of SFB, the response to the market factors can be considered by examining three main aspects, which influence or have an impact on the existing real estate portfolio:

1. Corporate culture: This is concerned with organizational variables that are embedded in the organization culture, from the setting of corporate visions and missions, to perceptions of the roles of business resources. In terms of

the corporate real estate asset base, this involves the setting of strategic guidelines and key parameters for the facilities provision and service expectations.

2. Business units' projection: This is concerned with ascertaining likely changes in output levels in line with the strategic business plans. In facilities terms, the demand variables relate to delivery time-scales, facilities operational requirements and projected manpower levels.

3. Type of facilities support: This is concerned with identifying the nature and scope of facilities provision in terms of fitness for purpose in meeting anticipating demand as a consequent of strategic business plans. Apart from the likely utilization pattern, the outcome of the enabling working environment for an organization will be influenced increasingly by parameters which determine how the workplace spaces are configured and designed to support the work tasks.

The strategies adopted in response to the market factors are then translated into *operational facilities demand drivers* at the intermediate level, which will in turn determine the appropriate real estate variables for the business it is supporting. The real estate variables represent the output of the domain of SFP. The variables listed represent the strategic parameters that govern the facilities provision from demand initiation through to the supply of the appropriate functional space (i.e. from Demand to Supply). At any point in time, the relative weightings given to the real estate variables identified will influence the emerging supporting facilities strategies.

Within the *Service Level Brief* (SLB) domain, the management concerns are with managing the existing property assets over time; with the emphasis on meeting operational and users' requirements within agreed parameters of service and financial limits. The primary concerns of REAM within SLB are with decisions relating to minimizing risks of disruption and service management.

The SLB represents the definition of accept-

able environmental performance levels in respect of the physical asset base and support services requirements as defined by the SFB. The principal purpose of the SLB is to define and quantify the appropriate support services and their performance within the physical working environment supporting the activities of the core business.

The scope of SLB will be dictated by the following criteria:

- minimising risk exposure within the workplace;
- serviceability of the physical asset base;
- protecting the asset worth;
- promoting a conducive workplace environment;
- procurement strategy;
- costs and affordability.

Within the domain of SLB, the response to corporate strategic plans can be considered by examining three main aspects which influence or have an impact on the service delivery and performance to the working environment within the operational real estate portfolio:

1. Corporate culture: In the same way that the corporate culture will influence the internal and external image of the company in its physical assets, it will also dictate the service expectations of the facilities support services. In terms of facilities service provision this involves the setting of service guidelines in line with business units' requirements and affordability.

2. Services / Utilities provision: This is concerned with parameters which define the scope and range of services needed to support the business operational tasks. In terms of service demand and procurement evaluations, a clear understanding of internal demand profiles and criticality must be supplemented by knowledge of external supply market offerings.

3. Workplace management: This is concerned with issues relating to facilitating the work tasks within the workplace environment by appropriate space configurations and settings with the necessary information technology and communication infrastructure. Planning for

flexibility to support project teams being seen as increasingly essential element.

A key factor in the dialogue between SFB and SLB is the significance placed by senior management on the capability of options evaluation or having alternative 'strategic scenarios' against possible business outcomes. The dominant concept of REAM is to provide *an informed interface* between strategic business planning and operational asset management via SFB and SLB. REAM takes as its inputs - the business response to the changing market factors, the processes of evolving the most appropriate supporting facilities strategies in support of the new strategic direction, and as outputs - action plans for adjusting the existing asset base to a next 'steady state'.

The preceding discussions described the convergence of real estate variables and facilities services variables leading to the creation of the appropriate enabling workplace environment as an outcome of REAM in an organization setting. The range of factors to be considered clearly demonstrates the need for an integrated management process.

It is clear from the above, that the development of SFB and SLB involves participation and inputs from strategic business planning and operational asset management in terms of staff involvements. The effectiveness of REAM relies on the regular flow of information: localised information built up from the bottom of the operational structure, and business information brought down from the core business end of the organization.

### 3. DEVELOPMENT OF PROACTIVE MANAGEMENT MODEL FOR REAM

These following models are presented as concepts to explain the context, causes and implications in the practice of Real Estate Asset Management (REAM).

A traditional reactive management model for the practice of REAM is presented as the starting point of theory generation for an integrated proactive model. (Figure 3) The traditional re-

active model is essentially a budget-driven approach; whereas the proactive model relies on a process-driven approach guided by clear articulation of facilities and service demand via the SFB and SLB.

The acknowledgment of a shift in emphasis, from fulfilling transactions on demand under the traditional reactive approach, to a process-driven management approach is fundamental in justifying and defining the emerging role and scope of REAM.

The realisation of an integrated approach necessitates a formal planning framework that must cater for the cultural, procedural and existing knowledge base of the particular organisation. Ultimately, the practice of REAM is concerned with the delivery of an enabling workplace environment – the optimum functional space that supports the business processes and human resources.

Figure 4 illustrates a flowchart of an integrated resource management framework for REAM, summarizing the main components, their relationships as well as input variables and outputs from the integrated management process. The overriding driver for the proposed framework is matching supply to projected demand as a continuous response to the organization's strategic business initiatives. In this respect, the *Supporting Facilities Strategies*, the *Supporting Asset Strategies* and the *Supporting Facilities Service Strategies* can be viewed as cascading from the top down, whilst the performance feedback loop operates from bottom-up.

The need to improve the communication interfaces between strategic business planning and operational asset management resulted in a model proposition for REAM comprising of four related components comprising; *Strategic Facilities Planning*, *Strategic Asset Management*, *Facilities Service Management*, and *Asset Maintenance Management*.

In the main, two main categories of roles are discernible from the range of activities associated with REAM:

1. "Real Estate Provision" - activities related



to the role of providing the appropriate buildings (i.e. the corporate operational asset base measured in terms of functional space) required by the organization to carry out its core business activities. *Real Estate Provision* includes the two strategic components of *Strategic Facilities Planning* and *Strategic Asset Management* which are impacted by core business drivers.

2. "Facilities Support Services Management" - activities related to the role of the ongoing management and servicing of buildings in use (i.e. the workplace environment). This includes the two operational components of *Facilities Service Management*, and *Asset Maintenance*

*Management*, which are primarily governed by affordability drivers.

Successful resources management should consider these two facets as one overall issue. The dynamic feedback and feed forward loops ensures capabilities of the model framework to *review* strategic relevance against the competitive realities of the business environment within which it operates, as well as, *measuring* operational management performance against best practice externally. The business imperative from a resources management perspective is to align the appropriate supporting strategies to the current corporate strategy.

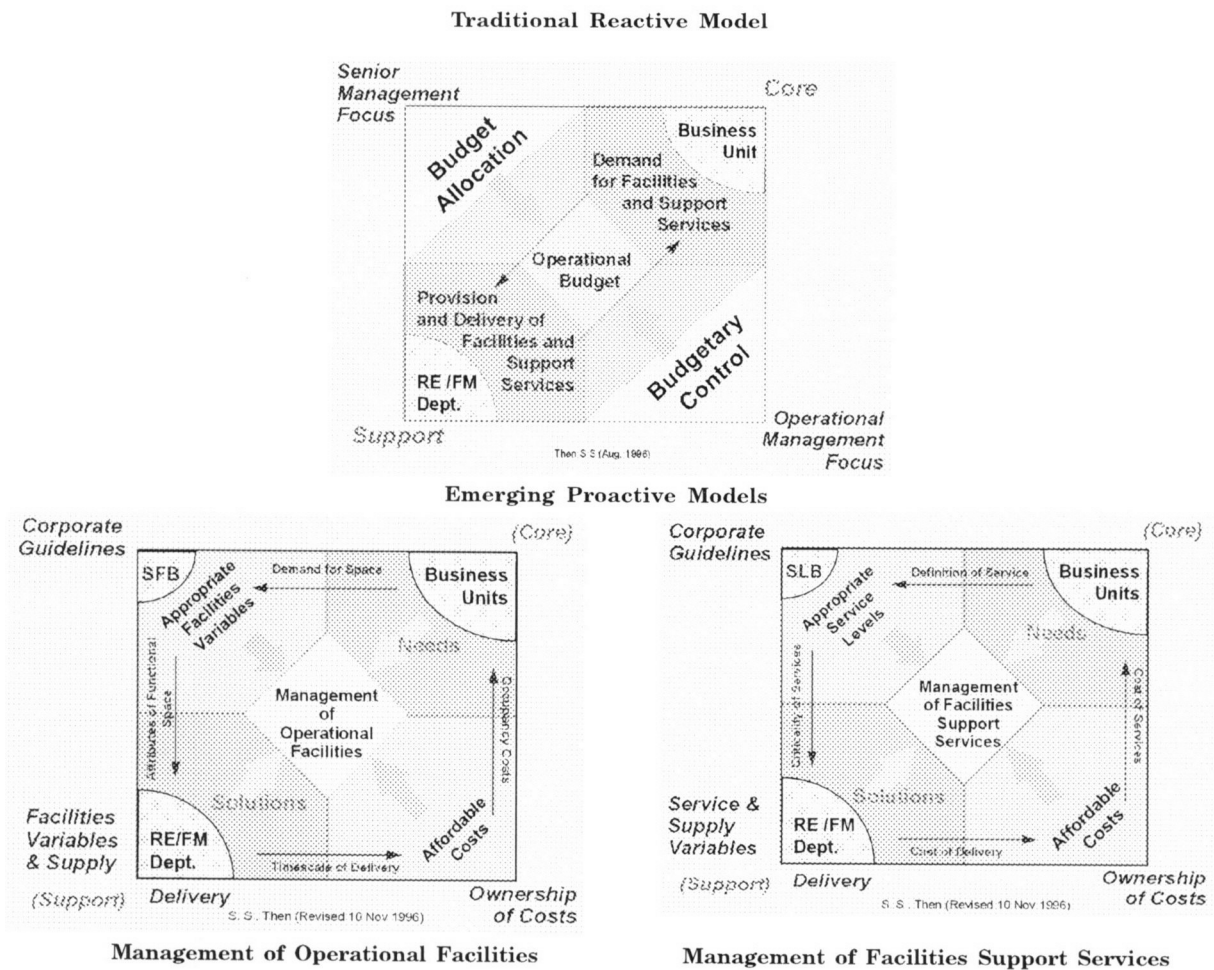


Figure 3. Comparison of Reactive and Proactive Models

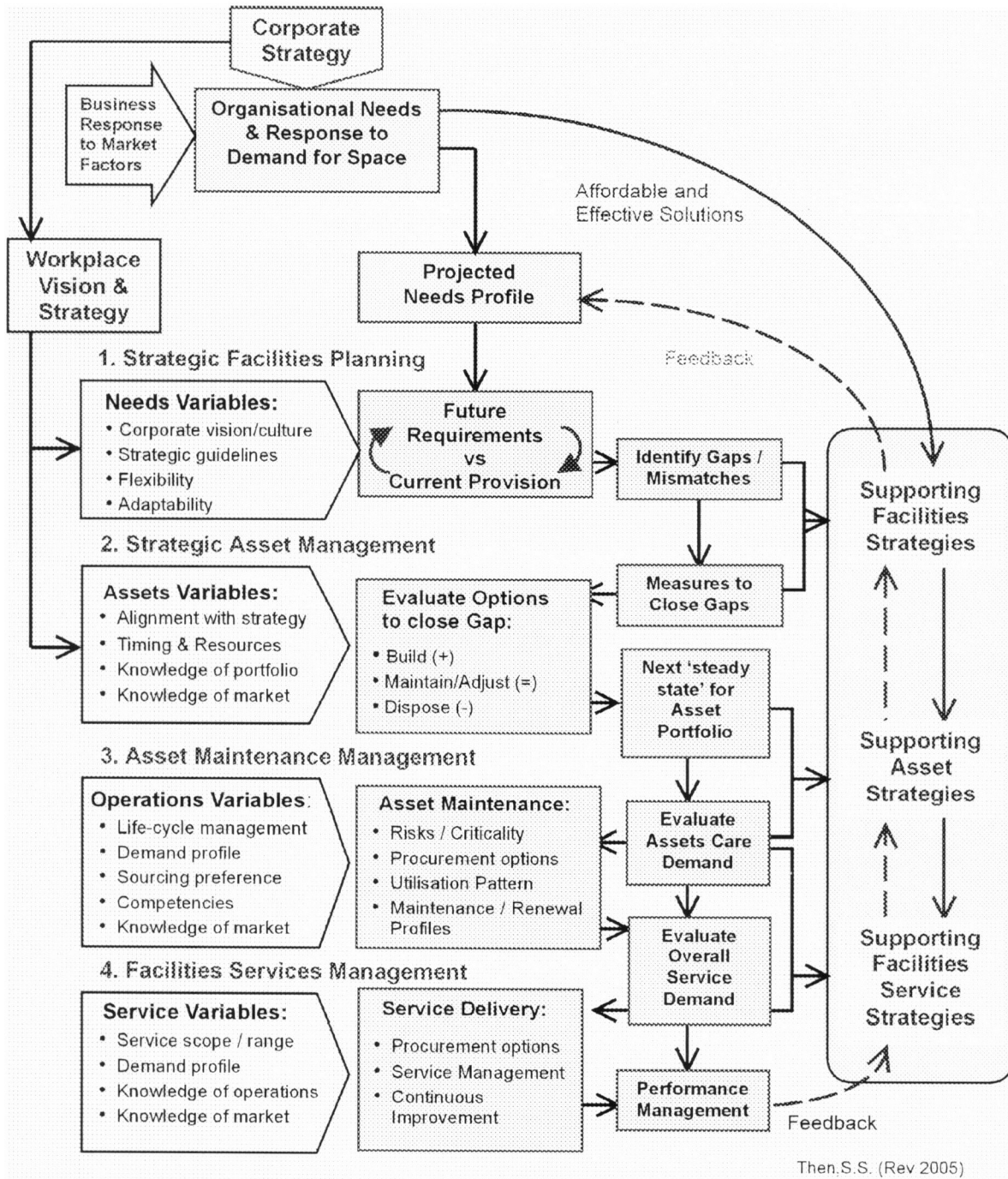


Figure 4. An Integrated Resource Management Framework



The raison de for REAM is to meet the business challenges that confront the organisation it is supporting, as an enabler in the first instance. In the long term, a more sustainable role must be to build upon an aspiration to continuously add value by providing appropriate and innovative 'facilities solutions' to business challenges through the skilful manipulation of all business resources - the optimum balance between people, physical assets and technology.

#### 4. CONCLUSIONS

The emphasis on appropriateness and affordability in space demand and facilities support services, calls for a management approach that is underpinned by a clear understanding of the drivers of business demands and the processes that meet the business requirements.

This study was initiated on the premise that the role of the operational real estate assets represents an increasingly important component of business resources in the overall management of corporate success. A common theme that emerged from the literature survey, the case studies, and the validation exercise carried out is the prevailing perception or attitude of the role of operational assets held by senior management, and the profound impact it had on the practice of property asset management in an organization. This perception is fundamental in that it is always the prerogative of senior management to allocate resources to the various functional divisions within the organization.

It is important to acknowledge that almost all strategic business decisions has a real estate/facilities dimension, the crucial question is, *to what extent are such implications thoroughly evaluated, articulated and presented at senior management level, where strategic business decisions are made?* Executives charged with responsibilities for the real estate and facilities support roles must develop the competencies and capabilities to provide realistic options within the remit of business propositions

in the hope of influencing senior management decisions to arrive at appropriate optimal facilities solutions to meet business needs. In this respect, raising the corporate strategic awareness of the strategic role of the real estate resource is a fundamental pre-condition for the informed interface to materialise.

#### Acknowledgements

The author would like to acknowledge the assistance given by a number of individuals from organisations in the United Kingdom that participated in the study. Their contribution in time and comments are greatly appreciated.

#### REFERENCES

- Apgar, IV, M. (1993) *Uncovering Your Hidden Occupancy Costs*. *Harvard Business Review*, May-June, p. 124-136.
- Apgar, IV, M. and Bell, M. (1995) *Managing Real Estate to Leverage Change: The Dun & Bradstreet Case*. *Site Selection*, December, p. 935-938.
- Anderson, A. (1993) *Real Estate in the Corporation: The bottom line from senior management*, Arthur Andersen and Co.
- Avis, M., Gibson, V., and Watts, J. (1989) *Managing Operational Property Assets*. GTI.
- Gallup (1996) *Shaping the workplace for profit*. Commissioned by Workplace Management.
- IDRF (1993) *Strategic Management of the Fifth Resource: Corporate Real Estate - Phase One CRE 2000*.
- Jorroff, M., Louargand, M., Lambert, and S., Becker, F. (1993) *Strategic Management of the Fifth Resource: Corporate Real Estate*, The Industrial Development Research Council, U.S.A.
- Kimmel, P. S. (1993) *The changing role of the strategic facilities plan*. *FM Journal*, May/June, p. 36-39.
- Lloyd, B. (1992) *An effective property strategy - the key challenge for the 1990s*. *Facilities*, 10(12), p. 9-12.
- Nourse, H. O. and Roulac, S. E. (1993) *Linking Real Estate Decisions to Corporate Strategy*. *The Journal of Real Estate Research*, 8(4), p. 475-494.

- Pertz, S. (1995) Redefining Strategic Facilities Planning. *Facilities*, 13(1), p. 16–24.
- Sracel, H. (1994) Aligning Corporate Real Estate with Company Goals. *Facilities Design & Management*, November, p. 48–53.
- The Henley Centre. (1996) *The Milliken Report: Space Futures*. Commissioned by Milliken Carpet.
- Then, S. S. (1994) Facilities Management – The relationship between business and property. Proceedings of the EuroFM/IFMA Conference on Facility Management European Opportunities, Brussels, Belgium, p. 253–262.
- Then, S. S. (1996) A Study of Organisational Response to the Management of Operational Property Assets and Facilities Support Services as a Business Resource – Real Estate Asset Management, Unpublished Thesis, Heriot-Watt University, Edinburgh.
- Then, S. S. (1999) An integrated resource management view of facilities management. *Facilities*, 12/13, p. 462–469.
- Veale, P. R. (1989) Managing Corporate Real Estate Assets: Current executive attitudes and prospects for an emergent management discipline. *The Journal of Real Estate Research*.
- Wilson, R. C. (1991) Strategic Positioning and Facilities Planning: reviewing business plans and facilities strategies. *Site Selection, Industrial Development Section*, April, p. 26–30.
- Zeckhauser, S. and Silverman, R. (1983) Rediscover Your Company's Real Estate. *Harvard Real Estate*, Jan-Feb, p. 111–117.

## SANTRAUKA

### VEIKSNUS NUOSAVYBĖS VALDYMO MODELIS, APIMANTIS NEKILNOJAMOJO TURTO IR PASTATŲ ŪKIO VALDYMĄ

Danny Shiem-Shin THEN

Tinkamos darbo aplinkos sukūrimas, siekiant padėti darbuotojams, atliekantiems užduotis, tampa svarbiausia tema, dominančia daugelį organizacijų, susiduriančių su nuolatiniais pokyčiais. Pastaraisiais metais atsirado nemažai darbo vietos strategijų, siekiant užtikrinti patogumą ir lankstumą, taip pat funkcionalumą bei privatumą. Problemų paprastai kyla įgyvendinant idėjas, kai organizacijos kultūra ir patirtis dažnai prieštarauja inovacinėms strategijoms. Norint sukurti galimybių teikiančią darbo vietą, reikia naudoti veiksnų nuosavybės valdymo modelį, apimantį nekilnojamojo turto bei pastatų ūkio valdymo pobūdį. Nekilnojamojo turto vertė gali būti optimizuota tik tuomet, kai nuosavybės ar pastatų ūkio valdymo specialistas prisiima atsakomybę nuolatos parūpintis tinkamais patogumais, atsižvelgiant į verslo iššūkius. Esminė prielaida yra nuosavybės ar pastatų ūkio valdymo kaip organizacijos darbo vietos aplinkos saugotojo vaidmuo.

Pagrindinis tyrimo tikslas – suteikti verslo perspektyvą nekilnojamojo turto (nuosavybės) vaidmeniui įgyvendinant organizacijos verslo planus. Buvo sukurta integruota išteklių valdymo sistema, pagrįsta išsamiau paskelbtos literatūros tyrimu bei daugeliu nuodugnių pokalbių su organizacijų nekilnojamojo turto, nuosavybės bei pastatų ūkio valdymo vadybininkais bei modeliuojanti sąveikas tarp strateginio verslo planavimo bei pastatų ūkio valdymo organizacijos aplinkoje.