



# Quality management in real estate

RICHARD GROVER<sup>1</sup> & CHRISTINE GROVER<sup>2</sup>

<sup>1</sup>School of Real Estate Management, Oxford Brookes University, Gipsy Lane, Headington, Oxford OX3 0BP, UK & <sup>2</sup>King Alfred's College, Sparkford Road, Winchester, Kent, UK

## The importance of real estate to businesses

Real estate represents a significant part of the fixed capital of many businesses and not-for-profit organizations. This is illustrated by Table 1. Technical knowledge related to property, such as how to carry out property valuations, landlord and tenant and town planning law, or how buildings are constructed, do not usually feature in general management courses. Nor are skills, such as how to read architectural plans or how to design three-dimensional space, developed in such courses. Businesses therefore frequently need to turn to outside advisors for assistance in making property decisions, unless they employ in-house advisors. These advisors will typically be chartered surveyors. This raises an important question as to how much surveyors understand of the quality management approaches adopted by many of their clients.

## The adoption of quality management by property surveying practices

A study of the experience of property surveyors of quality management was undertaken by means of a postal survey in 1995. Two samples, one of large practices and the other of smaller ones, were drawn from the Royal Institution of Chartered Surveyors *Geographical Directory*. Large practices were defined as those with 12 or more directors or partners or eight or more offices. All the large practices listed in the *Directory* were approached, which produced

Table 1. Operational property requirements of selected companies

Company	Operational property as percentage fixed assets (%)	Operational property as percentage total assets (%)	Operational property per £ turnover (£)	Operational property per employee (£)
BAA	57.8	52.2	2.09	342 071
Tesco	87.0	76.8	0.37	33 211
Sainsbury	75.8	62.8	0.34	27 580
Scottish & Newcastle	80.2	66.2	0.76	56 566
Bass	67.5	53.7	0.73	44 078
Whitbread	83.2	72.6	0.92	34 837
J D Wetherspoon	87.5	83.3	1.53	53 941

Source: Company accounts 1996/7.



32 usable responses, a response rate of 31%. A 10% sample was taken of the smaller practices so that there was equal representation from all parts of the UK. A large sample was drawn in anticipation of a low response rate so that sufficient usable responses would be received. This produced 53 usable responses, a response rate of 16%.

All but one of the large practices claimed to have or be installing a quality system that satisfied ISO 9000. By contrast, only 27% of the smaller practices claimed to have or be installing such a system. Data taken from certification bodies at the time of the survey indicated that only approximately 1.5% of property surveying practices had quality systems certified as satisfying ISO 9000. No accurate data were available as to the proportion of practices working on installing an ISO 9000 quality system or having installed an uncertified system. Those who had obtained certification had done so relatively recently. All respondents with certification had achieved this since the beginning of 1994. None of the respondents had used a self-assessment model which suggests that they had not adopted a total quality management (TQM) approach to quality. In this respect, property surveyors appear to differ from most other users of ISO 9000.

A minority of respondents, 31% of the large practices and 9% of the smaller ones, had registered or planned to register under the Investors in People (IIP) scheme. The smaller practices expressing intentions with respect to IIP tended not to have or be planning to install an ISO 9000 quality system. They may have seen it as an alternative to ISO 9000. The large practices registered under IIP or planning to register tended also to have or be installing ISO 9000 systems, and may have regarded the two as being complementary. None of the smaller practices and two of the large ones stated that they had an environmental management system, but did not claim that it satisfied the environmental management system standard. Some 59% of the large practices and 19% of the smaller ones stated that they had a documented safety management system. Of these, 62% said that they reviewed them regularly, 34% that they were subject to internal audit and 3% that they were independently certified. Safety management systems were associated with having or being in the process of installing ISO 9000 quality systems. Some 83% of those with documented safety management systems, 89% of those who reviewed their systems regularly and all those subjecting their systems to internal or external audit had or were installing an ISO 9000 system.

Information was sought about the ways in which the practices were managed to examine whether management practices varied according to whether the practice had adopted quality management or not, particularly with respect to installation of ISO 9000 systems. Four groups of management practices were investigated, namely what was done at the start and completion of a project or commission, the management procedures in place and how time and costs were managed. Generally, the smaller practices with or installing ISO 9000 behaved in a similar fashion to the large practices rather than like other smaller ones. The smaller practices without ISO 9000 generally did not rigorously follow the management practices associated with quality management.

Factor analysis using a varimax rotation was carried out on the degree or rigour with which the management techniques associated with quality management were used by the sample of smaller practice respondents. This enabled examination of the extent to which the degree of rigour with which the different management techniques were pursued were related. The sample of smaller practices was chosen for this exercise as it showed more variability in the adoption of quality assurance than the large practice sample. The first factor accounted for 48.4% of the variability and was weighted towards: review of financial resources; review of staffing level; review of staffing qualifications and resources; regularly reviews its management systems; audit of procedures; evaluation of staff training requirements in relation to quality needs; appraisal of staff according to their contribution to the quality of services;

scrutiny of the quality management systems of suppliers. This factor appears to be associated with management practices that are characteristic of quality management, namely system review and audit, contract review, scrutiny of suppliers and training of staff. The factor indicates that some practices were pursuing a consistent policy towards quality management. None of the other factors extracted was of such significance, with the second factor accounting for only 9.2% of the variability.

Chi-squared tests showed that the degree of rigour with which these management practices were pursued was associated with having installed or being in the process of installing an ISO 9000 quality system. ISO 9000 was also associated with the rigorous monitoring of cost and time, having a mission statement and the adoption of other formal management systems. The inference is that there is not a pool of practices who are pursuing quality management who have decided against certification.

Attitudes to quality assurance were examined, with respondents being asked how strongly they agreed or disagreed with certain statements about the actual or expected gains or losses from quality assurance. The smaller practices which had or were installing ISO 9000 quality systems had similar attitudes to the larger practices, and these differed from the attitudes of the other smaller practices. A factor analysis using a varimax rotation was undertaken of the attitudes of the smaller practices towards quality assurance. Again, this sample was subject to detailed investigation as it contained greater variation in the adoption of quality management than the sample of large practices. Two factors were extracted which accounted for 38.2 and 23.9% of the variability. The next factor accounted for just 9.4% of the variability. The first factor was weighted towards actual or expected gains from quality assurance: keeping existing clients; gaining new work; an effective marketing tool; reducing errors; reducing professional indemnity insurance; a better filing system. The second factor reflected actual or expected losses: loss of flexibility; loss of staff freedom; loss of innovation; loss of freedom of choice of service given to clients. The two factors would appear to support strongly the existence of contradictory attitudes towards quality management among smaller property surveying practices, with some being strongly in favour and others strongly opposed to it.

### **Constraints on quality management**

The relatively low take-up of quality management and other formal management systems by property surveyors can probably be explained in terms of the business environment in which they operate. Although some of the larger practices have become public limited companies (plcs) during the past decade, and there is currently a merger phase in progress in which the largest practices have been seeking international partners, the majority of practices are unincorporated businesses. Among the large practices, 53% of respondents were partnerships, while 37% were plcs or limited companies. The majority of the smaller practice respondents (51%) were partnerships and 30% were sole practitioners. Unincorporated businesses have more limited disclosure obligations than plcs or limited companies, and do not have external shareholders who may apply pressure on managements to adopt quality management.

The ways in which business is won by property surveying practices do not encourage the adoption of quality management. The growth of corporate residential estate agencies owned by financial institutions means that property surveying practices do not generally offer residential estate agency and are not exposed to a mass consumer market. They tend to derive their income from general practice professional services or estate agency of commercial properties rather than residential estate agency. The mean proportion of turnover from residential estate agency was 12% for the large practices and 15% for the smaller ones. The

ways in which work was obtained also did not favour the adoption of quality management. Continuing clients were a significant source of turnover, with the mean proportion of turnover from this source for large practices being 40% and for smaller practices 54%. Continuing clients have access to a rich source of data and do not need to rely upon quality management information. Work tended to come from negotiation with the client rather than by open tender. Large practices on average won 48% of their new agency work by negotiation and smaller practices 52%. For new professional work, the proportions were 51 and 48% respectively.

Most property surveying practices are small and of limited complexity. The median respondent large practice had 180 employees and eight offices. Some 30% of the smaller practice respondents were sole practitioners and 63% employed 10 or fewer persons. The majority (64%) had just one office and 74% had a turnover of under £500 000. This raises the question of the extent to which they need to adopt formal management systems to operate effectively. Their size means that they do not have the same internal communications problems that larger organizations must resolve. They may lack the financial and human resources to invest in the fixed costs of installing quality systems. A study of the costs of quality management incurred by six large and five smaller practices which had or were installing ISO 9000 systems showed that the smaller practices incurred installation costs that were on average 3.5 times the proportion of their turnover of the large ones and almost six times the cost per office. The figures indicate that there were significant economies of scale in the introduction of quality assurance due to the fixed costs involved.

Size was the main factor that can be identified in determining whether practices adopted quality management. Some 91% of the respondents who employed over 50 employees had, or were working towards, an ISO 9000 system, while only 13% of the practices with 10 or fewer employees had, or were working towards, an ISO 9000 system. An analysis of variance was carried out to see if there was a relationship between the number of employees and the degree of rigour with which the management techniques associated with quality management were pursued. The results show that number of employees was a significant determinant of whether smaller practices rigorously pursued certain of the management techniques associated with quality management. However, there was no significant relationship at the 5% level between the number of employees and the degree of rigour with which smaller practices pursued other management techniques: regular reviews of management systems; appraisal of staff according to their contribution to the quality of services; review of the adequacy of their own procedures at the end of a project or commission; review of the adequacy of other professionals employed by the client; review of the adequacy of other professionals employed by the practice; rigorous monitoring of costs and time; monitoring of quality of service; measuring of quality of service. This would seem to indicate that the size of the practice is not only the factor determining whether management techniques associated with quality management are adopted by a practice.

## Conclusions

There is nothing inherent in real estate management that ought to lead to the rejection of quality management. Indeed, there is a culture of professionalism and a recognition of the importance of satisfying client requirements that ought to provide a fertile environment for quality management. Yet there is evidence that quality management is being pursued systematically by only a minority of private property surveying practices, though this is explicable given the business environment in which they operate.

In different business environments, property surveyors can be shown to have embraced

quality management. Some organizations with substantial operational property employ surveyors and those that embrace a quality culture expect their surveyors to be part of this. An example is the Post Office, in which Post Office Property Holdings acts as an in-house property organization. It has a portfolio of over 3600 properties and an annual capital budget of £180 million. Surveyors employed by the Post Office are viewed as internal suppliers to other parts of the organization. Their failures are regarded as having the potential to result in quality problems for their internal customers, and may cause these to fail to deliver quality services to external customers. The surveyors are trained to see themselves as part of a team servicing the customer, and not to orientate their loyalties towards a particular professional group. Partnership agreements, which make explicit the internal customers' requirements and the limits to what the internal customers can expect, exist between Post office Property Holdings as supplier and the divisions of the Post Office as customers. They provide for formal feedback as to whether these expectations are being met and provide a basis for identifying areas for future improvement. External consultants are subject to the first class supplier programme, which is a supplier accreditation and development programme. This aims to enhance supplier performance and develop a strong and effective trading relationship.

Much of what is in the internal partnership agreements might conventionally be expected of an external supplier in the form of a private practice, with the contract with the client taking the place of the internal agreement but with certain differences. The Post office has an explicit total quality management policy which embraces its surveyors, who are trained to make their contribution to it. Those for whom operational property is an input into their processes are directly involved in communicating their requirements to the suppliers and feeding back the extent to which their expectations have been met, as there is an explicit continuous customer/supplier chain, whereas in many organizations the external consultants are remote from those who actually use the operational property. The Post Office's example provides evidence that quality management can be applied to the management of real estate.