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# Review

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### **CRE critique and expert interpretation**

A review of *Journal of Corporate Real Estate*, Vol. 10 No. 3, 2008

This review is written by a small team from the Center for People and Buildings, The Netherlands, (Wim Pullen (WP) and Pieter Le Roux (PLR)).

This issue of the *JCRE* contains a number of articles that are very much connected. They all report about the growing body of knowledge on the connection between corporate real estate to organizational strategy and performance. The combination of articles invite especially researchers to refine methods and models both for better description of empirical data, for unambiguous interpretation of data and for predicting business impacts of different CRE strategies. We know that all knowledge is provisional, yet a better understanding of possible causalities will help CRE professionals to manage the connection between customers and real estate more carefully. Buildings can be seen as embedded energy (natural resources) and people working in them are the scarce human “resources”. Both demand care based valid evidence.

### **Christopher Heywood and Russell Kenley (2008), “Evaluating the sustainable competitive advantage model for corporate real estate”, *Journal of Corporate Real Estate*, Vol. 10 No. 3**

Heywood and Kenley elaborate on their previous published work in *JCRE* Vol. 10, No 2. It is a pleasure to find out that colleagues are trying to connect CRE practices to business management models. It is even more promising that apparently Real Estate is taught at a school of entrepreneurship. The field of CRE needs to benefit from theoretical reflections by tapping into other scientific disciplines, otherwise it remains a field of study where architects, planners and real estate managers discuss their issues. The value of this paper to us is that the authors try to *explicitly* connect organizational routines to competitive advantage. They are well aware of the limitations of their results although methodological critiques on research methods for the resource-based perspective could have been stressed more. The in-depth analysis of ambiguous results (“practices that have contradictory effects”) will lead the authors in the relationship between contexts, tangible and intangible assets and organizational capabilities. Referring to the cited work of Porter

(1996) I would be very interested in the analysis of trade-offs in the field of CRE. According to Porte the sustainable strategic position requires trade-offs! (WP).

**John McDonagh (2008), “The development of corporate real estate asset management in New Zealand”, *Journal of Corporate Real Estate*, Vol. 10 No. 3**

It is always a pleasure to read studies with an intertemporal component. They challenge the reader to ask questions about effects and their causes. Obviously changes in the CRE practice in New Zealand occurred in the years since 1992. The authors describe them. The level of analysis might have gone deeper for the reader. Two observations have to be made. CRE businesses in New Zealand seem to have a real estate focus. The first is that authors conclude that “some organizations are ‘stuck’ in the lower levels of (CRE) evolution” and in the mean time the fact that senior managers say they are not in the real estate business. This is striking. This answer might be biased by the framing of the underlying questions. But one might have expected that CRE would have been more focused on the contribution to corporate benefits, or (when compared to the previous article by Heywood and Kenley) to sustainable competitive advantages!

The other observation is about cause and effects. Does the improved existence and quality of strategic CRE plans imply (or cause) better results in the ambition to minimize costs? The fact that scores in the senior management attitude diagram show no progress in the perception “that CREAM can reduce financial risk” make me feel that the CRE profession developed substantially but the results are still the same. The CREAM benefits in the domain of Innovation (Heywood and Kenley) might be an important focus of New Zealand’s future CREAM research projects. (WP)

**Curtis A. Knapp and Jennifer Oliver (2008), “Boosting organizational performance and CRE credibility through occupancy planning”, *Journal of Corporate Real Estate*, Vol. 10 No. 3**

As soon as authors are using words like “boosting” in the title of an article or presentation I become suspicious. Am I going to read about productivity increase of 20-40 per cent? I did not know what to expect. But having read the article I am left with mixed thoughts. The authors explore the domain of occupancy, with a special interest in excess space and in space management. They refer to a Jones Lang LaSalle survey of top CRE leaders. When was the survey executed? How many CRE managers responded? What is meant by top CRE leaders? Some statistics in a methodology section of the article could have created a better understanding the reference material.

When a CRE manager (whether top leader or just a normal professional) has to deal with excess space or shadow vacancy this article provides a clear approach. Step by step readers’ awareness of what to do and how to do it is raised. The criteria for an effective chargeback model are given and raise the necessary *questions* about business planning and operations. Just by asking those the CRE manager shows he is eager to play his team role in the company. Some of those questions are about strategy; they deal with the CRE

trade offs of top management decisions on choice of location, on image (do customers visit half empty buildings?) on innovation (how to get the best out of production means?). These considerations lead to my final questions: what are the costs for implementing the proposed cost reduction strategies and occupancy management methods?; What are the benefits? Answers are very welcome because they can help to understand the tangible and intangible effects of occupancy management.

**Jackie C. de Vries, Hans de Jonge and Theo J.M. van der Voordt (2008),  
“Impact of real estate interventions on organizational performance”,  
*Journal of Corporate Real Estate*, Vol. 10 No. 3**

Research presented by the authors confirms difficulties related to the identification and formulation of clear and effective key performance indicators (KPIs) for comparative or cross-case performance evaluation of the built environment. Relating corporate real estate concerns to organizational performance further compounds these difficulties.

The discussion of comprehensive research at various Institutes of Higher Professional Education (IoHPEs) in The Netherlands illustrates how the proposed theoretical model (see Figure 1) is capable of being transformed to a conceptual framework enabling comparative research on the effects of real estate decisions on organizational performance. Although not conclusive, the authors succeeded in presenting quantitative data supporting the hypothesized relationship between organizational performance in terms of the three KPI's (productivity, profitability and competitive advantage) and failure to act in a proactive manner with regards to decision-making related to maintenance, renovation or renewal of the real estate portfolio. However, (in quoting the authors), “*correlations do not necessarily mean causality*”.

In terms of the cross-cultural aspirations associated with the concept of building performance evaluation, it was disappointing that the literature study focused primarily on Dutch sources. Yet, the generality of the theoretical model of organizations provides a base for further discussion on its applicability to similar research in other industry types and the manner in which KPIs are formulated and compared. Results of the study further emphasized the need for minimizing contextual complexity when undertaking comparative or cross-case performance evaluative research, and the relevance of clearly-understood departure and target performance values when undertaking objective comparative research (PLR).

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