Business strategy and property strategy – how strong is the linkage?

John McDonagh
Lincoln University, Christchurch, New Zealand, and
Gary Nichols
G.P. Nichols Consulting Limited, Wellington, New Zealand

Abstract

Purpose – The purpose of this research is to investigate the strength of the link between overall business strategy and supporting property strategies in New Zealand organizations.

Design/methodology/approach – Most organizations develop strategic business plans as a foundation and focus for decision-making. These business plans ideally take account of the existing and potential operating environment and the strengths and weaknesses of the individual organization. An organization's management of its property assets can be either a strength, or a weakness, but does this aspect figure prominently in many organizations' strategic business plans? This research utilized e-mail surveys of 313 organisations in New Zealand to determine the strength of the linkage between their overall business strategy and their property strategy.

Findings – Nearly all organizations surveyed had a clearly defined overall business strategy but many did not put corresponding effort into real estate strategies. Even amongst those organizations with a property strategy, significant weaknesses were found in the linkage between this strategy and overall business strategy.

Research limitations/implications – Further work can now be undertaken to measure the performance of organisations that have a strong connection between overall strategy and property strategy compared to those that do not. This may determine whether a strong connection does in fact correlate with business performance. If so, both academic and industry attention in New Zealand can then be focused on determining why some organizations' consideration of property as part of their overall business strategy is either non existent or ineffectual.

Originality/value – Corporate Real Estate Asset Management (CREAM) research in a New Zealand context is limited. This paper examines relationships that earlier literature has determined are important, in a New Zealand context. It highlights differences in the way New Zealand organizations operated and provides a basis for further research that should lead to improved organizational performance.

Keywords Real estate, Assets management, Strategic alignment, Management strategy, New Zealand, Property

Paper type Research paper

Introduction

All businesses need property to function – whether that business is a manufacturing company requiring extensive land, plant and facilities, or a retailer selling coffee from a "cart" on the pavement. Matching real estate needs to business needs is an obvious requirement in the profit potential of every business, but how often is this poorly done? Is the provision of property to an organisation a planned process with strong linkages to business planning and direction – or does it largely happen by accident?

Journal of Corporate Real Estate
Vol. 11 No. 4, 2009
pp. 213-228

1463-001X
DOI 10.1108/14630010911006701

This research aimed to answer the above questions, at least in relation to the situation existing in New Zealand. Prior research suggests the attitude of many senior management teams is that property management is a simply a function of providing space from which the company can provide its core services to the customer base. Often there is little thinking around:

- efficiency of work and design of the working environment;
- life-cycle costing;
- branding;
- customer experience;
- the effect on staff morale and efficiency;
- placement of the business (location analysis); and
- the future of work.

The perception of researchers is that the link between the business plan and the property plan is weak or in some organizations non-existent. Major investment decisions are made with little thought to maximising the contribution that corporate property can make in supporting overall business objectives. In contrast, a well focused and informed property team will be exposed to a bigger business picture than one several levels removed from overall strategy. In this way the contribution to the organization in terms of effectiveness, efficiency, functionality and fit of the real estate assets can be maximized.

This research attempted to ascertain the status of business planning and strategy from a wide range of New Zealand organisations, and then to assess the connection (if any) with property portfolio planning and strategy.

Literature review

Zeckhauser and Silverman (1983) developed the following definition of Corporate Real Estate: "the land and buildings owned by companies not primarily in the real estate business".

Nourse and Roulac (1993), Then (2000) and many of the other authors mentioned below have extended this definition to make it clear that the purpose of CRE is to support and underpin the core (non real estate) business of an organization. But how strong can this support be if the connection between overall business strategy and the strategy for real estate assets is weak?

In January 2005, CoreNet reported that, despite the fact that real estate is one of the top three highest costs to business, CFO's still do not treat property as a strategic boardroom issue. Amongst other findings reported on, an Ernst and Young survey found although 80 percent of CFO's were implementing a cost reduction program, 52 percent were still either doing nothing or did not know what to do regarding their property portfolios. More than half claimed they had no real estate strategy and 23 percent applied no performance measures to their real estate (CoreNet Global, 2005).

Earlier research had similar findings.

Veale (1989) stated:

> Many organisations do not clearly and consistently evaluate performance of their property – treating it as an overhead cost – even though property has a large number of unique characteristics. Most treat real estate in a reactive manner in spite of its cost coming in second to payroll at 20-40 per cent of business value.

Teoh (1992) found that until recently, the management of real estate has often been seen as nothing more than another responsibility of general management – not necessitating any detailed attention.

Englert (2001) identified property as one of the most "taken-for-granted" and under-managed corporate assets. Similarly Adendorf and Nkado (1996) view the provision of real estate as "under managed".

Then (2000) researched five industrial and commercial sectors in the UK in 1996. He found that:

> The derivation of a corporate strategic choice without integrating the real estate and operational dimensions clearly contributes to sub-optimal solutions in many organisations, reducing the role of the real estate/facilities function to one of reacting to business unit demands.

A 1998 PriceWaterhouseCoopers study found "79 per cent of the executives identified real estate as non-core and a very fragmented function across business units. This means that real estate departments are seldom an integral part of any strategic business plan" (Bruno, 2002).

Gibler *et al.* (2002) found that only 16 per cent of chief executive officers in the UK view property as a strategic resource. They also found that corporate real estate managers and service providers in Australia, Hong Kong, UK and the USA continue to fulfill a traditional transactional role.

Nourse and Roulac (1993) found that traditionally, CRE people have worked their way up the ranks from a transactional background. Lifting performance to a strategic level can be a challenge when the day-to-day activities are the ones that have exposure and recognition. "Too often, real estate transactions are approached from a deal-making rather than a strategic perspective. Economic issues should not be the focus at the expense of strategic issue, and that explicit consideration of how a real estate decision should support overall strategic objectives is essential".

Roulac (2001) commented as follows:

> Corporate property in the past has been too concerned with the facility and insufficiently concerned with the relationship of that facility to the large real estate markets, and to corporate business strategy. It is widely recognized that every business employs an overall strategy. It is a rare occurrence for a corporate business strategy to include a corporate property real estate strategy.

For many organisations property only becomes an item on senior management's agenda when a significant crisis looms on the horizon. "An impending lease expiry or a lack of room for expansion may stimulate examination of work-place design, alternative work patterns, new IT etc". (McDonagh and Frampton, 2002). Joroff *et al.* (1993), and Gibson (1994, 1995) support this view.

Byrne (1994) found other requirements, such as accounting standards, can act as a catalyst to moving property into strategic consideration. "… the compilation of an asset register is only a single step toward both the operational and strategic management of property, but in the process, property will be emphasised to such an extent that it will make the presentation of a management strategy much more likely".

In contrast to the above findings, the research outlined below indicates that the property function should strongly support core business values and strategies, contributing and supporting business direction and therefore business success. As such, CRE has the potential to become an enabler of business objectives and shape corporate culture if true alignment with business strategy is present.

Having real estate expertise exposed to the highest level within an organisation will have great benefits in that real estate decisions can be made with a big-picture overview of the entire organisation. This is the essence of strategic management as defined by Drucker (1977).

In addition the revolution in communications, internationalization and lower barriers to entry have meant far shorter periods of competitive advantage. This has led to a fundamental re-thinking of strategic management theory – the focus moving from efficiency to flexibility and the capacity to cope with change. This has significant implications for CREAM as real estate assets, as traditionally provided, are inflexible, long-lived and capital intensive.

Then (2000) stated:

> Proactive management of the corporate real estate resource demands clear strategic direction from senior management and clear measurable deliverables from operational management.

Roulac (1996) stated:

> For organisations where real estate is not their primary business, but rather an input into another primary activity, the real estate strategy derives from and is influenced by that primary activity.

Gibson (1995) cited a lack of strategic property planning was the most pervasive CRE process problem identified in her research. This was often tied to the attitude of the senior management team as they may not see property as important enough to be part of the overall strategic planning process.
As a result, inclusion of property thinking in the strategic process was one of Gibson's primary indicators of CREAM performance.

Gibson (1995) went on to note that without the objectives and goals inherent in a strategic approach, it is almost impossible to manage proactively. Without measures, it is difficult for the CRE unit to assert its importance to the organisation as a whole and it tends to be relegated to a cost centre level of development with a narrow level of expertise and influence.

Veale (1989), Pittman and Parker (1989), Weatherhead (1997) and McDonagh and Frampton (2002) found similar results on the importance of strategic thinking and communication between general management and CRE management as key elements of CRE performance.

Englert (2001) believed successful corporate strategic alignment depends on the following:

- a clear corporate vision and well defined strategies to accomplish the vision;
- engaged senior management supportive of the corporate real estate link;

- business units and functional support units must be linked in the strategic planning process;
- corporate real estate internal relationships and outside service providers must be managed to support the corporate vision and a strategic management process; and
- strategic alignment will produce a keener competitive capability and can produce high levels of shareholder value.

Gibler *et al.* (2002) found that a well focused property team working closely with the senior management team will be exposed to a bigger business picture than one that is several levels removed from the strategic decision makers:

> In the past, most real estate managers were not members of corporate strategy teams, and many corporate real estate officers were not involved in decisions regarding the changing workplace.

Untracht (1993) determined:

> Real estate must be fully intertwined into overall corporate strategy to allow for faster and more effective real estate decisions.

Bruno (2002) commented:

> For real estate professionals as well as chief financial officers, it is crucial to examine whether the company's real estate strategy is aligned with the company's business plan.

Evans (2003) stated:

> Property has to be treated as an integral part of a businesses strategic approach to the market. Careful consideration of property requirements and simultaneous integration into business planning should be a basic tenet of your business mantra.

Edwards and Ellison (2004) commented that:

> The importance of a property strategy to the overall management strategy seems to begin to slide down the corporate agenda as the problems that a poor property strategy can create become less obvious. This tradition of taking a myopic view of property within an organisational portfolio context can be explained to some degree by the unique characteristics of property as an asset class and a business resource.

Nourse and Roulac (1993) came to the conclusion that:

> Effective real estate decisions are integral to the realisation of overall business objectives.

But they also found:

> While some organisations explicitly consider how a specific real estate transaction relates to their real estate strategy, the vast majority not only failed to make this consideration, they do not have a formal real estate strategy.

Joroff *et al.* (1993) suggested a five-stage model of corporate real estate unit evolution. Only the ultimate stage 5 tackles company-wide competitiveness in a strategic long-term visionary way, and research carried out by the author in 1998 found few organizations in New Zealand were operating at this stage of development. The research reported on in this paper is intended to update and extend this earlier study.

Literature review conclusion

A number of sub-themes have become apparent from this literature review:

- Corporate property is often not considered a strategic asset, as often senior management state: 'we are not in the property business". This attitude can impact on overall organizational performance (Zeckhauser and Silverman, 1983; Veale, 1989; Teoh, 1992).
- Property represents significant corporate cost, with strategic potential (Veale, 1989; CoreNet Global, 2005).
- Many property professionals focus on the transactional nature of their work without devoting time to the strategic connection to the overall business (Nourse and Roulac, 1993; Gibler *et al.* (2002).
- Effective connection to business is through having a vision and exposure to the future of the organisation – often via the senior management team. The more remote a CRE manager is from senior management, the less likely a strategic approach will be adopted in relation to property assets (Nourse and Roulac, 1993; Joroff *et al.*, 1993; Untracht, 1993; Bruno, 2002; Evans, 2003).
- Corporate property can be a catalyst for corporate change but development of a property strategy should take place after the business strategy has been developed (Roulac, 1996; Then, 2000).
- Property matters are often dealt with on an ad hoc basis with little expertise devoted to what is a major corporate resource with significant impact on corporate culture and bottom line achievement of overall objectives (Gibler et. al., 2002; Edwards and Ellison, 2004).

Methodology

To assess the current strength of the link between business strategy and property strategy in New Zealand a survey of major New Zealand organizations of all types was undertaken.

An e-mail and web-based survey was considered most likely to encourage a wide range of respondents within a short response time. Once e-mail addresses had been established, it was also a logistically straight-forward and cost-effective process.

A web-site was established that could be accessed by the respondent by "clicking" the web address from the introductory e-mail. The respondent then could complete the 43 question survey "on-line" within an anticipated 15-20 minutes.

Survey design

The questionnaire was divided into five major sections, namely:

(1) *General information.* Basic information about the participating organisation, including the core business definition, organisation size and fundamental structure.

(2) *Property management.* Basic metrics of the portfolio, property management structure and how the organisation currently manages the property portfolio.

(3) *Business planning*. Enquired about overall business planning, frequency of planning reviews and penetrated into some areas of the business that property people may not have been particularly familiar with.

(4) *Property planning*. Determined the existence and review of the property plan.

(5) *Connection between the Business Plan and the Property Plan*. Attempted to identify the strength of link between the above two plans.

A copy of the questionnaire can be obtained from the authors.

Corporate entities surveyed

Lists of public companies, government departments, crown research institutes, state owned enterprises, local authorities, district health boards, tertiary education institutes, local authority trading enterprises, charities and churches were obtained from official sources.

The private sector companies were harder to identify. Often this was due to them being non-trading holding companies with potentially a large number of trading subsidiaries. Obtaining a copy of *NZ Management* (2004) magazine provided a list of "the top 200 New Zealand companies" – many of them privately held. This, in combination with the above was assessed as being adequate to represent most of the organizations in New Zealand with substantial property portfolios. It was also the method used in earlier research.

The e-mail addresses of personnel responsible for CREAM were obtained by making direct telephone contact with each of the 334 organizations surveyed and if an e-mail was not provided or clarification was needed by speaking directly to the person responsible for CREAM. A breakdown of the status of the respondents is included in the results.

This produced an interesting phenomenon. 36.8 per cent of the initial response from the first point-of-contact person (e.g. telephonist/secretary) had no idea who was responsible for property. Many telephonists commented that the company was not a property company and therefore they would be unsuitable to participate in a property based survey. By inference, these people did not see property as an integral part of their business.

Other telephonists volunteered that they did not own any property and therefore they had nothing to contribute to a survey about property. When asked further about the property that they occupy, the majority of cases advised that the Chief Financial Officer or Chief Executive Officer made leasing decisions. In those circumstances, they were identified as the best person to comment on their business strategy and how this may be supported by a property strategy.

The email inviting participation in the survey was forwarded to 334 potential respondents. Technical problems remained unresolved with 21 e-mail addresses and 12 respondents advised that they did not complete surveys.

Analysis

The process adopted for this paper included: review and coding of raw data, entry of data into an Excel spreadsheet, generation of overall descriptive statistics and graphs of survey responses, generation of descriptive statistics and graphs for various sub groups, identification of trends and common responses, entry of data into SPSS for preliminary correlational analysis, drawing conclusions from the data analysed and comparison with prior research findings in the literature review.

Results

By the close off date 87 useable replies were received from the 313 surveys successfully e-mailed to organizations. This represented a response rate of 27.8 per cent which is high in comparison with similar international surveys. The composition of the facilities managed by the respondents covered the full range of property types, age, scale and value. For example 42.5 per cent employed over 500 people while 4.5 per cent employed less than 5. 27.6 per cent owned the freehold of the entire portfolio whereas 13.7 per cent only held leases. Building numbers and values ranged from a single building worth less than $1 M to portfolios of over 100 buildings (18.3 per cent) worth more than $100 M (21.8 per cent) (see Figures 1-4).

Result	Responses	Percentage	Graph
Public Company	20	22.9	
Private Company	16	18.3	
Government Department	12	13.7	
State Owned Enterprise or Crown Research Institute	7	8.0	
District Health Board	5	5.7	
Tertiary Education Institute or University	3	3.4	
Territorial Local Authority or related body	20	22.9	
Not for Profit Organisation	4	4.5	

Figure 1.
What phrase best describes your organisation?

Result	Responses	Percentage	Graph
1-10	4	4.5	
11-20	0	0.0	
21-50	5	5.7	
51-100	7	8.0	
101-500	34	39.0	
over 500	37	42.5	

Figure 2.
How many people are employed by your organisation?

Result	Responses	Percentage	Graph
1	4	4.5	
2-10	23	26.4	
11-50	30	34.4	
51-100	14	16.0	
over 100	16	18.3	

Notes: 13.7% of respondents reported leasing the entire portfolio; 27.6% of respondents reported owning the entire portfolio freehold. The balance of 58.7% employed a combination of leasing and freehold ownership

Figure 3.
How many buildings are in your portfolio?

Characteristics of organizations responding

Respondents were also asked how property costs were allocated. 50.5 per cent reported allocating costs separately to each property, 35.6 per cent included these costs in general operating overheads and for the balance the situation was unclear.

Characteristics of individuals responding

The decision making responsibilities, decision criteria and reporting level of respondents were also determined. The most common responsibilities were property maintenance (71 per cent) lease negotiations (54 per cent) and capital expenditure (42.5 per cent). Real estate disposal and acquisition were undertaken by 14.9 per cent and 12.6 per cent respectively. The criteria for making real estate decisions were dominated by consideration of immediate business needs (80.4 per cent) with only 40.2 per cent taking into account a national policy or strategy in relation to accommodation.

The reporting level of the individuals responding varied considerably. The majority of 60.8 per cent were at general manager, national manager or unit manager level whereas 10.2 per cent were at CEO or board level and 20.6 per cent identified themselves as property or facilities managers. 73.5 per cent had primary responsibility for the property portfolio.

When asked what activities they did not do, 55.1 per cent identified facilities management, probably reflecting the narrow and relatively low level that this term is associated with in a New Zealand context, and the likelihood of outsourcing of these functions. This is in contrast to the understanding of facilities management in some other countries.

Table I indicates not many respondents spent time on capital budgeting (some did maintenance budgeting), buying and/or selling real estate, financial viability studies or statutory compliance. Significantly more people spent time on lease negotiation/administration, supervising engineering/construction, managing external service providers and general administration.

In previous research, the attitude of senior management of the organization to corporate real estate in general has been found to be significant in determining CRE performance. In this research this was again tested by assessing the degree to which respondents thought senior management would agree with a number of statements. The results for this question are shown in Table II.

Business planning

The focus of this research was the degree of connection between general business strategy and property strategy. First organisations were asked to comment on general business planning and 98.8 per cent reported their organization had a business plan. Secondly they were asked questions regarding property planning and finally they were questioned on the connection between business planning and property planning. Both

Result	Responses	Percentage	Graph
Yes	50	57.4	
No	37	42.5	

Figure 4. Does your organisation have a formally organised real estate unit or person with primary responsibility for property?

Table I.
Amount of time personally spent on property related activities

	Capital Budgets (%)	Operating/ maintenance budgets (%)	Buying/ selling (%)	Financial viabilities (%)	Strategy (%)	General administration (%)	Supervising engineering/ construction (%)	Lease negotiation (%)	Statutory compliance (%)	Maintenance supervision (%)	Managing service providers (%)
No time	9.1	12.6	44.8	27.5	31.0	8.0	50.5	11.4	22.9	44.8	22.9
Little time	60.9	58.6	39.0	45.9	34.7	26.4	29.8	35.6	41.3	34.4	39.0
Some time	27.5	22.9	11.4	19.5	24.1	44.8	11.4	36.7	25.2	11.4	17.2
Lots of time	2.2	4.5	4.5	6.8	9.1	14.9	6.8	12.6	10.3	6.8	14.9
Majority of time	0.0	1.1	0.0	0.0	1.1	5.7	1.1	3.4	0.0	2.2	5.7

	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)
We are not in the property business	10.3	9.1	9.1	24.1	47.1
Property is simply a place to house a function	9.1	12.6	19.5	26.4	32.1
Property is a necessary overhead and a cost to the business	4.5	9.1	13.7	34.4	37.9
Management recognise that all businesses use real estate to some degree	9.1	22.9	34.4	25.2	8.0
We have created a unique working environment that our staff enjoy	6.8	6.8	36.7	33.3	16.0
We strive to minimize property cost	1.1	10.3	26.4	35.6	26.4
We use our architecture to provide brand recognition	20.6	27.5	16.0	25.2	10.3
Our facilities are configured to assist our processes	2.2	14.9	13.7	36.7	32.1
We want our customers to have a positive experience	2.2	4.5	14.9	31.0	47.1
We work to position our brand so clients have convenience	5.7	9.1	25.2	33.3	26.4
Management of property is regarded positively as it is seen to provide cost effective solutions to operating unit real needs	3.4	16.0	25.2	43.6	11.4
Management of real estate assets can significantly reduce the organisation's overall financial risk	3.4	14.9	25.2	36.7	19.5

Notes: 1 = Disagree, 5 = Strongly agree

Table II. In your opinion, please select the degree to which senior management would agree with the following

questions of fact and questions requiring a subjective response were included in these sections of the survey (see Figures 5-8).

Similar percentages to those above were also reported on the ease of understanding each business unit's vision, goals and related strategies and whether there were clear financial objectives and metrics that link all groups?

Property planning

While the majority of organisations had a property plan there was no consistency in how it was organized. A cohesive integrated picture of the portfolio was reported by 41.3 per cent but the remainder was evenly split between grouping property by type, location, considering each property in isolation or some other form of organization (see Figure 9).

Other findings included that while 43.6 per cent of respondents reviewed their property plan annually, 15.9 per cent reported it was never reviewed or they did not know if it was. In light of the above it perhaps should not be surprising that only 27.5

Result	Responses	Percentage	Graph
Specific memo to each section head	11	12.6	
In-house company newsletter	13	14.9	
Company e-mail to all staff	6	6.8	
Senior management team meetings then disseminated to each section/division	68	78.1	
Not formally communicated to staff	7	8.0	
Other	9	10.3	

Figure 5. How is the Business Plan communicated to staff?

per cent of respondents felt the property plan was very relevant and provided excellent guidance to what should happen with the portfolio? A further 43.6 per cent said it was of some relevance/guidance, while the balance said it was of no relevance/guidance.

Connection between business strategy and property strategy

Correlational analysis. Analysis was also carried out to determine if there were significant associations between various organizational characteristics and both business strategy and property strategy (see Figures 10-14).

Utilising SPSS version 12, cross tabulations and Chi squared analysis was carried out on a wide range of potentially interesting combinations of the 69 variables that were identified from the responses to the survey. This process was in effect an initial

Figure 6.
Does property play a part in the Business Plan?

Result	Responses	Percentage	Graph
Yes	69	79.3	
No	18	20.6	

Figure 7.
Are corporate vision, goals and related strategies clear to all staff?

Result	Responses	Percentage	Graph
Yes	76	87.3	
No	11	12.6	

Figure 8.
Is there a shared planning process that links the different unit's strategies?

Result	Responses	Percentage	Graph
Yes	75	86.2	
No	12	13.7	

Figure 9.
Does your organisation have a property plan?

Result	Responses	Percentage	Graph
Yes	61	70.1	
No	26	29.8	

Figure 10.
In your opinion, what importance is placed on the Business Plan in developing the Property Plan?

Result	Responses	Percentage	Graph
None	19	21.8	
Low	17	19.5	
Average	23	26.4	
High	28	32.1	

Figure 11.
How well would you say the Property Plan is aligned with the Business Plan?

Result	Responses	Percentage	Graph
High level of alignment	13	14.9	
Well aligned	35	40.2	
Sometimes aligned	14	16.0	
Not very well aligned	7	8.0	
Not aligned at all	18	20.6	

scan of the data and those results showing potentially significant associations were then investigated in more depth.

The first analysis sought to see if there was any significant correlation between responses to section one of the survey (which characterized the organizations in terms of organization type, number of employees, number of sites and buildings, tenure type and property value and rental) and questions that dealt with strategic planning for property assets.

Significant associations were found as follows:

- Between the number of buildings and property playing a part in the overall organizational business plan.
- Between the number of buildings and the relevance and guidance provided by an organizations property plan.
- Between the number of sites and the relevance and guidance provided by an organizations property plan.

Other combinations of variables were not significant so it could be surmised that the type of organization or scale, in terms of numbers of employees does not impact on how property is treated strategically, but as an organization's property portfolio grows, both in terms of number of sites and number of buildings, property strategy becomes more relevant.

Result	Responses	Percentage	Graph
Never	23	26.4	
Occasionally	36	41.3	
Always	28	32.1	

Figure 12. Does the property planner attend senior management or board meetings?

Result	Responses	Percentage	Graph
Never	21	24.1	
Occasionally	35	40.2	
Always	31	35.6	

Figure 13. If the Business Plan changes, are there corresponding changes made to the Property Plan?

Result	Responses	Percentage	Graph
Business driven demand setting the requirements for property	65	74.7	
Providing an appropriate work environment to promote staff performance & satisfy client need	59	67.8	
Meet pre-determined performance metrics	35	40.2	
Cost control of the real estate function	35	40.2	
Location driven	43	49.4	
No linkages	7	8.0	
Other	4	4.5	

Figure 14. In your opinion, what are the key linkages between the Business Plan and the Property Plan? (select as many as apply)

Conclusions

The clear majority (81.5 per cent) of the organizations surveyed had a large number of employees (more than 100 in a New Zealand context), but interestingly many operated from a relatively small number of sites (less than 5 for 49.3 per cent of the sample). In contrast, 34.3 per cent used more than 50 buildings.

The majority also either owned outright or owned and leased their portfolio with only 13.7 per cent leasing all their property requirements.

Organisations were evenly split on whether or not they had a separate corporate real estate unit, and similarly split on whether it was possible to allocate property related costs to individual properties. It appeared many respondents were focused on operational rather than strategic aspects of real estate, with meeting the immediate business needs and maintenance being important drivers of decisions. This was also reflected in the most common level of the respondent in the organization being "unit or national manager" and only 10.2 per cent of respondents spending "a lot" or "the majority" of their time on CRE strategy.

Attitudes of senior management towards corporate real estate still appear to be negative within some organizations as revealed by the following:

- the majority of respondents tend to believe they are not in the property business;
- the majority of respondents tend to treat property as simply a place to house a function;
- the majority of respondents tend to treat property as being a necessary overhead;
- a significant minority (29.8 per cent) do not have a property plan; and
- a significant minority (20.6 per cent) have a business plan that does not include property considerations.

However, in spite of the above somewhat negative results, there were also many organizations engaging in good corporate real estate asset management practice. Examples include:

- a majority of corporates (58.5 per cent) rated their business plan as having high or average importance in the formation of their property plan;
- a majority of corporates (55.1 per cent) had "high" levels of alignment or thought their property plan was "well" aligned with their business plan; and
- 27.5 per cent of corporates view their property plan as providing very relevant and excellent guidance to making property decisions.

It appears most organizations recognize the need for strategic planning and this is applied to their core business for 98.8 per cent of respondents. Many are also attempting to apply strategic planning to their property portfolio, with 79.3 per cent including property in their core business strategic plan and 70.1 per cent having a separate plan for property. However, the use of and relevance of this property plan met with a more mixed response, with around 30 per cent of respondents saying a plan is not used, or has no relevance or poor alignment.

Co-relational analysis revealed significant associations between the size of the corporate real estate portfolio and the role and relevance of strategic real estate management. As would logically be expected, as the number of sites and buildings increase, planning becomes more important.

Further analysis will be undertaken in an attempt to determine if there are significant associations between poor strategic connections and other factors, such as senior management attitude, level of the respondent in the organization, and time spent on various responsibilities. The data can also be subdivided into various sub groups including, public and private companies, central and local government and other not for profit organizations and tested for inter-item correlation between type of organization and various corporate real estate practices. This will be the subject of future a future paper.

References

Adendorf, M.J. and Nkado, R. (1996), "Increasing corporate value through strategic real estate management", *Real Estate Review*, Vol. 26 No. 3, p. 67.

Bruno, J. (2002), "Your place or mine", *The British Journal of Administrative Management*, No. 32, p. 10.

Byrne, P. (1994), "The review of local government – the effects on the management of property assets", *Property Management*, Vol. 12 No. 3, pp. 5-8.

CoreNet Global (2005), "Real estate in the news corporate real estate leader", *Corporate Real Estate Network*, Vol. 4 No. 1, p. 12.

Drucker, P.F. (1977), *An Introductory View of Management*, Harper & Rowe, New York, NY.

Edwards, V. and Ellison, L. (2004), *Corporate Property Management: Aligning Real Estate with Business Strategy*, Blackwell Science Limited, Oxford.

Englert, J. (2001), *The Strategic Alignment Handbook: A Corporate Infrastructure Resource Management Application Guide*, IDRC Report No. 58, Chapter 4, p. 46. IDRC, Atlanta, GA.

Evans, M. (2003), "Property strategy", *Facilities Manager*, pp. 1-3.

Gibler, K., Black, R. and Moon, K. (2002), "Time, place, space technology and corporate real estate strategy", *Journal of Corporate Research*, Vol. 24 No. 3, pp. 235-8.

Gibson, V. (1994), "Strategic property management – how can local authorities develop property strategy?", *Property Management*, Vol. 12 No. 3.

Gibson, V. (1995), "Is property on the strategic agenda?", *Property Review*, May, pp. 104-9.

Joroff, M., Louargand, M., Lambert, S. and Becker, F. (1993), *Strategic Management of the Fifth Resource: Corporate Real Estate*, IDRC Report No. 49, IDRC, Atlanta, GA.

McDonagh, J. and Frampton, C. (2002), "Measuring corporate real estate asset management performance", *Pacific Rim Real Estate Research Journal*, November, pp. 263-75.

Nourse, H. and Roulac, E. (1993), "Linking real rstate decisions to corporate strategy", *Journal of Real Estate Research*, Vol. 8 No. 4, pp. 475-94.

NZ Management (2004), "The top 200 New Zealand companies", December.

Pittman, R.H. and Parker, J.R. (1989), "A survey of corporate real estate executives on factors influencing corporate real estate performance", *Journal of Real Estate Research*, Vol. 4 No. 3, pp. 107-19.

Roulac, S.E. (1996), "The strategic real estate framework: processes, linkages and decisions", *The Journal of Real Estate Research,* Sacramento, Vol. 12 No. 3, p. 323.

Roulac, S.E. (2001), "Corporate property strategy is integral to corporate business strategy", *The Journal of Real Estate Research,* Sacramento, Vol. 22 Nos 1/2, pp. 129-53.

Teoh, W.K. (1992), *CREAM A Survey of New Zealand Publicly Listed Companies and a Case Study of Telecom*, MCM thesis, Lincoln University, Lincoln, New Zealand.

Then, D.S-S. (2000), *Facilities*, Vol. 18 Nos 7/8, pp. 273-80.

Untracht, R.J. (1993), "Real estate strategies for retailers", *Chain Store Age*, Vol. 73 No. 1.

Veale, P.R. (1989), "Managing corporate real estate assets: current executive attitudes and prospects for an emergent discipline", *Journal of Real Estate Research*, Vol. 4 No. 3, pp. 1-21.

Weatherhead, M. (1997), *Real Estate in Corporate Strategy*, MacMillan Press Limited, Basingstoke and London, p. 149.

Zeckhauser, S. and Silverman, R. (1983), "Rediscover your company's real estate", *Harvard Business Review*, January/February, pp. 111-7.

Corresponding author
John McDonagh can be contacted at: john.mcdonagh@ lincoln.ac.nz