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Pepperdine University
Graduate School of Education and Psychology

CORPORATE REAL ESTATE: STRATEGIC AND LEADERSHIP CHALLENGES

A dissertation submitted in partial satisfaction
of the requirements for the degree of
Doctor of Education in Organizational Leadership

By

Robert G. Schuur

August, 2016

Farzin Madjidi, Ed.D. – Dissertation Chairperson

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under the guidance of a Faculty Committee and approved by its members, has been submitted to and accepted by the Graduate Faculty in partial fulfillment of the requirements for the degree of

DOCTOR OF EDUCATION

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DEDICATION

This dissertation is dedicated to my wife Martha, without whose love, support, encouragement and friendship this journey would not have been possible, nor nearly as fun.

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Finally, to my family: Martha, Casey and Wil, Kelly and Rachel, Courtney and Ethan; thank you for your love and support, I couldn't have made it without you!

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ABSTRACT

The globalization of the business community has intensified the competitive business environment. Corporations now face not only national but also international competition. As corporations strive to both survive and grow, they continuously seek new avenues for both top line revenue growth and expense control. Corporate Real Estate (CRE) is a significant component of corporate costs, often cited as being the second largest cost after payrolls. As a result of these competitive pressures and the desire to control real estate costs, Corporate Real Estate Management (CREM) emerged as a recognized management discipline in the 1980s and 1990s. With the relatively recent advent of CRE as a separate management discipline, a wide variety of theories and models have been advanced that seek to explain the practice of CREM leadership, strategy, and performance management (PM). The purpose of this study was to further the development of the CREM discipline by identifying contemporary challenges that CRE leaders face. The study also examined the leadership practices and strategies they use to respond to these challenges, and the methods they use to measure the overall success of their strategies and leadership practices. Recommendations they would make to other CRE leaders to help them achieve success in their organizations conclude the study.

The study was conducted as a qualitative phenomenological study. Data was collected from 14 senior CRE leaders by means of semi-structured telephone interviews. Subsequent analysis of the interview data resulted in 49 themes being identified of which 24 were considered major themes. The findings of the study are intended to guide the further development of the practice of CREM.

Chapter 1: Background of the Problem

Real estate, land and buildings, represents perhaps the single largest capital expenditure needed for a business to conduct its operations. A business's real estate can take the form of manufacturing plants and warehouses, retail stores and shopping malls, office buildings, and a host of other specialized structures such as phone centers and laboratories. Business real estate in the United States represents an enormous investment of capital, with one estimate, based on Federal Reserve Data, putting the total value of land and buildings used by businesses at \$19.5 trillion (Yglesias, 2013). Zeckhauser and Silverman (1983) estimated that real estate represented 25% of total corporate assets at major corporations in the United States in the early 1980s. Schaefers (1999) and Bon, Gibson, and Luck (2002) estimated that buildings and land represented 10% to 40% of total assets for major United States and European corporations during the period from 1993-2001. Veale (1989) reported that corporate real estate (CRE) represented 7% of total United States investible wealth, which was, in the late 1980s, greater than the amount invested in corporate bonds (3.4%) and United States Treasury bills (4.0%).

Not only is the asset value of CRE enormous, but also, for many companies, the annual expenditures required to operate, maintain, and finance real estate are often cited as being the company's second largest expense after human resource expenditures for salary and benefits (Gibler & Lindholm, 2012). Several authors estimate annual CRE operating cost expenditures as 3% to 10% of gross sales (Schaefers, 1999; Veale, 1989) or 40% to 50% of net income (Nourse & Roulac, 1993).

With real estate representing such a significant portion of most business assets and expenditures, it would be reasonable to expect that the management of these real estate assets would receive close attention by senior management. Academic research in the 1980s, however,

found that the real estate assets of corporations were not receiving the attention that their value and importance would seem to warrant. Zeckhauser and Silverman (1983) reported that only 40% of American companies had a regular process for evaluating their real estate holdings and most companies treated real estate costs as an overhead cost, like office supplies, rather than evaluating their real estate assets as an investment. Veale (1989) reported similar findings from an MIT survey administered in 1987. Similar to Zeckhauser and Silverman's findings, the MIT survey found that companies: were reluctant to manage their land and buildings as assets, had insufficient data to effectively manage these assets, and did not have adequate diagnostic tools and metrics for evaluating the performance of their real estate assets.

As globalization, and its attendant increase in worldwide business competition, gained momentum in the 1980s, executives and academics began to focus on CRE assets seeking to understand how to optimize their value (Carn, Black, & Rabianski, 1999). With the development of this body of knowledge, corporate real estate management (CREM) began to be viewed as a separate discipline within the real estate industry.

The Corporate Real Estate Management Industry

CREM is concerned with optimizing the use of the corporation's real estate assets. CREM serves as the management link from the real estate assets to executive management and the senior management of internal user groups. CREM seeks to align the corporation's real estate assets with its strategic plans. CREM's goal is to have the right real estate assets in place, at the right price, when needed by corporate strategy. Activities involved in CREM include strategic planning, financial analysis, asset acquisition, and disposition.

The daily operation of the facilities that make a corporation's CRE are typically managed by a *property management* organization and a *facility management* organization. Property

management is typically concerned with the maintenance and operation of individual buildings. Facility management is concerned with the interaction between the building and the company operations that take place in the building. Frequently property management and facility management operate under the direction of CREM (Ali, Adair, McGreal, & Webb, 2008).

In the early 1990s, with CREM a newly emerging management discipline, CREM industry associations sought philosophical and theoretical underpinnings to ground the practice of their members. This search led one real estate industry association, the Industrial Development Research Foundation (IDRF), to fund a study by MIT, *Strategic Management of the Fifth Resource: Corporate Real Estate* (Joroff, Louargand, Lambert, & Becker, 1993). This report was enormously influential in the CRE community as one of the first studies to comprehensively frame many of the issues with which CRE practitioners and researchers struggle and on which they are still working today. The report was organized around providing answers for the following five questions:

1. By what stages do corporations learn to align their real estate mission and goals with core business goals?
2. How do corporate real estate units organize their services?
3. What financial strategies best support the company's business goals?
4. What uses of information are needed to support corporate real estate management?
5. What strategies will convene the work force in more flexible and productive ways to support corporate objectives? (p. 12)

As the literature review in Chapter 2 of this report will demonstrate, answers to some of the questions posed in the report have emerged with a fair degree of consensus; however, there are other areas where answers remain elusive. The topic areas encompassed in the five questions

from Joroff et al.'s (1993) report give a representative view of the main issues in the CRE community at the time the report was written. These areas have elicited considerable, and widely varying, commentary from industry and academic sources. Because the discussion of the issues surrounding these topic areas is relevant to understanding the CREM industry and the questions underlying the research in this report, each of these areas encompassed by Joroff et al.'s questions will be addressed briefly in this section. A brief overview of the evolution of these concepts is included in order to orient the reader. The majority of the discussion of these concepts is included in the literature review in Chapter 2.

Alignment of real estate mission with corporate goals. Setting an organization's vision and strategic alignment are some of the major activities of leadership (Bennis, 2009; Burns, 1978; Kotter, 1990). Determining how CREM should carry out its mission and how CREM it would align with and relate to the corporation it supports was one of the major questions raised in the literature as CREM emerged as a management discipline. This was the subject matter of the first question posed by Joroff et al. (1993). The report proposed that CREM was likely to follow a five step learning progression in which CRE's involvement moves from a tactical and technical *taskmaster* level to contributing to the development of corporate strategy at a *business strategist* level. In the literature, there is a general consensus that this progression from taskmaster to business strategist is how corporations learn to align their business and real estate strategy; furthermore, such alignment would produce improved financial and operational results (Carn et al., 1999; Gibler, Black, & Moon, 2002; Gibler & Lindholm, 2012; Manning & Roulac, 1996; McDonagh & Nichols, 2009). Although there is a broad consensus that the movement of CREM to a more strategic role is desirable, there does not seem to be consensus that CREM is, as an industry, actually moving in the direction of adopting the business strategist role. Some

researchers find that the activities of CREM organizations remain focused on the *taskmaster* role at the lower end of the progression (Carn et al., 1999; Gibler et al., 2002). Other researchers see evidence that CREM is evolving toward the higher end of the progression, assuming more the role of business strategist (Bon, Gibson, & Luck, 2003; O'Mara, 1999; Roulac, 2001). The question of whether CREM is assuming a more strategic role is a significant one. If CREM is not moving in the direction of having greater strategic input it would signify that real estate assets are still being under managed and, by virtue of not having strategic input, CREM's contributions (or potential contributions) to the success of the firm are not being recognized properly. The literature reflects an ongoing search for effective leadership models and strategies that will help CREM move towards the business strategist role and greater alignment with the corporation's most significant strategies.

The organizational form of CREM units. Just as models for leadership and alignment were a major consideration in a new management discipline, another open question was the most effective organizational form for CREM units. Should CREM units be internal departments dedicated to controlling costs, or should they be entrepreneurial corporate subsidiaries seeking to create profits through trading or developing real estate? The answers to the internal versus subsidiary question results in a number of other considerations, including executive reporting level, separate subsidiary versus internal department, size of unit (headcount), location of office(s), and insourced versus outsourced. The literature reviews these topics from a standpoint of best meeting the needs of the corporation and their impact on the skill set required by CREM practitioners. Various researchers recommend different methods of organization based on corporate industry, organizational form, geography, and corporate strategic goals. These questions of organizational form for CREM incorporate both leadership and strategy. The

literature continues to reflect a search for strategic models that CREM leaders can use as a basis for aligning and then configuring CREM operations to support the corporation's strategic direction.

CRE financial strategies that support company goals. This area of CREM is most often discussed in terms of three broad topics: (a) controlling real estate expenses, (b) whether a company should own or lease its real estate and, (c) how the financial markets value real estate owned by corporations whose primary business is not real estate. With regard to controlling expenses, there is an ongoing debate in the literature between those who believe CREM should reduce real estate expenses wherever possible and those who think CREM should be more concerned with maximizing the productivity of workers in the CRE facilities. The critical question for which there is no generally accepted answer addresses the exchange rate between real estate expenditures and productivity. In terms of the whether a company's real estate should be owned or leased, a debate is ongoing between the flexibility and capital conservation of leases and the control and appreciation benefits of owning real estate. Generally Accepted Accounting Practices (GAAPs) require that the cost of real estate and facilities be accounted for based on the historical cost of acquiring the property plus the cost of any improvements made to the property such as buildings and equipment (which is effectively CRE). The market value of the property does not appear on the financial statements and the stock market; therefore, makes a determination of the value of a corporation's CRE based on the historical accounting data contained in the financial statements and analyst assumptions about market value. Several researchers have tried to determine if the stock market values CRE accurately, how the market values different ownership structures, and the impact of CRE ownership on share prices. Consideration of various financial strategies is a complex task for CREM leaders and typically

involves interaction with senior corporate financial officers, including the Chief Financial Officer (CFO). As a part of a performance management (PM) system, financial measures are an important component of determining how and if an organization is meeting its goals. Therefore, CREM financial matters are an important component of CREM, leadership, strategy, and PM. The literature reflects an ongoing search for a means of accurately measuring the true financial contribution of the real estate component of corporate assets.

The information needed to support CREM. In the early CREM literature from the 1980s and 1990s, the concern was that, in many companies, CREM did not always have the basic information needed to manage proactively the company's CRE portfolio. Identifying information needs, as well as systems that could contain and report the information, was the focus of early researchers. As the CREM community adopted better information practices, the focus moved to information needed to support CREM in aligning its strategy with that of the corporation. The information CREM needs if it is to act in a business strategist role will describe the company's strategic intents, aggregated data on the financial and operational performance of the CRE portfolio of assets, and market data related to values and rents. These data then need to be analyzed and reported in a PM system that can be used to guide strategic and operational decisions. Unfortunately, some of the less tangible indicators such as customer attraction and retention and employee satisfaction, which can be directly linked with the corporation's real estate, are not easily measured. Lindholm and Nenonen (2006) acknowledged the difficulty of measuring the inputs and outputs of strategy, suggesting that a toolbox approach be taken to CRE information using the most appropriate measurements available. Other researchers call for consideration of new kinds of measurements from other disciplines that may be applicable to CREM (Appel-Meulenbroek & Feijts, 2007). Still other researchers suggest new models that

identify components that are hard to measure, such as employee engagement or productivity, and call for further research to determine how the CREM component of these activities can be identified (Langford & Haynes, 2015). There exists, therefore, a continuing need for further research with regard to performance measures and PM systems.

Strategies to provide a flexible, productive workplace to meet corporate goals.

Workplace strategies are another element of CRE that vary widely by industry and company. In the early 1990s, when Joroff et al. (1993) advanced these five questions, the Internet era was just beginning to show its potential for changing the workplace. Industries that are trying to reduce costs for office space will look favorably on concepts such as telecommuting, sharing offices, and hoteling. Offering fewer amenities in the workplace and seeking space in lower cost markets, often less desirably located, are other means by which a low cost real CRE strategy can be pursued. Other industries, such as high technology, with companies such as Yahoo and Google being exemplars, are widely known to want their employees to come to the office to collaborate with their co-workers. Many amenities (free food and other onsite services, such as dry cleaning) are offered to minimize the need for their employees to leave the workplace. Google and Yahoo have clearly concluded that the productivity and morale benefits of a higher cost workplace outweigh the costs of providing these extra services. Given the difficulty of quantifying the trade-offs between a cost versus productivity CRE strategy, the decision about which strategy to pursue is largely an intuitive one made by senior management. The CREM literature acknowledges the difficulty of the decision but points out the benefits to those companies that figure out how to quantify the complex interaction of CRE's physical facilities, employees, customers, and suppliers that result in superior productivity and performance (Roulac, 2001).

Summary. This brief history of the CRE industry and its major domains of activity highlights that CRE is still a relatively new discipline. As a new management discipline, the CREM literature has proposed, over time, a wide variety of theories and models to ground and structure analysis of CRE issues and opportunities. In some cases the theories and models have brought some order to the analysis, as in the case of general consensus that CREM should aspire to a business strategist role. In other areas the ongoing multiplication of theories and models have highlighted issues, such as the measurement of the productivity effects of a particular building or workspace design, where further research is needed. Underlying all of these issues is an ongoing need to examine how CREM executives are dealing with issues of leadership, strategy, and PM as they seek to support corporate strategies.

Statement of the Problem

The globalization of the business community has intensified the competitive business environment. Corporations now face not only national but also international competition. At the same time, corporations also face the demands of an ever more complex regulatory environment. As corporations strive to both survive and grow, they continuously seek new avenues for both top line revenue growth and expense control. For many corporations, real estate is not only a significant asset, but also a source of competitive advantage that leads to revenue growth. Real estate operating expenditures, which are often cited as the second largest component of business costs after labor, are receiving higher levels of scrutiny as corporations seek means to reduce costs to improve their bottom line. As a result of these competitive and regulatory pressures, the CRE emerged as a recognized management discipline in the 1980s and 1990s. With the relatively recent advent of CRE as a separate management discipline, a wide variety of theories and models have been advanced that seek to advance the theory of practice in the areas of CREM leadership,

strategy, and PM. The fact that the CREM community has not widely adopted any of the models advanced to date indicates that additional research is needed to either refine existing models and theories for general use or advance new models and theories that will help explain CREM practice in the areas of leadership, strategy, and PM. There is, therefore, an ongoing need to study how CRE leaders, as they encounter challenges, use leadership skills, identify and implement strategies, and measure the success of their strategies and leadership practices. Identifying their practices in these areas and the lessons they would share with others in the CRE community would be beneficial to practitioners, academics, and others who seek to understand CREM.

Purpose of the Study

The purpose of this study was to further the development of the CREM discipline by identifying contemporary challenges that CRE leaders face. The study also examined the leadership practices and strategies they use to respond to these challenges, and the methods they use to measure the overall success of their strategies and leadership practices. Recommendations they would make to other CRE leaders to help them achieve success in their organizations will conclude the study.

Research Questions

In order to gather data that will be useful for developing an in-depth understanding of the issues outlined in the Purpose Statement, 14 senior CRE leaders were identified for semi-structured interviews. The following four research questions served as the basis for the interviews and were supplemented by additional open and close ended questions.

- RQ1: What are the strategic and leadership challenges that corporate real estate leaders face?

- RQ2: What strategies and leadership practices do corporate real estate leaders employ in responding to the challenges they face?
- RQ3: How do corporate real estate leaders measure overall success of their strategies and leadership practices?
- RQ4: What recommendations would corporate real estate leaders make to help others achieve success for their organizations?

Definition of Terms

- Real estate: Land, buildings, and other structures permanently attached to the land.
- Corporate Real Estate (CRE): (a) A tangible asset, the real estate owned by corporations whose primary business is not primarily real estate, or (b) a functional unit within a corporation, that is responsible for its real estate assets and associated activities (Ali, Adair, et al., 2008).
- Corporate Real Estate Management (CREM): “The optimum use of all real estate assets utilized by a corporation in pursuit of its primary business mission” (Brown & Arnold, (as cited in Ali, Adair, et al., 2008 p. 3).
- CoreNet Global (CoreNet): A professional association for CRE planners and service providers.

Significance of the Study

This study is significant for several different populations.

CRE executives. First, CRE executives will derive significant benefit from the information and analysis developed through the interview process. Having one’s peer group describe the problems they encountered and how they dealt with those problems is always enriching. PM is an issue with which many CRE departments struggle. Once again, having the

peer group respond to these issues is normally very helpful. Finally, peer group leadership insights may help other CREM executives navigate their own leadership challenges.

Non-CRE corporate executives. All corporate executives must deal with CRE issues. This report will provide another data point for non-CRE executives to use in building their understanding of what is likely a significant asset in their company.

Academics. As with non-CRE executives, academics interested in the field of CRE will use this study as another data point which will help develop more robust models of CRE.

Corporate shareholders. To the extent that this study results in more efficient CRE operations, shareholders in the positively impacted corporations should experience added value.

CRE service providers. CRE executives such as those interviewed for this study are the clients of CRE service providers. Greater understanding of the issues and challenges one's clients face is always a significant opportunity to learn how to offer one's services more effectively and efficiently.

Limitations of the Study

- The limited sample (14) of interviews will likely not be representative of all CRE users.
- Those interviewed will likely all be members of CoreNet and may therefore have some selection bias.
- The author has significant work experience in the CRE industry which may impact the objectivity of both the interviews and the subsequent analysis of the interviews.

Chapter 2: Literature Review

Overview

Corporate Real Estate Management (CREM) is a complex activity that normally requires an organization of some kind to oversee the associated activities. An organization requires a leader, strategy, and Performance Management (PM) in order to achieve the organization's collective goals or purposes. The quality of leadership, strategy, and PM impact the efficiency and success of the organization's efforts to reach its goals.

Reason for undertaking the study. CREM emerged as a real estate management discipline in the 1980s and 1990s and is, therefore, a relatively new field of study. As a new field of study, the literature reflects a wide variety of findings in the areas of CREM leadership, strategy, and PM. This study will review the general literature in the areas of leadership, strategy, and PM, then compare it to the CREM literature in order to identify areas where concepts can be applied to the CREM field with the goal of further developing the theory and practice of CREM.

Discussion of sources reviewed and basis for inclusion/exclusion. With regard to the literature included in this review, the goal was to include the main theories on leadership, strategy, and PM for comparison with the CREM literature for the purpose of identifying gaps in the CREM literature's application of these theories. Accordingly, electronic searches were performed in the WorldCat database using the keywords *leadership*, *strategy*, and *performance management* to identify appropriate literature. The reference lists of the identified literature were then reviewed for the inclusion of additional works. The lists of proposed literature in each area were then compared with the texts from doctoral work in the area of areas of organizational leadership to ensure that a representative cross section of literature had been selected.

The CREM literature was also surveyed by means of electronic searches in the WorldCat and Business Source Premier databases. Searches were performed using *corporate real estate* plus, in separate searches, the additional terms leadership, strategy, and PM. Peer reviewed articles were selected by further review of article abstracts for relevance and appropriateness. The peer reviewed articles were further supplemented by review of books and articles that appeared repeatedly in the reference lists of the peer reviewed articles.

Organization of the literature review. The balance of this chapter is organized in four major sections. The first three sections contain reviews of the literature on leadership, strategy, and PM. Each of the three sections includes a review of the general literature on the topic, the CREM literature, and a summary of the section that identifies any significant findings from the comparison of the two literature sources. The fourth section summarizes and synthesizes the findings of the three sections on leadership, strategy, and PM.

Review of Leadership Literature

Leadership definitions. Leadership is easily identified when observed, however, it can be difficult to reduce what the term leadership means into words. Rost (1991) found 200 definitions of leadership that had been suggested in the leadership literature between 1900 and 1990. There does, however, seem to be some agreement that a basic definition of leadership includes the leader moving a group of followers towards a goal.

Robbins and Judge (2013) defined leadership as, “The ability to influence a group towards the achievement of a vision or set of goals” (p. 368). Robbins and Judge, therefore, see the leader as having the *ability* to move the group. The source of the leader’s ability to move the group may be based on managerial rank or another source of authority.

Another definition of leadership is that it is, “A process whereby an individual influences a group of individuals to achieve a common goal” (Northouse, 2013, p. 5). Northouse (2013) clearly views leadership as a process that is available to anyone who wishes to learn, rather than an ability, which may be particular to a person or situation.

Fiedler (1967) defined a leader as “The individual in the group given the task of directing and coordinating task-relevant group activities or who in the absence of a designated leader, carries the primary responsibility for performing these functions in the group” (p. 8). For Fiedler, leadership is a task that is *given* to the leader, either by the group or by an authority who has the power to *designate* the leader.

A fourth definition of leadership, proposed by Burns (1978), states that leader and followers must mutually hold the goals towards which leadership is directed.

Leadership over human beings is exercised when persons with certain motives and purposes mobilize, in competition or conflict with others, institutional, political, psychological, and other resources so as to arouse, engage, and satisfy the motives of followers. This is done in order to achieve goals mutually held by both leaders and followers. (Burns, 1978, p. 18)

Burns, then, not only views leadership as involving mutually held goals between leader and followers, but also sees leadership as impinging on other domains including competition, conflict, institutions, politics psychological, and other resources.

All of the definitions include a leader and followers, and yet each definition is slightly different from the other. Is leadership based on ability? Is it a process? Is it given to the leader by some higher authority? By the leaders’ followers? Some other source? One can begin to see some of the complexities that make leadership difficult to define.

Leadership and power. Beyond the fact that leadership includes a leader and followers, one other factor, power, is necessary for leadership. Northouse (2013) defined power as, “The capacity or potential influence” (p.9). The capacity to influence gives a leader the ability to direct his/her followers by affecting their actions, attitudes, and beliefs. The leader, by virtue of this influence, directs followers towards the fulfillment of a commonly held vision or goal. Whether a leader is a general directing an army, a politician implementing legislation, a social reformer such as Martin Luther King, or a business executive such as Steve Jobs at Apple or Elon Musk at Tesla, leadership involves the exercise of power.

What, then, are the sources of a leader’s influence and power? Robbins and Judge (2013) sorted the sources of power in two broad categories, formal and personal, which contain five specific sources of power:

- **Formal Power:** Formal power is conferred by a person’s position within an organization. The position affords the person three possible sources of formal power.
 - **Coercive Power:** Coercive power is exercised through the fear of negative consequences if the person being coerced fails to comply. An employee’s fear of being fired if he/she doesn’t comply with the manager’s requests is an example of coercive power.
 - **Reward Power:** Recognition, promotions, pay increases, and interesting assignments are the type of incentives through which reward power is exercised. Reward power is the opposite of coercive power. An employee might comply with his/her manager’s wishes in the hopes of obtaining a reward rather than fearing negative consequences, as with coercive power.

- Legitimate Power: A position within an organization is usually the source of legitimate power. The authority of the organization is sufficient to give the holder power by virtue of the position he/she holds. Military rank, political office, or a corporate officer title are examples of positions that confer power by virtue of the person's organizational title.
- Personal Power: The source of personal power is an individual's unique characteristics. The individual may accrue personal power in two categories.
 - Expert Power: Doctors, lawyers, and accountants are all experts in their fields and others usually follow their advice. Others' willingness to follow their advice, based on their expertise, is an example of expert power.
 - Referent Power: Celebrity endorsements of products are a clear example of referent power. If a person's favorite athlete or musician likes a particular product, his/her endorsement may induce that person to use that product as well. A person whose personal characteristics are admired has influence over those who admire him/her due to the admirer's desire to emulate that person.

Leadership theories. Historically, leadership was thought to be the province of those who were born with personal qualities or traits that made them great leaders. These traits may have included many qualities including: intelligence, height, good looks, outgoing personality, and prowess as a warrior or a scholar. These traits were a personal possession of the individual who had them and thus one was either born a leader or not. In the Bible, Moses's father-in-law provides advice on leadership in the book of Exodus. *The Republic* (Plato & Lindsay, 380 BC/1992) gave great thought to matters of leadership in ancient Greece as did *The Art of War* (Sunzi & Clavell, 500 BC/1983) which describes military leadership in ancient China. In more

recent history, *The Prince*, (Machiavelli & Bondanella, 1532/2005) and *On War* (Von Clausewitz & Graham, 1832/1990), advised on matters of leadership in Renaissance Italy and 19th century Germany.

Two works from the early years of the 20th century, *General and Industrial Management* (Fayol & Gray, 1916/1984) and *The Principles of Scientific Management* (Taylor, 1911/1967), established the school of Scientific Management. This school viewed the role of the leader as establishing efficient means of production using time and motion studies and other objective means of quantifying work. The role of the leader was to establish appropriate work standards, provide the necessary materials, and make sure that workers maintained the programmed level of activity. In the Scientific Management world, workers were viewed as parts of the machine and “likely not to provide full effort without appropriate standards and close supervision to urge them on” (Taylor, 1911/1967, p. 13). The flaw in scientific management was that it was dealing with people, not machine parts. Worker morale, based on human emotional and relationship needs, suffered under the autocratic dominion of scientific management. In writing *The Human Problems of an Industrial Civilization*, based on his research at Western Electric’s Hawthorne Plant, Elton Mayo (1933/1977) was one of the first researchers to examine the impact of emotions and relationships on activities in the workplace. Similarly, *Dynamic Administration: The Collected Papers of Mary Parker Follett* (Follett, Thompson, Urwick, & Metcalf, 2003) reflected an advanced view, for the 1920s and 1930s, of the need for visionary leadership and the impact of the human factor (i.e., emotions and relationships) on the workplace.

Behavioral theories of leadership. In the post-World War II era, the study of leadership has seen a great deal of activity, with researchers proposing a wide variety of leadership models that fall into several broad groups of theories. Unlike the trait theories of leadership described

previously, wherein one is either born with the necessary traits for leadership or not, the behavioral theories of leadership imply that leadership behaviors can be taught and leadership is a skill accessible to anyone who is willing to invest the time and effort to learn to be a leader. Two research projects conducted in the late 1940s, one at Ohio State University and one at the University of Michigan, produced similar findings that are the basis for the behavioral theory of leadership. The Ohio State study found that two behaviors—initiating structure and consideration—explained most of the interactions between leaders and followers. Leaders who initiate structure provide order for their subordinates’ work by assigning tasks, defining role responsibilities, scheduling work activities, and providing overall structure and goals. Consideration is relationship-based and includes the building of trust, camaraderie, respect, and team spirit (Northouse, 2013). The findings of the Michigan study, conducted at the offices of Prudential Insurance in Newark, New Jersey, found that two dimensions of managerial behavior—employee-centered or production-centered—seemed to correlate with the performance of the manager’s organization. Employee-centered managers valued the human relations aspects of their jobs (i.e. training and motivation), whereas the production-centered managers were more interested in technical details and meeting output targets. The study found that the higher producing groups were predominantly led by employee-centered managers (Katz, Maccoby, & Morse, 1950/1987). The important finding in both the Ohio State and Michigan studies was that an employee focus, rather than an output focus, produced the most efficient results.

Contingency theories of leadership. Is a leader’s ability to be effective completely within his/her control, or is a leader’s effectiveness *contingent* on factors beyond the leader’s control? Contingency theories of leadership—which include Fiedler’s theory of contingent leadership,

Situational Leadership, Path-Goal Theory, and the Leader Participation Model—maintain that the leader's ability to lead is in fact contingent on factors other than the leader's own personal leadership ability.

Fiedler's (1967) *A Theory of Leadership Effectiveness* postulated that the effectiveness of leadership, as measured by the performance of the group being led, is contingent on the relationship between the leader's style of leadership and the degree to which the group situation enables the leader to exert influence. Fiedler found that the most critical dimension of leader effectiveness was whether leaders are task-oriented or relationship-oriented. The degree to which the group's situation is either favorable or unfavorable to the leader's style is based on the leader's position power, relationships between the leader and group members, and the extent to which the group's tasks are structured or unstructured. Fiedler found that task-oriented leaders performed best in group situations, which were either highly favorable for their leadership style or very unfavorable. Relationship-oriented leaders were found to perform best in group situations which were either moderately favorable or moderately unfavorable. Fiedler drew other significant conclusions from his research:

- Leadership effectiveness, as measured by effective group performance, depends as much on the group situation as it does on the leader.
- Effective executive performance is not synonymous with leadership. In addition to leadership, effective management requires skills such as administration, communication, and knowledge of the organization's policies and procedures.
- Leadership ability, in the sense of being able to manage any organization in any situation, cannot be predicted.

- Recruitment and selection of leaders is only effective when both the style of the leader and the group situation in which the leader will function are known. (Fiedler, 1967)

Another of the contingent leadership theories is *Situational Leadership Theory*, which proposes that a leader should choose one of four behaviors depending on the status of the leader's group. If the group is unable and unwilling to undertake the tasks it is assigned, the leader should give clear and specific directions on how to accomplish the tasks. If the group is unable but willing, then the leader should display high task orientation to compensate for the group's lack of skill. Groups where the followers are able to undertake the task but unwilling to do so require the leader to be supportive and participative. In situations where the group is both willing and able, the leader needs to provide virtually no leadership input. The import of this theory is that the critical skills for leadership—the ability to recognize the group's status and the correct leadership response—can be taught to leaders to improve their effectiveness (Northouse, 2013).

Path-Goal Theory, proposed by House (1971), uses the Ohio State study's concept that leaders influence their group through two behaviors: initiating structure (directive) or consideration (supportive). The leader determines whether to use a directive or supportive style based on whether tasks are ambiguous or well structured. Directive leadership produces better results and higher employee satisfaction when tasks are not well defined. Supportive leadership is most effective when tasks are structured. In employee groups with high ability or extensive experience, directive leadership may be perceived as redundant.

The last of the contingency theories reviewed is the *Leader-Participation Model* (Vroom & Yetton, 1973). The process and influences that impact a leader's decision making are the

focus of this model. The leader's behavior is thought to be a function of the situation and the leader's personality characteristics, beliefs, and attitudes. In order to be effective, the leader needs to adapt his/her leadership behaviors to suit the demands of the particular situation. Where Fiedler's contingency model proposes that a leader should modify the situation to fit his/her leadership style, this model, as Vroom and Yetton (1973) point out, proposes that the leader should modify his/her behavior as the most efficient means of adapting to the situation.

Leader-member exchange theory. Unlike most leadership theories that envision leaders applying their efforts in an average amount across the group, the *Leader-Member Exchange (LMX) Theory* proposes that leaders actually form dyadic, or individual, relationships with each of their subordinates. In the course of forming these relationships, some relationships between leaders and follower are more closely aligned than others. Those followers who are closely aligned with the leader become part of an *in-group*, and those who are less closely aligned become the *out-group*. In-group followers receive more encouragement and rewards than the out-group, and research has shown that high quality LMX relationships have positive organizational outcomes. Because the existence of in-groups and out-groups can be questioned both on the basis of fairness and organizational efficiency, LMX theory has been expanded to include the concept of *Leadership Making*. In Leadership Making, an offer to develop a relationship is made freely and equally to all those who report directly to the leader. The development of the leader-follower relationship is not left to chance but is intentionally pursued to maximize the quality of the relationship and the positive organizational benefits (such as creativity, engagement, fairness, and productivity) that accompany a high quality LMX relationship. As the dyadic leader/follower relationships are formed, they then become part of

groups and networks of other relationships that form the leadership of more complex organizations (Graen & Uhl-Bien, 1995).

Charismatic, transformational, authentic and servant leadership theories. Gandhi, Martin Luther King, and Steve Jobs are all names that are likely to bring to mind visions of *charismatic leadership*. The charismatic leader has a unique vision and is able to articulate that vision in a manner that followers find compelling. Taking personal risks and acting in unconventional ways are other vehicles by which charismatic leaders use to reinforce their devotion to the vision they have put forth. Tapping into their followers' deep emotional needs and connecting those needs to their vision is another key skill of the charismatic leader. By virtue of these qualities and skills the charismatic leader can motivate their followers to achieve results that, in normal circumstances, would not be achievable without the charismatic leader. Researchers believe that charismatic leadership behaviors can be taught and are therefore accessible to leaders who wish to make use of them. Charismatic leadership traits are best suited to top leadership positions and are often most in demand in crisis situations where followers are prone to seek someone who can deliver them from the trouble at hand (Robbins & Judge, 2013).

James McGregor Burns (1978) and Bernard Bass (1998) are two of the key contributors to the theory of *Transformational Leadership*. In his book, *Leadership*, Burns defined two types of leadership: transactional leadership and transformational leadership. Transactional leadership is based on the exchange of value, e.g. money for goods, and has no higher purpose than the transaction at hand. The transformational leader, on the other hand, has a higher purpose: to raise the level of motivation, morality, human conduct, and ethical aspiration for both leader and follower, thereby transforming both. The leader addresses the follower's wants, needs, and motivations, as well as the leader's, and in so doing is also able to change the make-up of the

follower's motivation base by gratifying both the pre-existing needs and the higher level needs that leader and follower are discovering together. Thus, leader and followers strive for ever higher purposes and moral development and, in the course of doing so, can reach goals that would not be possible in the absence of transformational leadership.

Building on Burns' work, Bass (1998) found that transformational leaders are, in fact, able to achieve more favorable results than transactional leaders. Bass identified four specific leader behaviors that correlate closely with transformational leadership:

1. Leadership that is charismatic such that the follower seeks to identify with and emulate the leader.
2. The leader inspires the follower with challenge and persuasion while providing meaning and understanding.
3. The leader provides the follower with intellectual stimulation
4. The leader is considerate of the follower's individual needs.

In similar fashion, Bass (1998) also identified the components by which transactional leadership operates:

1. Transactional leaders use contingent rewards to motivate followers.
2. Management-by-exception, in which the leader only intervenes where an action or decision is outside of the pre-established norms, either active or passive, is the preferred management system of transactional leaders.
3. In extreme cases transactional leaders may essentially abdicate leadership by adopting a laissez-faire leadership model. (Bass, 1998)

Both Burns (1978) and Bass found that transactional leadership is a useful leadership style for many repetitive and well defined tasks and augments transformational leadership whose power, as Burns noted, is to strive for higher purposes and moral development.

Authentic leadership is a relatively new and still developing area of leadership theory that has no generally accepted definition (Northouse, 2013). One of the leading proponents of authentic leadership is Bill George, a former CEO of the Fortune 500 medical equipment firm, Medtronic. In his book, *Authentic Leadership: Rediscovering the Secrets to Creating Lasting Value*, George (2003) described authentic leadership in terms of a leader's genuine desire to serve others by being authentically and consistently himself/herself. Because the authentic leader is consistent, is transparent, and desires to serve others, he/she attracts followers. George described the qualities an authentic leader must possess:

- *An understanding of his/her purpose:* Understanding purpose requires self-knowledge of one's passions and underlying motivations. That knowledge allows the leader to find an organization whose purpose matches his/her own.
- *Practice of solid values:* A leader's values are shaped by personal beliefs. Values shape the leader's sense of right and wrong. Authentic leaders act with integrity in accordance with their values. Integrity is not only the absence of lying but also telling the whole truth.
- *Leading with their heart:* An authentic leader will bring meaning to his/her work, a greater purpose, which engages the leader's and followers' emotions as well as mind and body. The leader's heart must be open to be able to share his/her emotions in an authentic way.

- *Establishing connected relationships*: An authentic leader establishes trusting relationships not only throughout his/her organization but also in his/her personal life.
- *Demonstrating self-discipline*: Consistent demonstration of his/her values through self-disciplined actions builds an authentic leader's credibility. Self-discipline is also necessary to maintain the edge necessary for competitive success.

If the authentic leader models these behaviors consistently and permeates his/her organizational culture with these values, their organization should produce superior results due to the alignment, effort, and creativity inspired by the authentic leader.

In *Servant Leadership Theory*, the leader's focus is first and foremost on serving the needs of the followers and the community. Servant leaders are motivated by the desire to serve and their particular talents make leadership a suitable form of service. Servant leaders are, in part, searching for wholeness for themselves and those whom they lead (Greenleaf, Spears, Covey, & Senge, 2002). The acid test of whether the followers and the community are being served is whether or not they experience personal growth in terms of becoming "healthier, freer, wiser, more autonomous, [and] more likely to themselves become servants" (Greenleaf et al., 2002, p. 27). Institutions guided by servant leaders would function much differently than an institution not led by a servant leader and would function much more in the interest of the larger community due to the servant focus of the leadership.

Leadership versus management. Leadership and management are not the same construct, although there is overlap in the activities that leaders and managers undertake. Leadership is not devoid of management; however, there are fundamental differences in the roles of the leader and manager. Perhaps the clearest articulation of the difference between the two is made by Kotter (1990). For Kotter, a manager's function is to produce consistency and order,

whereas a leader's function is to produce movement and change. Kotter summarized the differences between management and leadership as presented in Table 1.

Bennis (2009) captured the same contrast between manager and leader when he observed that, "The manager maintains; the leader develops... The manager has his or her eye always on the bottom line; the leader's eye is on the horizon... The manager does things right; the leader does the right thing" (p. 42). To be certain, a strong leader who seeks positive change can create problems for a manager who is seeking to impose order; the two might seem to be working at odds with each other. Similarly, a leader whose organization is chaotic and is not well managed could not focus either his/her energies or those of his/her employees on needed change. Hence, the best situation is both strong leadership and strong management wherein the strengths of each discipline support each other.

Table 1.

Comparing Management and Leadership

Task/Situation	Management	Leadership
Creating an agenda	<i>Planning and Budgeting</i> -establishing detailed steps and timetables for achieving needed results, and then allocating the resources necessary to make that happen	<i>Establishing Direction</i> -developing a vision of the future, often the distant future, and strategies for producing the changes needed to achieve that vision.
Developing a human network for achieving the agenda	<i>Organizing and Staffing</i> -establishing some structure for accomplish plan requirements, staffing that structure, delegating responsibilities, providing policies and procedures, creating monitoring mechanisms	<i>Aligning People</i> -communicating the direction by words and deeds to all those whose cooperation may be needed, creation of teams and coalitions that understand and accept the vision and strategy
Execution	<i>Controlling and Problem Solving</i> -monitoring results vs. plan, identifying deviations, planning and organizing to solve problems	<i>Motivating and Inspiring</i> -energizing people to overcome major political, bureaucratic and resource barriers to change by satisfying very basic but often unfulfilled human needs

(continued)

Task/Situation	Management	Leadership
Outcomes	<i>Produces a degree of predictability and order, and has the potential of producing key results expected by various stakeholders</i>	<i>Produces change, often to a dramatic degree, and has the potential of producing extremely useful change</i>

Note. Adapted from *Leading Change* (p. 6), by J. P. Kotter, 1996, Boston, MA: Harvard Business School Press. Copyright 1996 by the author.

Leadership and organizational culture. Corporate culture is a critical component of organizational leadership that leaders and managers must be aware of and incorporate into their decision making. Corporate culture influences and is influenced by leadership and can hinder or help in achieving the organization's goals. Dealing appropriately with corporate culture issues requires that the leader understand the culture's existence, assumptions, and operation. The following discussion of corporate culture issues is based on Schein's (2010) book, *Organizational Culture and Leadership*.

All organizations have a culture. Cultures develop as a means of resolving two major sets of problems that organizations must confront: (a) adaptation to their environment so the organization can survive and grow; and (b) internal integration, which provides norms and routines that guide the organization's daily functioning, learning, and adaptation. As organizations deal with these two basic problems, they try different solutions; those that are successful become the basis for corporate culture. Corporate culture can therefore be defined as:

A pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore to be taught to new members as the correct way to perceive, think and feel in relation to those problems. (Schein, 2010, p. 18)

These shared basic assumptions that make up corporate culture are observable at three different levels, with each level becoming more abstract. These three levels are:

1. Artifacts (difficult to decipher)
 - a. Visible and feelable structure and processes
 - b. Observed behaviors
2. Espoused beliefs and values (may or may not be congruent with behavior and other artifacts)
 - a. Ideals, goals, values, aspirations
 - b. Ideologies
 - c. Rationalizations
3. Basic underlying assumptions (determine behavior, perception, thought, and feeling)
 - a. Unconscious, taken-for-granted beliefs and values. (Schein, 2010, p. 24)

In order to correctly understand and interpret a given corporate culture, the observer must understand the basic underlying assumptions of the culture. These basic underlying assumptions often operate at a subconscious level. The subconscious level of their operation means it is usually difficult to confront and change cultural attributes that operate on basic underlying assumptions. The interpretation of visible artifacts and the espoused beliefs and values are all predicated on a correct understanding of the basic underlying assumptions of the culture. The influence of the basic assumptions is so strong that, where the espoused beliefs and values are in conflict with the basic underlying assumptions, the activities of the culture may be inconsistent with the espoused beliefs and values. This inconsistency is necessary in order to maintain consistency with the stronger basic underlying assumptions that guide the actions of those trained in the particular corporate culture. Examples of this type of inconsistency are the corporate scandals of the early 2000s involving Enron, WorldCom, and others. In each case these corporations had statements of espoused values that included honest conduct and valuing

shareholders and customers. However, the basic underlying assumption that ever-higher profits and stock prices must be achieved led to the violation of the espoused principles of honesty and concern for corporate stakeholders.

Corporate cultures are also influenced by the macro-culture, often a particular national culture, within which they exist. The corporate culture operating within the macro-culture will have cultural beliefs to which all of the functional units that make up the corporation will subscribe. The functional units, however, typically have their own subcultures that will include assumptions that are ancillary to those of the overall corporate culture. While there may be many subcultures within a large corporation composed of many functional units, Schein (2010) asserted that three generic subcultures are almost invariably found within any organization of significant size: (a) operators, typically the line or operational employees who are responsible for the operation of the corporation's main business; (b) engineering/design, consisting of those who design products and production processes; and (c) executive, often the chief executive officer (CEO) only, but frequently also the top executive management team. With the existence of an overall corporate culture and three or more subcultures, it is easy to see how the number of basic underlying assumptions can multiply and have the potential to come into conflict with each other. This conflict of basic underlying assumptions does not operate at a conscious level and is therefore hard to identify and articulate, often leading to seemingly irrational corporate conflict and poor decision making. Only by identifying each subculture's basic underlying assumptions and acting to resolve those discrepancies in a way that honors the various underlying assumptions can the conflict be resolved.

Managing and resolving the conflict between cultural assumptions of various corporate subcultures is one of the most critical duties of a leader. Failure to manage these conflicts can

result in inefficient operations and, where especially severe, can result in failure of the corporation altogether. Leaders, however, must also be aware of their role in creating and changing corporate culture. In situations where the leader is the founder of the organization, the assumptions and choices that the leader makes (regarding operations, what behaviors get rewarded and punished, and a host of other choices if they prove to be successful) will become the norms of the organization and form the basis of the corporate culture. In an existing organization where a culture is already established, the leader will have learned and successfully operated within the extant culture in order to have achieved a position of leadership. The challenge for leaders already immersed in an organizational culture will be to make conscious the implicit assumptions of the organization they have already learned. Understanding these assumptions at a conscious level is necessary in order to be able to manage conflicts between cultures and/or effect change in the organization as needed.

As organizations mature they may grow or struggle; in either case, the corporate culture must adapt as circumstances change. Therefore, a leader will almost inevitably need to deal with culture change at some point in his/her tenure. Schein (2010) viewed culture change as occurring in the following three-step process (based on Schein's modifications to Lewin's (1947) work:

- Stage 1: Unfreezing: Creating the motivation to change.
 - Disconfirmation.
 - Creation of survival anxiety or guilt.
 - Creation of psychological safety to overcome learning anxiety.
- Stage 2: Learning new concepts, new meanings for old concepts, and new standards for judgment.

- Imitation of an identification with role models.
- Scanning for solutions and trial-and-error learning.
- Stage 3: Internalizing new concepts, meanings and standards.
 - Incorporation into self-concept and identity.
 - Incorporation into ongoing relationships. (Schein, 2010, p. 300)

In this process of change, the first stage of *unfreezing* results from the failure or *disconfirmation* of existing assumptions, which provokes the need for change. The fact that the old assumptions must now change results in *survival anxiety or guilt* among the corporation's employees because they must now question the assumptions that formerly guided their actions. The process of incorporating new assumptions into employees' thinking creates *learning anxiety* as they question their ability to learn and change. In stage 2, new assumptions or ways of thinking are learned by imitating role models who enact the new behaviors. *Trial-and-error learning* may also be used at this stage to create new solutions. Finally, in stage 3, the new assumptions and cultural elements become the norm as they are incorporated into employees' self-identity and ongoing relationships with other employees and stakeholders. The process of transformative change is complex. However, Schein offers five principles that provide guidance on how to create conditions for successful change:

- Principle 1: The need to change, driven by survival anxiety, or guilt, need to be greater than the fear of learning new assumptions.
- Principle 2: In order for Principle 1 to work effectively, *learning anxiety* must be reduced rather than raising the level of *survival anxiety*.
- Principle 3: The change goal must be a specific, concretely described change, rather than a general desire to change the culture.

- Principle 4: Old cultural elements can be removed by replacing the people who carry those elements; however, new cultural elements can only be learned through successful implementation of the new elements.
- Principle 5: Culture change, if it is transformative, always requires a psychologically painful period of unlearning old assumptions.

It is generally recognized that organizational change is difficult, and the foregoing discussion provides additional insight into the source of those difficulties. Anxiety and fear are natural reactions to changes in the deeply held assumptions that need to be reworked in order for any cultural change to be effective or transformative.

This section of the study has touched briefly on the importance of leaders understanding how corporate culture originates, its operation, and how it is changed. Corporate culture has a material impact on all of the functions of a leader: establishing direction, aligning people, and motivating, inspiring, and creating change. A leader without a grasp of how the culture of his/her organization impacts his/her leadership is in a potentially perilous position indeed.

Leadership Theories in Corporate Real Estate Literature

As noted in Chapter 1, CRE is a vital asset for almost every company, in terms of not only providing buildings to house their operations, but also the value of their CRE assets. The literature estimates the value of CRE assets as between 10-40% of the assets of corporations in the United States and Europe (Bon et al., 2002; Schaefer, 1999; Zeckhauser & Silverman, 1983). Not only does CRE represent an enormous financial asset, but also CRE is a highly significant component of annual operating costs for most companies. CRE operating expenses are often cited as being, for many companies, the second largest annual operating cost after salaries and wages, representing between 7-10% of gross sales or 40-50% of net income (Bon et

al., 2002; Gibler & Lindholm, 2012; Nourse & Roulac, 1993; Schaefers, 1999). Despite the large impact CRE has on corporate financial statements, the literature reflects that CRE has been an under-managed asset (Gale & Case, 1989; Gibler et al., 2002; Roulac, 2001; Schaefers, 1999; Veale, 1988; Zeckhauser & Silverman, 1983).

The increased globalization of trade beginning in the 1970s and 1980s, and the accompanying intensification of competitive pressures, caused corporations to focus on the efficiency of all of their assets, CRE included. In the drive to increase the efficiency of their investment in CRE assets, in the 1980s corporations and academics began focusing on CREM to gain an understanding of how CRE was managed in the corporate environment (Gibson & Luck, 2006). With the development of this focus and related body of literature, CREM began to be recognized as a separate field within the larger discipline of real estate.

Much of the CREM literature is technical in nature and deals much more with CREM strategy and operations. CREM organizations, nonetheless, require leadership, so much of the literature touches on topics related to leadership. In order to extract the leadership content from articles that incorporate other concerns, statements that address Kotter's (1990) three primary leadership roles were identified in accordance with Table 2 and became the content for this section of the literature review. Also, in order to trace the development of relevant concepts, the leadership issues have been grouped according to the decade of publication, beginning in 1980.

Table 2.

Classification of CREM Leadership Behaviors

Kotter Leadership Behaviors	Leadership Behaviors from CREM Literature
<i>Establishing Direction:</i> Developing a vision of the future, often the distant future, along with strategies for producing the changes needed to achieve that vision.	<i>Establishing Direction:</i> Statements about the long term vision for the evolution and status of CREM
<i>Aligning People:</i> Communicating the direction to those whose cooperation may be needed so as to create coalitions that understand the vision and are committed to its achievement.	<i>Aligning People:</i> Statements regarding management attitudes and interactions between CREM, senior management, internal departments and other business disciplines
<i>Motivating and Inspiring:</i> Keeping people moving in the right direction despite major political, bureaucratic, and resource barriers to change by appealing to very basic, but often untapped, human needs, values, and emotions.	<i>Motivating and Inspiring:</i> Statements regarding motivation for the continued development of CREM and overcoming barriers to such development

Note. Adapted from *A Force For Change* (p. 5), by J. P. Kotter, 1990, New York, NY: Free Press. Copyright 1990 by the author.

The CREM literature reflects a significant desire for CREM to assume a more prominent role in the corporate structure and the creation of corporate strategy. This section will trace the evolution of thinking about CRE and CREM's leadership roles, by decade, as they have developed from the 1980s through 2015.

CREM leadership literature: 1980s. In many respects, the 1980s was a decade of discovery in the CRE and CREM industry. As noted previously, Zeckhauser and Silverman (1983) brought the subject of CRE and CREM to the attention of the academic community as an under-managed corporate asset of very significant financial magnitude. Other researchers confirmed Zeckhauser and Silverman's findings that CRE was, in general, an under managed asset. The fact that such a significant asset could be lacking in attention meant that gaps in leadership had occurred with regard to CRE. When Zeckhauser and Silverman began to point out these shortcomings with regard to CRE assets, the impacts were found to be quite

revolutionary and set in motion much of the academic research that continues to the present.

Although their article makes few statements that directly reference leadership, they do observe conditions that, by their existence, indicate a lack of leadership. For example,

Only 40% of American companies clearly and consistently evaluate the performance of their real estate; most treat property as an overhead cost like stationary and paper clips....

In fact, it's an important asset...real estate typically accounts for at least 25% of ...total assets and is worth...a sum equal to or, or greater than, the wealth of the nation's pension funds... Barely 20% of American corporations manage their real estate for profit.

(Zeckhauser & Silverman, 1983, p. 111)

Having made the point that CRE was a vast and under managed asset, Zeckhauser and Silverman, in essence, challenged both senior corporate management and CREM to exercise proper leadership in terms of finding ways to extract value from CRE.

Gale and Case (1989) subsequently studied 30 large corporations in 15 different industries to determine the status of their real estate management programs. Their findings indicated that "Many corporate managers continue the neglect found in the earlier research" (p. 23). Interviews revealed the attitudes underlying this lack of management leadership in the area of CRE were related to several beliefs, such as: (a) *we're not in the real estate business*, (b) real estate planning could be handled by the accounting and budgeting departments, or (c) real estate did not meet corporate rate of return requirements. Additionally, CRE decisions are complex. Seldom does the full responsibility for a real estate decision rest exclusively with CRE. The intensive interaction of CREM and the business unit that will use the facility in order to understand the business unit's requirements requires sharing of authority and decision-making. Often the shared decision-making results from a history of accounting for CRE on a cost basis,

e.g., the costs are funded from the business unit's budget based on the purchase price or lease cost. Balancing the cost basis accounting versus the asset value of the CRE is yet another complex activity. Gale and Case concluded that, although CRE remains a neglected asset, some firms are beginning to deal with the complexities of CRE in order to earn higher returns on their CRE assets.

Based on a Massachusetts Institute of Technology (MIT) study of CRE in major U.S. corporations, Veale (1989) concluded that little had changed with regard to CRE management since the Zeckhauser and Silverman (1983) study. In terms of CREM leadership behaviors, Veale's findings, like those of Zeckhauser and Silverman, indicate areas where leadership is more absent than present. For example, the study found that 25% of corporations lacked an inventory of their real estate, 66% of firms had no management information system for their CRE, and 23% did not account separately for real estate operations at all. In trying to determine why some firms had better CRE practices than others, the most important factor was found to be whether senior management felt CRE was an important component of decision making. In corporations where CRE is considered an important component of corporate decisions, there was a higher incidence of interaction with senior management, more exchange of information, and better decision support systems. In fact, the uniform application of sound management principles across all CRE and CREM organizations would produce significant improvement without incurring large costs for new management information systems or personnel. As to why CREM has not emerged as a discipline with a more comprehensive body of knowledge, Veale speculated that CREM might be too variable a discipline for a standardized body of knowledge. However, he found a more compelling argument to be "that real estate groups within corporations have been denied the prestige, recognition and valuation necessary to attract top

flight managers within the corporate hierarchy” (Veale, 1989, p. 18). Recruiting better talent, better education from business schools, and proper attention from senior management are the keys to advancing CREM.

The scarcity of academic literature on the effective management of CRE is one of the significant findings of a study by Pittman and Parker (1989). They also found that CRE executives echoed many of the findings of previous research. A survey of CRE executives found that communication and working relationships with senior management and operating units was of extreme importance to successful CREM operations. Having sufficient authority to make appropriate decisions and the information with which to make informed decisions were also important criteria for success in CREM.

With respect to academic research on the topic of CRE leadership, the 1980s closed with academic research having determined that CRE represented an enormous investment by corporations in real estate that was, for the most part, an undermanaged asset. Where good CREM practices were found there was no pattern related to industry or size of company; the existence of the good management practices was largely the result of senior executives in those particular companies insisting on good management practices for CRE. The fact that an asset as large as CRE was undermanaged in many companies represented a gap in senior corporate and CREM leadership that needed to be closed.

CREM leadership literature: 1990s. Historically, CREM had been regarded as order takers, with little capacity for proposing independent courses of action, who implemented decisions made by senior executives. This view of CRE was the legacy of an era in which competition was not as intense and CRE was a less valuable asset due to lower demand in the marketplace for real estate assets. Joroff et al. (1993) argued that, given the competitive

environment of the 1990s, the under-management of CRE was no longer acceptable. CREM needed to join the ranks of senior corporate leadership in order to utilize CRE assets effectively on behalf of the corporation. In order to work effectively with senior executives, CREM executives would need to learn more than just their real estate discipline. The charge to CREM executives, then became the:

Need to learn the needs of the corporation as a whole and the needs of business units in particular and then to devise a strategy to satisfy them even when the answer may not involve traditional forms of real estate. (Joroff et al., 1993, p. 21)

Joroff et al. (1993) further outlined a five-step progression by which CREM could progress from being technical experts, taking orders from to senior management, to being a full partner in helping design corporate strategies to fully utilize the asset and operational value CRE can bring to the corporation. The five steps in the progression are described via the following roles (see Figure 1):

1. *Taskmaster*: This stage is characterized by technical expertise in CREM matters often applied in a reactionary manner. CREM has relatively little interaction with senior management.
2. *Controller*: Senior management becomes aware of the costs and benefits related to CRE and becomes more involved in corporate strategy. CREM puts in place cost control structures that provide enhanced information to business units and senior management regarding CRE costs.
3. *Dealmaker*: CREM becomes a proactive problem solver on behalf of the business units. CREM staff communicate actively with the business units on ideas for reducing real estate costs or increasing revenues. Internal cost allocation methods are revisited

- to incentivize effective CRE strategies. CRE and business units may begin benchmarking the cost and quality of services provided.
4. *Intrapreneur*: CREM, business unit executives, and managers work jointly on strategic planning for the business units. The CREM usually has access to the CFO. A separate real estate subsidiary may be formed to handle CREM services. CREM is now managing the company CRE at the portfolio level and benchmarks its products and services against third party firms.
 5. *Business Strategist*: CREM is closely aligned with the CFO and other senior management, providing input on the CRE implications of corporate strategy. CREM still provides the required CRE, but CREM executives are focused on making sure that the company's CRE is aligned with business trends, productivity, and the maximization of shareholder value.

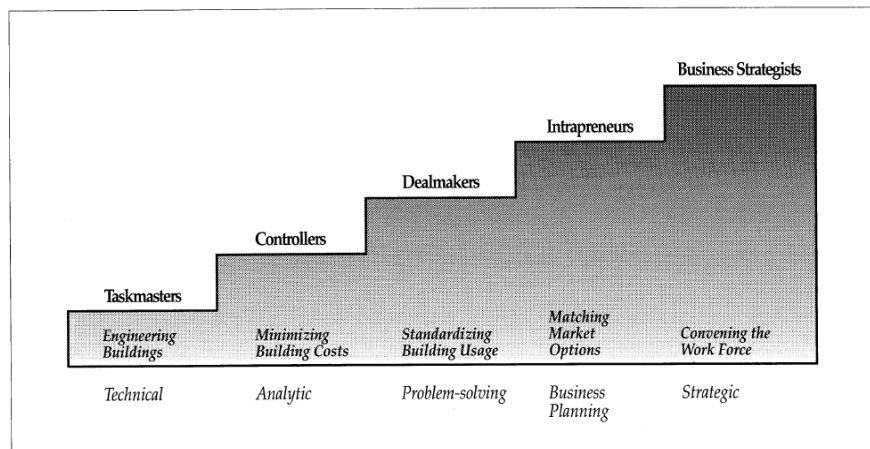


Figure 1. Corporate real estate competency shifts. Reprinted from *Strategic Management of the Fifth Resource: Corporate Real Estate* (p. 27), by M. Joroff, M. Louargand, S. Lambert, and F. Becker, 1993, Norcross, GA: Industrial Development Research Foundation. Copyright 1993 by the Industrial Development Research Foundation. Reprinted with permission.

Manning and Roulac (1996) and Krumm, Dewulf, and Jonge (1998) found that at the time their articles were written, CRE executives were still focused on functional issues and not interacting with senior management in terms of the larger strategic picture. It is not realistic for

CREM executives to expect that senior executives will learn the CREM business. Therefore, it is incumbent on CREM executives to make their knowledge accessible and usable in terms that senior executives understand. Part of the difficulty is that adequate decision support information to quantify the impact of CRE on the organization is often not available due to lack of investment in systems that provide such data. In order for CRE to progress to the business strategist level of the Joroff et al. (1993) model, greater effort by CREM to customize services to its business unit clients' needs is required. Specific CREM plans that demonstrate how CRE can help business units operate more efficiently and profitably build trust and provide greater access to both business unit and senior executives.

In a survey of CRE executives, Carn et al. (1999) found agreement that focus on general management skills and techniques are required to raise stature and effectiveness. Internal and external relationship networks were also seen to be a source of useful knowledge and resources that could serve as a vehicle for raising the stature and influence of CRE executives.

O'Mara (1999) proposed that CREM executives typically think of alignment from one of three perspectives or mindsets driven largely by real estate markets and economic conditions the executives experienced during the formative parts of their careers. The strategic mindset, the most current, is comparable to Joroff et al.'s (1993) business strategist. In both systems, the strategist is least focused on CRE as a real estate asset and most focused on finding solutions, perhaps non-traditional, that result in competitive advantage for the corporation.

Table 3.

CRE Strategic Perspectives

Perspective/ Mindset	Origins	Consequences
Market	Real estate boom of the 1980s	<ul style="list-style-type: none"> • CREM decisions sometimes driven by real estate values, not corporate requirements
Minimize-Cost	Corporate reengineering wave of the 1980s-1990s	<ul style="list-style-type: none"> • Reduced real estate costs. • Focus on reducing costs can sometimes be at the sacrifice of longer-term competitive advantage
Strategic	Strategic concept of core competencies developed in the late 1990s	<ul style="list-style-type: none"> • CRE optimized for competitive advantage • Requires clear understanding of corporate strategy and business requirements

Note. Adapted from *Strategy and Place* (p. 44), by M. A. O'Mara, 1999, New York, NY: Free Press. Copyright 1999 by the author.

The CREM leadership literature of the 1990s is gaining clarity about what good CREM leadership looks like. CREM leaders should aspire to be business strategists who are engaged with business units and senior corporate management, helping construct strategies that make full use of CRE assets in pursuit of the corporation's goals. In contrast to the CREM leadership literature of the 1980s, which primarily identified shortcomings of CREM leadership, this new conceptualization represents a positive movement in the literature as CREM seeks to evolve to a more structured and professional discipline.

CREM leadership literature: 2000s. As noted previously, the conception of the role of CREM and the leadership roles of CREM executives evolved from the 1980s through the 1990s. To put these leadership role changes in context, Roulac (2001) gave a view of the evolution of CREM's role as it evolved from before the 1970s to 2001.

- **Custodial (Before 1970):** Management and maintenance of facilities was largely considered a matter of keeping facilities physically intact, clean and functional.

- Entrepreneurial (1970s to mid-1980s): In many cases, CREM executives sought profits either from leveraging CRE requirements to extract real estate value from transactions or by competing directly in the real estate markets.
- Administrative (1985 to 1995): Driven by corporate focus on reengineering and core competencies, CREM pursued strategies related to efficiency and cost reduction.
- Managerial (mid-1990s to present): Corporate and CREM focus shifted toward effectiveness through emphasizing workplace productivity and more efficient and flexible means of providing CREM services such as outsourcing.
- Strategic (2000 onward): Emphasis is beginning to move to the unique contribution that CRE can make toward achieving corporate objectives. Recognition is growing that CRE provides a connection between a firm's resources and its customers.

In this same article Roulac sought to inspire CREM executives to overcome the obstacles to becoming a strategist.

Limited awareness of, reluctance to pursue, and difficulty in implementing the connection between corporate strategies and corporate property strategies mean that the payoff for those enterprises that seek and successfully implement corporate property strategies that are linked to their corporate business strategies can be extraordinary. Indeed, the opportunities for competitive advantage from the effective implementation of such strategic thinking are phenomenal. (Roulac, 2001, p. 148)

It is also interesting to note that Joroff et al. (1993), O'Mara (1999), and Roulac (2001) perceive that the highest level of development for CREM is as strategic partner, helping set strategy for the enterprise overall. This agreement indicates that a consensus has formed among

academic researchers that the business strategist role is the appropriate evolutionary goal of CREM executives.

In support of the view that CREM was moving to a more strategic role, Gibson and Barkham (2001) found that CREM organizations in U.K. retail companies were, in fact, adopting strategies that supported the core retail business. This finding suggests that movement toward the role of business strategist was taking place in the CREM organizations at the U.K.-based retailers surveyed. Bon et al. (2003) made similar findings supporting the view that CREM was moving to a more strategic level based on surveys of CREM executives over the period 1993-2002. Bon et al. found that CREM executives had moved their CRE organizations in the direction of being increasingly strategic and structured in their operations. They also noted the rapid development of the CREM field and the opportunity that innovative CRE executives have to contribute their unique knowledge to the advancement of the CREM profession.

In a dissenting view, Gibler et al. (2002) found that CREM executives have continued to act in a more traditional manner, e.g., working in isolation from other functional and operational areas with a focus on real estate transactions that minimize costs. Gibler et al. concluded that little has changed in CREM attitudes since the 1980s. Such findings do not seem surprising given the rapidly changing state of the CREM community, as not all CREM organizations would evolve at the same pace.

In terms of CREM's alignment with the corporate strategy, there is a recurring theme of insufficient data and lack of common language for accurate communication (Joroff et al., 1993; Manning & Roulac, 1996; Veale, 1989). Lindholm and Nenonen (2006) noted this same deficiency in the context of proposing new performance measurement tools to help bridge this gap.

In a study that summarizes many of the trends in CREM, Ali, Adair, McGreal, and Webb (2008) noted the traditional roles of CRE as an order taker, with little input into the strategic direction of the company. Failure of CRE executives to communicate timely and understandable information about CRE may be a significant cause of CRE's absence when strategy is discussed. There are signs, however, that CRE is moving to a more strategic role. Ali and colleagues suggested that CRE strategies with clear purpose and demonstrable positive effects on increasing the value of the firm stand a better chance of being adopted rapidly.

In one of the few papers that talks about the choices individual CRE managers and executives may make in their career path, Fisher (2009) encouraged such managers and executives to develop business skills and perspectives outside their CREM core. In doing so, they become more able to identify opportunities to create value for the larger organization. The ability to create value will give these managers and executives more opportunity to lead and create further value for both themselves and their companies.

Senior management's attitude towards CRE is important if CRE is to gain recognition as a strategic asset. In a survey of New Zealand companies, McDonagh and Nichols (2009) found that many senior managers still held attitudes that cast CREM in a less strategic role. The majority of New Zealand senior corporate managers surveyed did not consider themselves to be in the real estate business, even though they owned facilities. Similarly, most of senior managers did not regard their CRE as an asset, but thought of their CRE as a cost, and a place to house their business. On the positive side, most did report having a strategic plan that incorporated their CRE assets.

The record of CREM literature in the first decade of the 2000s reflects the transitions that began in the 1990s. Various researchers continued to develop the idea of CRE as a strategic asset

and CREM's role as a business strategist. Other researchers examined the actual attitudes and alignment of CREM and found varied evidence; some positive, some negative, of movement of CREM attitudes and alignment toward more strategic roles.

CREM leadership literature: 2010 to 2015. Alignment is a key leadership activity. The difficulty of achieving alignment between corporate strategy and CREM strategy is a persistent theme in the CREM literature: one that has received significant focus in the literature published between 2010 and 2015.

Heywood (2011) studied 10 strategy alignment models proposed in the CREM literature between 1993 and 2010, noting that none of the models gained significant traction as a standard for CREM strategic alignment practice. The proliferation of strategy alignment models, the failure of any single model to be adopted by the academic literature, and ongoing reports of alignment difficulties from practitioners suggest that the current approaches to model generation are inadequate. The concepts used to produce the strategy alignment models described in the literature are based on either a single factor determinism or an algorithm (model). Heywood suggested the addition of three additional concepts for model generation: heuristic, wicked problems, and game theory. The use of these three concepts may expand and enrich the development of CREM strategic alignment theory.

Also noting the difficulty of achieving strategy alignment, Haynes (2012) proposed that a CREM strategic alignment framework—based on planet, position, purpose, place, paradigm, processes, and people (Haynes & Nunnington, 2010)—is sufficiently broad to capture all of the elements required for CREM alignment with corporate strategy. Haynes recommended that further testing be undertaken to determine if the framework contains all the necessary elements

for strategy alignment, and that the elements should be operationalized and linked for future analysis.

Appel-Meulenbroek and Haynes (2014) suggested that a well-defined strategic planning process and the use of appropriate models are critical to achieving alignment of CREM strategy with corporate strategy. Langford and Haynes (2015) stated that the data produced by performance measurement systems are critical to linking strategic alignment models to operations, as they provide the feedback needed to determine if the strategy is having its intended effects.

Although the literature cited previously reflects the difficulties of aligning CREM and corporate strategies, there is also evidence that strategic alignment is being achieved in many companies. Gibler and Lindholm (2012) used survey data from CREM executives to determine that CREM is typically following strategies that support corporate goals of either revenue growth or profitability growth, as predicted in the model proposed by Lindholm, Gibler, and Levänen (2006). In a study of the alignment of CREM and corporate strategies at a Dutch university system, Beckers, Voordt, and Dewulf (2015) found that the theories that were *espoused* in the CREM strategic plans were not always the CRE strategies that were *in-use*. Although there were some gaps between the espoused CREM strategies, the strategies in-use were a better fit with the corporate strategies than the formally espoused strategies. This combination of espoused and in-use strategies seems to indicate a lack of formal strategy alignment that is being remedied by adjustments in the operational phase of strategy execution.

The CREM leadership literature in the 2010-2015 period is more clearly focused on aligning CREM strategy with corporate strategy. Many of the themes contained in earlier CREM literature now seem to be resolved. The idea that CRE is a strategic asset and CREM should be

involved in strategy, if not operating in actuality, are assumed to be appropriate roles for CRE. The operationalizing of these ideas is now the main goal reflected in the literature.

Summary of Leadership Literature

This leadership section of the study began with an overview of leadership theories, which demonstrated that there are a wide variety of ways in which leadership can be conceptualized. These concepts range from the idea that the traits of leadership are a personal possession with which one is either born or not, to leadership as a teachable skill. Also reviewed was the important interaction of leadership and organizational culture. Leaders, by their ideas and statements, by what they pay attention to, and based on what they reward or punish, create and shape the culture of the organization they lead. Finally, the distinction between leadership and management is an important one. Leaders cast vision, set direction, and build alignment and relationships. Managers provide order, allocate resources, and manage activities within the realm of the leader's vision. Sometimes the roles of leaders and managers overlap, and both are important to an organization, but the role of leader is unique.

In the CREM academic literature, the role of the leader is addressed mostly in discussion of setting vision and aligning relationships. The CREM literature of the 1980s is characterized by a lack of vision and leadership; during this time CREM was identified as an underutilized and undermanaged resource. The literature largely pointed out the deficiencies in senior corporate and CREM executive's vision of the contribution that CREM could make to the corporation. The literature of the 1990s, namely Joroff et al. (1993) and Nourse and Roulac (1993), defined a different paradigm for the future. CREM would be seen as a strategic resource and CREM executives as strategic business partners. The CREM leadership literature since 2000 reflects the growing acceptance of the vision of CRE as a strategic asset and CREM as strategic partners.

The leadership question in the literature is now the alignment of CREM with the enterprise, rather than what is the appropriate role for CREM? The literature reflects that leadership issues going forward will be challenging, since significant conceptual and organizational issues need to be resolved in order for CREM to be recognized as a strategic asset and partner.

Strategy

Strategy predates written human history. The oral accounts of ancient poets and balladeers preserved the military and diplomatic strategies of the ancients in works such as the *Iliad*, the *Odyssey*, and the Bible prior to the advent of written records. Most of the variations of strategy, save for those introduced by modern technology, were well known and documented prior to the Christian era. Much of modern business strategic thought is descended from classic works by generals and diplomats such as Sun Tzu, Machiavelli, and Von Clausewitz (Quinn, 1995). This section of the literature review describes the principle schools of thought with regard to modern business strategy and its constituent elements. Following the general description of business strategies are the various CREM strategies reflected in the literature.

Business strategy defined. Many scholars agree that the first modern definition of business strategy was advanced by Alfred Chandler in 1962 (Mintzberg, Quinn, & Voyer, 1995). Chandler theorized that the different organizational forms businesses derive results from different patterns of growth in size, technology, geography, functions, and diversification. The structure of the organization and the decisions that led the structure represented the organization's strategy. Chandler (1962/1990) then, more formally, stated, "Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals" (p. 13).

Following Chandler (1962/1990), Kenneth Andrews (1980), a colleague of Chandler's at Harvard Business School, defined corporate strategy as:

The pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers, and communities. (Andrews, 1971/1980, p. 18)

Quinn (1995) offered a definition of strategy that bears similarities to those of Chandler (1962/1990) and Andrews (1980):

A strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. A well-formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents. (Quinn, 1995, p. 7)

In the definitions of strategy cited so far, Chandler (1962/1990), Andrews (1980), and Quinn (1995) all see strategy as being composed of a vision of the organization's future state and plans that describe the steps that must be taken to arrive at that future state. In a dissenting point of view, Tregoe and Zimmerman (1980) found that the long range plans that determine how an organization will reach its strategic goals are very different from the strategic vision that sets the direction for the organization. Tregoe and Zimmerman, therefore, defined strategy as "the framework which guides those choices that determine the nature and direction of an organization" (1980, p. 17). Within the realm of creating the strategy framework are choices

about the products and services, markets, growth, rates of return, and other variables, but not the long-range plans that detail how these strategies will be implemented.

Another way to think about strategy is through the lens of the competitive marketplace in which most businesses operate. In his book, *On Competition*, Porter (1998), argued that strategy consists of “creating a unique and valuable position” (p. 55), which is achieved by choosing a set of activities that are different than those of rivals. Furthermore, strategy also includes ensuring that there is a fit between the activities that the company undertakes. The wide variety of operational tasks a company must accomplish need to integrate, or fit, well with each other and the company’s operations in order for the company to have a distinctive and successful strategy.

Rather than argue for a single definition of strategy, Mintzberg (1995) suggested that in order to cover the full range of meanings associated with the term, five definitions are needed. Accordingly, different types of strategies can be defined using the following terms, all of which begin with the letter P:

- *Plan*: An intentional strategic course of action that was pre-established to deal with a particular set of circumstances.
- *Ploy*: Announcing strategic intentions that sound like a plan that are not intended to be carried out in order to confuse potential competitors.
- *Pattern*: Strategy is a behavior as well as a plan. There needs to be a pattern of behavior, or actions that take place, in order to discern what the strategy really is. It is possible to have a planned or *intended* strategy, which, if carried out, results in a *realized* strategy. A *deliberate* strategy implies that the planned strategy was carried out, and an *emergent* strategy describes a strategy that was not planned but

nonetheless undertaken. Finally, an *unrealized* strategy is one that was planned but is not carried out.

- *Position*: The organization is positioned in the market in such a way that the strategy serves to match the position of the organization and its environment.
- *Perspective*: Strategy is a shared concept within the organization of how the organization should interact with its environment, e.g., the HP Way. (Mintzberg, 1995)

As this range of terms used to define strategy suggests, for Mintzberg, strategy is not a single method, process or plan, but rather, a concept that can take different forms depending on the needs and context of the business in which it operates.

Strategy formulation. In a competitive environment, the first task of those formulating strategy is to determine the nature and cause of the competitive forces in the markets where the company intends to offer its products. The strategist then assesses the strengths and weaknesses of his/her own company to determine where, given the existing competitive forces in the market, the company can successfully offer its own products. The strategy that is developed from this fundamental competitive analysis may include: (a) plans to position the company to offer the best defense against competitive forces; (b) strategic moves to influence the balance of competitive forces to improve the company's position; and/or (c) adopting a new strategy in anticipation of changes in the underlying competitive forces (Porter, 1998).

Andrews (1971/1980) followed a similar pattern of strategy formulation. The initial step in the strategy process involves assessing the environment for opportunities and threats. Next the company's strengths, weaknesses, resources, and tolerance for risk are evaluated. The opportunities that match the company's capabilities and resources and the degree of risk that the

company is willing to assume then become prime candidates for inclusion in the company's strategy. Up to this point the strategy process has assumed a certain rational detachment on the part of the strategy makers. The human factor, in the form of the personal values and aspirations of the key executives, must also be factored in to strategy formulation. The vision of Henry Ford in creating the Model T or Steve Jobs in creating the iPhone are examples of personal values and aspirations that had decisive impacts on corporate strategy. Finally, the company and its strategy affect a variety of stakeholders: employees, suppliers, and the community, to name a few. Strategy must also include consideration of the company's commitments to these important groups.

In a different approach to strategy formulation, other scholars theorize that strategy formulation should take place only in light of having identified the company's *Driving Force* (Tregoe & Zimmerman, 1980). Research suggests that nine strategic areas, grouped in three categories, have a decisive influence on a company's nature and direction. Although each of the nine strategic areas is of significant importance to every company, only one of the areas can be the driving force for the entire company. Divisions and departments may have their own driving forces but they are important only when understood in the context of the company's overall driving force (see Table 4).

The main question for strategy formulation, therefore, becomes, What is the company's current driving force and should the company select a new driving force? The discussion of past and future driving forces should result in extensive analysis and discussion about the company's past and future business activities. The information generated by the discussion, along with the need to identify a single driving force going forward, create a richer and more focused strategy discussion than one that might be satisfied by a more generic, higher level strategy statement.

Table 4.

Categories and Strategic Areas

Category	Strategic Area (Driving Force)
Products/Markets	1. Products offered
	2. Market needs
Capabilities	3. Technology
	4. Production capability
	5. Method of sale
	6. Method of distribution
	7. Natural resources
Results	8. Size/growth
	9. Return/profit

Note. Adapted from *Top Management Strategy* (p. 43), by B. B. Tregoe and J. W. Zimmerman, 1980, New York, NY: Simon and Schuster. Copyright 1980 by the authors.

Mintzberg et al. (1995) argued for five different methods of strategy formulation:

- **Cultural:** In this school of strategy formulation, planning and analysis are subordinated to the organization's norms and values. Strategies are formulated based on a collective vision rooted in the shared norms and values that make up the organization's culture. Many of the large Japanese corporations form their strategies in this fashion.
- **Political:** Political power impacts the strategy process in several ways. Internal politics can be a determining influence in the strategies selected. Alternatively, in heavily regulated industries or governmental organizations, overt political and legislative actions may influence, or even be the deciding factor, in the strategy selection process.
- **Entrepreneurial:** Strategy in the entrepreneurial organization is formulated based on entrepreneurial vision, unique industry/technical knowledge, and the leader's personal characteristics. The strategy process is usually structured and heavily influenced by the leader's vision and preferences.

- **Environmental:** Forces in the organization's environment—whether market, economic, or regulatory forces—in effect dictate strategy to the organization. Therefore, the strategy formulation process is essentially identifying niches in which the organization can operate.
- **Configurational:** In this school of strategy formulation, organizational configurations remain stable for long periods of time due to good fit among environment, organization, and strategy. When strategies change, they tend to do so in sudden bursts or leaps. Strategy formulation is therefore episodic as conditions change and new leaps are required.

Strategy evaluation. It may be useful to evaluate strategies at any one of several points in time. At the time of strategy formation, several strategies can be evaluated to determine which strategy might produce the best results and therefore be selected (Mintzberg, 1994). Another reason to evaluate strategies is to try to determine if the critical factors affecting the firm's current results are understood correctly. Are there strategic threats or opportunities that are not immediately apparent but require a response? Evaluating strategies in a meaningful way offers an opportunity to look beyond the immediate facts and assess the more fundamental factors that govern success in those businesses the organization has chosen to pursue (Rumelt, 1995). Strategic evaluation helps the company determine if the current strategies should be continued, changed, or abandoned. Everyone who is involved in the strategy process also has an interest in the evaluation. The evaluation of strategies is not a precise art, but by asking the right questions, over time, a sense of discernment about relative success of different strategies can be learned. The types of questions that should be asked to evaluate strategies include:

- Has the strategy clearly, sufficiently, and adequately communicated that it is actionable at all the necessary levels of the organization?
- Does the strategy fully exploit the opportunities available in the organization's environment?
- Does the strategy's use of resources and required competencies correspond with those that are, or will be, available in the organization?
- Are the strategy and related policies internally consistent?
- Does the level of risk contemplated by the strategy seem appropriate?
- Does the strategy correspond with the passions and values of the key executives?
- Does the strategy support the company's commitments to its stakeholders?
- Does the strategy have the right combination of challenges and benefits to gain broad adherence among those who will need to implement it?
- Are there early signs of positive response in the targeted markets?

Even after asking all of the right questions, there may still be difficulties evaluating the responses. Current results may be above or below expected levels. Extrapolating the current results into the future can be problematic if those results reflect abnormal market conditions. Whether are results above or below what is expected, it is useful for the analyst to maintain a healthy skepticism. Industry trends share the same need for healthy skepticism. Following what the rest of the industry is doing without having made an independent determination of the merits of that action is no assurance of positive results. Finally, great care must be taken when determining the company's ability to grow or change. These are challenging issues, and the assessment needs to be made not on the values or intuition of the manager in charge, but rather

on a reasoned assessment of the company's capabilities in the areas of growth and change (Andrews, 1971/1980).

Business unit strategy. The preceding sections on strategy have given a broad overview of the definition, formulation, and evaluation of strategy at the corporate level. CRE and CREM, the focus of this paper, based on the definitions given in Chapter 1, represent a functional unit within the larger organization. It is important therefore to explore how the literature describes how the larger organization's strategy impacts supporting organizations and how supporting organizations' strategies can enhance the strategy of the larger organization.

The role of supporting organizations, such as CRE, is clear in the generic value chain diagram shown in Figure 2. The primary activities of the organization shown at the bottom of the diagram, beginning with inbound logistics and proceeding through service activities, are common across all industries and create value by providing products and services to the organization's customers. The supporting activities also create value, sometimes directly by creating value for customers and in other cases indirectly, by providing resources needed for those activities that do create direct value for the customer. In all cases, the value created is measured by gross revenue that, after deducting the costs of providing products and services, creates margin or profits. The role of all of the organization's activities, whether primary or support, is to create value (Porter, 1985). The top bar on the chart shown in Figure 2, firm infrastructure (CRE notation added), in the supporting activity group, would clearly include the real estate assets and services managed by CRE. As the chart makes clear, the mission of the organization's infrastructure is to provide the resources needed to optimize the margin for both the primary and supporting activities of the company. The facilities and other real estate assets

and services provided by CRE and CREM would clearly be a part of the firm's infrastructure and need to be aligned with the overall corporate strategy.



Figure 2. The generic value chain. Adapted from *Competitive Advantage* (p. 37), by M. E. Porter, 1985, New York, NY: Free Press. Copyright 1985 by the author.

Finally, whether the firm's strategy is determined by analysis of value chain (Porter, 1985), driving force (Tregoe & Zimmerman, 1980), or market analysis (Andrews, 1971/1980), the literature is clear that execution of the overall corporate strategy requires that the business unit's and supporting activities' strategies must align with and support the overall corporate strategy. A CREM strategy that included objectives beyond supporting the primary activities would clearly be out of alignment with the overall corporate strategy.

CREM strategy literature. Following the exploration of the strategy literature in the preceding section, the discussion now moves to consideration of specific strategies that are described in the CREM literature. Some of the articles cited in the CREM leadership literature review also had relevant discussion of strategies and are included in this section as well. Given that CRE is a supporting unit, the discussion of CREM strategy is about aligning with corporate strategy and how to deal with obstacles that prevent such alignment. When discussing strategy,

there is always the danger of crossing the line into operational issues. The goal of this section is to examine CRE level strategy and its integration with corporate strategy.

CREM strategy: 1980s. As with leadership theory, the commonly cited starting point for the academic discussion of CRE strategy is a *Harvard Business Review* article on CRE by Zeckhauser and Silverman (1983). In that article, for most corporations, CRE was found to be not only a high dollar value asset on the financial statements but also an under-managed asset. Articles by Gale and Case (1989) and Veale (1989), with findings similar to Zeckhauser and Silverman's served to set the baseline for academic discussion. These three articles are critical to understanding the starting point of the CRE strategy discussion and its subsequent evolution. Their findings with regard to the state of CREM in the 1980s were largely negative and are summarized in the following list.

- CRE represented, on average, roughly 25% of a corporation's asset value. Annual real estate operating expenses are often equal to 40-50% of a firm's net operating income.
- Corporations that owned CRE are in the real estate business, but were reluctant to acknowledge that fact. Even though real estate is not their primary business, they needed to manage their CRE, as they would any other asset, for maximum return.
- Many senior executives were not engaged with CRE issues, even though CRE represents one of their largest assets.
- Only 40% of American companies regularly evaluated their real estate. Many companies did not have an adequate inventory of the real estate they own.
- Most corporations accounted for real estate on a cost basis and do not know the current market value of their CRE. Many companies accounted for their real estate as

general overhead and could not match costs with the property for which the expense was incurred.

- A CREM department or subsidiary is needed for proper management of CRE and should be established if it does not already exist.
- The CREM organization needs to have access to senior executives for planning and adequate information management systems.
- Having senior executives who have a positive attitude toward CREM is the best predictor of a well-functioning CREM organization.
- The effectiveness of many CREM organizations could be improved dramatically by application general management skills, such as: accounting, planning, risk management, and management reporting.
- CRE needs more talent in its management ranks and educational programs to train new managers.

As most of these findings determined areas where improvement in the existing state of CREM was needed, much of the CREM strategy subsequent to the publication of these articles seeks to remedy the deficiencies identified by Gale and Case (1989), Veale (1989), and Zeckhauser and Silverman (1983). One of the CREM strategies mentioned previously, the formation of either a CREM department or a wholly owned CREM subsidiary, attracted a great deal of attention in the 1980s. This was in part due to a rapidly rising real estate market that focused a great deal of attention on strategies to profit from increased real estate prices. Rutherford and Nourse (1988) examined the stock market's reaction to the share price of publicly traded companies that announced the formation of a Corporate Real Estate Unit (CREU). In theory, management would undertake the formation of a CREU only if it would

result in reducing the risk associated with future cash flows or would increase future cash flows. Either result, assuming the stock markets are efficient, should result in a higher stock price and an increase in shareholder wealth. Using an event study methodology and tracking the stock prices of publicly traded companies that announced the formation of a CREU, they determined that the formation of subsidiaries that were oriented toward investment and management of CRE added value to the share price. The formation of a centralized real estate department focused more on controlling cost, however, seemed to reduce share price and shareholder wealth.

Using a different methodology to address the question of CREU formation, Rutherford and Stone (1989) surveyed CRE executives to try and determine corporations' motivations for forming CREUs. Interestingly, 54% of the CRE executives who responded reported having formed a CREU during the 1980s, perhaps a confirmation of the increased focus on CREM. The study concluded that firms that thought of CRE as a profit center and were intending to undertake real estate development projects, were most likely to form an independent subsidiary company. Those firms that thought in terms of CRE cost control were more likely to form a centralized internal CREM department.

Another trend of the 1980s that influenced CREM was new developments in the world of real estate finance. Insurance companies, pension funds, and international investors had become increasingly aware of the investment potential of CRE. The resulting flow of purchase and mortgage funds, along with the development of new financing structures, made it possible to monetize the value of a corporation's CRE in new ways. Using a case study approach, Miles, Pringle, and Webb (1989) made the point that CRE assets need to be compared to market values to determine if the value represented by CRE assets can be used more strategically. The classic case would be the sale and lease-back of CRE assets. The corporation receives the proceeds

from the sale, which can then be invested and, in return, the corporation pays rent on the buildings it formerly owned. Depending on the firm's need for cash versus its ability to make lease payments, this may be a viable strategy. In terms of CREM strategy then, this discussion of the 1980s concludes with CREM as an undermanaged asset in a market where new organizational structures and financing methods are being explored for their potential to help CREM become more efficient.

CREM strategy: 1990s. Beginning in the 1990s, researchers began to recognize that CREM strategies were often perceived as being disconnected from corporate strategies, resulting in both corporate and CRE strategy being sub-optimized began to explore models for connecting the two. Nourse and Roulac (1993) proposed a methodology for linking CRE strategy to corporate strategy drivers based on Tregoe and Zimmerman (1980) findings and their concept of the Driving Force (discussed in the strategy section above). Tregoe and Zimmerman identified nine Strategic Areas/Driving Forces (see Table 2) that have a significant impact on every business. However, in all cases, one of the Driving Forces will be the predominant determiner of the company's future products and markets. Identifying this single Driving Force allows the various organizational units in the company, such as CRE, to align their strategy in support of the overall corporate goals. In the context of making CREM decisions that support the company's Driving Force and overall goals, it is important to ask relevant real estate questions:

- How does real estate contribute to the delivery of the company's products and services?
- Does the distribution of the company's products hinge on real estate locations accessible to consumers, e.g., retail food, or is location secondary, as in an Internet based business?

- Are there legal or operational geographic constraints?
- How much personal interaction do workers in the business need? Can they operate independently or remotely?
- How much space is required per person for the work functions being performed?
- What image does the company's real estate convey to its stakeholders: customers, employees, suppliers, and others? (Nourse & Roulac, 1993)

Analyzing the answers to these real estate questions for various industry and business types, Nourse and Roulac (1993) proposed eight generic real estate strategies that encompass the entire spectrum of CRE strategies a company might pursue. These eight possible CRE strategies are shown in Figure 3.

Mapping the eight CRE strategies onto Tregoe and Zimmerman's (1980) nine Driving Forces as primary, secondary, tertiary or not applicable, results in a matrix that indicates, for each of the Driving Forces, identifies which CRE strategies are primary, secondary, tertiary or not applicable (Figure 4). Two important observations follow from this analysis of strategy mapping:

1. Cost minimization is often cited as the main driver for real estate decisions. In this analysis, it is the primary CRE strategy in only three of the nine Driving Force scenarios. Based on this analysis, the focus on cost minimization as a primary real estate driver may be misguided.
2. There is no generic real estate strategy. Each of the Driving Forces requires a different combination of real estate strategies. This suggests that CRE decision making is more complex than may be generally acknowledged and that more involvement of CREM in corporate strategy creation has the potential to create better usage of CRE assets.

Alternative Real Estate Strategies

1. Occupancy Cost Minimization
 - Explicit lowest-cost provider strategy
 - Signal to critical constituencies of cost-consciousness
2. Flexibility
 - Accommodate changing organizational space requirements
 - Manage variability/risk associated with dramatic escalation/compression space needs
 - Favor facilities that can readily be adapted to multiple uses by corporation and others
3. Promote Human Resources Objectives
 - Provide efficient environment to enhance productivity
 - Recognize that environments are important elements of job satisfaction and therefore compensation
 - Seek locations convenient to employees with preferred amenities (transportation, shopping, reference, entertainment)
4. Promote Marketing Message
 - Symbolic statement of substance or some other value
 - Form of physical institutional advertising
 - Control environment of interaction with company's product/service offering
5. Promote Sales and Selling Process
 - High traffic location to attract customers
 - Attractive environment to support/enhance sale
6. Facilitate and Control Production, Operations, Service Delivery
 - Seek/design facilities that facilitate making company products/delivering company services
 - Favor locations and arrangement that are convenient to customers
 - Select locations and layouts that are convenient to suppliers
7. Facilitate Managerial Process and Knowledge Work
 - Emphasize knowledge work setting over traditional industrial paradigm
 - Recognize changing character, tools used in, and location of work
8. Capture the Real Estate Value Creation of Business
 - Real estate impacts resulting from demand created by customers
 - Real estate impacts resulting from demand created by employees
 - Real estate impacts resulting from demand created by suppliers

Figure 3. Alternative real estate strategies. Reprinted from "Linking Real Estate Decisions to Corporate Strategy," by H. Nourse and S. Roulac, 1993, *Journal of Real Estate Research*, 8, p. 480. Copyright 1993 by the authors. Reprinted with permission.

Linking Real Estate Strategy to Corporate Driving Force									
Real Estate Strategies	Driving Force								
	Product Offered	Market Needs	Technology	Production Capacity	Method of Sale	Method of Distribution	Natural Resources	Size/Growth	Return/Profit
1. Occupancy Cost Minimization	P	T	S	T	P	S	T	T	P
2. Flexibility	T	P	P	NA	NA	NA	NA	S	S
3. Promote Human Resources Objectives	T	T	P	P	T	S	T	S	T
4. Promote Marketing Message	S	S	S	S	S	P	S	P	S
5. Promote Sales and Selling Process	S	P	S	S	P	P	S	P	S
6. Facilitate Production, Operations, Service Delivery	P	S	S	P	S	P	P	S	S
7. Facilitate Managerial Process and Knowledge Work	S	S	P	S	T	T	S	S	S
8. Capture the Real Estate Value Creation of the Business	NA	NA	NA	NA	NA	P	P	S	P

P = Primary; S = Secondary; T = Tertiary; NA = Not Applicable

Figure 4. Linking real estate strategy to corporate driving force. Reprinted from "Linking Real Estate Decisions to Corporate Strategy," by H. Nourse and S. Roulac, 1993, *Journal of Real Estate Research*, 8, p. 485. Copyright 1993 by the authors. Reprinted with permission.

One of the seminal articles in the CREM field, written by Joroff et al. (1993) already cited in the leadership section, connected the strategic choices CREM should make with the stage of development of the CREM department from *taskmaster* to *business strategist* (see Figure 1). At each step in the progression, CREM will face decisions about organization, customer service, financing of CRE properties, and information systems. Joroff et al.'s article describes how CREM's input moves from being reactive to proactive and increasingly contributes to building competitive advantage for the corporation.

Manning and Roulac (1996), building on Joroff et al.'s (1983) work, offered additional insights on the necessity for CREM executives to expand their skill set to include the types of financial and operational analysis that are important to their clients. In this manner, CREM and its clients can communicate using the same language. This process helps build relationships, not only with the business line, but also with senior executives. The central strategies that both sets of authors recommend for CREM is for CREM to grow their skill set, build relationships with their internal clients, and find new, innovative ways to meet their CRE needs.

One of the important ideas about strategy and competition mentioned in the strategy discussion is the value chain by which firms gain competitive advantage (Porter, 1985). In each of the seven activities that make up Porter's (1985) generic value chain, CRE makes a significant contribution. Roulac (1999) identified the contribution that CRE makes for each activity in the value chain. By connecting CREM with Porter's value chain, Roulac also makes the CREM world more accessible to other business disciplines that would also be thinking about Porter's ideas in the context of their discipline.

The literature typically addresses the role of the financial markets in CREM in terms of:

- (a) asking whether ownership or leasing CRE assets affect the stock price of public companies,

or (b) looking at financing methods that companies can use to monetize the value of their CRE portfolio. Brueggeman, Fisher, and Porter (1990) discussed both concepts, noting that the range of solutions includes a variety of structures, from a simple sale or lease, to a more complex sale and lease back, to creating a separate subsidiary to own and develop property owned by the company. Increasingly flexible financing structures also offer the possibility of borrowing funds, secured by the CRE, on terms favorable to the corporation. The use of these strategies is dependent on the needs of the corporation, the quality of the real estate, and the state of the financial markets.

What does the stock market think about the strategic choice of leasing CRE properties versus owning them? By studying the movement of stock prices after announcements of large corporate property leases were announced. Allen, Rutherford, and Springer (1993) found that the stock market's response to such lease announcements was generally favorable. The stock price of the announcing company was .84% higher than would otherwise have been predicted. The market, therefore, views real estate leasing as a sound corporate decision, favorable to shareholders, and rewards the stock with a small increase in share price.

CREM strategy: 2000s. Building on prior publications, Roulac (2001), examined the many ways in which CRE strategy has a significant effect on overall corporate strategy. It is clear from the literature that all businesses have a strategy they are pursuing in order to reach their business goals. This may be a formal strategy developed through a structured strategy planning process, or it may be less formal strategy per one of Mintzberg's (1995) five strategy formulation models discussed earlier in this paper. The existence of an overall corporate strategy also implies that major business units and functional areas, such as CRE, should also have strategies in place. A CRE strategy aligned with corporate goals is a good business practice.

CREM practitioners believe that, as awareness of the CRE's contributions to achieving strategic goals become more widely known, collaboration with other business units and functions will allow further evolution of CRE strategies.

Physical locations, even in the Internet age, have a powerful impact on customers and marketing. The role of Apple stores as purveyors of Apple's image and a place to touch and connect with Apple products are a perfect example. Might other companies be able to emulate Apple's success if they were to devote the same kind of attention to their retail establishments? In the same way that real estate has the ability to influence customers, the work environment can influence the attraction and retention of employees. As Roulac (2001) noted, "An enterprise's corporate property strategy can be integral to achieving human resources' objectives of attracting and retaining outstanding people as well as enhancing productivity" (Roulac, 2001, p. 135). Roulac also emphasized the centrality of CRE to: business processes, the promotion of enterprise values and culture, innovation and learning, and shareholder wealth. The evidence that Roulac marshals in support of his arguments is logical, intuitively appealing, and well supported by the literature. There is, however, little quantitative support for Roulac's conclusions. Most executives would like to see a return on investment calculation that confirms the real estate strategies advocated by Roulac do meet corporate standards for return on investment. In seeming acknowledgement of this dilemma, Roulac (2001) noted:

Limited awareness of, reluctance to pursue, and difficulty in implementing the connection between corporate strategies and corporate property strategies mean that the payoff for those enterprises that seek and successfully implement corporate property strategies that are linked to their corporate business strategies can be extraordinary. Indeed, the

opportunities for competitive advantage from the effective implementation of such strategic thinking are phenomenal. (p. 148)

In the conclusion of this article, Roulac pointed to the paucity of published work on research on CRE strategies. The lack of such research and methods for quantitative analysis of CRE investments are a reoccurring theme in the literature.

Lindholm et al. (2006) took a different tack on establishing CREM strategies that link to corporate strategies. Starting with the assumption that the goal of a corporation is to maximize shareholder wealth, Lindholm et al. derived two goals, profitability growth and revenue growth, that can be linked to CRE operations. The two goals can also be linked to the Balanced Scorecard Methodology. The profitability growth and revenue growth goals are then linked to seven CRE strategies:

1. Increased value of assets.
2. Promoting marketing and sales.
3. Increased innovation.
4. Increased employee satisfaction.
5. Increased productivity.
6. Increased flexibility.
7. Reduced costs.

The strategies are then linked to best practices based operational activities for implementation.

In effect, Lindholm et al.'s (2006) methodology creates CREM strategy on the assumption that the proposed hierarchy of goals and the seven CRE strategies are, in actuality, aligned with the strategy of the corporation. The mechanism also implies that the larger corporation does not communicate its strategy to CREM in a way that CREM can use to

establish goals that are more precisely aligned with the corporation. The fact that CRE is often left out of the strategy discussion is frequently reflected in the CREM literature (Carn et al., 1999; Gibler et al., 2002; Veale, 1989).

Although new models for CREM strategy, such as that proposed by Lindholm et al. (2006) are still being created, it is worth noting that the eight CRE strategy model proposed by Nourse and Roulac (1993) is cited by Ali, McGreal, Adair, Webb, and Roulac (2008) as being the most comprehensive model available.

The literature also suggests another basis for establishing CREM strategy, competitive advantage. In seeking to establish competitive advantage, these strategies are based, at least in part, on the theories of Porter (1996). According to Porter, the basis of a firm's ongoing ability to compete in the marketplace is its *sustainable competitive advantage* which consists of capabilities and competencies based on: cost-leadership, differentiation, or focus that are unique to the firm. Singer, Bossink, and Vande Putte (2007) combined the sustainable competitive advantage concept with three generic CRE strategies proposed by O'Mara (1999): incremental, value-based, or standardization. The resulting model was subsequently tested against the portfolios of 10 firms that agreed to participate in a case study. The findings indicated that standardization was the dominant theme, with seven out of 10 firms using that strategy. Value-based was the second most popular strategy, and only one firm used an incremental strategy.

Heywood and Kenley (2008) created a model that also considers CREM strategies based on support of the corporation's *sustainable competitive advantage*. One hundred sixty-two CREM practices were identified and tested through their model. The testing identified that cost and differentiation were the primary sources of CREM's ability to add to the corporation's competitive advantage. By using the model developed to align CREM practices in support of the

corporation's chosen competitive advantage, CRE has the opportunity to achieve strategic alignment.

The question of the relationship between CREM strategy and stock prices remains one of reoccurring interest in the CREM literature. Seiler, Chatrath, and Webb (2001) looked at the possibility that companies that own significant amounts of CRE would have a lower risk and higher rate of return than companies that owned less CRE. They hypothesized that the lower risk and higher return would be the result of CRE providing diversification of the company's assets. Their test, using the stock prices of 80 U.S. companies over a 10-year period, concluded that no diversification benefit, positive or negative, could be attached to owning CRE.

In a similar study, Liow (2004) looked at the effect of CRE ownership on the stock price of 75 Singapore companies that were considered property intensive based on their financial statements. Over the 5-year period of the study, Liow found that, while the results were not conclusive, it appeared that the ownership of large amounts of CRE resulted in lower returns and higher risks.

Ali, McGreal, Adair, Webb, et al. (2008) undertook a study of publicly traded UK companies to try and determine the relationship between CRE strategies and their financial results. Using the eight CRE strategies proposed by Nourse and Roulac (1993) and publicly available information, the analysis determined that companies were moving away from cost minimization CRE strategies to strategies that support business activities and operations. With regard to the impact of CRE strategy on share price, one strategy was shown to have a positive effect. Using a similar analysis of the effect of CRE strategy on the share price of publicly traded companies in Malaysia, Ali, McGreal, Adair, and Webb (2008) compared results for 1998 and 2003. The results of the study determined that in 1998 no CRE strategy was better than

using any of the eight Nourse and Roulac strategies. In 2003, however, they found that two of the eight strategies had a positive impact on share price.

CREM strategy: 2010-2015. Appel-Meulenbroek, Brown, and Ramakers (2010) analyzed eight alignment strategic alignment models, concluding that expert CREM judgment is still a significant factor in how the models operate. As detailed in the leadership literature review, Heywood (2011) analyzed 10 CREM strategic alignment models and noted that none of the models have been widely accepted. Of the 15 models (three of which overlapped) considered by Heywood (2011) and Appel-Meulenbroek et al., 13 had been proposed since 2000. Clearly the trend in the CREM strategy literature is moving in the direction of discerning how CREM strategies can either be derived from or aligned closely with corporate strategies.

Haynes (2012) proposed a different alignment model that consisted of 10 perspectives. This model, originally proposed by Haynes and Nunnington (2010), incorporates the sustainability and corporate social responsibility aspects of CREM practice, which are becoming increasingly important to senior management and the communities in which corporations operate. Haynes proposed further research to determine if this new alignment model has all of the necessary strategic perspectives and can be operationalized by valid PM measurements

Strategy: Summary. Strategy is normally thought of as a formal plan, arrived at by a thoughtful process. The strategy, or strategic plan, incorporates the intentions of the business as to what markets in which it will compete, what products it will offer, and how it will operationalize these intentions. Andrews (1980), Chandler (1990), and Quinn (1995) would likely agree with this formulation of strategy. Tregoe and Zimmerman (1980) would note that strategy cannot be formulated properly if the process includes creating implementation plans. Mintzberg (1995) would likely observe that strategy evolves in a number of ways and that

neither of the groups cited so far have covered all of the possibilities for strategy generation.

According to Mintzberg, strategies sometimes are evolutionary, rather than planned, and at other times strategies may be *ploys* to mislead competitors.

The formulation of strategy calls for close examination of internal capabilities and a clear assessment of the needs of the marketplace and the capabilities of competitors. Andrews (1980) made the point that sometimes what a senior executive *wants to do* is the deciding factor in the strategy that is adopted.

Strategies need to be evaluated, and there are several points at which evaluation is appropriate. The evaluation process consists mostly of asking clear-eyed questions about what was anticipated to happen and what actually happened.

The question of how functional units should relate to the corporate strategy is important for this discussion, as CREM is a functional unit within a larger corporation. The literature is clear that the role of a business unit or functional area is to support the overall corporate strategy. Therefore, functional units, like CREM, need to align their strategy accordingly.

CREM strategy began in the 1980s. Initially, with the realization that CRE was an undermanaged asset, CREM's strategy was to obtain the necessary information about the portfolio and make sure that the corporation had a clear understanding of the CRE assets they controlled. Directly following the need to understand what CRE was controlled were questions about organizational form and financial structure. These questions were answered, largely due to the realization that the circumstances of the individual corporation and its CRE portfolio will dictate an appropriate strategy for both organization and financial structure.

The more difficult question, and the one that is still the most pressing today, is how does CREM align its strategy with the corporate strategy? A number of models have been advanced

to answer this question, but none have gained general acceptance. Clearly further research is required to arrive at an answer that is both intellectually and operationally viable.

Performance Management

Historically, business enterprises measured their performance via financial and accounting measures such as output, sales, earnings, and profits. Computer systems, utilizing powerful enterprise resource planning software, have made both accounting and operational data readily available, often in overwhelming quantity. At the same time leaders are being inundated with data, they are also faced with an increasingly complex operating environment. Higher levels of domestic and international competition, increased government regulation, and requirements for corporate responsibility and sustainability are all factors that add new levels of complexity and more information from which a leader must discern how to guide his/her organization successfully to its goals.

In the face of this information overload, *performance management systems* are often cited as being a means by which leaders can discern, for both themselves and their organizations, which measurements and indicators are most important in directing the organization to its goals. The publication of Robert Kaplan and David Norton's (1992) groundbreaking *Harvard Business Review* article, "The Balanced Scorecard: Measures That Drive Performance," was a major landmark in the development of PM systems.

In the article, Kaplan and Norton (1992) recommended the development and reporting, at the corporate level, of 15-25 measurements across four perspectives: *financial*, *internal business processes*, *learning & growth*, and *customer*. These perspectives provide a more holistic view of the key measurements that guide the success of the organization. The measurements from the

four perspectives, when reported together, provide a summary of organizational performance that Kaplan and Norton named the *balanced scorecard (BSC)*.

While Kaplan and Norton (1992) did not use the term *key performance indicator (KPI)* in their article, measurements appearing on the BSC are commonly called KPIs. Although there is no generally accepted acknowledgment of the origination of the term KPI, its use is reported to have been stimulated by an Australian Government report published by *AusIndustries* in 1996 on the topic of PM systems and KPIs (Parmenter, 2010). The term KPI is also used commonly to denote a measurement, at any organizational level, that carries high significance in guiding the organization's course of action. In this sense KPIs can be defined as compilations of data used by management to evaluate an organization's performance and the performance of the organization's employees (Cox, Issa, & Ahrens, 2003).

Organizations exist in order to fulfill a need or a mission. Leaders understand that what is measured, how it is measured, and how the results are reported have a major impact on their organizations (Kaplan & Norton, 1992). The old adage *what gets measured gets done* remains true. Measurements are important because they convey the following types of information about the performance of an organization by:

- Focusing attention on the factors that influence the achievement of the organization's goals;
- Showing how effectively the organization uses its resources;
- Assisting in setting goals and monitoring trends;
- Providing the inputs for analyzing the sources of errors or underperformance
- Identifying opportunities for ongoing improvement;
- Identifying if an organization is *winning* or *losing*;

- When winning, giving the organization a sense of accomplishment; and
- Monitoring progress (Harrington, 1991).

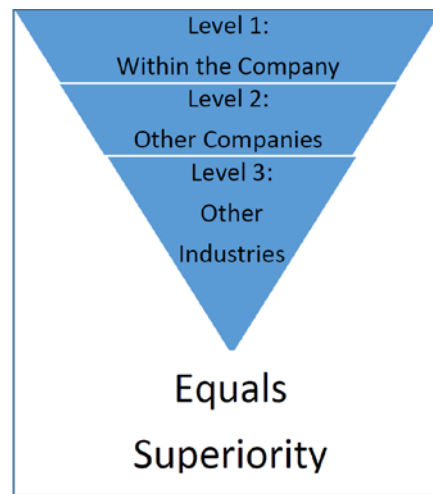
Measurement of progress towards a goal also implies that the organization has a strategy for achieving its goals. A further implication of measurement is that the organization can be directed towards the achievement of those goals by modifications to its activities based on the measurements being recorded (Beatham, Anumba, Thorpe, & Hedges, 2004) . Therefore, the management of performance measurements and progress towards organizational goals are two different, but mutually supported activities.

In other words, performance management is the process that enables an organization to manage its performance in alignment with its business and functional strategies and objectives. The aim of such a process is to ensure that the business and operating policies and strategies are deployed to all business practices, activities, tasks and personnel. The performance measurement process provides feedback that enables management to make appropriate decisions. (Hegazy & Hegazy, 2012, pp. 51-52)

KPIs, therefore, are compiled and presented as an activity of a performance *measurement* system. KPIs may also be interpreted in the context of a PM system, such as the BSC.

Benchmarking. The existence of performance measurements implies that there is a baseline against which measurements are being made. The baseline measurement can have many sources both internal and external. In seeking to be competitive in any marketplace it is useful, however, to know what one's competitors are doing and how they are performing. The process of seeking this information, and then using it to establish targets for measurements, is known as *benchmarking*. Benchmarking is an integral part of PM, as it is frequently used to

establish KPI targets. Benchmarking is usually thought of having three levels as depicted in Figure 5.



*Figure 5. Three levels of benchmarking. Adapted from McCabe, as cited in “KPIs: A Critical Appraisal of Their Use in Construction,” by S. Beatham, C. Anumba, T. Thorpe, and I. Hedges, 2004, *Benchmarking: An International Journal*, 11, p. 98. Copyright 2004 by the authors.*

The Balanced Scorecard. As noted previously, a number of factors converged in the 1970s and 1980s that highlighted the failings of traditional accounting/finance-based performance measurement systems. The historic systems were designed to track assets and return on assets. As such, they were essentially backward looking, tending to be narrow in focus and short term in thinking with a focus on quarterly and annual financial results.

The BSC introduced a multi-dimensional view of PM that incorporated not only traditional financial measures, but also forward looking measures that could provide holistic guidance for managing organizations. By 2002, roughly 50% of the companies in the Fortune 1000 had adopted the BSC methodology and *Harvard Business Review* had named the BSC one of the 75 most influential ideas of the 20th century (Niven, 2002).

Kaplan and Norton’s (1992) central insight was that, while financial results would always be important, given their limitations, other dimensions needed to be added to PM to provide forward looking guidance and to link the organization’s mission, vision, and strategy to current

performance. Based on this insight they proposed the following four perspectives whose measurements would make up the balanced scorecard:

- *Customer Perspective*: What do we look like to our customers?
- *Internal Perspective*: At what processes and capabilities must we excel?
- *Innovation and Learning Perspective*: How do we learn, improve, and create value?
- *Financial Perspective*: What do we look like to our shareholders?

Figure 6. depicts the interaction of the four perspectives with the organization's vision and

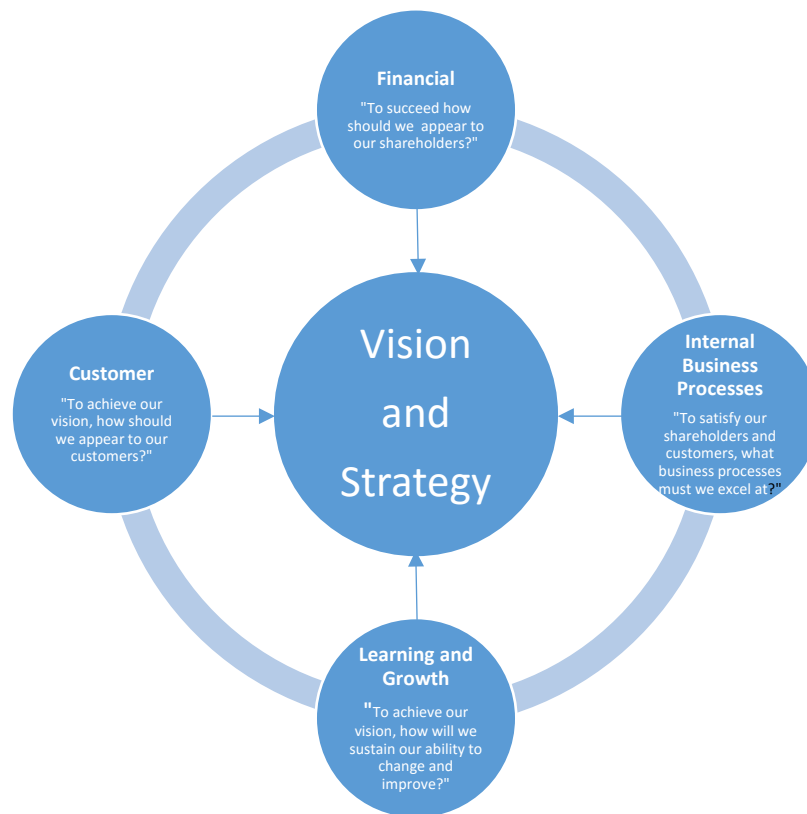


Figure 6. Balanced scorecard. Adapted from “Survey Results – Goals, Measures and Balanced Scorecards – December 2012 Strategy Topic of the Month”, by Sterling, 2012, retrieved from <http://sterlingstrat.com/survey-results-goals-measures-and-balanced-scorecards-december-2012-strategy-topic-of-the-month.html>. Copyright 2012 by Sterling Strategies. Adapted with permission.

mission that, in turn, drive its strategy. In order for the BSC to be effective, the 15- 20 measurements that are reported on the BSC must be linked closely to the organization's strategy

and external operating environment. Forcing executives and managers to choose which indicators should be a part of the BSC—in common terminology KPIs—sharpens the organization’s focus on what is truly important strategically. Furthermore, the process of choosing and reporting on indicators from among the four perspectives helps prevent sub-optimization in any one area. Another benefit from the clarity that comes with focusing on the important measurements and tradeoffs between them is an increased ability to communicate to the organization what is important and how conflicts between important goals are resolved (Kaplan & Norton, 1993).

CREM PM literature. In CREM terms, *PM* information, which is the level at which this review is conducted, is typically aggregated information from the individual properties that make up the CRE owned or operated by a given company. This company-specific collection of real estate assets is commonly termed a *real estate portfolio*. Information aggregated at the real estate portfolio level is most likely to be of a sufficient magnitude to have an impact on the company’s strategy and overall performance.

In order to build the PM information, performance measurement information from the individual properties is collected and summarized at the portfolio level. The information collected can be of many different types, including but not limited to:

- Financial: Rents paid or received, taxes, and operating costs, such as janitorial or repairs as examples.
- Operational: Typically, quantitative data about the operation of systems and equipment.
- Qualitative: Usually survey data on customer satisfaction or use of particular facility features.

As with the leadership and strategy literature, CREM PM literature first attracted academic interest in the 1980s with the publication of studies by Veale (1989) and Zeckhauser and Silverman (1983). In those studies, the lack of CREM performance measurement and PM information was noted prominently. Veale found that 25% of companies did not have an inventory of their properties and 66% did not have a system for specifically tracking their CRE information. Furthermore, those companies that did maintain an information system typically did not use the system to manage their CRE portfolio on a continuous basis, but rather used the data for intermittent decision making related to individual properties.

In reaction to these findings, academic researchers began to identify the critical property and process information that would be most useful for making informed decisions about CRE assets at both the individual and portfolio level. Joroff et al. (1993) found that not only would the implementation of information systems provide better data, but also they would drive organizational change in CREM if implemented properly. Broader availability of information would allow more user participation and facilitate CREM's ability to build relationships, provide higher quality service, and serve as the basis for continuous improvement. In a similar fashion, Duckworth (1993) recommended that representatives of the employees who occupy the facilities work with CREM to define property performance indicators. These indicators would reflect not only financial and quantitative data but also employee concerns as well. Typical of such issues are amenities in the building, e.g., cafeteria or fitness center and average commuting distance. Once developed, tracking and analyzing these performance measures using statistical quality control techniques will, over time, guide decisions about individual properties. Aggregating this information and reporting it on a regular basis to senior executives results in an effective CREM PM tool.

Along with awareness of the need to have the information necessary to manage the CREM portfolio, the business process reengineering effort that occurred in many industries in the 1980s and 1990s raised awareness of the importance of understanding how the performance of a particular portfolio compared with competitors and/or other industries that have similar types of CRE. Benchmarking, the process of exchanging operating information with other companies for mutual edification, was, and still is, the vehicle typically used to learn about how other CRE portfolios compare. Benchmarking has four principal benefits:

1. Identification and measurement of superior performance.
2. Prioritization of opportunities for improvement.
3. Identification of solutions for improving performance.
4. Empowerment of CREM by demonstrating contributions to overall corporate goals.

The increased use of benchmarking helped raise CREM awareness of best practices for PM and the implementation of PM systems (Noha, 1993).

With the publication of “The Balanced Scorecard” by Kaplan and Norton (1992) and the tool’s subsequent rapid adoption by many corporations, the CREM literature on PM began to draw more explicit connections between the performance of CREM and the corporate strategy. Varcoe (2002) acknowledged the usefulness of the BSC and the value of adding perspectives beyond CREM’s historically based financial measurements. Varcoe, however, advocated for a more CRE-specific PM solution on which a collaborative group of CRE organizations, service providers, and university researchers had been working. This solution was envisioned as a means to link a corporation’s CRE portfolio to its strategy and financial performance. The process would link the corporation’s key business drivers to real estate objectives, which, in turn, would be measured by as critical success factors. The critical success factors would have

associated performance criteria (primary measures). This performance framework, and its related measures, would then be married to a continuous improvement process to drive CREM performance to higher levels of performance. In sum, the system championed by Varcoe has similar multi-perspective characteristics to the BSC. Its primary advantage would be its real-estate-centric evolution and the prospect of broad adoption, which would add value by providing a broader base of comparison across multiple portfolios.

Amaratunga and Baldry (2003) also considered how the BSC might fit into a framework of facility performance measurement. They further stated that a full range of understanding the concepts underlying performance measurement is necessary to enable paradigm shifts, which would presumably follow from a reappraisal of measurements linking CRE and strategy.

Conceptualizing how CREM can add value to the corporation, the performance measurement tools that might be useful in demonstrating the value added by CREM and a case study of a partial implementation of this system are the subject of a series of articles by Lindholm (2008), Lindholm and Leväinen (2006), and Lindholm and Nenonen (2006). The Lindholm and Leväinen research shows that, by helping increase growth and profitability, CREM can tie its goals to a BSC performance measurement (Burns, as cited in Lindholm & Leväinen, 2006). Based on literature research and interviews with 26 CRE executives, seven CREM strategies were identified that support either profitability or revenue growth. Performance measures were then developed that support each of the seven strategies. By implementing and tracking the performance measures, CREM's linkage to key corporate goals could be demonstrated.

The various tools, techniques, and methods used by CREM organizations to track performance measurements and PM data are described by Lindholm and Nenonen (2006). The

BSC, they note, can be linked to CREM by either including CREM goals on the corporate BSC or by CREM having its own BSC that supports the corporate BSC. A variety of tactical tools can then be used to link performance measurements to the BSC. The paramount goal is to be able to provide quality information that enhances common understanding of which CREM activities add value in reaching corporate goals. A case study using a single corporation (Lindholm, 2008), with the case study organization's assistance, was able to identify and implement some performance measures that were tied to the seven strategies conceptualized by Lindholm and Leväinen. Although the performance measures did not operate as well as anticipated, the process of conceiving and implementing them was helpful to the case organization. The net effect of the series of articles by Lindholm and colleagues leaves questions for further exploration. First, is it valid to attempt to link CREM strategy to a corporation's strategy through generic linkage method such as that proposed by Burns (as cited in Lindholm & Leväinen, 2006)? Secondly, if the link to corporate strategy is not valid, can the subsequent measures developed have validity?

The literature reflects the difficulty of identifying performance measures suitable for inclusion in a PM system that effectively links CREM to corporate strategy. It is possible that different types of measures would provide useful linkages. Appel-Meulenbroek and Feijts (2007) suggested the use of *spatial network analysis*, which measures how users interact with the facility space they occupy, as means to measure employee satisfaction with the space they occupy empirically. By providing a measurement that links employee satisfaction, often a corporate goal, directly to CREM space strategies, a direct connection between CRE activity and corporate goal can be established. Thinking differently about the measurements will likely be necessary in order to develop a well-rounded and accurate picture of CREM PM.

In an approach to implementing CREM PM systems anticipated by Lindholm and Nenonen (2006), Rasila, Alho, and Nenonen (2010) used a case study method to develop BSC goals for the CREM strategy of a 5,000 employee Finnish research institution. While the BSC system was not fully implemented in this case, the work that went into developing and implementing the BSC stimulated a great deal of innovative thinking about PM within the research institution.

An increasingly important concept for CREM is *sustainability*. In a corporate setting, sustainability describes business practices that incorporate social and environmental considerations. Sustainability performance is typically measured using the triple bottom-line model that considers the interaction of economic, social and environmental factors. These three factors are often known as the three Ps: people, planet, and profit. CRE facility portfolios have a significant environmental impact, reportedly representing 40% each of global energy use and solid waste generation, 38% of greenhouse gas emissions, and 12% of global potable water use (Taylor, 2013). Senior management of corporations around the world are increasingly focused on the sustainability component of the triple bottom line and, given the large and measurable impact of facilities on a corporation's sustainability, CREM needs to include the costs and benefits of their sustainability activities in PM reporting.

Langford and Haynes (2015) used a *10 P* CREM alignment model (which incorporates the three Ps of sustainability) developed by Haynes (2012) to investigate how CREM performance measurement could be enhanced. In terms of new CREM performance measurements, 82% of the CREM executives interviewed thought additional survey data from employees to help determine their satisfaction with the facility environment would be beneficial. Sixty-four percent felt that linkages to HR to measure facility impact on employee engagement

and turnover would be useful measures to add to the CREM PM portfolio. Thirty-six percent of those interviewed mentioned enhanced means of measuring the impact of facilities on employee productivity and 18% expressed interest in enhanced measurements of sustainability.

When asked about the effectiveness of existing CREM methods of performance measurement, the CREM executives interviewed seemed most comfortable with the traditional CREM metrics based on financial and operational data. The survey results suggested that CREM executives might benefit from additional exposure to the use of non-traditional CREM measurements, such as the impact of facilities on employee engagement and productivity, to expand the linkage of CREM PM to the corporate bottom line.

PM: Summary. Historically PM was based on accounting and financial measurements developed to track assets and the financial return on assets. These financial measurements were suitable for reporting results to shareholders and lenders. Starting in the 1970s, commerce began to globalize and government regulation became more pervasive. Globalization gave customers more choices and competition intensified. In a more competitive and complex environment, performance measurements based only on a financial perspective were insufficient and a more robust perspective on PM was needed. The BSC (Kaplan & Norton, 1992), which added the customer, internal process, and learning perspectives to the traditional financial perspective, proved to be a tool well suited to the PM needs of a wide corporations, was rapidly adopted, and remains a widely used basis for PM systems to this day. The BSC's linkage of measurements to a corporation's strategic goals provides a clear and traceable means of implementing strategy and measuring progress towards the goals set by the strategy. Although it has been much modified and copied, the idea behind the BSC—the linkage of operational measurements to strategy—is central to all PM systems.

PM systems in the CREM world, like the balance of the corporate world, evolved from financial and accounting methods. Starting in the 1980s, corporations became aware that these traditional accounting measures were no longer adequate to track the value and complexity associated with their CRE portfolios. In many cases traditional accounting methods assigned CRE expenses to general overhead accounts and did not allow those costs to be assigned to the property that incurred them. In other cases, insufficient information about the real estate was collected because traditional accounting methods had not required the data. As an example, 25% of large corporations did not have an inventory of the properties that they owned (Veale, 1989). The CREM PM literature of the 1990s, therefore, concentrated largely on the type of data to be collected, the systems that should be used to track the data, and the benchmarking that was needed to determine what CREM industry best practices looked like.

Beginning around the year 2000, under the influence of the introduction of the BSC, the CREM literature on PM focused on finding ways to link CREM's activities and contributions to corporate strategies. The literature reflects the idea that traditional cost-based financial CREM metrics tell an incomplete story about CREM's contribution to the corporation. The literature further reflects a quest to link the impact of CREM and its facility portfolio to measurements of corporate productivity, profitability, and sustainability. The difficulty is that the measurement of productivity, profitability and sustainability require the input of many different parts of the corporation, e.g., operations, finance, HR, and IT. The allocation of the contribution of each of these areas is difficult to determine. As an example, in a highly productive facility, how does one allocate the productivity among facility design and management, local business management, HR policies, and IT services? The literature reflects the continued pursuit of methods to parse out the contributions of each so that appropriate credit can be assigned. A recognition of the

degree of cooperation that will be required to obtain these kinds of answers is beginning to appear in the CREM literature. However, CREM will still need to do a great deal more reaching out across internal organizational lines to arrive at the answers.

Summary

This literature review has broadly covered three main topics: leadership, strategy, and PM. For each of these topics the literature review contains a section in which the academic literature was reviewed for major concepts and then compared it to the CREM academic literature to determine if there were concepts in the general literature that either had not been applied in the CREM literature or could be applied in a different manner than had been done previously.

Leadership. In the leadership section, the major theories of leadership were reviewed along with the concepts of power and leadership, leadership versus management, and leadership and organizational culture. The review of CREM academic literature found very little discussion of organizational leadership as a separate discipline in a CREM context. The CREM literature did contain discussions of leadership behaviors as outlined by Kotter (1990), i.e., setting direction, aligning people, motivating and inspiring and producing change. Early CREM literature by Gale and Case (1989); Veale (1989); Zeckhauser and Silverman (1983) found a gap in CREM leadership: namely, that CRE assets were undermanaged. The subsequent real estate literature by Joroff et al. (1993); Nourse and Roulac (1993) focused on the steps necessary to close the gaps in the practice of CREM leadership such as better alignment and communication with corporate executive leadership, along with establishing a general understanding of the organizational forms, information, and resources that are required for CREM to effectively carry out its mission. The correct alignment of CREM, where CREM could make its greatest

contribution to the achievement of the corporation's goals, in the eyes of these researchers, was for CREM to become a strategic partner with other senior executives in creating corporate strategies that would enable higher levels of corporate performance by making greatest use of the CRE assets. The goal of CREM as a strategic partner has largely been adopted by the CREM literature as a desirable one, and the leadership literature since the late 1990s has thoroughly discussed whether CREM is progressing towards this goal.

Strategy. The strategy section of the literature review presented several different definitions of strategy and how corporate strategy is formulated and evaluated. Also reviewed were concepts of how the strategy of a business unit or functional organization within a larger corporate organization should relate to the overall corporate strategy (Andrews, 1971/1980; Chandler, 1962/1990; Mintzberg et al., 1995; Porter, 1980, 1985; Tregoe & Zimmerman, 1980). The CREM literature reflected most of the same concepts as were included in the review of the academic strategy literature. Most importantly, since CREM invariably functions as a unit of a larger corporation, the CREM literature agreed with the general literature on the point that CREM's strategic goals needed to support the overall corporate strategic goals. The debate reflected in the CREM academic literature on strategy is, therefore, how should CREM best align itself to support corporate goals? Several themes that illustrate the difficulty of aligning CREM with overall corporate strategy emerge from the literature:

- **Status and communication:** CREM does not receive the necessary strategic information in a manner that allows timely support of corporate strategy. This lack of information is thought to reflect CREM's status as less than a strategic partner (Joroff et al., 1993; Nourse & Roulac, 1993)

- Lack of understanding: Senior executives do not understand the functioning of the real estate industry and CREM executives do not understand the needs of executive management. CREM executives need to be able to express real estate strategy in terms that executives will understand (Manning & Roulac, 1996). This seems to be a clear case of a disconnect between the executive subculture and the CREM subculture as described by Schein (2010).
- Different business cycles: Corporate operational cycles are typically thought of in terms of months. CRE decisions often take years to implement and a building may be used for decades.
- CRE is viewed as a cost rather than an asset: Facilities that are used as part of a production process, unlike real estate held for investment, are seen as a cost and not an asset. Cost is typically used to evaluate CRE because no satisfactory means of estimating CRE's contribution to productivity or profitability has yet been devised.

Notwithstanding these factors that create difficulties in aligning CREM and corporate strategy, it is also clear that CRE assets are integral to corporate strategy and can provide enormous competitive advantage (Roulac, 2001) by, among other means, providing access to customers, through enhanced productivity of employees, and by conveying a message of corporate values through their design and architecture. The CREM strategy literature reflects the attempts of the academic community to both suggest means for overcoming these obstacles to alignment with corporate strategy (Appel-Meulenbroek, 2014; Heywood, 2011) as well as assess where CREM is on its way to becoming a full strategic partner.

PM. The idea of PM implies that certain performance measurements are being made. The apocryphal saying *what gets measured gets done* remains true. The existence of a system of

performance measurements implies that the measurements are being made against some baseline or benchmark. Therefore, the idea of benchmarking, or comparing one's results to those of a competitor or organization with similar operations, is a component of PM.

PM, therefore, is the tracking of an organization's progress against a set of organizational goals. Since the introduction of the BSC methodology (Kaplan & Norton, 1992), PM is almost always thought of as a series of measurements across multiple categories such as the BSC's four perspectives: financial, customers, internal process, and learning and innovation.

In a more granular fashion, the CREM PM literature describes the same search for measurements that the CREM strategy literature discusses. It is widely recognized that CRE assets contribute to overall corporate performance in ways that are not captured using traditional, cost-based CREM metrics. These traditional metrics, typically measured in cost per square foot based on either historical acquisition costs or current operating costs, do not reflect the full contribution of a facility to the operations conducted therein (Amaratunga & Baldry, 2003; Varcoe, 2002). The CREM literature contains a number of articles in which alternative forms of measurement are suggested; however, there is little agreement on the viability of the proposed measurements. As a result, CREM continues to rely on cost based measurements that, in most cases, are not broadly comparable across companies or industries due to the lack of standardization for property accounting records.

Recommendations for Additional Research

In the course of reviewing the CREM literature for this study, the researcher has noticed that the academic literature, and the research presented therein, are almost exclusively based on two sources of information: (a) surveys or interviews of CREM executives, and (b) publicly available information such as the annual reports and financial information of publicly traded

companies. Although it is understandable that CREM executives will invest time in this type of research and publicly available information is easily accessed, it may be that reliance on this type of information is inhibiting finding solutions for some of the problems noted in the literature review. Ultimately, finding solutions to the strategic alignment and performance measurement issues that are reflected in the CREM literature will require input from other functional departments, such as finance, human resources (HR), and information technology (IT) along with the end users of the CRE assets. Other professional and business disciplines such as architects, engineers, and office furniture and equipment manufacturers are would also seem likely to be interested in measurements that would accurately reflect a facility's contribution to productivity and profitability. Therefore, there seems to be an opportunity to further the research in this area of CREM by expanding the resources and perspectives represented to include these additional functional, business, and professional disciplines.

Conclusion

The findings of the literature review reflect that CREM is still a relatively new discipline. Significant questions about CREM leadership, strategy, and PM do not have standardized, widely recognized methods, benchmarks, and solutions. Chapter 3 will describe the research that this study undertook to move toward a broader understanding of and possible solutions to these issues.

Chapter 3: Methodology

The purpose of this study was to further the development of the CREM discipline by identifying contemporary organizational and leadership challenges that CRE leaders face. The study also examined the leadership practices and strategies these leaders use to respond to challenges. The study further examined the methods CRE leaders use to measure the overall success of their strategies and leadership practices, concluding with recommendations they would make to other CREM leaders to help them advance their own practices in these areas.

CRE, the real estate owned and used by non-real estate companies, as described in Chapters 1 and 2, is vital for conducting businesses of just about every kind. CRE includes offices, factories, shopping malls, repair shops; nearly any company that conducts business has some CRE. Although CRE is an inanimate asset, it does provide employees with a place to go to work and earn a living. Because of its ubiquitous nature, just about every business has some CRE. By some estimates, the value of CRE in the United States is \$19.5 trillion (Yglesias, 2013).

Vital though it is to commerce, CRE and CREM are not without their own unique challenges. The literature reflects that CRE was considered an undermanaged asset in the later decades of the 20th century (Gale & Case, 1989; Veale, 1988; Zeckhauser & Silverman, 1983). As globalization of commerce introduced higher levels of international competition beginning in the 1970s, corporations realized they needed to make more efficient use of their CRE if they wanted to remain competitive in the global marketplace. The desire to use CRE more efficiently led to the recognition of CREM as a separate management discipline beginning in the 1980s and 1990s (Ali, Adair, et al., 2008; Carn et al., 1999; Joroff et al., 1993).

Given that CRE is a relatively new management discipline, it is still in the process of establishing common foundational concepts, principles, models, and methods to guide the practice of CREM. As CRE leaders experiment with different management concepts and models, the practice of the CREM community is enriched if these leaders will share both their successes and failures. Building on their own insights and the experiences shared in the community, CREM leaders have the opportunity to develop common models of best practices to guide their own CREM practice (Bon et al., 2002).

Nature of the Study

This study, which is descriptive in nature, employed a qualitative approach to investigating the research questions previously proposed in Chapter 1 and repeated subsequently. The research questions are designed to elicit from CREM senior leaders themes that will provide an accurate picture of the lived experience of CREM leadership.

Research Questions

- RQ1: What are the strategic and leadership challenges faced by corporate real estate leaders?
- RQ2: What strategies and leadership practices do corporate real estate leaders employ in responding to the challenges they face?
- RQ3: How do corporate real estate leaders measure overall success of their strategies and leadership practices?
- RQ4: What recommendations would corporate real estate leaders make to help others achieve success for their organizations?

The use of qualitative research. The fact that CREM is a relatively new management discipline, still forming the body of knowledge that will eventually provide common guidance to

those who practice CREM, makes this subject matter well suited to qualitative inquiry.

Qualitative research is most useful when exploring a problem or issue that has factors that are not well defined. The lack of definition may be the result of variables that are not easily measured, or perhaps certain voices are not being heard. Alternatively, the situation may call for a complex and detailed understanding of an issue that can only be established by talking with subject matter experts who can then describe their stories of the reality of their own experience, without being encumbered by what the researcher expects to find. Qualitative inquiry, therefore, empowers the individuals who are sharing their experiences by giving them a voice. Qualitative methods allow for exploration of the context in which the participants are dealing with a problem or issue.

Developing new theories where existing theories are inadequate to capture either the entire population or the complexity of the problems is another strength of qualitative research.

Personal interactions are an excellent example of a type of data that is difficult to capture quantitatively. Qualitative inquiry can capture, in ways that quantitative research cannot, data about gender differences, race, socio-economic status, and power in interactions. Qualitative approaches, therefore, are often more useful than quantitative approaches where: (a) the problem or issue being investigated lacks definition, (b) the problem or issue being investigated has a high degree of complexity, (c) existing theories provide inadequate or incomplete explanations; and (d) the data is of a nature that does not lend itself to quantitative analysis (Creswell, 2013).

While there is a great deal of CREM data that lends itself to quantitative analysis, e.g., building operational and financial data, the CREM literature clearly reflects a number of issues for which a qualitative approach is a better fit. Perhaps most notable among the CREM issues best suited to a qualitative approach is the oft-cited need for a deeper understanding of how CRE leaders can best interact with the executive suite (Carn et al., 1999; Gibler et al., 2002; Joroff et

al., 1993). Building a closer relationship with the executive suite is clearly a complex undertaking centered around human relationships. Existing theories on how to form productive relationships with the executive suite clearly do not provide the full answer, as these issues continue to be raised in the CREM community. Therefore, the existing theories do not provide an adequate answer for this complex issue. These features are all hallmarks of a case where qualitative research is likely to provide the best answer to building better theories on executive interaction. Similarly, the research questions that are the focus of this study are complex issues for which partial theories exist. The use of qualitative methods is indicated to help develop more mature theories, with greater explanatory power, to facilitate the continued development of the CREM discipline.

Characteristics of qualitative research. Qualitative research is a constantly evolving field that uses a wide variety of methods. Certain elements of qualitative research are commonly used by many practitioners and provide an sense of how qualitative research is conducted (Creswell, 2013). For example:

- Interviews: Preferably in person, the researcher obtains data directly from talking with people and seeing them interact with their environment.
- Multiple forms of data: The researcher may gather multiple forms of data, including interviews, observations, and documents. The data are organized into categories that make sense to the researcher in light of the issue or question being studied.
- Complex reasoning: The researcher takes the data and builds patterns, categories, and themes. The researcher may also collaborate with the participants in order to shape the themes emerging from the process.

- Participant meanings: The researcher's goal is to understand the meaning that the participants, not the researcher or the literature, attach to the problem or issue.
- Design flexibility: Qualitative researchers retain the ability to adjust their research process as they learn about their subject. Questions, forms of data collection, individuals interviewed, etc., may change in the course of the study based on the overriding principle that learning about the problem or issue is the key goal.
- Researcher disclosures: In order that the readers of a study understand any bias that the researcher may bring to the study, the researcher discloses his/her background and experiences that may have an impact on his/her interpretation of the data gathered and findings reached.
- Holistic interpretation: By identifying multiple factors and perspectives, the researcher attempts to develop a complex view of the problem or issue being studied. The goal is to be able to describe the complex interaction of factors rather than a simple cause and effect relationship.
- Centrality of the researcher: Qualitative researchers collect their own data. If an instrument is used it is one designed by the researcher. Therefore, the research and the quality of its result are heavily dependent on the researcher's efforts.

Methodology

Qualitative approaches. Within the realm of qualitative studies, there exists a wide variety of approaches. Creswell (2013) selected five of the principal approaches to illustrate those most recognized and commonly used by qualitative researchers.

1. *Narrative research*: Consists of stories of individuals that give an account of events or actions with a chronological connection. The focus of the research is on one or

two individuals for whom data are collected and the meaning of the experiences are ordered chronologically.

2. *Phenomenological research*: Describes the common meaning of the lived experiences of a group of several people. A phenomenological study seeks to define the common elements of a group's experience of a particular phenomenon.
3. *Grounded theory research*: A grounded theory study seeks to establish new theories that explain a process or action. The new theories are *grounded* in the experience of those who have participated in the process or action being analyzed.
4. *Ethnographic research*: An ethnographic study is focused on the study of a culture-sharing group. The researcher typically immerses himself/herself in the culture of the group with the goal of being able to describe accurately the group's behaviors, beliefs, and language.
5. *Case study research*: A case study involves the analysis of a real life event or series of events that are within a system that is bounded by either time or place: a *case*. Case studies are a well known methods of instruction in law, medicine, and business. A case study involves multiple sources of information and produces a case description and themes.

Phenomenology. This study used a phenomenological approach, seeking to describe the actual lived experiences of a group of people: in the case of this study, senior CRE leaders. The goal of the study was to learn, through interviews, about the individual experiences of these leaders in their practice of the phenomenon of CREM leadership. Through analysis of the interviews and development of themes, the researcher developed statements that reflect the common experience of the group as they lived this phenomenon. The goal of all

phenomenological studies is to discern the common, core experience of the group and describe, in the context of common themes and experiences, the essence of the experience. The goal of this phenomenological study, therefore, was to describe the experiences of CREM leaders and, in the context of the research questions, the common essence of the group's experience of the phenomenon of CREM leadership.

Four philosophical perspectives form the basis for phenomenological research (Creswell, 2013). The first perspective is that phenomenology is a search for *wisdom*, a philosophical type of answer that incorporates multiple perspectives, rather than a quantitative answer. Secondly, phenomenology calls for the researcher to suspend judgment, based on the his/her past experience or learning, about what is *real*. What is *real* will be determined by the research and is not based on the researcher's own experience or presuppositions. Thirdly, phenomenology presupposes that one must be conscious of an object in order for it to be real. The reality of the object of study, therefore, is based on the "dual Cartesian nature of both subjects and objects as they appear in consciousness" (Creswell, 2013, p. 77). Fourthly, and finally, objects are real only when perceived, experienced, and given meaning by an individual (Creswell, 2013).

The study followed a descriptive method of phenomenology that incorporated interviews and content analysis. In the descriptive method data collection, interviews are the first step in the process. After the interviews were completed and transcribed, the researcher read all of the interviews before beginning any analysis. It was important at this point for the researcher to have a global sense of the data from all of the interviews. Once the researcher had gained a global sense of the data, the researcher divided the data into smaller units for analysis. In the case of a phenomenological study, which is interested in meanings, these smaller increments of data are known as *meaning units*. Meaning units are established based on criteria consistent with the

research questions. Once the meaning units were established, they were analyzed for content in light of the research questions and relevant CREM and organizational leadership principles. The individual meaning units were then transformed into essential statements about the interviewees' experience of the phenomenon of CREM leadership. In the final step, the researcher determined which of the transformed meaning units were essential for describing the structure of the phenomenon of CREM leadership. These final essential statements and structure(s) described the actual lived experience of the group in terms of both their own experience and the disciplines of CRE and organizational leadership (Giorgi, 1997).

Research Design

The design for this study was based on an analysis unit of a single participant. Semi-structured interviews with 14 participants provided data for the study. The procedures for participant selection, the protection of human subjects, and data collection methods are described subsequently.

Participant selection. This study sought to understand the experiences of senior CREM leaders in the course of their practice of management. Accordingly, a purposive sample, one in which the participants would have the experience and understanding of CREM issues to be able to provide relevant data for the study, was indicated (Horsburgh, 2003). In terms of the number of CREM leaders to interview, Creswell (2013) observed from the literature that a group of three to 15 individuals is commonly recommended for a phenomenological study. In view of the breadth of the CREM topics covered by the study, the researcher opted for a larger group of 15 participants to capture the breadth and potential diversity in responses. Many senior CREM leaders belong to CoreNet Global (2016), a professional organization whose mission is “to advance the practice of CRE through professional development opportunities, publications,

research, conferences, and chapters and networking groups” (Mission statement). The researcher, by virtue of being a member of CoreNet, had access (as do all members) to the organization’s online membership directory. The researcher also had the cooperation of CoreNet staff in identifying a suitable sampling frame that would provide maximum variation among CREM executives to be approached with a request to participate in the study. The researcher and the CoreNet staff developed the following parameters to identify senior CREM leaders, whose backgrounds and qualifications were considered suitable for this study:

- Criteria for participant inclusion
 - At least 5 years of experience as a senior CREM executive.
 - A member of CoreNet.
 - Known to the researcher or CoreNet staff as an expert in the field of CREM: CoreNet has over 7,500 members, so it was necessary to reduce the list of potential participants to a more manageable number. This was accomplished by initially considering only members who worked for CoreNet Corporate Partners. CoreNet Global Partners are corporations which provide a higher level of support to CoreNet’s programs and research and are supportive of research in the field of CREM.
- Criteria for maximum variation
 - Multiple industries: Participants were selected from a variety of industries to capture differences in CREM practices that might be industry specific.
 - Geographic diversity: Participants were selected from different geographical regions, both within the U.S. and internationally, to discern if there were differences in CREM practices related to geography.

- Criteria for participant exclusion:
 - Participant did not meet tests for CoreNet membership, experience, or expert knowledge.
 - Too many participants from the same industry.
 - Desired sample size of 15 had been reached.

The researcher and CoreNet staff then further reviewed the resulting participant list and settled on a list of potential subjects. Both agreed that CoreNet would initially approach the subjects with whom CoreNet worked most closely to determine if, conceptually, they would be willing to participate in the study. CoreNet made the initial approach to 11 leaders. Of the 11 leaders approached by CoreNet, six agreed to be interviewed. Subsequent to the approach by the CoreNet staff, the researcher contacted the participants as described in the data collection section of this paper and scheduled appointments. The researcher then began contacting additional leaders from the list by e-mail followed up with a phone call with the goal of scheduling 15 interviews. Based on the combined recruitment efforts of the researcher and CoreNet, 21 participants agreed to be interviewed. Schedule conflicts subsequently caused seven participants to cancel their interview appointments. As a result of the interview cancellations, 14 of the 21 participants were interviewed during the data collection period.

Protection of human subjects. In compliance with federal regulations (45 CFR 46.112, Protection of Human Subjects, 2009), Pepperdine University requires that all research involving human subjects conducted under the auspices of the university have the approval of the appropriate Institutional Review Board (IRB). Pepperdine's Graduate School of Education and Psychology (GSEP) is part of the university's Graduate and Professional Schools Institutional Review Board (GPS-IRB). As this study involved the recruitment of adult volunteers for

interviews, approval of the IRB was required. Federal regulations governing the protection of human subjects do provide for certain studies that are judged as low risk because they are not studying vulnerable populations, to be exempt from the federal guidelines. As the nature of this study involved voluntary interviews with adult businesspeople, it appeared that the study would meet the requirements for exemption under 45 CFR 46.101(b)(2), which states:

(b) Unless otherwise required by department or agency heads, research activities in which the only involvement of human subjects will be in one or more of the following categories are exempt from this policy:

(2) Research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures or observation of public behavior, unless: (i) information obtained is recorded in such a manner that human subjects can be identified, directly or through identifiers linked to the subjects; and (ii) any disclosure of the human subjects' responses outside the research could reasonably place the subjects at risk of criminal or civil liability or be damaging to the subjects' financial standing, employability, or reputation. (Protection of Human Subjects, 2009)

An application for exemption was filed with the GPS-IRB and the IRB granted the exemption (Fraizer, 2009).

In addition to the GPS-IRB approval, additional protections were afforded to the interview participants. All participants received an informed consent form in which they were asked for their permission to conduct and record the interview as well as use the recording as data for this research. The participants were advised that they were free to refuse consent for any of these activities, which would have had the effect of excluding them from the process, as they would not be able to provide usable data. Participants were also informed that the study would

not use their name or the name of their company. Pseudonyms and company/industry types have been used in place of actual personal or company names. All participants agreed to the process and protections as described by the researcher and the interviews proceeded according to plan (Fraizer, 2009; Miramontes, 2008).

Data Collection Methods

After receiving GPS-IRB approval, the researcher began contacting the prospective participants that had been identified on the list compiled by CoreNet and the researcher. Each of the participants was formally invited to participate in the study. At the time of the invitation, the study was described more fully to the participants and the details of the various human protection elements described previously were also disclosed. If the prospective participant agreed to become a part of the study, an interview appointment was scheduled for a mutually convenient date and time in March, April, or May of 2016. Although the original intent had been to try and do as many of the interviews as possible in person, the geographic dispersion of the participants and the time constraints of their schedules dictated that the interviews be done by telephone. Accordingly, the researcher worked with the executive or his/her assistant to find an appropriate time for the interview and phone number on which the executive could be reached. An electronic invitation was sent by either the researcher or the executive, or his/her assistant. The participants were also e-mailed the interview questions, the IRB approved informed consent document and a copy of the researcher's CV.

On the date of the telephone interview, the researcher called the participant promptly at the agreed upon time. After initial introductions, the researcher reviewed the informed consent document with the participant and obtained a signed copy if one had not already been signed. The interview then proceeded as described in the next section of this study.

Interview techniques. As noted previously, the initial step in the interview process was to review the informed consent document with the participant. After review of the informed consent document, the researcher reviewed the purpose of the study. The researcher discussed the semi-structured nature of the interview, which allowed the researcher to ask follow up questions that would provide additional insight into the participants' answers to the interview questions. The researcher also reviewed plans for the use of the study and the expected interview time of 1 hour. Finally, the researcher also noted that, with the participant's permission, the protocol allowed the researcher to contact the participants if further clarification on their responses was required. The researcher also re-confirmed the participant's willingness to have the interview recorded for purposes of creating a transcript of the conversation.

After these preliminary activities, the researcher began the interviews with one or two icebreaker questions about the participant's career experience. Following the icebreaker questions, the researcher activated the telephone recording application, and began asking the questions from the final interview protocol for the study. During the interview the researcher used active listening techniques, mirroring back the areas of participant responses that, in the researcher's opinion, needed further clarification. The researcher was mindful to use good interview techniques of being respectful, courteous, and a good listener (Creswell, 2013). Finally, the researcher kept close watch on the time and, unless the participant agreed to extend the interview, closed off questioning at or before the appointed end of the interview. At the close of the interview the researcher thanked the participant for his/her time and asked permission to call if there were follow up questions about the interview during the analysis phase. After transcription of the recordings of the completed interviews, the original recordings were

destroyed by deleting the recordings from the telephone recording application and from the researcher's computer.

Interview instrument. The protocol and the interview questions had been reviewed by the preliminary review committee and were subsequently reviewed and approved by the dissertation committee. As the interview instrument had been designed specifically for this study and was envisioned as a single use instrument, traditional methods of establishing the reliability of a data collection instrument were not applicable. The 13 questions used in the interview instrument (see Table 5) were designed by the researcher with careful attention to make the questions mutually exclusive and collectively exhaustive.

Table 5.

Relationship of Research Questions to the Interview Questions

Research Questions	Interview Questions
RQ1: What are the strategic and leadership challenges faced by corporate real estate leaders?	<ol style="list-style-type: none"> 1. How has your work in corporate real estate evolved or changed in the past 5 years? 2. Has this change or evolution had a strategic impact on your work? How? 3. Has this change or evolution had an impact on your leadership role in your work?
RQ2: What strategies and leadership practices do corporate real estate leaders employ in responding to the challenges they face?	<ol style="list-style-type: none"> 4. What new approaches or adjustments are you making in your corporate real estate strategy? 5. What new skills, practices and strategies have you found successful in your role as a corporate real estate leader? 6. What other adjustments or new approaches have you adopted to deal with these changes in your environment?
RQ3: How do corporate real estate leaders measure overall success of their strategies and leadership practices?	<ol style="list-style-type: none"> 7. How do you measure the success of the corporate real estate organization? 8. What methodologies do you employ to measure the success of CRE strategies? 9. What data do you find most helpful to collect to measure success of your strategies? 10. How do you measure the success of your leadership practices?

(continued)

Research Questions	Interview Questions
RQ4: What recommendations would corporate real estate leaders make to help others achieve success for their organizations?	11. What leadership practices and strategies would you recommend to help other CRE leaders be successful? 12. What recommendations for strategy creation and implementation would you make to other CRE leaders? 13. What performance management practices and strategies would you recommend to other CRE leaders?

Instrument validity and reliability. To ensure that the interview instrument adequately addressed the constructs in the research questions, a five-step team validation process was undertaken (Guest, MacQueen, & Namey, 2012). In this approach, the researcher, peer reviewers, and expert reviewers provided input and commented on the design of the instrument to help ensure that the instrument accurately reflected and would capture data that was responsive to the research questions.

Step 1, *prima facie* validity. The researcher created interview questions that were matched to the research questions. The interview questions were based on the researcher's review of the literature and were designed to elicit the participants' experience with the particular area of the subject being explored in the related research question.

Step 2, *peer review* validity. A table showing the relationship between the research questions and the interview questions was constructed as shown in Table 5. A preliminary review of the table containing the research questions and related interview questions was performed by a three-member panel made up of researchers who are currently doctoral students in the Organizational Leadership program at Pepperdine University. All of the preliminary panel members are, themselves, working on doctoral dissertations at Pepperdine University and are employing a methodology similar to that used in this study. In the course of their doctoral studies, each of the panel members has completed a number of doctoral-level courses in quantitative and qualitative research methods and data analysis. The panel members were given

a package that included a summary statement of this study, a copy of Table 5, showing the research questions and related interview questions, and the following instructions:

Please review the summary statement attached to familiarize yourself with the purpose and goals of the study. Next refer to the table below and read each research question carefully. Next, review the corresponding interview questions. If you determine that the interview question is directly relevant to the corresponding research question, mark “The question is directly relevant to research question 1- keep as stated.” If you find the interview question irrelevant to the corresponding research question, mark “The question is irrelevant to research question 1 – delete the question.” Finally, if you determine the to be relevant the question needs to be modified, mark “The question should be modified as suggested.” and, in the blank space provided, recommend your modification. There is also space provided for you to recommend additional interview questions for each research question.

Table 6 shows both the research questions and the panel’s recommendations.

Table 6.

Preliminary Panel Review of Interview Questions

Research Questions	Interview Questions
RQ1: What are the strategic and leadership challenges faced by corporate real estate leaders?	1. How has your work in corporate real estate evolved or changed in the past 5 years? Panel: Keep as stated with minor grammatical changes. Dissertation committee broadened the original question to allow for more expression of the participants actual lived experience.
	2. Has this change or evolution had a strategic impact on your work? How? Panel: Keep as stated. Dissertation committee broadened the original question to allow for more expression of the participants actual lived experience
	3. Has this change or evolution had an impact on your leadership role in your work? Panel: Not reviewed, this question added by the dissertation committee.

(continued)

Research Questions	Interview Questions
RQ2: What strategies and leadership practices do corporate real estate leaders employ in responding to the challenges they face?	4. What new approaches or adjustments are you making in your corporate real estate strategy? Panel: Keep as stated
	5. What new skills, practices and strategies have you found successful in your role as a corporate real estate leader? Panel: Not reviewed in this form. Dissertation committee broadened the original question to allow for more expression of the participants actual lived experience
	6. What other adjustments or new approaches have you adopted to deal with these changes in your environment? Panel: Keep as stated.
	7. How do you measure the success of the corporate real estate organization? Panel: Keep as stated.
	8. What methodologies do you employ to measure the success of CRE strategies? Panel: Keep as stated with suggestions for different terminology e.g. systems in place of methodologies.
	9. What data do you find most helpful to collect to measure success of your strategies? Panel: Keep as stated.
RQ3: How do corporate real estate leaders measure overall success of their strategies and leadership practices?	10. How do you measure the success of your leadership practices? Panel: Keep as stated.
	11. What leadership practices and strategies would you recommend to help other CRE leaders be successful? Panel: Keep as stated
	12. What recommendations for strategy creation and implementation would you make to other CRE leaders? Panel: Keep as stated
	13. What performance management practices and strategies would you recommend to other CRE leaders? Panel: Keep as stated.
RQ4: What recommendations would corporate real estate leaders make to help others achieve success for their organizations?	

Step 4, expert review. The dissertation committee then reviewed the interview questions, as revised in light of the recommendations made by the preliminary review panel. As noted in Table 6, the committee made further revisions to the interview questions. The dissertation

committee's revisions broadened the questions to be less directive and, as is appropriate in a phenomenological study, allow the participants to expand on their experience more freely. In cases where there was disagreement about the wording or use of a question, the committee chair made the final decision on which questions and versions would be used. The researcher and the committee chair discussed the proposed changes to the interview questions and concluded that, while the revised questions might result in different responses than the original questions, the responses would address the research questions and might, by virtue of being broader questions, produce more useful data than the original questions.

Step 5, additional expert review: The changes to the interview questions recommended by the dissertation committee were subsequently reviewed by the same CoreNet staff member who had participated in the pilot interview described in Step 3, described previously. When asked for his opinion regarding the revised questions, the staff member felt that the questions remained clear, understandable, and relevant. He indicated that the revised questions might produce different answers than the original questions but, in his opinion, the responses would produce valid data that addressed the research questions.

Finally, the dissertation committee and the researcher further discussed the interview questions at the researcher's oral defense of his dissertation proposal. The discussion encompassed the committee's recommended changes, the researcher's further reflection on the changes, and the input from the additional expert review. The researcher and the committee agreed that the revised questions were appropriate to use and, while some of the questions might be slightly duplicative, the different forms in which the questions were posed would provide an opportunity to collect the best data by stimulating the fullest expression of the participants' experience of their practice of CREM.

Statement of Personal Bias

Qualitative research assumes that it is not possible for the researcher to achieve total detachment from the subject. The very act of the researcher deciding to undertake the study and interacting with the subject matter introduces his/her own perceptions into the process. The researcher's own awareness, then, renders illusory any idea that total neutrality and detachment from the study on the part of the researcher is possible. In order that readers may take into account any such bias, it is a hallmark of good qualitative research that the researcher include a description of experiences that may bias his/her perception of the phenomenon being studied (Horsburgh, 2003). In the case of this study, the researcher has spent 30 years working in the fields of commercial real estate and CREM. In the course of these 30 years, the researcher has had a wide variety of experiences that have affected his perception of the collected data and subsequent analysis undertaken in the course of this study. In order to bring a fresh perspective to this research, the researcher has identified, reflected on, and bracketed particularly meaningful experiences and emotions related to his experience the field of CREM. These experiences in roles as a senior manager and senior project manager include various interactions with executive management, peers, and subordinates. In addition to the experience of these work relationships, the researcher's experience of various program implementations and transactions, and moments that felt successful and others that did not form a part of the researcher's frame of reference. Reflecting on these past experiences allowed the researcher to re-experience the memory of and feelings and associated with these relationships and events. By this process of reflection, the researcher has identified the experience of these moments and can now, to the extent possible, bracket these past experiences so they do not impact the analysis of the data collected for this study. The reflection and bracketing process is important so that any impact the researcher's own

experiences might have on the current research are either minimized or made explicit in the analysis and findings.

Data Analysis

The five step process for data analysis described by Giorgi (1997) was initially used for the coding and analysis of the data in this study. The initial analysis and coding process followed these steps:

1. Collection of raw data: As described in the previous sections on data collection and interview protocols, 14 electronically recorded semi-structured interviews were the source of the raw data for this study. The recordings of the interviews were then transcribed into document form for further analysis.
2. Reading the data: In order to get a global sense of the data from the interviews, the transcript of each interview was read a minimum of two times. These multiple readings allowed the researcher to get an initial sense of common themes in the data.
3. Division of the data: Giorgi's (1997) process calls for dividing the data into smaller units of analysis that are known as meaning units. Meaning units were established by setting a slower pace of reading the transcripts during which the researcher looked for transitions in meaning. As each transition occurred, the researcher marked the location in the transcript and began a new meaning unit. Establishing the meaning units was a function of the researcher's understanding of both the disciplines (in this case CREM and organizational leadership) and intuition with regard to the meaning attributed to the statements made by the interview participant. New and unexpected meanings often evolve from this process of establishing meaning units. It was therefore important that the researcher remain open to and be aware of such new

insights, as the discovery of these insights is one of the strengths of a phenomenological study.

4. Organization and transformation of the raw data: In this step the meaning units were sifted and probed for validity and value. The meaning units were also transformed by means of the researcher re-describing them in the language of the discipline. In this way the meaning units become more accessible to those familiar with the particular discipline being utilized.
5. Synthesis and communication of the data (Evans, 2009): Once the meaning units were transformed by the application of the appropriate disciplinary language and perspective, the researcher conducted further review. In this step, the researcher sought to discern which of the transformed meaning units were the most essential representations or themes of the actual lived experience of the interview participants. Using appropriate disciplinary language to make them accessible to the scholarly community, these themes were then assembled into a structure that represented the actual lived experience of the interview participants.

Inter-rater Reliability

In order to ensure that the data analysis process described previously produced reliable results, a three-step co-reviewer process was employed to provide external and peer review of the researcher's initial coding (Guest et al., 2012). The discipline of having external and peer review of the researcher's coding brought new insight and validity to the final research product. The operation of the external and co-reviewer process is described subsequently.

Step 1, initial coding. The data were initially reviewed and coded individually by the researcher. The researcher then created a table in which the themes resulting from the content

analysis and coding were used as column headings and the rows contained key words and phrases that were used to derive the theme in the column heading.

Step 2, peer review. Once the table was constructed, a panel of two co-reviewers individually reviewed the researcher's coding. The co-reviewers then discussed the themes and key phrases with the researcher and made recommendations for changes or modifications as necessary.

Step 3, expert review. After meeting with the co-reviewers, the researcher and one of the members of the dissertation committee met to review both the initial coding and the co-reviewers' recommendations for modifications. After discussion with the committee members, the coding process was finalized. The major themes and structure resulting from the analysis, along with sample participant quotes, are reported in Chapter 4.

Summary

The goal of Chapter 3 was to give the reader background on the need for the study, the rationale behind the selection of a qualitative methodology, and the rationale behind use of the phenomenological method in particular. The sections of the chapter describing the processes used for participant selection, human protection, and the interview protocol have given the reader information with which to form an opinion as to the quality of the process and the data gathered. With the statement of personal bias and the section on data analysis, the reader is equipped understand the context and methods used to arrive at the findings presented in Chapter 4.

Chapter 4: Research Findings

This study was designed to identify the challenges faced by Corporate Real Estate Management (CREM) leaders in their work along with the skills, knowledge, and techniques they use in responding to these challenges. More specifically, the study sought to identify the skills, knowledge, and techniques CREM leaders use in the areas of: leadership, strategic planning, and PM. The study also asked for recommendations these leaders would make to other CREM leaders facing similar challenges. The study was designed as a qualitative phenomenological study sought to gather data about the experience of senior CREM leaders based on the following research questions:

- RQ1: What are the strategic and leadership challenges faced by corporate real estate leaders?
- RQ2: What strategies and leadership practices do corporate real estate leaders employ in responding to the challenges they face?
- RQ3: How do corporate real estate leaders measure overall success of their strategies and leadership practices?
- RQ4: What recommendations would corporate real estate leaders make to help others achieve success for their organizations?

The research questions formed the basis for 13 interview questions. The data were collected by means of semi-structured phone interviews with each of the 14 participants. Additional data regarding the participants' title, number of years employed in CREM, highest level of education, and reporting relationship of CRE in the corporate structure were also collected, either in the course of the interview or by reference to the participants' online profile on either CoreNet or LinkedIn.

Recruitment of Participants

As the intent of the study was to learn about the experiences of senior CREM leaders, a purposive sampling technique was utilized. A pool of potential interview participants with the appropriate qualifications and that was large enough in size to yield sufficient interview participants was identified by applying the criteria for inclusion in this study:

- At least 5 years of experience as a senior CREM executive.
- A member of CoreNet.
- Known to the principal researcher or CoreNet staff as an expert in the field of CREM.

CoreNet has over 7,500 members, so it was necessary to reduce the list of potential participants to a more manageable number. This was accomplished by initially considering only CoreNet members, known to the CoreNet staff as: (a) having the qualifying experience as a CREM executive, (b) working for corporations that are supportive of CoreNet's programs and research, and (c) being thought leaders in the CREM field. In addition to the leaders identified by the CoreNet staff, by using the CoreNet directory, the researcher compiled a list of potential interview participants. These potential participants were either known to the researcher, or their CoreNet profile indicated they met the inclusion criteria for the study. The researcher's list was reviewed by CoreNet staff and, with the exception of six candidates who had already been contacted by CoreNet staff, the contacts were found to be suitable for the purposes of this study.

Summary of recruited participants. The optimal sample size for a phenomenological study such as this project is in the range of three to 15 participants (Creswell, 2013). The principal researcher elected the high end of the range to collect the most data possible, resulting in a planned sample size of 15. Recognizing that not all of those approached for interviews would have the ability or desire to participate a larger pool of potential participants was

identified. The identified pool of potential participants contained 72 members, of which 41 were approached, on a rolling basis, with a request to participate in interview. Twenty-one of those approached agreed to be interviewed but subsequent scheduling problems caused seven individuals to drop out of the participant pool. Ultimately 14 interviews were scheduled and completed. The 14 completed interviews equate to 19% of the total pool and 35% of those approached for an interview.

Job title. The job title of a participant conveys information about the participant's level of seniority and authority in the corporate structure that forms the context for his/her work. Veale (1989) found that the Chief Real Estate Officer (CREO) in most CREM organizations carried titles such as Vice President, Director, or Manager, or in some cases where a separate real estate subsidiary had been created, the person holding the title of the CREO might be president. The titles of the participants in this study are generally aligned with Veale's findings. Figure 7 shows the count and the percentage of the total for each title. For ease of display only the main portion of the title was used. An assistant vice president is shown as a vice president and a senior director is shown as a director. Vice Presidents (8 of 15 or 53%) and directors (5 of 15 or 33%) are the predominant titles of the participants, making up 86% of the sample.

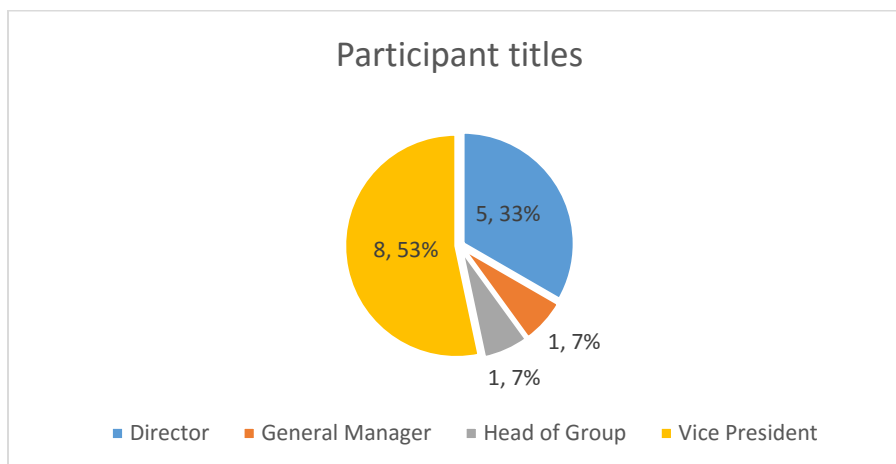


Figure 7. Participant job titles.

Years of CREM experience. The number of years of CREM experience for each of the participants was collected either by review of their online profile (CoreNet and/or LinkedIn), or by asking the participant for their years of CREM experience in the course of the interview. While the number of years of CREM experience is not necessarily indicative of a senior role, it does provide a context for evaluating the breadth of a participant's experience and his/her responses to the interview questions. As indicated in Figure 8, the average number of years of CREM experience for the 15 interview participants was 24 years, with the least experienced member having 12 years of CREM experience and the most experienced having 38 years of CREM experience.

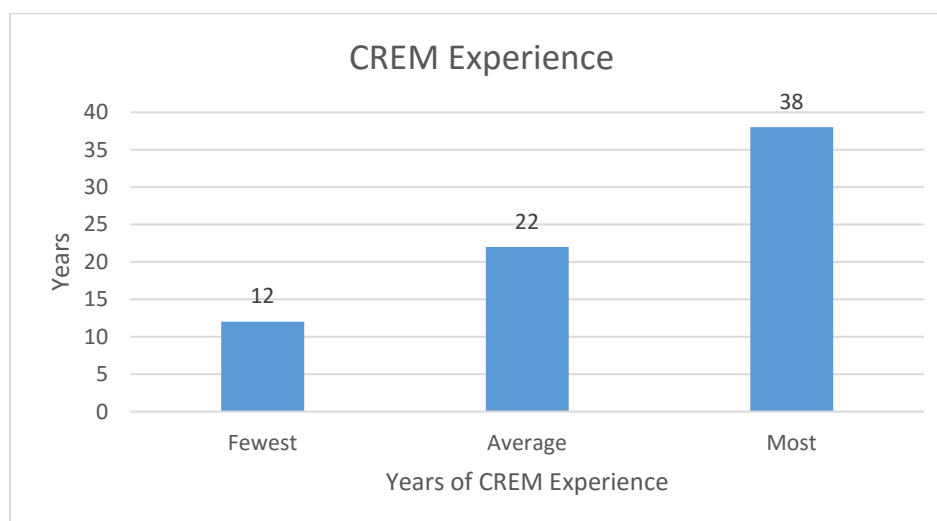


Figure 8. Participant years of CREM experience.

Highest level of education. As with job title and years of experience, the highest education level of the participants provides another reference point for evaluating the participant's skills and knowledge. All of the participants had earned college degrees. As shown in Figure 9, more than 50% of the participants had earned master's degrees, 34% had earned bachelor's degrees, and 13% had doctorates.

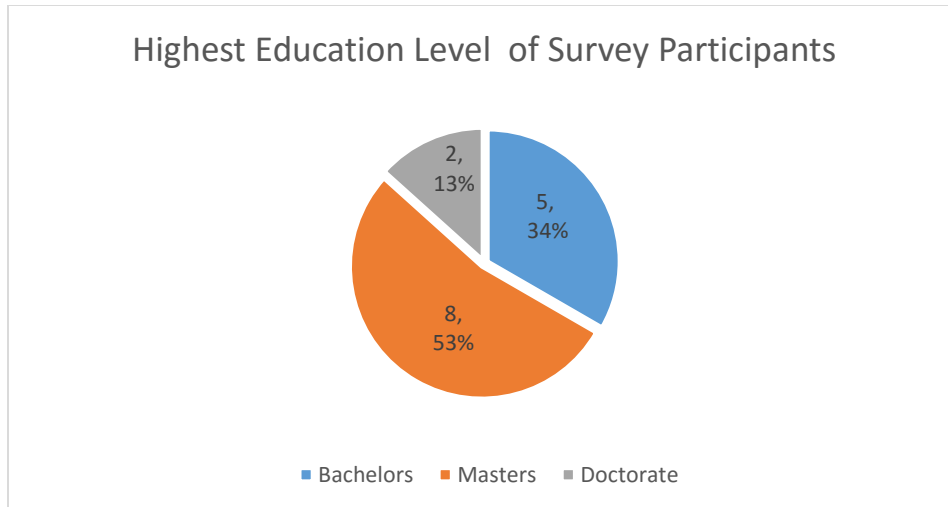


Figure 9. Highest education level of survey participants.

Employer market sector. The real estate requirements of an organization, and the resulting challenges with which a CREM executive must contend, vary based on the type of real estate assets used by the company. An insurance company, a manufacturer, and a retailer all need different types of real estate due to their different business operations. The insurance company typically uses office space, the manufacturer needs a plant, and the retailer needs a store. Therefore, having a sense of the market sectors in which the participants practice CREM may also yield different insights into the data provided by the participants. As shown in Figure 10, the largest group of participants (5 of 15 or 33%) worked for employers in the financial sector. Health Care (4 of 15 or 27%) and Information Technology (3 of 14 or 21%) were the next largest sectors. The energy and industrial sectors were the smallest sectors represented with each having one company; each of the two sector represented 7% of the total.

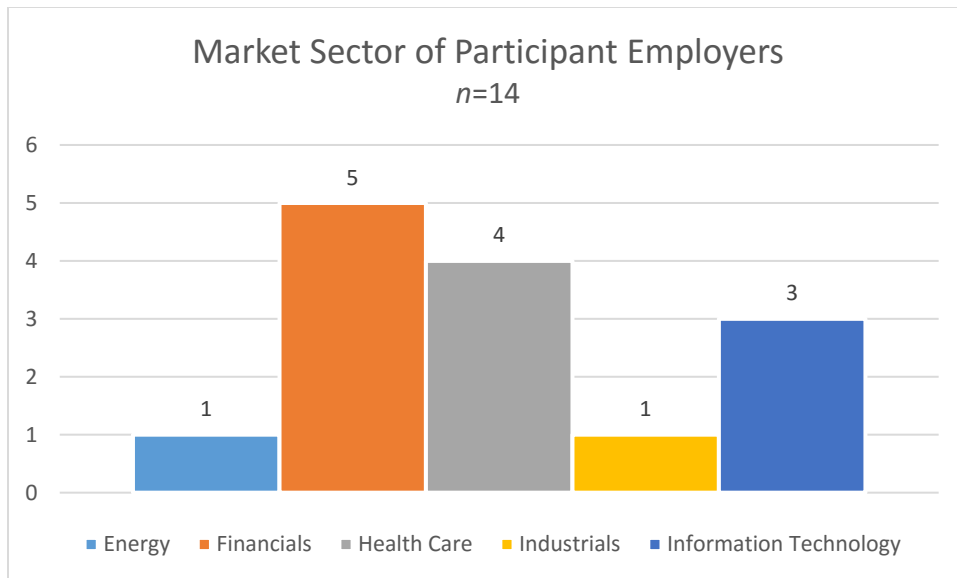


Figure 10. Participant employers' market sector.

Reporting relationship. CREs' reporting relationship within the corporate structure is significant because the perspective of the senior corporate officer to whom CRE reports has a significant impact on CRE strategy and operations. For example, the Chief Financial Officer (CFO) will be most interested in meeting financial targets, whereas Human Resources is often most concerned with measures of employee satisfaction and engagement. The data showed that CRE most often reports through the finance organization (6 of 14, or 43%). In three cases (22%) CRE reports to the Chief Administrative Officer (CAO). Reporting to Human Resources or Manufacturing/Operations was represented by 14% each (2 of 14) and in one case (7% of the sample), CRE reported to the Chief Executive Officer (CEO).

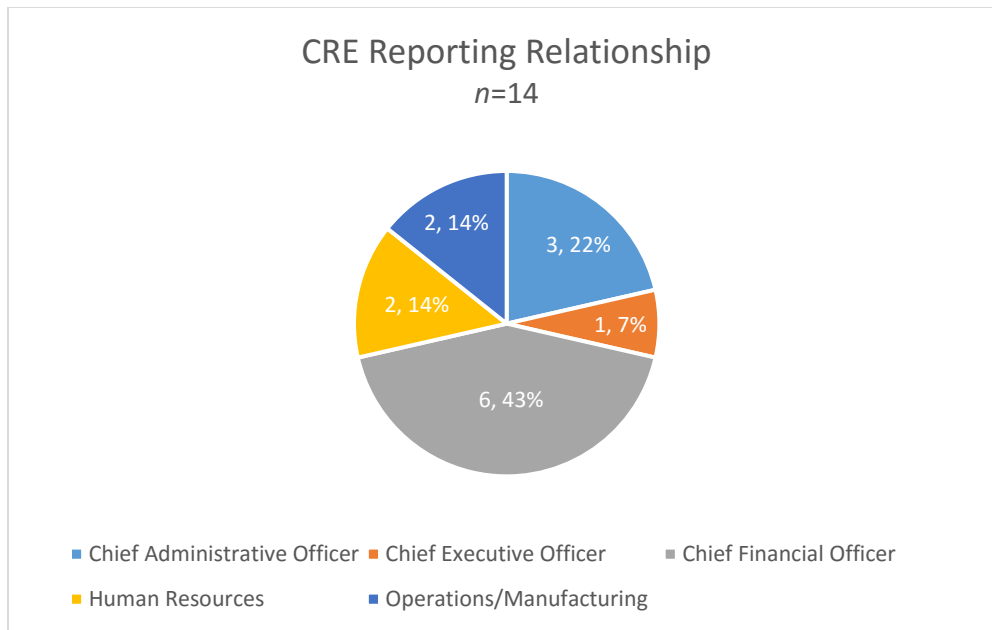


Figure 11. CRE corporate reporting relationship.

Data Collection Process

Data for this research were collected from 14 participants beginning in March of 2016 and continuing through the first week of May of 2016. Due to the demanding schedules and geographic dispersion of the qualified participants, data were collected by means of telephone interviews. The interviews were semi-structured and conducted solely by the principal researcher. The interviews ranged in duration from 25-40 minutes.

Relationship between research and interview questions. The interview questions were designed to elicit the participants' thoughts on the challenges faced by CREM leaders. The interview questions further addressed the leadership, strategy, and PM skills CREM senior leaders use to face these challenges, and the recommendations they would make to other CRE leaders. The relationship between the survey questions and the interview questions is depicted Table 7.

Table 7.

Relationship between the Research and Interview Questions

Research Questions	Interview Questions
RQ1: What are the strategic and leadership challenges faced by corporate real estate leaders?	<ol style="list-style-type: none"> 1. How has your work in corporate real estate evolved or changed in the past 5 years? 2. Has this change or evolution had a strategic impact on your work? How? 3. Has this change or evolution had an impact on your leadership role in your work?
RQ2: What strategies and leadership practices do corporate real estate leaders employ in responding to the challenges they face?	<ol style="list-style-type: none"> 4. What new approaches or adjustments are you making in your corporate real estate strategy? 5. What new skills, practices and strategies have you found successful in your role as a corporate real estate leader? 6. What other adjustments or new approaches have you adopted to deal with these changes in your environment?
RQ3: How do corporate real estate leaders measure overall success of their strategies and leadership practices?	<ol style="list-style-type: none"> 7. How do you measure the success of the corporate real estate organization? 8. What methodologies do you employ to measure the success of CRE strategies? 9. What data do you find most helpful to collect to measure success of your strategies? 10. How do you measure the success of your leadership practices?
RQ4: What recommendations would corporate real estate leaders make to help others achieve success for their organizations?	<ol style="list-style-type: none"> 11. What leadership practices and strategies would you recommend to help other CRE leaders be successful? 12. What recommendations for strategy creation and implementation would you make to other CRE leaders? 13. What performance management practices and strategies would you recommend to other CRE leaders?

Participants were informed of the principal researcher's desire to record the interview in an e-mail sent to them prior to the interview appointment. The principal researcher asked that any concerns about recording be addressed prior to the interview. Only one participant expressed concerns about recording the interview and that participant subsequently dropped out of the interview process. On the day of the interview, once the phone interview had begun, the

principal researcher reminded the participants that they would be recorded and asked once again for their permission to record. All of the participants who completed an interview agreed to be recorded. At the conclusion of each interview the participants were thanked for their participation and asked for their consent to a follow up phone call if any clarifications regarding the interview data were required. Participants were also promised that a summary of the data would be sent to them once the study was completed.

Data Analysis

The analysis of the data collected in the interviews followed the five-step process outlined by Giorgi (1997):

(1) collection of verbal data, (2) reading of the data, (3) breaking of the data into some kind of parts, (4) organization and expression of the data from a disciplinary perspective, and (5) synthesis or summary of the data for purposes of communication to the scholarly community. (p. 235)

In applying the five-step process, the principal researcher undertook the following actions during each of the steps in the process.

Step 1. The verbal data were collected by means of recorded semi-structured telephone interviews. At the conclusion of each interview, the principal researcher sent a copy of the recorded interview to an external transcription service that transcribed the data into a Microsoft Word document.

Step 2. The researcher read the resulting transcripts at least twice to become familiar with the data that had been collected. Multiple readings provided the researcher with a clearer sense of the participant's experiences as recorded in the interview data.

Step 3. After becoming familiar with the data through multiple readings, the principal researcher began to break the data into parts or units that had specific meaning for CREM practice. This process of deconstructing the data into smaller units was accomplished by annotating printed transcripts with the researcher's observations about where one unit of meaning began and ended. The annotated transcript was then set aside and revisited a day later to see if the researcher's original perceptions still maintained a sense of validity. In several cases revisiting the original division of the data resulted in minor changes to the original division of the data.

Step 4. The principal researcher organized these smaller units into themes that captured the essence of the participants' experience of CREM at the senior leader level. The organization of the data into themes was accomplished by the use of a Microsoft Excel spreadsheet. For each interview question, the researcher initially recorded several themes that emerged from the data in the review conducted in Steps 2 and 3. A column was then added for each interview participant and key words or phrases from the interview data that supported a particular theme were added to the spreadsheet by placing the words or phrases in the participant's column in the row in which that theme was displayed. In this fashion, the data from the interview that supported the theme could be attributed to the participant interview, if the researcher deemed it necessary to revisit the development of the theme. The initial development of these themes and the supporting data were then set aside for a subsequent reading to validate the researcher's original development of themes and supporting data. The second review of the themes and data resulted in several changes to the themes, primarily consolidation of several similar themes into a single theme category. An example of this kind of consolidation would be the consolidation of several

themes around budgets and performance metrics into a single category that captured all of the data related to these elements.

Validity and inter-rater reliability. In order to verify the researcher's development of themes and establish inter-rater reliability, the matrix of themes and supporting data was reviewed by two external evaluators, both doctoral candidates at Pepperdine with coursework in the evaluation of qualitative research. Where the researcher and the two evaluators agreed on the themes and supporting data, the matrix was left unchanged. Where the evaluators suggested changes, the researcher and the evaluators discussed the change and, if they reached agreement on whether or not the change should be made, the agreement between the researcher and the evaluator(s) was followed. If the researcher and the evaluators disagreed about a proposed change and could not come to an agreement, it was agreed that the issue causing the disagreement would be presented to a member of the dissertation committee for a final decision.

In the case of the researcher's matrix for this report, the evaluators questioned the assignment of two comments to the themes in IQ1. After discussion in which the researcher clarified the logic of the assignment, the original assignments were maintained; however, the wording of one of the comments was revised to be more reflective of the context of the full original comment. Similarly, for IQ2, the evaluators questioned the assignment of two comments to themes. Once again, after discussion and clarification, the researcher's assignment of the comments to the theme was maintained. Finally, the assignment of one comment under IQ9 was questioned. Once again, the questions about the original assignment were resolved by discussion and clarification, so the researcher's assignment was maintained. The evaluators also questioned the wording of two of the themes under IQ13. Theme 13a originally read as: provide regular review and communication of progress against goals. The evaluators suggested that this

title was long and awkward. The researcher agreed with the evaluator's comment, and the title for this theme was revised to read: regular reviews of progress against goals. The evaluators also questioned the wording of Theme 13d, which originally read: provide clear direction on priorities. The evaluators questioned whether this was significantly different than the original wording of Theme 13a; provide regular review and communication of progress against goals. The researcher agreed that the distinction was not clear but felt that the assignment of priorities was of significant enough import to warrant its own theme. Therefore, the comments attributed to 13d were merged with the comments in the original Theme 13b: provide clear processes to accomplish priorities. The combined theme, by virtue of having the most supporting comments, became the new Theme 13a; set clear goals and priorities. The evaluators were satisfied with the resolution of their questions about the matrix. As no issues required elevation to the dissertation committee, the researcher proceeded with the matrix.

Step 5. The final step in Giorgi's process, the synthesis of the data into a form suitable for communication to the scholarly community, is contained in Chapter 5 of this report. Chapter 5 contains a synthesis of the data reported in Chapter 4 along with the researcher's findings and conclusions.

Data Display

Based on the data analysis process described in the immediately preceding section, themes that represent the common experience of senior CREM leaders were developed. This section of the report describes those themes and, by the use of graphical display of the relative frequency of their occurrence and relevant quotes from the participant interviews, seeks to provide additional context for the reader's understanding of the experience of CREM management as experienced by the participants.

Research question 1. RQ 1 asked: What are the strategic and leadership challenges faced by corporate real estate leaders? To more fully understand the dimensions of these strategic and leadership challenges, the participants were asked the following interview questions:

- IQ1: How has your work in corporate real estate evolved or changed in the past five years?
- IQ2: Has this change or evolution had a strategic impact on your work? How?
- IQ3: Has this change or evolution had an impact on your leadership role in your work?

Interview question 1. When asked about the evolution or change in their work over the past five years, senior CREM leaders responded with the following five themes: (a) more strategic role, higher expectations, (b) increased global scope, (c) greater use of technology, (d) more connected with internal business units, (e) greater use of technology, (f) accelerating pace of change (See Figure 12).

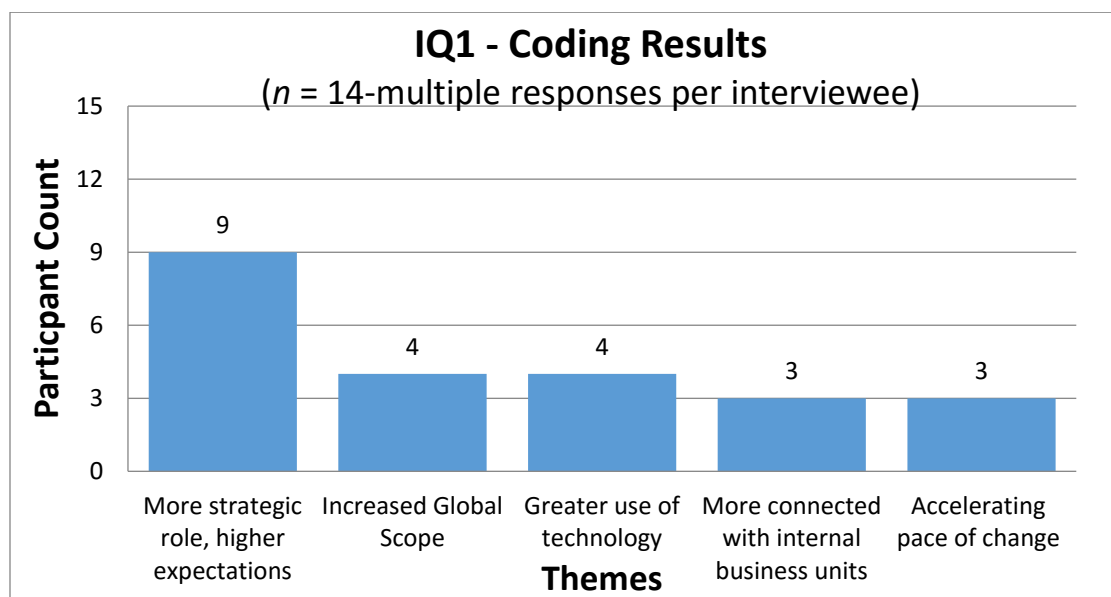


Figure 12. How has your work in corporate real estate changed in the past 5 years?

More strategic role, higher expectations. The predominant response from the participants (64%) is that CREM is being asked to play a more strategic role in their organizations and that executive expectations for CREM accomplishments are correspondingly higher. For senior CREM executives a greater strategic role means more time spent with senior operating executives understanding their CRE needs and less time focused on CRE specific tasks and transactions. The additional time spent with the senior operating executives, therefore, translates into higher expectations. Participant 6 (P6) probably expressed this theme most clearly by stating:

Senior leadership has a better understanding of the leverage and the impact that can come out of corporate real estate. Which presents some challenges for corporate real estate because since they understand it I think their expectations have gone up of what the groups can really do. (P6, personal communication, April 28, 2016)

P7 conveyed a similar sense of increased CRE responsibilities by observing that “The primary change has been more of an enterprise holistic solution process than in the past . . . how we have directly impacted that process through innovation or some other means that provides a more competitive environment” (P7, personal communication, May 6, 2016). P2 reported a greater role and higher visibility for CRE after CRE had been able to deliver significant corporate savings by assuming control of the lease and build out of all company locations. P3 indicated that “The main difference is deeper connection with the base business unit, strategy and operations” (P3, personal communication, April 25, 2016). Another indicator of strategic importance is being deeply involved in implementing a corporate culture shift. This has been the experience of P4, who indicated that “we’re trying to make our associates feel it’s part of the culture, trying to translate facilities into our culture and also make the facilities more of an

amenity for the associates” (P4, personal communication, April 29, 2015). P10 has been asked by the company to take a greater role in overseeing business risk in multiple countries. Higher expectations were also revealed when P11 reported that the company is asking that CRE “do more with less” (P11, personal communication, April, 25, 2016).

Increased global scope. The theme of an increased global scope for CRE activities also emerged from the responses to IQ1. Increased global scope is significant because it demonstrates the transfer of CRE decision making from either a regional CRE organization or a business unit to a central CREM organization. This transfer of authority often occurs as the result of management’s search for lower costs achieved by the application of uniform standards for space use administered by a centralized CREM organization. Four or 29% of the participants had been asked to either take on additional geographic scope or additional responsibilities in a CRE footprint that was already global. P1 noted that “We’ve been opening new offices all over the world We’ve been growing rapidly, so that’s our biggest challenge” (P1, personal communication, March 23, 2106). P2’s CREM organization began applying global standards to lease projects 5 years ago and has been refining the processes ever since. P5 and P10 each reported having additional non-CREM responsibilities added to their existing global CREM responsibilities.

Greater use of technology. The impact of technology was the third major theme to emerge from IQ1, with four (29%) of the participants touching on this topic. P4 and P12 both observed the positive impact that technology has had on providing more and better facility operating data. The availability of the data and enhanced analytical reports has allowed them to improve the performance of their facility portfolio. P14 observed that, as computing platforms become smaller, space use becomes more efficient. More people can occupy the space once

occupied by larger computer work stations that is now freed up by the smaller computer platforms.

Greater connection with internal business units. The final two themes from IQ1 were each mentioned by three (21%) of the participants. The first theme, a greater connection with the internal business units, was noted by P3 as a “deeper connection” (personal communication, April 25, 2016), by P4 as being more “consumer centric” (personal communication, April 29, 2016), and by P6 as being “part of integrated problem solving” (personal communication, April 28, 2016). This deeper connection with the internal business units allows CREM to have greater insight into the business unit’s business requirements resulting in a greater ability to meet current and future facility needs.

Accelerating pace of change. The second of the two themes, the accelerating pace of change, was mentioned by P1 in terms of increasing pace of global expansion and by P8 who observed,

The business changes so fast that space may be appropriate one year an inappropriate the next year, so you either have to change the space or you have to be able to get out of the space without a huge commitment. (P8 personal communication, April 22, 2015)

The accelerating pace of change is important because it drives changes in the business units and, in turn, the business unit’s CRE requirements. Rapidly changing CRE requirements then require CREM to be able to respond to those changes in a timely manner.

Interview question 2. IQ2 asked: Has this change or evolution had a strategic impact on your work? How? The analysis of the participant’s responses to this question developed four themes: (a) more strategic and proactive, (b) deeper connection across the company, (c) more

emphasis on planning and standards, and (d) greater use of outsourced service providers (See Figure 13).

More strategic and proactive. Having a more strategic and proactive role was the most frequent response, with nine (60%) of the participants mentioning this theme. P1 illustrated the theme of being proactive well, stating:

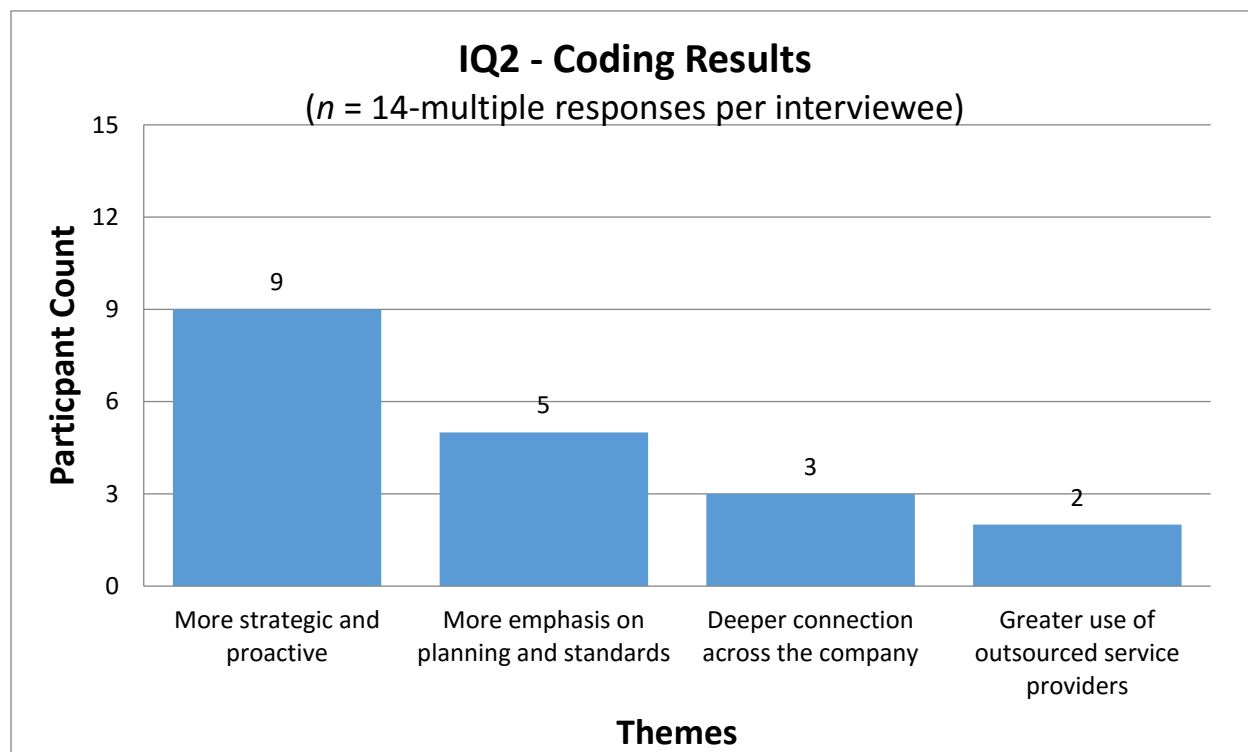


Figure 13. Has this change or evolution had a strategic impact on your work? How?

Yeah, I would say quite a bit, because I would say previously we were reactive to the business units in terms of, it was probably almost facilities. It was renewing existing leases, that type of thing. Since then we have become much more strategic and proactive.

(P1, personal communication, March 23, 2016)

The theme of being proactive in providing information and strategic in using and integrated delivery is found in P2's response to IQ2:

Yeah, it really has both on the businesses being more keenly interest in cost. We try to share more and more sooner, give them better projections. Then also us delivering the space through an integrated delivery model, we make sure we're not just focusing on the transaction side. (P2, personal communication, May 31, 2016)

In response to IQ2 P3 indicated that "It has had a strategic impact in that what we do now is for the overall betterment of the company in a cohesive global manner" (P3, personal communication, April 25, 2016). Other participants expressed the sentiment of CRE being more strategic and proactive by describing how this occurs. For example, P11 stated:

I'm getting more involved in the facility management, project management and strategic planning not just at a real estate level but at a corporate level and integrating real estate into that thought process. Which is nice because we are doing it earlier in the process.

(P11, personal communication, April 25, 2016)

For P7, being more strategic and proactive looks like being given business requirements and being asked to come up with the right CREM solution rather than being told what solution to deliver. P12 thinks of strategic and proactive CREM in terms of aligning the CRE components and then talking to the business units in their language to find out what their needs are and how CRE can provide an optimal solution given the business constraints.

More emphasis on planning and standards. The theme of placing more emphasis on planning and standards was the second most prevalent theme in the responses to IQ2, with five (33%) of the participants identifying this theme. To find solutions for current and future facility requirements, P10 employs an advanced planning team that proactively searches for suitable locations and facilities. P11 is finding that CRE is involved in the planning process at an earlier stage, which allows for greater flexibility in finding optimal CRE solutions. P2 applies global

standards to reduce costs by standardizing space allocation, improvements, and furniture.

P1 emphasises “global demand planning” (P1, personal communication, March 23, 2016) for cost control and reduction. Global demand planning requires CREM to contact each country manager to understand their anticipated real estate requirements. CREM then prepares plans, which include forecasts of: (a) real estate demand, (b) supply of real estate in each market, (c) capital and expense budgets that will be required for facility projects, (d) an assessment of the building they are in, and (e) an assessment of whether or not the current location is suitable from both an employee and customer perspective.

Deeper connections across the company. The third theme that emerged from the responses to IQ2 is that of CREM having deeper connections across the company. This theme was mentioned by three (20%) of the participants. These deeper connections are in the nature of more frequent and consultative interactions with the senior executives in the C-suite and senior executives in operational units. P6 and P12 characterized the closer linkages as being with the operational units, whereas P7 specifically mentioned both groups. The building of mutual understanding through these deeper connections facilitates the building of the strategic and proactive elements mentioned in the first theme.

Greater use of outsourced service providers. The final theme mentioned by two of the participants (14%) is that of greater use of outsourced service providers. The use of outsourced providers to meet both cost and service targets for facility management, construction, and transactions has been an ongoing trend in the CREM industry for the past 2 decades. P2 and P9 both described increased use of such service providers.

Interview question 3. IQ3 asked: Has this change or evolution had an impact on your leadership role in your work? The themes that resulted from the analysis of the participant

responses to this interview question were: (a) more strategic and global leadership, (b) stronger influencing and teamwork skills required, (c) broader knowledge and skill set required, and (d) more reliance on outsourced providers (See Figure 14).

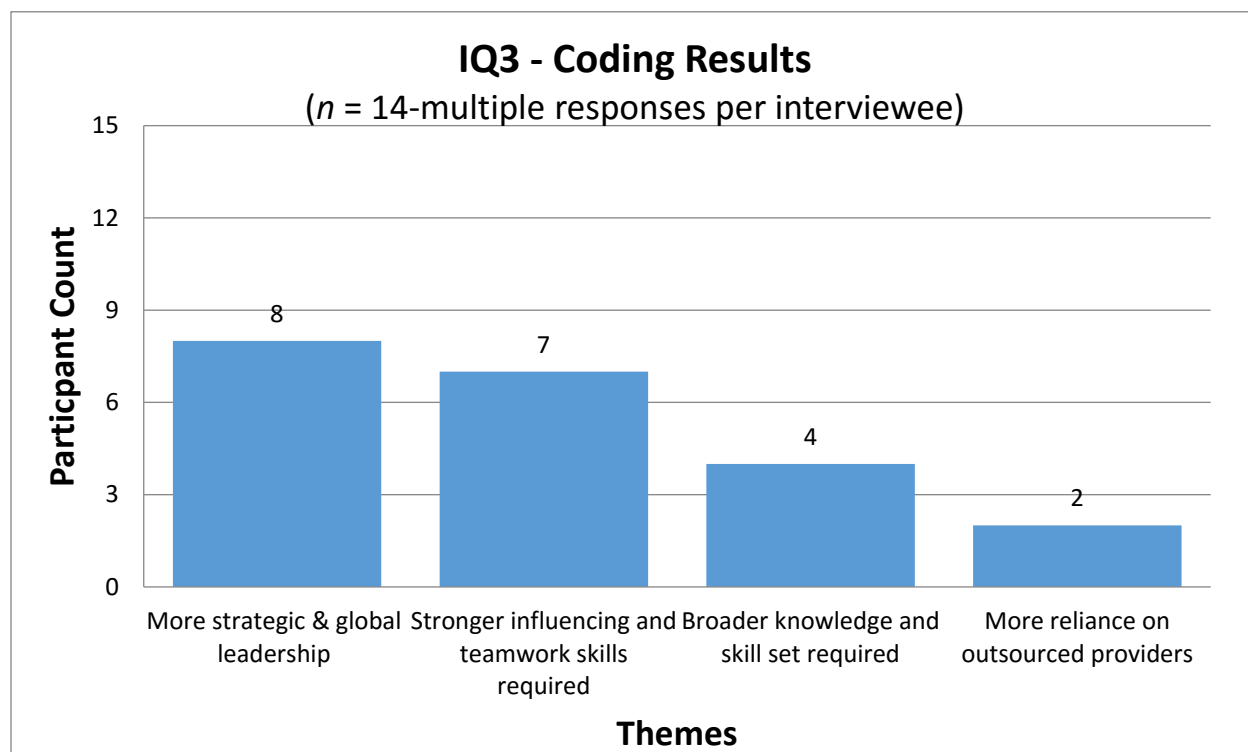


Figure 14. Has this change or evolution had an impact on your leadership role in your work?

More strategic and global leadership. Four themes were developed from the responses to IQ4. The most common theme, mentioned by eight (53%) of the participants, was that they were being asked to exercise more strategic and global leadership as the result of the changes and evolution in their CREM work. The CREM executives, therefore, are finding that their leadership is increasingly related to leading other corporate executives in making business decisions that make optimal use of the required CRE assets. To illustrate this theme, P1 noted that his personal interaction with the CFO and regional executives around the globe is necessary for the successful functioning of CRE. In addition, other non-CRE areas of responsibility require time and attention. P7, P10, and P11 all mentioned higher visibility in the executive suite,

whereas P11 added that the with the visibility comes more access and recognition. Given that the executive suite is where global and strategic policy is made, it is reasonable to extrapolate that these CREM leaders are involved in discussion relating to strategic and global policies. P3, P4, and P5 all mentioned involvement in strategic decisions at the corporate or business unit level.

Stronger influencing and teamwork skills. With almost as many mentions as global and strategic leadership, the theme of stronger influencing and teamwork skills was mentioned by seven (50%) of the participants. As noted in the preceding theme, influencing and teamwork skills are increasingly important for strategic leadership as, CRE executives do not typically have authority to unilaterally impose CRE related decisions on the business units. P6 articulated the need for these skills in the CREM workplace:

I think everyone needs to have stronger influencing skills, because they're asking for help to solve something and they may not always be on the same page and be there. I think stronger teamwork skills, I think stronger influencing skills. (P6, personal communication, April 28, 2016).

P8 noted the vital role communication plays in building the consensus that underlies teamwork. P12 also mentioned the role of communication in building the cross functional teams necessary for effective CREM performance. P1, P3, and P12 all described the necessity of cross functional teamwork in order for CREM to be effective in its role of supporting the business.

Broader knowledge and skill set. Having a broader knowledge and skill set was the third most mentioned theme in response to IQ3, with four (29%) of the participants mentioning this theme. In the context of impacts of change in leadership as posed by IQ3, the broader skill set most often mentioned was having the skills and ability to understand and communicate problems and solutions from the business unit perspective. P12 highlighted the need in terms of knowing

“the language, the issues, the way to mix together across your other functional groups like IT and HR and finance and procurement” (P12, personal communication, April 25, 2016). P11 described the skill set as being “more of a collaborative dialogue” (P11, personal communication, April 25, 2016). P6 described this skill set in terms of being able to understand the impact of CRE recommendations on other groups.

More reliance on outsourced service providers. The last theme for IQ3, more reliance on outsourced service providers, was mentioned by two (14%) participants. P2 and P9 both observed that their leadership role had changed, as they had fewer direct employees and more outsourced providers performing CREM services. Both observed that with a larger contingent of outsourced services there is less personnel administration, but a greater need to set strategy and ensure that the strategic alignment is maintained.

Research question 1 summary. Research question 1 asked: What are the strategic and leadership challenges faced by corporate real estate leaders? Three interview questions addressed research question 1:

- IQ1: How has your work in corporate real estate evolved or changed in the past five years?
- IQ2: Has this change or evolution had a strategic impact on your work? How?
- IQ3: Has this change or evolution had an impact on your leadership role in your work?

For each interview question, the themes that occurred most often, and were therefore most illustrative of the participant responses to that interview question, were:

- IQ1: More strategic role, higher expectations.
- IQ2: More strategic and proactive.

- IQ3: More strategic and global leadership

Research question 2. RQ 2 asked: What strategies and leadership practices do corporate real estate leaders employ in responding to the challenges they face? To more fully develop information about the dimensions of these strategic and leadership challenges, the participants were asked the following interview questions:

- IQ4: What new approaches or adjustments are you making in your corporate real estate strategy?
- IQ5: What new skills, practices and strategies have you found successful in your role as a corporate real estate leader?
- IQ6: What other adjustments or new approaches have you adopted to deal with these changes in your environment?

Interview question 4. IQ4 asked: What new approaches or adjustments are you making in your corporate real estate strategy? Four themes emerged from analysis of the data provided by the participants' interviews: (a) proactively planning with business units, (b) systems to track metrics and standards (c) exploring new organizational methods, and (d) taking advantage of real estate market conditions (See Figure 15).

Proactive planning with business units. The theme of proactive planning with the business units produced the highest number of responses to IQ4, with six participants or 43% of participants mentioning this theme. The participants indicate that proactive planning is largely concerned with trying to predict business unit client's CRE needs and then providing them with information that leads to CRE solutions that are timely both from both a business operations standpoint and CRE standpoint. P1 indicated that demand planning with an attempt to take advantage of market conditions is part of his proactive planning.

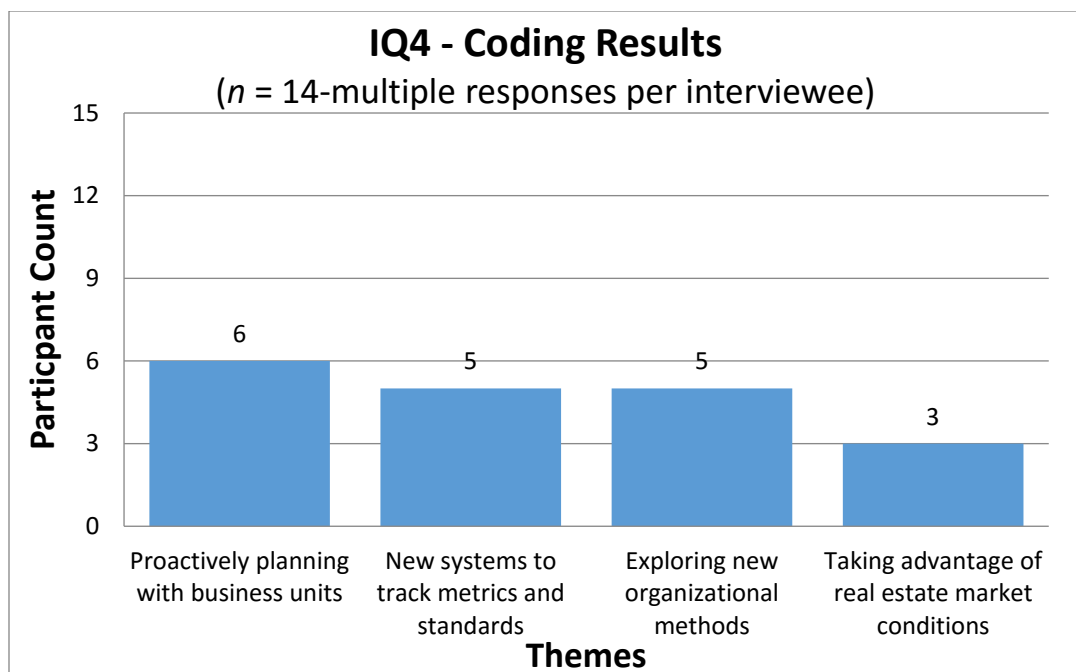


Figure 15. What new approaches or adjustments are you making in your corporate real estate strategy?

P2 indicated that pushing information to the business units CREM helps them make timely decisions about real estate projects. P3 believes that being embedded with the business unit allows CRE to understand the client needs and form a relationship with the business unit that yields more proactive planning. P6 similarly mentioned deeper connections with the business units as being necessary to proactive planning. P13 portrayed the proactive planning paradigm well, stating:

I think by being more strategic, being more consultative. Having a better understanding of the holistic picture. I think, all of a sudden, gets you Either gets you invited to the table or you're in the Rolodex. They want to work with you. I think that's critical. (P13, personal communication, May 5, 2016)

Systems to track metrics and standards. Having the right data, the ability to convert the data into usable metrics and having a standard against which to compare the metrics, is the basis for tracking progress against plans and goals. CRE is no different than any other business,

having the information available to measure CRE performance against its goals is critical. Five of the 14 participants (36%) made observations that relate to this theme. P4 noted, “From a service perspective also, that we are taking advantage of metrics to ensure that we’re providing great service and that we’re also taking advantage of those metrics to ensure our operating costs are held down” (P4, personal communication, April 29, 2015). Like P4, P7 mentioned the combination of financial metrics with other metrics. In P7’s case, the combination of employee engagement metrics such as retention and recruitment with financial metrics provide a more holistic picture of the impact of CREM on both the real estate assets and the company at large.

Exploring new organizational methods. This theme was mentioned by five participants (36%), all of whom were experimenting with different combinations of organizational structures to try and optimize costs and performance for CREM. Although most of the participants described various combinations of employees and outsourced services in traditional hierarchical or matrix organizations, P5 indicated that his company is studying ecosystems as a form of organization that may be more efficient for the provision of CREM services. In contrast to P5, P6 described a centralized but delegated form of organization, a combination of internal planning and control, with performance of the functions delegated to outsourced service providers. P11 and P14 both reported relying heavily on outsourced service providers.

Taking advantage of real estate market conditions. Analysis of the data found this theme represented by three (21%) of the participants. In each case the participants perceived that real estate market conditions were favorable for their strategy either in terms of lower CRE costs or increased predictability of CRE costs. P1 reported that the company was acquiring real estate and extending leases based on weak markets and as a hedge against currency fluctuations. P10

reported the company making big bets on certain locations based on analysis by CREM. P11 reported growth of the company in markets with lower CRE costs.

Interview question 5. IQ5 asked; What new skills, practices and strategies have you found successful in your role as a corporate real estate leader? The following themes were present in the most common responses: (a) understanding the needs of business unit partners, (b) broad business skills, especially finance and accounting skills, (c) talent recruitment and development, and (d) the importance of emotional intelligence. Figure 15 depicts the themes that were developed from the interview data.

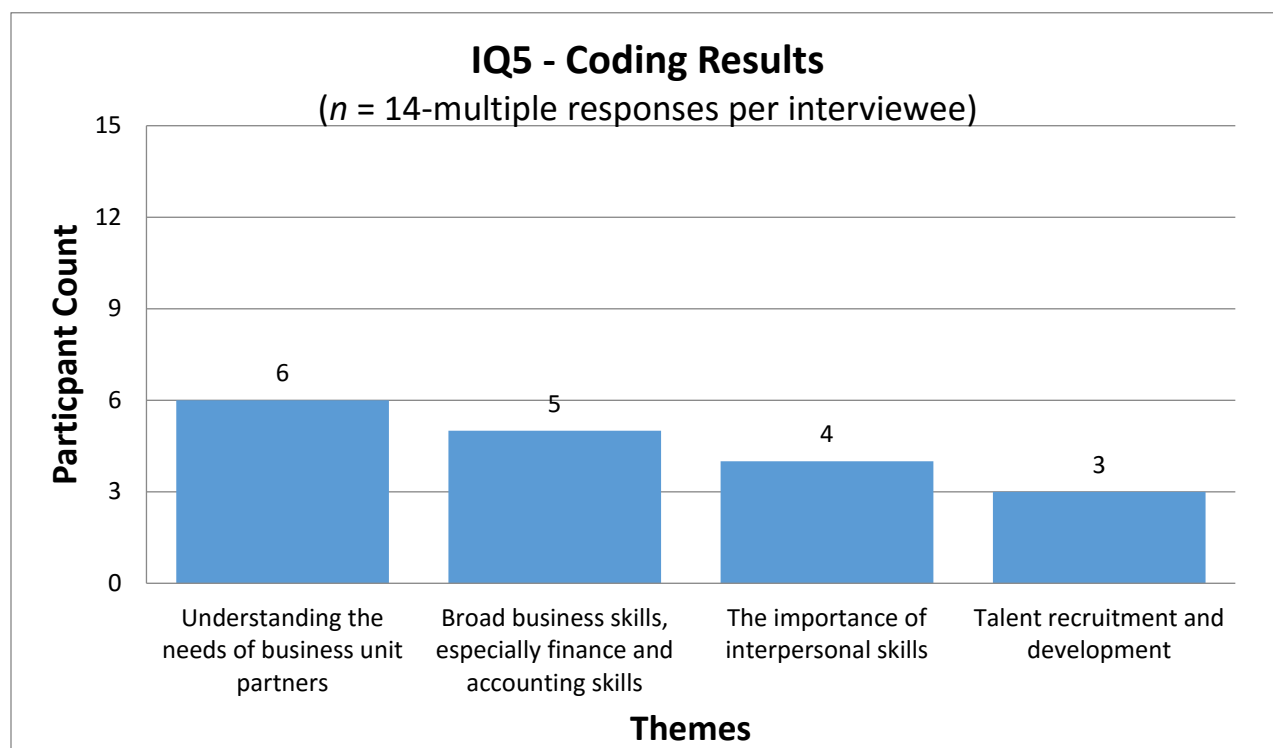


Figure 16. What new skills, practices and strategies have you found successful in your role as a corporate real estate leader?

Understanding the needs of business unit partners. Understanding the needs of business unit partners is an important key skill or practice that was mentioned by six (43%) of the participants as an area in which they have found new dimensions. While these are not

necessarily new skills or practices, the CREM executives have found the need to employ these skills and practices more intensively in order to understand and meet the needs of their business unit clients. P1 framed this theme by saying, “I probably do more dealings with C-suite people direct and regional execs direct” (P1, personal communication, March 23, 2013). In similar vein P2 talked about how to develop a deeper understanding of the business unit needs:

Even though it is hard, what I try and do is put myself in the position of that business unit leader or that project leader from the business. What are they getting hammered on? What’s important to them? How can we make them look good? (P2, personal communication, March 31, 2016)

Other participants carried forward the theme of expanding their understanding of the business unit needs; P3 expressed the idea as “incorporating all the facets of the business” (P3, personal communication, April 25, 2016). P6 and P9 expressed this same idea in terms of understanding more about the core business or speaking the language of the company’s core business. P7 thought of it as “Relating their success to our success” (P3, personal communication, April 25, 2016).

Broad business skills, especially finance and accounting skills. Five of the 14 participants (36%) mentioned the need for broad business skills beyond just real estate specific skills. Having these additional skills provides CREM executives greater ability to communicate with other business units in terms that they understand. Similarly, a larger skill set can also give CRE executives greater insight into the business needs of their internal clients. The skills mentioned most frequently as being advantageous, if not almost a prerequisite, were finance and accounting skills. Whereas P9 and P14 specifically expressed the need for financial understand and finance skills, P4 spoke to this most eloquently:

I just am stunned how almost everything we do has a financial, or more specifically, an accounting impact in how in working with a corporation that you need to completely understand how accounting works, and GAAP and expense, how it affects the budget short and long term. (P4, personal communication, April 29, 2015)

Other skill sets that were mentioned as being both important and in need of constant renewal were influencing skills (P6) and understanding continuous improvement skills and processes (P11).

The importance of interpersonal skills. The theme of interpersonal skills was mentioned by four of the 14 participants (29%). The sense of the comments that make up this theme is that interpersonal skills serve as a bridge between the different paradigms all people bring to their work, enabling a greater fluidity of understanding and combined work efforts. Given that CRE executives rarely have the authority to mandate particular CRE decisions, interpersonal skills are critical for the relationship building and influencing that are necessary for reaching optimal CRE decisions. Participants framed these skills in the context of listening and interpreting (P7) and the critical nature of communication (P8). Being able to recognize your own agenda and the agenda of the people you are working with, and then being able to articulate that you recognize each other's agenda often allows smoother team work, "because if we all do, then you can still get your agenda across and they might be more accepting if your agenda becomes their agenda because you're thinking about what they want" (P2, personal communication, March 31, 2016). Perhaps the most insightful comment on this theme came from P5, who put it in these terms:

It's all about, in my view, being a better person and a better leader. By which I mean the more of a leader you need to be, or you want to be, the more you have to have people believing in you and what you're saying. Which means you have to more authentic,

which means you have to understand who you are and what you stand for more, and you have to be honest, truthful and open on everything and be visible. (P5, personal communication, May 5, 2016)

Talent recruitment and development. The final theme addressed in the themes developed from IQ5 is that of talent development and recruitment, which was mentioned by three (21%) of the participants. Having the necessary talent to execute their plans is critical for CREM leaders. Reflecting on leadership, P10 felt that developing in-house talent and then letting them do their job is a skill that is constantly being developed. P5 addressed this theme from the standpoint of the scarcity of talent and the need to acquire talent by either internal development or outsourcing arrangement. Reflecting the critical nature of talent to the success of the organization, P14 observed, “First my number one rule . . . is to hire directors and managers that have astute capabilities of delivering. Get the people thing right” (P14, personal communication, May 5, 2016).

Interview question 6. IQ6 asked, What other adjustments or new approaches have you adopted to deal with these changes in your environment? The themes that were developed from the interview data for IQ6 were: (a) diverse methods for communicating; (b) greater focus on talent acquisition and development; (c) more focus on process controls and design standards; and (d) data driven metrics, standards, and budgets (See Figure 17).

More focus on process controls and design standards. The theme of adjustments or new approaches in the areas process controls and design standards was identified by four (29%) participants. In CRE’s never ending pursuit of lower costs, process controls and standards are frequently used to insure that space is used efficiently and that building and furniture costs conform to corporate cost requirements. Using design standards for space and furniture is one

means of controlling the office environment. P14's company seeks to increase collaboration among its workforce by employing design standards intended to foster collaboration.

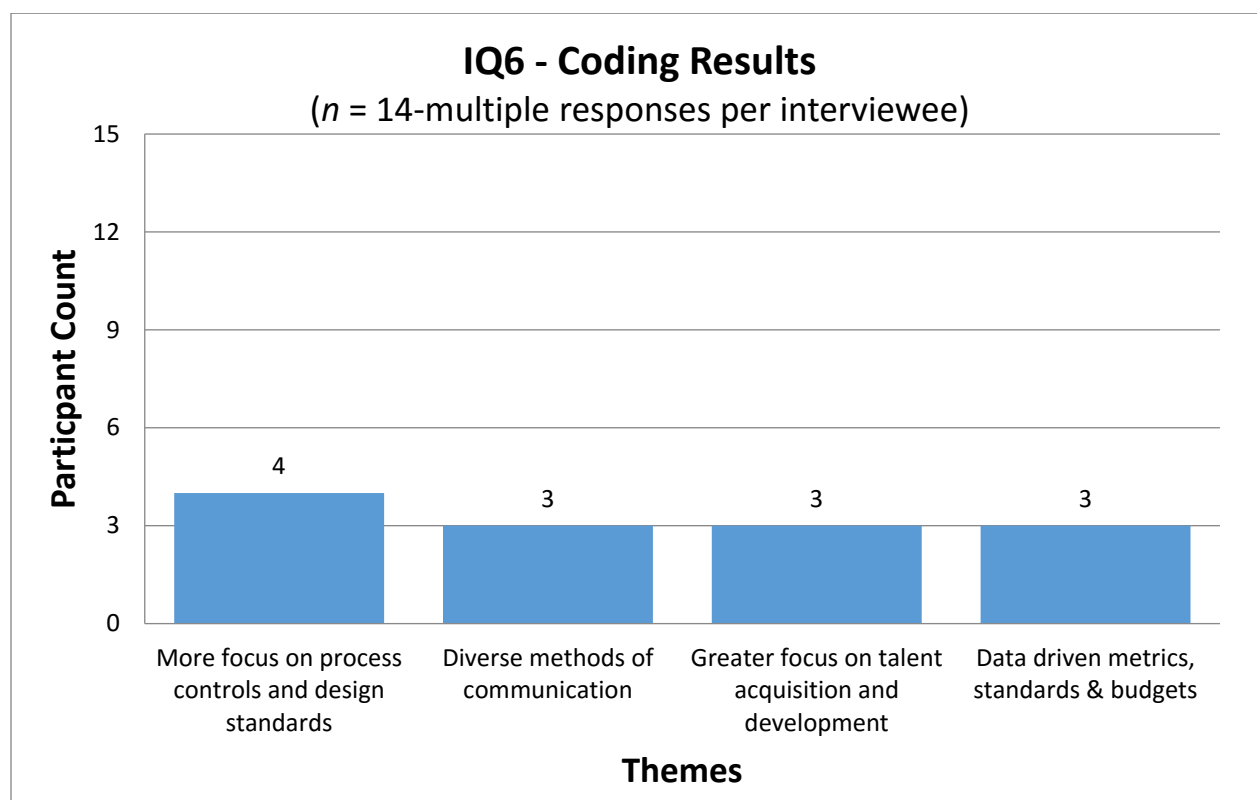


Figure 17. What other adjustments or new approaches have you adopted to deal with these changes in your environment?

Clear processes for how work is to be accomplished is one method of controlling large scale operations. Ensuring that the processes are observed as CRE projects get done is one of the new initiatives in P10's organization. A special group has been set up to provide oversight of the correct use of the processes that have already been established. Pre-established processes and design standards don't always fit in diverse or rapidly changing environments. P2 reported dealing with this by differentiating between hard guidelines that must be followed and soft guidelines in which some deviation can be allowed. Fundamental research regarding how work gets done is one avenue that P5's organization is pursuing to understand both how to optimize

the work environments and the CREM policies and design standards that support the work environment.

Diverse methods of communication. As CREM has grown more global and strategic, adjustments in communication methods and patterns was identified as a theme by three (21%) of the participants. Communication about the planning, design and construction of complex CRE projects all around the globe are often requiring CREM executives to explore new ways of communication or different ways of using existing communication methods. In the case of P1, whose organization covers the entire globe, this means experimenting with different combinations of one on one and group telephone calls combined with the use of e-mail to document decisions that have been reached on phone calls. For P3, more diverse means of communication signifies reaching across internal boundaries to other internal business organizations. Combining the electronic means of communication with the old fashioned *management by walking around* approach is how P8 is adapting to changing communication needs.

Greater focus on talent acquisition and development. CREM plans that cannot be carried out due the lack of sufficient talent in the CREM organization will still be counted as failures even if the plan is fundamentally sound. The development and acquisition of the necessary talent must, therefore, be a primary concern of CREM executives. This talent acquisition and development for theme was identified by three (21%) of the participants. One of the themes in IQ5 described leaders' need to have a broader skill set than just real estate. Pushing subordinates to get out of their comfort zone and acquire additional knowledge outside the immediate CREM area is one of the practices that P7 uses to help develop internal talent. Finding both internal CREM talent scarce and external CREM talent expensive caused P12 to embark on a program of

hiring internal talent and training them in areas of CREM where their past skills provided a head start on learning CREM skills.

Data driven metrics, standards, and budgets. Analysis of the data from IQ6 showed three participants or 21% mentioning adjustments or approaches that aligned with this theme. Metrics, standards and budgets that are supported and tracked with credible data are themselves then found to be more credible. A CREM organization whose performance is tracked with credible data is in a much stronger position to advocate for CREM needs. The use of data driven metrics to help create and manage a 5-year plan has been a new approach for P4's CREM organization. The integration of plan, data, and budgets allows P4 to have much greater clarity about strategic options, and the plan and budgets set the parameters for strategy. P7 and P13 both noted that improved analytics are now both expected by business units and senior executives and also provide the basis for a richer discussion of CREM options for helping the business units, and the company overall, to achieve their goals.

Research question 2 summary. Research question 2 asked: What are the strategic and leadership challenges faced by corporate real estate leaders? Three interview questions addressed research question 2:

- IQ4: What new approaches or adjustments are you making in your corporate real estate strategy?
- IQ5: What new skills, practices and strategies have you found successful in your role as a corporate real estate leader?
- IQ6: What other adjustments or new approaches have you adopted to deal with these changes in your environment?

For each interview question the theme with the most supporting data is shown subsequently:

- IQ4: Proactively planning with business units.
- IQ5: Understanding the needs of business unit partners.
- IQ6: More focus on process controls and design standards.

Research question 3. RQ3 asked: How do corporate real estate leaders measure overall success of their strategies and leadership practices? The following four interview questions were asked of the participants to elicit different dimensions of their experience around measuring strategic and leadership success:

- IQ7. How do you measure the success of the corporate real estate organization?
- IQ8. What methodologies do you employ to measure the success of CRE strategies?
- IQ9. What data do you find most helpful to collect to measure success of your strategies?
- IQ10. How do you measure the success of your leadership practices?

Interview question 7. IQ7 asked: How do you measure the success of the corporate real estate organization? Analysis of the interview data for IQ7 produced the following themes: (a) performance against budget and goals, (b) reputation with executives, (c) customer satisfaction surveys, and (d) timely space availability (See Figure 18).

Performance against budget and goals. How success is measured is an important topic in any organization, CREM is no exception. Twelve participants (86%) indicated that performance against budget and goals was the primary means by which CRE success is measured. For purposes of analysis of themes, the category of budget and goals was used to aggregate all interview data that indicated evaluation on budgets, metrics, KPIs, and other quantitative goals.

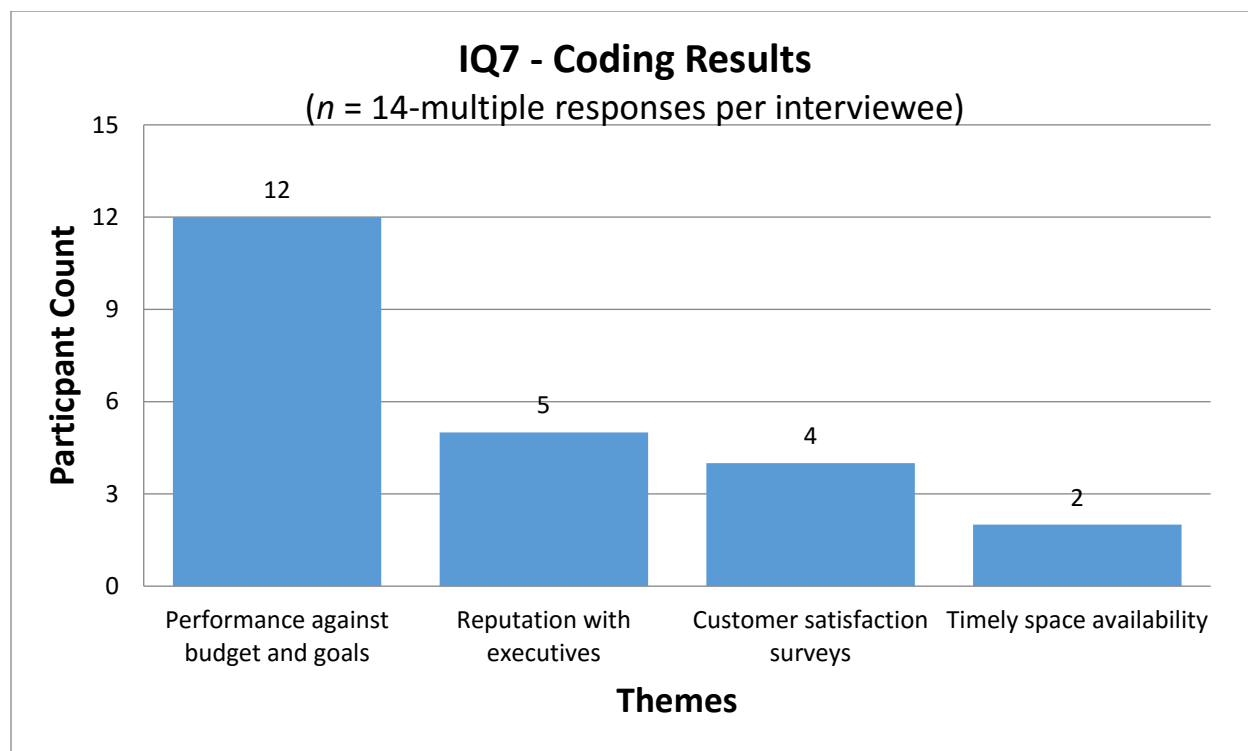


Figure 18. How do you measure the success of the corporate real estate organization?

Examples of these types of goals, other than budgets (which are fairly self-explanatory), would include categories such as: space utilization metrics, project cost and delivery, process cycle times, and customer satisfaction scores. In almost all cases the data for this theme is some variation of P11's response: "Number one: were all about cost metrics and hitting things, targets, is the best measure of our success How we measure success is really hitting those financial metrics" (P11, personal communication, April 25, 2016). P8 was similarly succinct in responding, "You need to hit your budget or be damn close to it" (P8, personal communication, April 22, 2016).

P1 provided a more comprehensive overview of which metrics are most helpful. The service provider used by P1's organization tracks roughly 30 cost components that are benchmarked externally. Elements of these costs include depreciation, rent, salaries, utilities, taxes, etc. These costs are aggregated and then divided by the number of desks and offices in the

building to come up with a cost per seat. The cost per seat number is used to compare costs across markets, recognizing that some cities and markets are inherently more expensive. Other financial type metrics that are tracked include custodial services, food service, construction materials, furniture, carpets, etc.

Reputation with executives. With the budgets and goals theme clearly being the predominant method of evaluating success, the second most mentioned, with five (36%) participant mentions, was that of measuring CREM's success by its reputation with other executives. Not everything that is important can be measured with the metrics described in the aforementioned theme, and in fact CRE actions, like reducing office sizes to save money, can cause dissatisfaction among the employee population while simultaneously being a source of great satisfaction in the executive suite. Therefore, having a good reputation with the executives may be a better indication of success than broader measurements such as customer satisfaction. Several of the participants used similar kinds of words to express the theme of executive reputation; P6 expressed this idea in terms of customer satisfaction being the leader's satisfaction rather than that of the rank and file employee. P7 characterized it as trying to create a conversation with the leaders to get guidance on their performance expectations. P8 described the reputation issue as being how the CREM organization is perceived by other organizations. P10 expressed it as being anecdotal.

Customer satisfaction surveys. The theme of using customer satisfaction surveys to track the success of CREM was mentioned by four of the 14 participants (29%). P1, P2, P4, and P9 all mentioned the use of customer satisfaction surveys. The frequency with which they are administered varies, as does the weight that the survey carries in internal evaluations. P9 pointed out one of the difficulties in the use of customer satisfaction surveys by observing, "Of course

it's possible to get too much customer satisfaction. If the customers are too happy you're probably spending too much money and responding too directly to everything they want" (P9, personal communication, April 21, 2106).

Timely space availability. Having space available for the business is central to CREM's corporate function and may have been assumed by many of the participants and therefore not mentioned explicitly. Two participants did mention timely space availability as a theme in measuring the success of CRE. P3 expressed this idea well, stating, "Having the work environments for employees to come and go and do their work efficiently in a way that is least costly for the corporation" (P3, personal communication, April 25, 2016). P13's input is along the same lines of having enough space to meet current needs but not so much that it becomes a burden.

Interview question 8. IQ8 asked: What methodologies do you employ to measure the success of CRE strategies? The analyzed interview data produced three themes: (a) performance against budget and goals, (b) customer satisfaction, and (c) executive feedback (See Figure 19).

Performance against budget and goals. As was noted in the discussion of the performance against budget and goals theme in IQ7, performance against budget and goals is clearly the most significant theme in measuring the success of CRE strategies, with 14 or 100% of the participants identifying this theme in their interview data. As with the same theme in IQ7, for the purpose of analysis of themes, the category of budget and goals was used to aggregate all interview data that indicated evaluation on budgets, metrics, KPIs, and other quantitative goals. Examples of these types of goals, other than budgets (which are fairly self-explanatory), would include categories such as, but not limited to: space utilization metrics, project cost and delivery, process cycle times, and customer satisfaction scores.

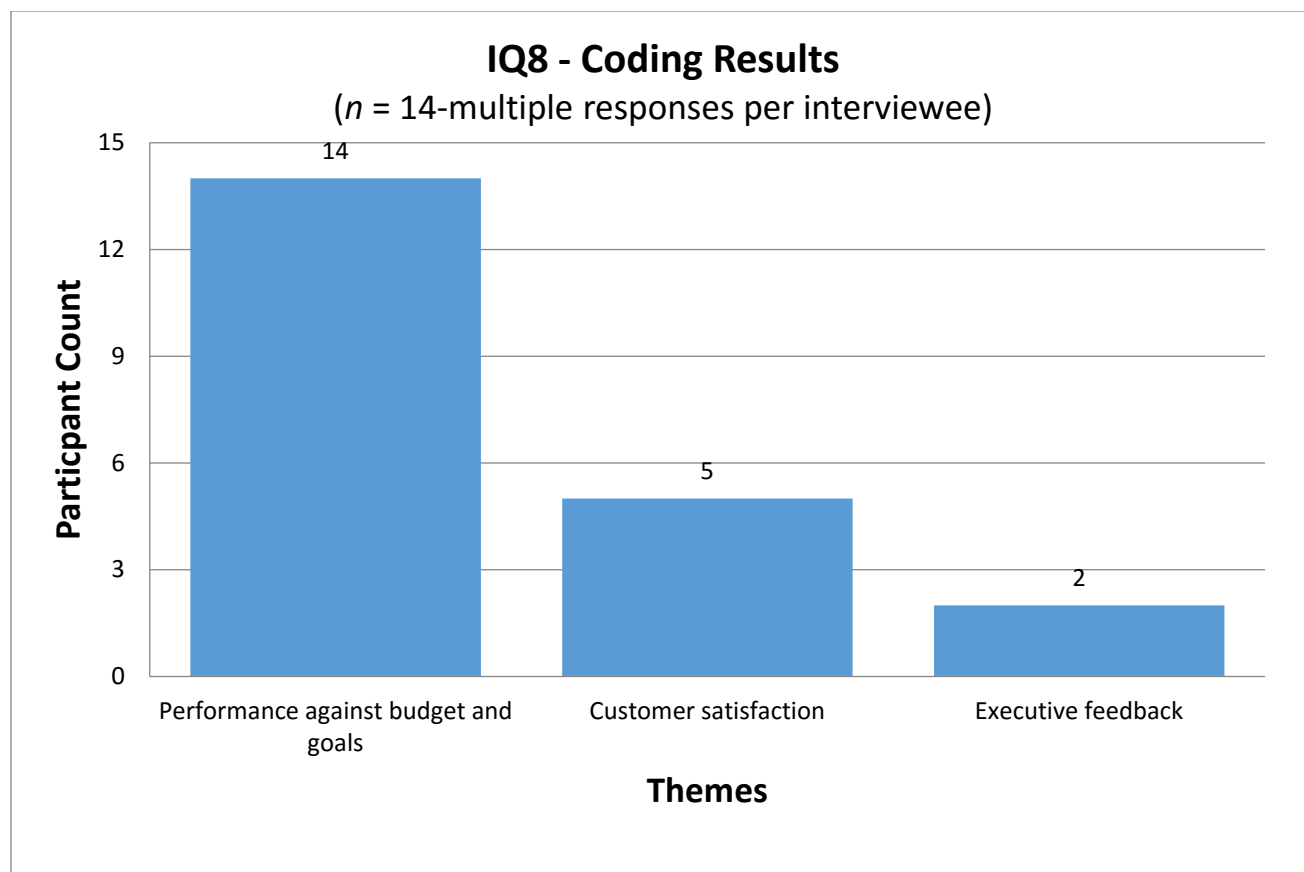


Figure 19. What methodologies do you employ to measure the success of CRE strategies?

Both P1 and P2 indicated that the answer to this question was, in essence, the same answer they had provided for IQ7. P3 identified financial metrics and P4's first response was that being on budget was the most important criterion. P5 also identified traditional real estate metrics as being the baseline for determining strategic success and then went further to suggest that at some point it may be possible to add productivity measurements as well. P6 and P7 both identified budget and goals as the main determinant of CREM strategic success. P7, however, suggested that some of the metrics should change each year, stating:

If you use the same methodology year in and year out you're probably not staying consistent with the change in the business environment. Every year there's some that drop off, some that come on to the scorecard for overall consideration. (P7, personal communication, May 6, 2016)

The input of P8, P9, P10, P11, and P12 are all a variation on the use of various budgets, metrics, and goals to measure the success of CRE strategies. P10 and P12 also mentioned metrics for sustainability as being among the measurements by which the success of the CRE strategy is determined.

Customer satisfaction. In making optimal CRE decisions for the company, CRE is often asked to carry out tasks, such as reducing office sizes, that are necessary in the judgement of corporate executives but are not popular with a large part of the company's employees. As a result, customer satisfaction at the executive level is high but may be much lower if a wide group of employees is surveyed. Customer satisfaction was mentioned by five (36%) of the participants as a component of measuring the success of CRE strategies. Satisfied customers are more likely to stay in their current location rather than engage in a costly move, according to P2. Customer satisfaction therefore brings not only current benefits but also helps avoid costs of future moves. P4's company uses an extensive collection of customer service scores that help evaluate the success of CREM strategies. P8 uses periodic customer satisfaction surveys but finds that many should be taken with a grain of salt. Having a survey professional create and validate the survey is important in order to be able to rely on the results. P10's company is not a regular user of surveys, but CREM periodically does focus groups with employees when it wants to gather data on a new facility or a change in an existing facility.

Executive feedback. Executive feedback was identified by two (14%) of the participants as an important factor in evaluating CREM strategies. P1 and P6 both noted that they look for feedback from the executives, business leaders, and their senior teams on whether or not their needs have been met and are they satisfied. As noted in the customer satisfaction theme above, a

satisfied executive may be the most important result. This theme represents a more informal sense of the customer satisfaction of executives.

Interview question 9. IQ9 asked: What data do you find most helpful to collect to measure success of your strategies? Analysis of the participant interview data identified two themes (a) budget and goal data and (b) customer satisfaction (See Figure 20).

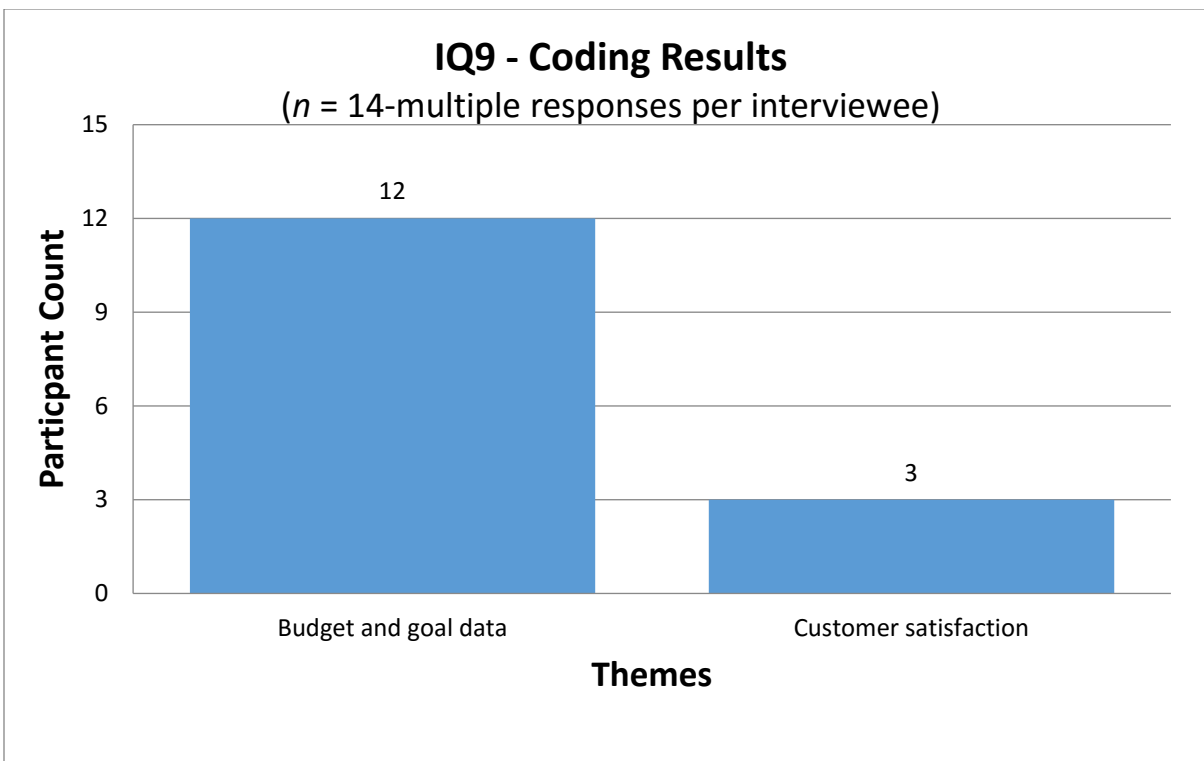


Figure 20. What data do you find most helpful to collect to measure success of your strategies?

Budget and goal data. When thinking about what data they collect to measure the success of their strategies, 12 of 14 or 86% of the participants mentioned collecting budget and goal data. As with the performance against budget and goals themes in IQ7 and IQ8, for IQ9 budget and goal data were defined as data used to construct budgets, metrics, KPIs, and other quantitative goals. Examples of these types of goals, other than budgets (which are fairly self-explanatory), would include categories such as, but not limited to: space utilization metrics, project cost and delivery, process cycle times, and customer satisfaction scores. Many of the

participants took IQ9 as a repeat, at least in part, of IQs 7 and 8. In several cases (P1, P2, P6, P9, P10) the participant made reference to his/her response to IQ7 or IQ8 as having already provided the data for IQ9 and did not address it at any greater length. P3, P4, P5, P7, P8, P11, and P14 all made cursory mention of the usual finance and real estate metrics. The researcher and P5 had a brief digression into the idea of measuring productivity, which, while enjoyable, did not produce further data for this research.

Customer satisfaction. Three of 14 participants (21%) indicated that customer satisfaction data was helpful in evaluating the success of CRE strategies. Of the three, P4's company has the most extensive data collection strategy. P4 reported that every facility work order, every employee move, every project is assessed by a customer satisfaction survey. P9 reported a more informal customer service survey for large projects, and P11 expressed that an annual engagement survey gathers customer satisfaction data, which is helpful with CRE strategic decisions.

Interview question 10. IQ10 asked: How do you measure the success of your leadership practices? After analysis of the participant interview data the following four themes were identified: (a) informal feedback, team dynamics; (b) perception of other executives; (c) surveys of employees, peers, and superiors; and (d) did the team meet its goals?

Informal feedback, team dynamics. Eight of the 14 participants (57%) indicated that they used informal feedback and their assessment of team dynamics to measure the success of their leadership practices. Informal feedback can be collected in meetings with employees. P1 meets regularly with every employee in his group to discuss their work and assess how everything is going. P2's gathering of informal feedback on leadership is more in the nature of receiving calls

from people looking for insights or leadership skills. P5 assesses his leadership skills by checking to see if anyone is following him.

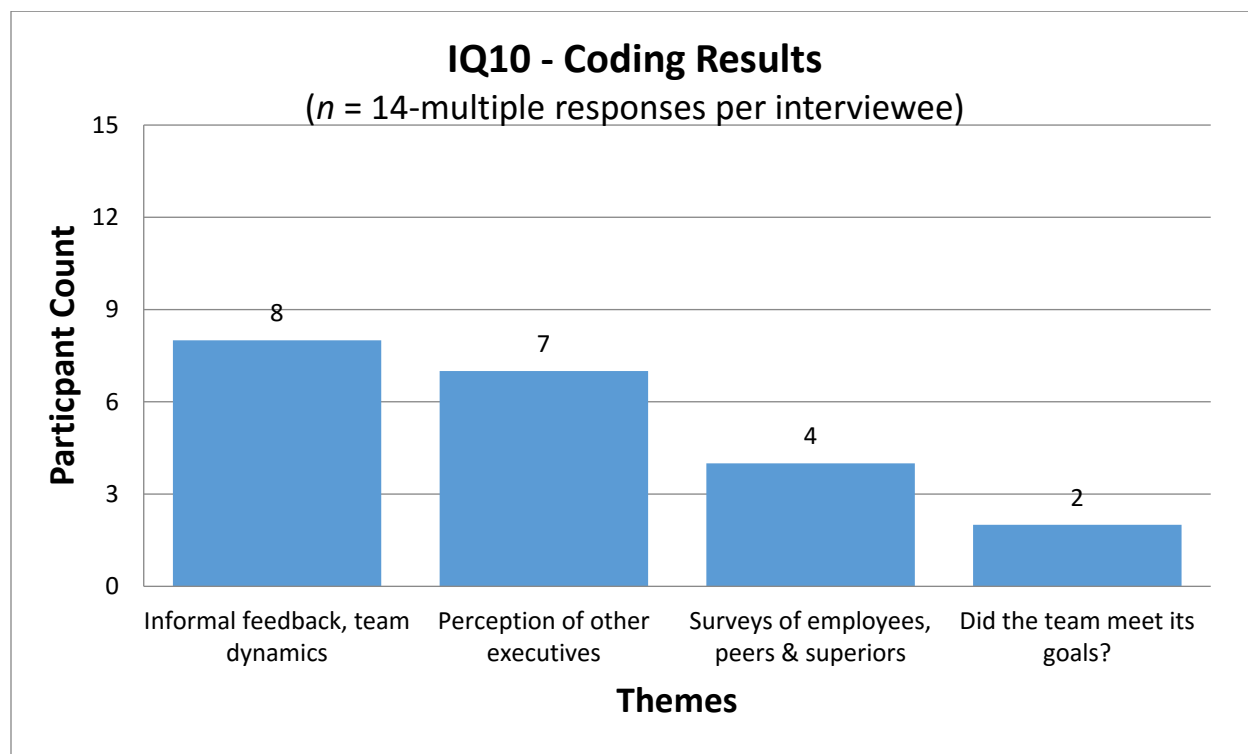


Figure 21. How do you measure the success of your leadership practices?

Conversations with other executives and meetings with various teams provide P6 with informal feedback to measure the effectiveness of his leadership. P10 looks at his team, its turnover levels, and team dynamics, along with anecdotal input from other executives, to measure his leadership effectiveness. P12 relies on a background in organizational development and assessment of team dynamics to evaluate leadership effectiveness, stating, “Leadership is about the dynamics. Does the team feel like a good strong team? Are they willing to make a mistake and still back each other up? Are they willing to think beyond their own little box” (P12, personal communication, April 25, 2016)?

Perception of other executives. The importance of the perception of other executives is a reoccurring theme that also appears in IQ7 and IQ8. The reoccurrence of this theme suggests

that CREM executive performance, whether in leadership of other areas of performance is, to some degree, subjectively determined by other executives. Of the 14 participants, seven (50%) provided data that mapped onto this theme. For P1 and P11, at least one of those other executives was identified as their boss, which certainly makes sense. P2 and P7 find valuable feedback on the success of their leadership practices in whether or not other executives will give them the opportunity to take on new responsibilities. A general sense of respect among other executives for not only the individuals but also the CRE organization was identified by P4, P8, and P9 as an important measurement of the success of their leadership practices.

Surveys of employees, peers, and superiors. The use of more objective data from surveys is less used means of leadership evaluation than the informal perception of other executives. Four of the 14 participants (27%) reported using surveys to provide measurements of the success of their leadership practices. P1, P2, and P14 all reported using a single survey or combination of surveys that provide them with measurements of the effectiveness of their leadership. Feedback is usually received in a 360 manner from subordinate, peers, and superiors. P9 reported giving a more informal survey periodically to a small group of senior business partners with the goal of assessing leadership skills in a strategic relationship.

Did the team meet its goals? This theme, although perhaps self-evident, seemed very powerful. If the CREM team does not meet its goals, how can a CREM leader be said to have met his or her goals? Two of the 14 participants (14%) made comments that mapped onto this theme. P6's comment on this theme was very powerful; "If the team isn't successful, if we don't meet our overall goals then obviously I haven't been successful" (P6, personal communication, April 28, 2016). In a similar team-oriented fashion, P3 indicated that the best measurement of leadership success is whether the team is both meeting its goals and improving year over year.

Research question 3 summary. RQ3 asked: How do corporate real estate leaders measure overall success of their strategies and leadership practices? The following four interview questions were asked of the participants to elicit different dimensions of their experience around measuring strategic and leadership success:

- IQ7: How do you measure the success of the corporate real estate organization?
- IQ8: What methodologies do you employ to measure the success of CRE strategies?
- IQ9: What data do you find most helpful to collect to measure success of your strategies?
- IQ10: How do you measure the success of your leadership practices?

For each of the interview questions the theme with the most supporting data is shown subsequently:

- IQ7 Theme: Performance against budget and goals
- IQ8 Theme: Performance against budget and goals
- IQ9 Theme: Budget and goal data
- IQ10: Theme: Informal feedback, team dynamics

Research question 4. RQ4 asked: What recommendations would corporate real estate leaders make to help others achieve success for their organizations? The following three interview questions were asked of the participants to elicit different dimensions of their thoughts on how they might help other CRE leaders achieve success for their organizations:

- IQ11: What leadership practices and strategies would you recommend to help other CRE leaders be successful?
- IQ12: What recommendations for strategy creation and implementation would you make to other CRE leaders?

- IQ13: What performance management practices and strategies would you recommend to other CRE leaders?

Interview question 11. IQ11 asked, What leadership practices and strategies would you recommend to help other CRE leaders be successful? After analysis of the participant interview data the following four themes were identified: (a) understand the core business(s) of the company, (b) communicate consistently and honestly, (c) have your own vision and strategy, (d) look for new ideas and trends, and (e) talent recruitment and development (see Figure 22).

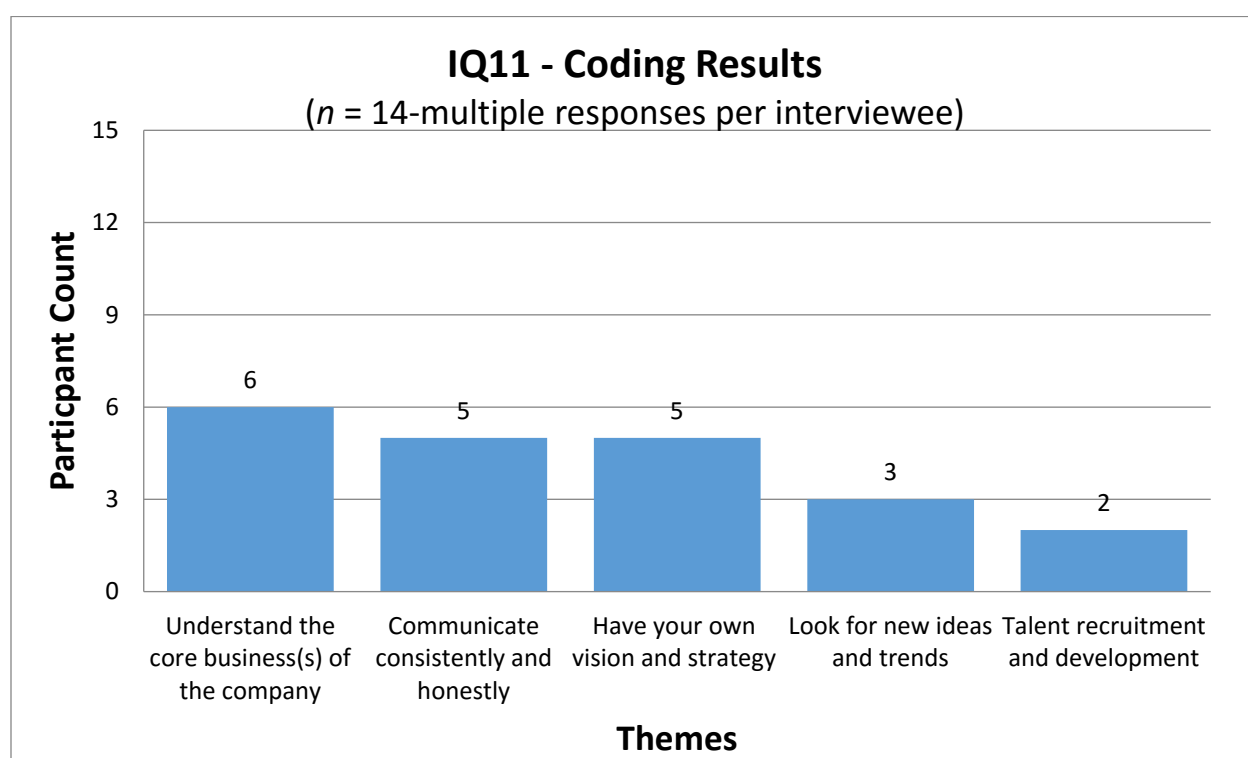


Figure 22. What leadership practices and strategies would you recommend to help other CRE leaders be successful?

Understand the core business(s) of the company. Six participants (43%) provided interview data that mapped onto this theme. The sense of this theme is that to be effective within an organization, CRE leaders need to understand not only their real estate discipline but also the core business of the company that the real estate supports. P1 articulated this idea very clearly,

I would say, understand what your core business of your company is. Understand what the business units need to be successful, of course that requires a lot of discussion with some of the people. When you get that, then you can understand what, from the real estate facility's perspective, what is valuable to them and what isn't. (P1, personal communication, March 23, 2016)

P3 advised that CRE leaders embed themselves in the business so they can participate in the strategy discussion that drives real estate requirements. Similarly, to P3, P6 counseled that real estate leaders need to very involved in order to get to know the company and know what the business units need. P7 advised CRE leaders to be proactively interpreting the business environment so that their perspective can be added to strategic discussions on the direction of the company. P13 advised that CRE leaders should understand how all of the different business units interact. P10 said, "It's business understanding and leadership, in all aspects" (P10, personal communication, April 22, 2016).

Communicate consistently and honestly. The need for clear and honest communication was a theme that occurred in many facets of the data. CREM can be a confusing field for those not immersed in the concepts that drive CREM, therefore the need for clarity of communication is important and because the dollar impact of CRE decisions, honest is critically important as well. Five (36%) participants mentioned this theme in response to IQ11 in the interview.

Management By Walking Around (MBWA) is a communication practice that P2 found to be of value. Actually talking to one's colleagues, one's team, and one's clients can genuinely enhance one's communication. Just as the three laws of real estate are location, location, location, P8 suggested that the three laws of CRE success are communicate, communicate, communicate. P9 advised staying in close contact with a lot of internal organizations as you never know which one

will have the data or resources you need. Open and honest communication has served P11 well, even when the news being communicated wasn't good news. P11 believes that having the courage to deliver the bad news builds a respectful relationship. Finally, P13 believes in being genuine and collaborative in order to build relationships with the various business units.

Have your own vision and strategy. Five participants (36%) provided data supporting this theme. The participants' collective advice is that a leader must follow his/her own vision if he/she is to have the energy and enthusiasm to lead well. If the vision the CRE leader is trying to implement is not his/her own, the energy and enthusiasm may also be missing. Having one's own philosophy about management and real estate to guide one's actions is something that P4 finds important. When you have that vision, P6 advised that you push teams to get it done better and faster. P5 advised that you be yourself and P7 suggested that if your vision takes you outside of the traditional CRE role you should not be afraid to follow where your vision leads.

Look for new ideas and trends. This theme of continuous growth was supported by the interview data from three (21%) participants. In order to formulate the best strategies and plans, P4 feels that a CRE leader needs to understand the latest CREM ideas, trends and technology. P8 expressed concern that if you think you're the smartest guy in the room, you are probably already in trouble. P12 advocated for continuous learning to stay relevant.

Talent recruitment and development. The data for two of the 14 participants (14%) supported this theme. The need for talent to be able to execute existing plans, as well as devise new and improved plans, is a reoccurring theme. Some excellent advice, however, emerged from this theme. In the words of P14, "Be an astute judge of character and hire people that are smarter than you are. Give them the tools they need to get the job done, provide them coaching and mentoring, then frankly get out of their way" (P14, personal communication, May 4, 2016).

Interview question 12. IQ12 asked: What recommendations for strategy creation and implementation would you make to other CRE leaders? After analysis of the data from participant interviews the following themes emerged from the data: (a) understand what the business needs, (b) cross validate business unit forecasts with finance and HR, and (c) leverage data and analytics (See Figure 23).

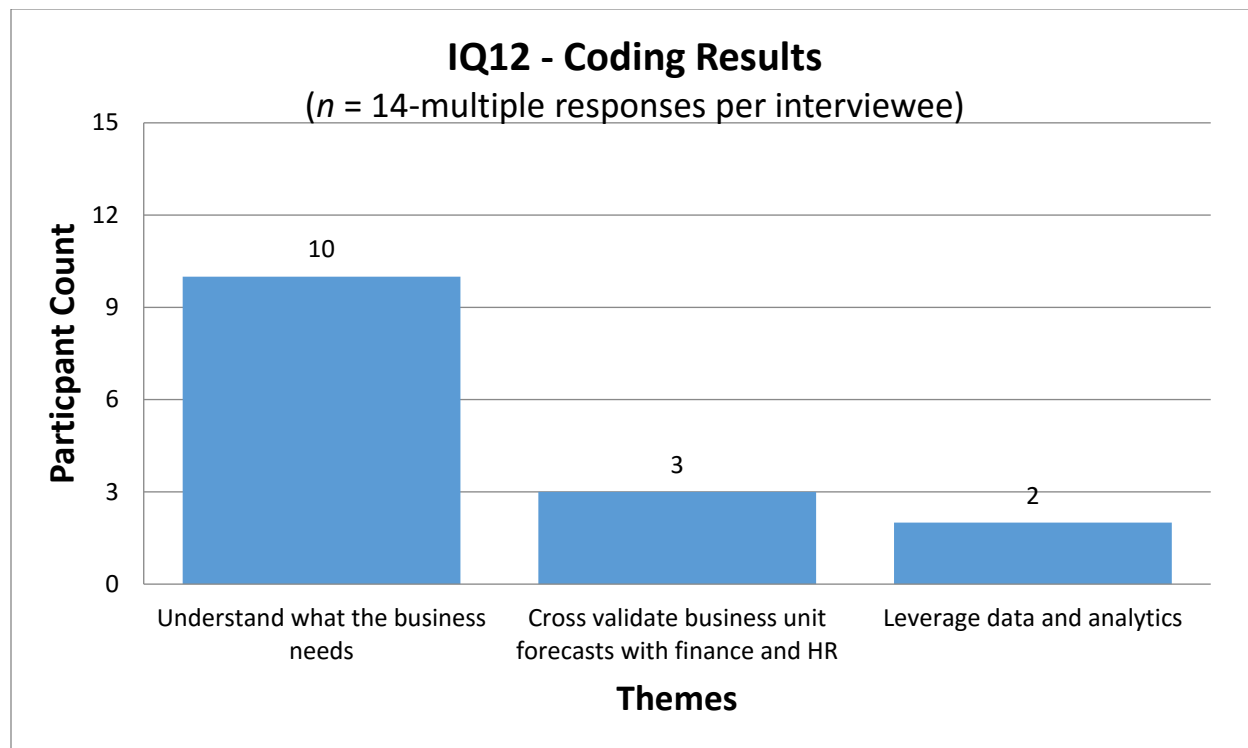


Figure 23. What recommendations for strategy creation and implementation would you make to other CRE leaders?

Understand what the business needs. When asked for strategy creation and implementation recommendations, 10 (71%) of the participants recommended understanding what the business needs. Knowing what the business needs often requires weaving together several threads to come up with a useful program. Some of what the CRE leader needs is knowledge of the organization, its leaders, and its position. P1, P3, P5, P11, and P13 all provided insights that recommend having the holistic picture of the business and its needs as a prerequisite for effective strategy implementation. P6's advice is to push teams to create

strategy, and often the business does need that kind of push to break free of old thought patterns or strategies, so this is good advice as well. P7 suggested a different kind of understanding of what the business needs. P7 recommended that CRE leaders “Understand what and how the senior executive team is being evaluated for performance by the Board and try to again understand what drivers or levers you can help them in their success” (P7, personal communication, May 6, 2016). All businesses have a business cycle, and P8 suggested that understanding where a particular business is in its cycle of growth, maturity, and decay is important information for CRE to incorporate into its strategy.

Cross validate business unit forecasts with finance and HR. This theme of cross validating forecasts appeared in the data from three (21%) participants. This theme reflects the central truth that no business unit in a large company operates without some oversight. Business units often would like to think that they control their own destiny; however, concurrence with their plans by finance, human resources, and others is usually required. P1, P9, and P13 all advised that the successful CRE leader will cross validate business unit requests with these other departments to be sure that any CRE plans are based on business unit forecasts that will survive the scrutiny of the other parts of the corporation.

Leverage data and analytics. Two (14%) of the participants mentioned taking full advantage of data and analytics in creating strategy. P4 and P10, both of whom work at companies very dedicated to analytics, made the point that the wise CRE leader will use all of the tools and data at his/her disposal to create the best informed strategy possible.

Interview question 13. IQ13 asked: What performance management practices and strategies would you recommend to other CRE leaders? After analysis of the interview data provided by the participants in response to this question, three themes emerged: (a) set clear

goals and priorities, (b) regular reviews of progress against goals, and (c) provide clear processes to accomplish priorities (See Figure 24).

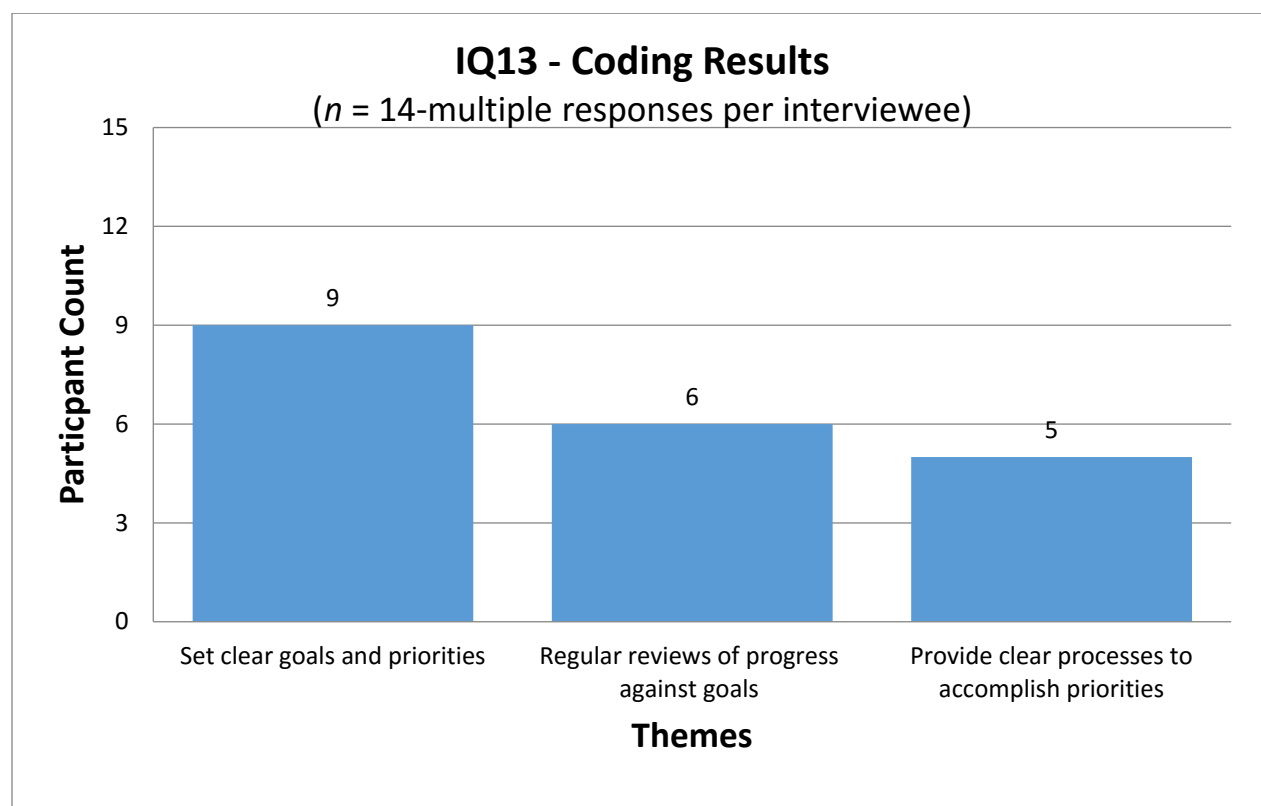


Figure 24. What performance management practices and strategies would you recommend to other CRE leaders?

Set clear goals and priorities. The theme of clear goals and priorities in PM practices was supported by data from nine of the 14 participants (64%). Within the realm of setting clear goals and priorities there are several conditions necessary to arriving at those clear goals and priorities. The data that went into this theme seem to contain most of the elements of good goal and priority setting. CREM goals, like those of other organizations, need to conform to well established practices for setting good goals and priorities. One of the first conditions is making sure that the goals are aligned with senior management. P1 advised getting input from the C-suite so that base is covered. Knowing who is going to do what is important, and P12 offered a reminder that establishing a disciplinary context will help define roles and responsibilities.

Having goals that look ahead, not backward, P5's advice, will help guide the team to the desired result. The input from P3 and P9 emphasize that good quantitative metrics help track progress. Having rewards that support achieving the goals is beneficial and P7 suggested aligning strategy and rewards. Preparing reports on progress against goals can take employees away from working toward those goals. P4 recommended simplifying the reporting process so more time is spent working toward goals. Finally, P2 noted that setting employees up for success is important and goals should take into account the need for employee success.

Regular reviews of progress against goals. Once again, a well-established principle of PM, that equally applies to CREM, reviewing progress against goals. Six of the 14 participants (43%) supported regular reviews as a recommended practice for PM. P2's advice, perhaps the most important on this topic, is that the conversation around performance against goals should be ongoing so that there are no surprises. P9 pointed out that employees and service providers need to be held accountable for performance based on the reviews.

Provide clear processes to accomplish priorities. Clarity around processes is critical for good PM, especially where complex transactions, which CREM transactions often are, or large and complex organizations, of which CREM organizations are often a part, are involved. The theme of providing clear processes was supported by data from five (36%) of the participants. P9 provided sage advice in advising that the organization is set up to deliver and P10 again stressed the need for clear processes.

Research question 4 summary. RQ4 asked: What recommendations would corporate real estate leaders make to help others achieve success for their organizations? The following three interview questions were asked of the participants to elicit different dimensions of their thoughts on how they might help other CRE leaders achieve success for their organizations:

- IQ11: What leadership practices and strategies would you recommend to help other CRE leaders be successful?
- IQ12: What recommendations for strategy creation and implementation would you make to other CRE leaders?
- IQ13: What performance management practices and strategies would you recommend to other CRE leaders?

The themes with the most supporting data for each of the interview questions are shown subsequently:

- IQ11 Theme: Understand the core business(s) of the company
- IQ12 Theme: Understand what the business needs
- IQ13 Theme: Set clear goals and priorities

Chapter 4 Summary

The purpose of this study was to further the development of the CREM discipline by identifying contemporary challenges that CRE leaders face. The study also examined the leadership practices and strategies they use to respond to these challenges, and the methods they use to measure the overall success of their strategies and leadership practices. Recommendations they would make to other CRE leaders to help them achieve success in their organizations will conclude the study.

In order to gather data that would be useful for developing an in-depth understanding of the issues outlined previously, 14 senior CRE leaders were identified for semi-structured interviews. The following four research questions served as the basis for the interviews and were supplemented by 13 interview questions.

- RQ1: What are the strategic and leadership challenges that corporate real estate leaders face?
- RQ2: What strategies and leadership practices do corporate real estate leaders employ in responding to the challenges they face?
- RQ3: How do corporate real estate leaders measure overall success of their strategies and leadership practices?
- RQ4: What recommendations would corporate real estate leaders make to help others achieve success for their organizations?

Data collection for the research was done by means of semi-structured telephone interviews with the 14 previously identified senior CRE leaders. Each semi-structured phone interview used the same 13 interview questions, was recorded, and lasted approximately 30 minutes. The recordings were then transcribed and analyzed using a phenomenological approach as described in Chapter 3 and in the Data Analysis section of this Chapter 4. The Data Display section of Chapter 4 presented the research questions, the interview questions and the themes that were developed from the interview data. The 13 interview questions and the 49 related themes are presented in Table 8. Chapter 5 will conclude this study with a discussion of the themes, their implications, the researcher's conclusions, and recommendations for additional research.

Table 8.

Interview Questions and Themes

Interview Questions	Themes
1. How has your work in corporate real estate evolved or changed in the past 5 years?	More strategic role, higher expectations
	Increased global scope
	Greater use of technology

(continued)

Interview Questions	Themes
	More connected with internal business units
	Accelerating pace of change
2. Has this change or evolution had a strategic impact on your work? How?	More emphasis on planning and standards
	Deeper connection across the company
	Greater use of outsourced service providers
3. Has this change or evolution had an impact on your leadership role in your work?	More strategic & global leadership
	Stronger influencing and teamwork skills required
	Broader knowledge and skill set required
	More reliance on outsourced providers
4. What new approaches or adjustments are you making in your corporate real estate strategy?	Proactively planning with business units
	Systems to track metrics and standards
	Exploring new organizational methods
	Taking advantage of real estate market conditions
5. What new skills, practices and strategies have you found successful in your role as a corporate real estate leader?	Understanding the needs of business unit partners
	Broad business skills, especially finance and accounting skills
	The importance of interpersonal skills
	Talent recruitment and development
6. What other adjustments or new approaches have you adopted to deal with these changes in your environment?	More focus on process controls and design standards
	Diverse methods of communication
	Greater focus on talent acquisition and development
	Data driven metrics, standards & budgets
7. How do you measure the success of the corporate real estate organization?	Performance against budget and goals
	Reputation with executives
	Customer satisfaction surveys
	Timely space availability

(continued)

Interview Questions	Themes
8. What methodologies do you employ to measure the success of CRE strategies?	Performance against budget and goals Customer satisfaction
9. What data do you find most helpful to collect to measure success of your strategies?	Executive feedback Budget and goal data
10. How do you measure the success of your leadership practices?	Customer satisfaction Informal feedback, team dynamics Perception of other executives Surveys of employees, peers & superiors
11. What leadership practices and strategies would you recommend to help other CRE leaders be successful?	Did the team meet its goals? Understand the core business(s) of the company Communicate consistently and honestly Have your own vision and strategy Look for new ideas and trends
12. What recommendations for strategy creation and implementation would you make to other CRE leaders?	Talent recruitment and development Understand what the business needs Cross validate business unit forecasts with finance and HR Leverage data and analytics
13. What performance management practices and strategies would you recommend to other CRE leaders?	Set clear goals and priorities Regular reviews of progress against goals Provide clear processes to accomplish priorities

Chapter 5: Conclusions and Recommendations

This study began with the observation that the real estate owned by businesses, land and buildings in all of their many forms—offices, stores, warehouses, manufacturing plants, and a multitude of other specialized types of real estate—represent an enormous investment, some \$19.5 trillion by one estimate (Yglesias, 2013). The real estate owned by companies whose business is not primarily investing in real estate is commonly known as Corporate Real Estate (CRE). Not only does CRE represent an enormous investment of capital, but also the annual cost of operating and maintaining CRE is also enormous. Annual real estate operating costs are often cited as being the second largest business expense after wages and salaries (Gibler & Lindholm, 2012). Other estimates of annual real estate operating costs place them at 40-50% of business net operating income (Nourse & Roulac, 1993).

The globalization of the economy that began in the 1970s gained rapid momentum through the 1980s and continues to the present day has resulted in almost all businesses experiencing increased competition. Responding to these new global competitive pressures, businesses began looking at reducing costs and realized anew the large component of their costs represented by CRE (Carn et al., 1999). The desire to understand and control CRE costs resulted in pioneering studies done at Harvard (Zeckhauser & Silverman, 1983) and MIT (Veale, 1989), which found that CRE, as an asset, was often neglected and not well managed.

As corporations focused on improving the management of their CRE assets, Corporate Real Estate Management (CREM) began to be recognized as a separate real estate management discipline in the late 1980s. As a relatively new real estate management discipline, a wide variety of theories and models have been proposed in the areas of CREM leadership, strategy, and performance management (PM). As demonstrated in the literature review presented in

Chapter 2 of this study, the CREM community has not coalesced around a group of accepted theories and practices in the areas of leadership, strategy, and PM. This lack of generally accepted theory indicates a need for further study to develop more comprehensive theories of CREM to guide CREM leaders in their work and development of best practices.

The purpose of this study, therefore, was to further the development of the CREM discipline by identifying contemporary challenges that CRE leaders face. The study also examined the leadership practices and strategies CREM leaders use to respond to these challenges, and the methods they use to measure the overall success of their strategies and leadership practices. Recommendations they would make to other CRE leaders to help them achieve success in their organizations conclude the study.

Results and Discussion of Findings

In order to identify the challenges faced by CREM leaders, the leadership, strategy, and PM practices they use to respond to these challenges and recommendations for other CREM leaders to help them achieve success in their organizations, the following four research questions (RQs) were developed:

- RQ1: What are the strategic and leadership challenges that corporate real estate leaders face?
- RQ2: What strategies and leadership practices do corporate real estate leaders employ in responding to the challenges they face?
- RQ3: How do corporate real estate leaders measure overall success of their strategies and leadership practices?
- RQ4: What recommendations would corporate real estate leaders make to help others achieve success for their organizations?

Using the RQs as a guide, 13 interview questions (IQs) were subsequently developed. Fourteen senior CREM leaders were then recruited for interviews and data were collected by means of semi-structured telephone interviews based on the 13 interview questions. The interviews were recorded and transcripts were produced from the recordings for analysis. The analysis of the transcripts followed procedures outlined by Giorgi (1997), with the researcher first reading the transcripts two to three times for general familiarity. After reading for familiarity the researcher began to divide the data into units with similar meanings. These meaning units were reviewed at least twice by the researcher, and then using an Microsoft Excel spreadsheet the meaning units were organized into themes. A total of 39 themes were identified based on the interview questions. In order to ensure validity and inter-rater reliability, the spreadsheet was then reviewed by two Pepperdine doctoral candidates for both the suitability of the themes and the assignment of the meaning units. Any questions relating to the themes or the assignment of the meaning units were successfully resolved by agreement between the researcher and the reviewers. Had there been any disagreement on interpretation, the researcher would have referred to a member of the doctoral committee for resolution.

The results and the findings of the research are organized subsequently by the RQ and the related IQs. In order to focus on the most meaningful themes, the average number of meaning units for the IQs assigned to each RQ was calculated. The themes which had been assigned a number of meaning units equal to or greater than the average of the themes for the RQ were selected for further analysis. These themes are shown as major themes in the following analysis.

Findings and major themes from RQ1: What are the strategic and leadership challenges that corporate real estate leaders face? Three IQs were developed for RQ1 and are shown in Table 9. The data analysis for the three IQs produced a total of 13 themes with an

average score of five. Themes with a score equal to or above the average RQ1 theme score of five are referred to as the major themes and are shown along with the related IQ.

Table 9.

RQ1 Interview Questions and Major Themes

RQ1 Interview Questions	Major Themes
1. How has your work in corporate real estate evolved or changed in the past 5 years?	More <i>strategic</i> role, <i>higher expectations</i>
2. Has this change or evolution had a strategic impact on your work? How?	More <i>strategic</i> and <i>proactive</i>
3. Has this change or evolution had an impact on your leadership role in your work?	More emphasis on <i>planning</i> and <i>standards</i> More <i>strategic & global</i> leadership Stronger <i>influencing</i> and <i>teamwork</i> skills required

CREM as a strategic partner. Chapter 1 of this study describes a seminal study in the CREM world titled *Strategic Management of the Fifth Resource: Corporate Real Estate* (Joroff et al., 1993). The Joroff et al. (1983) study envisioned a progression of CRE's role in the corporation from being an order taking technical specialist, as it was perceived in the early 1990s, to being a *strategic partner* in shaping the strategy of the corporation. The data collected in this study support the finding that CRE has become a strategic partner with the senior management of the corporation and its business units. Three of the five (60%) major themes for RQ1 indicate that CRE has a significant role in corporate strategy. The themes also indicate that with the higher involvement in strategy come higher expectations for performance. P6 captured this general theme very clearly by observing:

Senior leadership has a better understanding of the leverage and the impact that can come out of corporate real estate. Which presents some challenges for corporate real estate,

because they understand it, I think their expectations have gone up of what the groups can really do. (P6, personal communication, April 28, 2016)

CREM leadership. RQ1 asked: what are the strategic and leadership challenges that CRE leaders face? The more strategic role that CRE is now playing does not come without a price. The higher expectations bring higher visibility and demand greater skill for both strategy and leadership. The major themes in Table 9 highlight CRE skills and attributes that are necessary to maintain and grow CRE's place at the executive table. CRE executives need to be *proactive* and *global*, with excellent *planning*, *influencing*, and *teamwork* skills. If we consider Kotter's (1996) leadership behaviors; establishing direction, aligning people, motivating and inspiring, and producing change, it is not difficult to see why these skills are highlighted as being important; all are required to implement the leadership behaviors described by Kotter (1996). Exercising these types of skills is the ticket to greater visibility and strategic importance. Continuing to expand and enhance these skills for the benefit of the corporation is the price of maintaining CREM's place at the table.

Other findings, the accelerating pace of change. Although not a major theme, the accelerating pace of change and innovation was mentioned by several participants as an important consideration. The pace of change in the businesses that CRE supports drives requirements for increasingly rapid changes in CRE assets, CRE will need to be more flexible and responsive as an organization and will also require different ways of thinking about real estate holdings and transactions. The trade-off between cost and flexibility may be changing, P8 mentions the CFO as being willing to pay more for facility space if there is greater flexibility in adding to or decreasing that space. Although the trade-off between cost and flexibility will vary

by industry and company, the increased pace of change and innovation seems likely to drive fundamental changes in CRE thinking about organizations and real estate holdings.

RQ1: Summary of findings and major themes.

- CRE leaders have used teamwork and influencing skills to engage senior management of the corporation and its business units.
- As a result of this engagement, CRE leaders are able to plan proactively for real estate assets. The resulting plans have been beneficial to the corporation.
- Based on positive results, CRE has assumed a more visible and global role in the corporation's strategic planning.
- Higher expectations from senior management accompany this more visible, strategic, and global role.
- The pace of change and innovation in many industries will continue to drive CREM towards more flexible and responsive organizational forms. The pace of change will also impact the legal and financial structure by which CRE assets are held.

Findings and major themes from RQ2: What strategies and leadership practices do corporate real estate leaders employ in responding to the challenges they face? Three IQs were developed for RQ2 and are shown in Table 10. Analysis of the data for the three IQs produced a total of 12 themes with an average score of four. The seven themes with a score equal to or above the average RQ2 theme score of four are referred to as the major themes and are shown along with the related RQ2 IQs.

Table 10.

RQ2, Interview Questions and Major Themes

RQ2 Interview Question	Major Themes
4. What new approaches or adjustments are you making in your corporate real estate strategy?	<i>Proactively planning with business units</i> <i>Systems to track metrics and standards</i> <i>Exploring new organizational methods</i>
5. What new skills, practices and strategies have you found successful in your role as a corporate real estate leader?	<i>Understanding the needs of business unit partners</i> <i>Broad business skills, especially finance and accounting skills</i> <i>The importance of interpersonal skills</i>
6. What other adjustments or new approaches have you adopted to deal with these changes in your environment?	<i>More focus on process controls and design standards</i>

CRE strategy. Given that strategy is always forward looking and future oriented (Andrews, 1971/1980; Chandler, 1962/1990; Quinn, 1995), it requires, almost by definition, being proactive. Unfortunately, the tyranny of the urgent day to day activities often crowd out the important, but not urgent *today*, kind of activities, like strategy. Real estate strategy requires long lead times due to the time required to acquire and/or construct buildings. Business Units resist taking time to plan for real estate needs that may be years in the future. Because of this mismatch in time frames it is incumbent on CRE to be *proactive* in planning with business units. Proactivity with the business units may include everything from merely reaching out to find out how they are doing, to pushing actionable information to them, to not taking no for an answer when real estate decisions need to be made. Ali, Adair, et al. (2008) point out that failure by CRE executives to be proactive in this fashion may be the reason that CRE is often perceived to be left out of the communication loop when strategy is discussed.

In order to be proactive the information necessary to make informed decisions needs to be available and accessible. The focus on systems to track *metrics and standards* allows this information to be made available for use by CRE and business partners. The CREM literature acknowledges the importance of having in place systems to make available the data to manage current and future CRE performance (Joroff et al., 1993). It seems likely that as better systems and new ideas for tracking CREM performance data become available the desire and need for additional evolution of CREM metrics and standards will continue.

For CRE, new organizational methods might be everything from decentralizing a centralized CRE department to finding a new mix of internal and outsourced resources. Being willing to experiment with organizational structures provides CRE leaders with increased flexibility to respond to pressures for cost reductions as well as changes in the support required by the business units.

Leadership skills and practices. Several of the CRE leaders interviewed mentioned the need for and the difficulty of setting their own agendas aside in order to be able to more fully understand their clients' needs. Without a full *understanding of the partner's business needs* it is almost impossible to arrive at an optimal solution. P2 described how the CRE leaders that are pushing the performance envelope to higher levels take time to understand their clients:

Even though it is hard, what I try and do is put myself in the position of that business unit leader or that project leader from the business. What are they getting hammered on? What's important to them? How can we make them look good? (P2, personal communication, March 31, 2016)

The ability to set aside the leader's personal goals and focus on the needs of the client (follower) or the group is central to transformational leadership (Bass, 1998; Burns, 1978) and authentic leadership (George, 2003) styles wherein the leader and the group share the same goals. Successful CRE executives need even more skills in addition to being proactive and seeking understanding of the client's business needs (Manning & Roulac, 1996). A broad skill set helps the CRE leader to be more versatile, able to function in a wide variety of settings. These additional skills may include a variety of factors but finance and accounting skills are almost a prerequisite. One CRE leader, P4, was "stunned how almost everything we do has a financial, or more specifically, an accounting impact" (personal communication, April 29, 2016).

The importance of interpersonal skills. In the highly collaborative world the CRE leaders described in their interviews, interpersonal skills are critical to building the shared understanding and trust that are required for large teams to function at a high level. Specifically, two executives framed interpersonal skills in the context of listening and interpreting (P7) and the critical nature of communicating clearly and often (P8).

Process controls and design standards. In a complex or large scale environment, process controls and design standards bring order to what otherwise might be chaotic. Real estate portfolios occupied by lots of people have a huge amount of both human and mechanical complexity. Knowledge of process controls and design standards and how to apply them are a tool that must be in a CRE leader's toolkit.

Other findings- talent acquisition and development. Themes relating to talent acquisition and development were identified in both IQ5 and IQ6, but did not rise to the level of major themes. These themes are highlighted here because of the long term importance to the CREM community of identifying and developing talented executives who are able to continue

the development and improvement of the practice of CREM. Anecdotally, P7 and P12 mentioned the difficulty of finding CRE leaders that can integrate the various disciplines involved in CREM at a high level. Furthermore, P7 indicated concern, shared by colleagues at other companies, that the large number of baby boom generation CRE executives would soon begin retiring, further exacerbating the talent shortage in the CREM industry. From the earliest writings in the CREM literature (Joroff et al., 1993; Veale, 1989; Zeckhauser & Silverman, 1983), the question of what educational background and career path would be most appropriate for CREM leaders has been debated without a solution. If the demand for CREM talent is sufficient, perhaps there is a need to develop a university level CRE academic program, at the bachelor's or master's degree level to meet the need for the next generation of CREM leaders.

RQ2: Summary of findings and major themes.

- Proactive planning by CRE must be based on an understanding of business unit requirements.
- Interpersonal skills are critical in CRE building understanding of business unit requirements.
- It is becoming ever more critical that CRE leaders possess broad business skills, especially finance and accounting, in order to deal with complex issues.
- Improved processes, data, metrics, and design standards are necessary for improved CRE results.
- Organizational changes need to be considered to optimize CRE results
- Talent acquisition and development is an ongoing concern for CRE executives

Findings and major themes from RQ3: How do corporate real estate leaders measure overall success of their strategies and leadership practices? Four IQs were

developed for RQ3 and are shown in Table 11. Analysis of the data for the four IQs produced a total of 13 themes with an average score of six. The five themes with a score equal to or above the average RQ3 theme score of six are referred to as the major themes and are shown along with the related IQs.

Table 11.

RQ3 Interview Questions and Major Themes

RQ3 Interview Questions	Major Themes
7. How do you measure the success of the corporate real estate organization?	Performance against <i>budget and goals</i>
8: What methodologies do you employ to measure the success of CRE strategies?	Performance against <i>budget and goals</i>
9. What data do you find most helpful to collect to measure success of your strategies?	<i>Budget and goal data</i>
10. How do you measure the success of your leadership practices?	<i>Informal feedback, team dynamics</i>
	<i>Perception of other executives</i>

CRE success measurement. The data for this theme was very clear; it is all about being on budget, making your numbers. Although the *budget and goals* theme was used to aggregate interview data that referenced a wide variety of metrics and goals—including expense budgets, capital budgets, project cost and schedule, process cycle times, customer satisfaction, and sustainability measurements—most of the respondents boiled it down to essentially, in the words of P8, “You need to hit your budget or be damn close to it” (personal communication, April 22, 2016). The CREM performance management literature does reflect the fact that CREM leaders are generally more comfortable with traditional cost based CRE metrics. CREM could benefit from exposure to non-traditional metrics, such as the impact of facilities on employee engagement and productivity which might link CRE more clearly to the corporate bottom line

rather than the current focus which is primarily cost based (Langford & Haynes, 2015). Other researchers suggest that new CRE PM measurements could facilitate a paradigm shift in the understanding of CREM's impact on strategy by promoting a more complete understanding of CREM's impact on corporate performance (Amaratunga & Baldry, 2003; Lindholm, 2008; Lindholm & Leväinen, 2006; Lindholm & Nenonen, 2006). It seems, therefore, that there is a need to continue to search for and develop measurements that more holistically report CREM's contribution to the success of the enterprise.

CRE strategy success measurement. IQ8 was asked with the idea that, when it came to strategy, there might be additional success measurements beyond the *budget and goal* metrics described previously. Although there were some mentions of other measurements, their importance in measuring strategy was overshadowed by the weight of the financial and performance metrics. The discussion above, in the CRE Success Measurement section, of the need to consider new and different CRE metrics for the determination of performance applies equally to the strategy component discussed here. New metrics might cast CRE's strategic contributions to the corporation in a different, and perhaps paradigm shifting, light.

CRE strategy data. As with the strategy success measurement, the possibility of collecting something novel was overwhelmed by the ease, availability, and volume of financial and other readily available metric data. Once again, the development of new metrics would drive the collection of different types of strategy data than are now collected. As previously suggested, new metrics and new data might highlight new and different contributions by CRE.

Measuring the success of leadership practices. A few of the participants acknowledged that they had never thought about their leadership practices as being measurable. The largest number of participants got *informal feedback* from different sources. P1 mentioned the regular

one on one meetings he holds with each of his staff members, P10 got feedback from various anecdotal sources, and P12 indicated that the feel of the team was the best source for data. The other category of responses was that the perception of other executives regarding their leadership was the most important source of measuring their leadership practices. Input from these executives was cited as everything from feedback from the boss to the willingness of another executive to recommend them for additional responsibilities.

Given the importance of leadership in any organization, it seems that a more formal means of measuring the effectiveness of CREM leadership would be useful to CREM leaders and their organizations.

Other findings-emotional intelligence and social construction. It is interesting to note that several of the participants' remarks carried a strong sense that hitting one's numbers or making one's budget was the minimum condition for success in terms of overall CRE results and CRE strategy. The other condition required for success and greater responsibility, appeared in two themes in IQ7 and IQ8, both of which themes just missed the cut off level to be considered major themes. These two themes described feedback from and reputation with other non-CRE executives. P8 expressed this as the CRE department having a good reputation with other executives. P7 describes creating a conversation with executives to get guidance on their performance expectations while, while P4 mentions having other executives extend the opportunity to take on additional responsibility. Success, therefore, is not determined strictly by the numbers, but rather seems to include a social or emotional component. This social and emotional component seems to indicate that CREM executives who have a greater ability to understand and apply the important nuances of their corporate culture (Schein, 2010) are seen as more able to work within the corporate framework. It also seems likely that CREM executives

with greater *emotional intelligence* i.e., higher levels of self- awareness, self-regulation, motivation, empathy and social skills (Goleman, 2004), are more open to and aware of the CRE needs of other executives. Not only would these CREM executives with have greater awareness of the CRE needs of their clients, they would also have a greater ability to respond to these needs in a way that the other executives find helpful. The implication is that CREM success is not just the result of technical or financial results but also contains a component that socially determined amongst the ranks of other executives. Therefore, CREM leaders need to be aware of and understand the implications of corporate culture and emotional intelligence factors both within their CRE organizations as well as within the larger corporation they support.

RQ3: Summary of findings and major themes.

- The success of the CRE organization and its strategies is primarily measured in terms of a cost based budget and other quantitative metrics.
- CRE leaders measure the success of their leadership practices primarily with informal and anecdotal information.
- Qualitative and informal executive assessments of CREM performance play a role in determining whether a CREM organization has been successful. CREM leaders with a clear understanding of their corporate culture and high emotional intelligence are likely to have an advantage in achieving success in these informal executive assessments.

Findings and major themes from RQ4: What recommendations would corporate real estate leaders make to help others achieve success for their organizations? Three IQs were developed for RQ4 and are shown in Table 12. Analysis of the data for the three IQs produced a total of 11 themes with an average score of five. The seven themes with a score

equal to or above the average RQ4 theme score of five are referred to as the major themes and are shown along with the related IQs.

Table 12.

RQ4 Interview Questions and Major Themes

RQ4 Interview Questions	Major Themes
11. What <i>leadership practices and strategies</i> would you recommend to help other CRE leaders be successful?	<i>Understand the core business(s) of the company</i> <i>Communicate consistently and honestly</i> <i>Have your own vision and strategy</i>
12. What <i>recommendations for strategy creation and implementation</i> would you make to other CRE leaders?	<i>Understand what the business needs</i>
13. What <i>performance management practices and strategies</i> would you recommend to other CRE leaders?	<i>Set clear goals and priorities</i> <i>Regular reviews of progress against goals</i> <i>Provide clear processes to accomplish priorities</i>

Recommended leadership practices and strategies. *Understanding the core business* of the company is imperative for a support organization such as CRE. Neither the CREM leader nor his/her leadership can be effective without understanding the core business of the corporation (Joroff et al., 1993). Both the academic and CREM literature discussed in Chapter 2 are clear that the strategy of a support organization, such as CRE, must be aligned with that of the core business or the company overall is sub-optimized (Andrews, 1971/1980; Chandler, 1962/1990; Mintzberg et al., 1995; Porter, 1985; Tregoe & Zimmerman, 1980). If the CRE leader does not understand the core business it is unlikely an appropriate alignment can be achieved. P1 advised sagely, “Understand what your core business of your company is. Understand what the business units need to be successful” (personal communication, March 23, 2016).

The need to *communicate consistently and honestly* can hardly be understated, as it is the only way to build common understanding and trust. The leadership behaviors identified by Kotter (1996); establishing direction, aligning people, motivating and inspiring, producing change; and the principles of the authentic leadership (George, 2003) and transformational leadership (Bass, 1998), that many leaders are currently seeking to implement, are fundamentally based on trust and mutual understanding. Trust and mutual understanding cannot happen without honest and consistent communication. The need for this type of communication is so fundamental that P8 articulated the fundamental law of successful CRE as being, communication, communication, communication. Even if the news to be communicated isn't good news, if communicated honestly and directly, P11 believes even negative news can have a beneficial impact on the business relationship.

Implementing *your own vision and strategy* requires a lot of hard work. In order to be able to take on the work necessary for a successful implementation of a strategy, the strategy needs to be something that the CRE leader understands and believes in (P2) and is passionate about (P5). Understanding and passion give the staying power and energy with which to overcome the inevitable obstacles. The leadership literature validates the need for passion and commitment on the part of leaders if their leadership, especially if their goal is to produce exceptional results. Whether the leadership style is authentic, charismatic, servant or transformational, the leader must have a vision that inspires their followers. Without a personal commitment to and passion for their plan, it seems unlikely that any CRE leader can produce exceptional results.

Recommendations for strategy creation and implementation. Understanding what the business needs is clearly the key driver of successful CREM strategy creation and

implementation. CREM leaders proactively reaching out to the business units with information to initiate the process is a critical step. Furthermore, it is incumbent on CREM leaders to make their knowledge available to other senior executives in terms they understand. So the CRE leaders need to speak the language of the business unit, not expect the business unit executives to learn the language real estate (Manning & Roulac, 1996). Proactivity on the part of CREM, making CREM knowledge available in understandable terms and then seeking to understand business unit needs in a holistic fashion are key elements in the process (P13).

Recommended performance management practices and strategies. The three major themes that are shown in Table 12—setting clear goals and priorities, regular reviews of progress, and providing clear processes to accomplish priorities—are the well-known bedrocks of PM. Several of the participants provided sage advice on the actual use of these techniques: P1 recommended getting input on goals from the C-suite, P-12 recommended clarifying roles and responsibilities, and P5 advised having goals that look forward rather than backwards.

RQ4: Summary of findings and major themes. CRE leaders recommended the following to other CRE leaders:

- Understanding of the core business is critical for both leadership and strategy.
- Consistent, honest communication is critical for leadership.
- A CRE leader needs to have their own vision and strategy.
- Clear goals, priorities and processes along with regular reviews of progress against goals are the key to successful PM.

Key Findings

Having begun this study with the RQs that guided the process from the initial literature review to the development of a research protocol, IQs, data collection, and analysis, it seems

only appropriate that key findings should be framed in terms of answers to those research questions. Accordingly, based on the research in this study, the key findings are shown below as the answers to the research questions with which the study began.

RQ1: What are the strategic and leadership challenges that corporate real estate leaders face?

Key findings in response to RQ1:

- In terms of strategy, the key challenge faced by CRE leaders is aligning CRE strategy with the strategy of the corporation and its business units. A CRE strategy that does not support the main business of the corporation will, by definition, be sub-optimized.
- A CRE leader's main leadership challenge is to engage the senior management of the corporation and its business units in a way that allows CRE to optimize the company's real estate assets. The path to engaging senior management is through proactively making CREM accessible and relevant to the strategy of the larger corporate entity by sharing information and seeking to understand the needs of the business units.
- The pace of change and innovation in many industries will continue to drive CREM towards more flexible and responsive organizational forms. The pace of change will also impact the legal and financial structure by which CRE assets are held.

RQ2: What strategies and leadership practices do corporate real estate leaders employ in responding to the challenges they face?

Key findings in response to RQ2:

- As a support unit, CRE's real estate strategy must always follow and support the company's strategy. Therefore, there is no generic CRE strategy that can be followed absent a corporate strategy. As noted in the answers to RQ1, a CRE leader's main challenge is to engage the senior management of the corporation in a way that allows CRE to align with the corporate strategy.
- The primary leadership practices that CRE leaders use to engage with senior corporate leaders are:
 - Proactive consistent, candid communication to facilitate communication of the direction, alignment, motivation and changes needed for effective CREM functioning.
 - Proactive planning through sharing of CREM information, learning about the needs of corporate business units and the impact of CREM decisions on the operations of the business units.
 - The use of excellent interpersonal skills to help make CREM knowledge accessible to non-CREM executives.
 - Expansion of the leader's own knowledge base to be able to communicate with business units using their terminology own rather than real estate terminology that may be more familiar in CREM.
 - Staffing and leading the CRE organization in a way that supports the ever changing business unit requirements.
 - Talent acquisition and development is likely to become an increasingly important topic for CREM executives as the Baby Boom generation,

that entered the CREM field during the real estate boom of the 1980's, begins to retire.

RQ3: How do corporate real estate leaders measure overall success of their strategies and leadership practices?

Key findings in response to RQ3

- Almost invariably, CRE strategies are primarily evaluated based on compliance with cost based budgets and other quantitative metrics, goals, and targets.
- CRE leaders measure the overall success of their leadership based largely on informal feedback from a variety of sources and informal feedback from other executives.
- Qualitative and informal executive assessments of CREM performance appear to play a significant role in determining whether or not a CREM organization is deemed to be successful. CREM leaders with a clear understanding of their corporate culture and high emotional intelligence are likely to have an advantage in achieving success in these informal executive assessments.

RQ4: What recommendations would corporate real estate leaders make to help others achieve success for their organizations?

Key findings in response to RQ4, recommendations that CRE leaders would make to guide the success of other CRE leaders:

- Understanding of the core business in all of its dimensions, and the impact that CREM decisions have on the core business, is critical for both CRE leadership and strategy.

- Consistent, honest communication, in terms that are familiar and understandable to the client, is critical for successful CREM leadership.
- A CRE leader needs to have commitment and passion for his or her vision and strategy for the CREM organization if they are to achieve extraordinary results.
- Clear goals, priorities, and processes, along with regular reviews of progress against goals, are the key to successful PM.

Implications of the Study

This study has implications for several groups of people.

CRE executives. First, CRE executives will derive significant benefit from the information and analysis developed through the interview and data analysis process. Having one's peer group describe challenges, solutions, successes, and failures is always enriching. The executives interviewed for this study have been successful in advancing CRE to a more recognized and strategic role in their companies and the findings based on the data from the interviews suggest several key implications for CREM executives:

1. To the extent that CRE leaders have not thought in terms of aligning CRE strategy with the larger corporate strategy, a re-evaluation of their strategy is in order.
2. The increasing pace of change in the global business environment will require new innovations in CREM organizations as well as the structures by which CRE assets are held. Both CREM organizations and the lease or ownership structures by which CREM assets are held will need to be increasingly flexible. CREM executives need to consider what impacts these types of changes could have on their organizations and assets.

3. CREM expertise only, is no longer sufficient for success in the CREM field. CREM expertise is taken for granted and it is the ability to make CREM accessible and responsive to the business units that differentiates a high functioning CREM organization. CREM executives, therefore, must constantly seek to expand their capabilities and those of their organizations. Additional training in the areas such as finance, law, architecture, engineering, project management and other fields provides CREM with the means to communicate to businesses in their own terms.
4. The ability to acquire and develop talented employees in sufficient numbers may become a constraint on the development of individual CRE organizations and the CREM field as a whole. CREM executives need to consider whether academic training for CREM employees, perhaps in university degree granting programs, is one path which could be used to direct talented people to meet their needs and whether they would support hiring graduates of such programs.
5. While CRE organizations are primarily evaluated on the basis of whether or not budget and other financial and quantitative targets are met, there are also indications from the data in this study that informal and qualitative assessments by non-CREM executives play a significant role in determining the success of a CRE organization. It seems likely that the CREM executives who are aware of and understand the workings of their particular corporate culture as well as the importance of using emotional intelligence in their interactions with other executives, will be perceived as more successful in these informal executive assessments. Therefore, in order to maximize their opportunities for success; CREM executives should familiarize themselves and their organizations with principles of understanding corporate culture

and its impact on CREM along with learning about emotional intelligence and how to use it in interactions not only with other executives but across the full range of their activities.

CRE employees. This study provides non-executive CREM employees, or those who might consider employment in the CREM industry, valuable insights into the challenges faced by senior CREM leaders. Knowledge of these challenges and the skills required to meet those challenges, can help them be more effective employees by giving them insight into the challenges faced by their leaders and how they might develop the skills to contribute to meeting those challenges successfully.

Corporate executives. Senior corporate and business unit executives are generally exposed to CRE issues at some level. Given the magnitude of CRE expenditures it is likely that senior executives will at some point need to engage more deeply with CRE issues and their own CRE department. This study will have implications for them, as it can serve as a guide to more effective interaction with their own CRE department. More efficient engagement and interaction can only help with optimizing their company's CRE assets, which will, in turn, help improve corporate progress towards its overall goals.

Academics. CREM is still a young real estate management discipline and there is both the need for and the opportunity to do academic research that would advance the practice of CREM. The difficulty in doing such studies is the fragmented nature of the solutions to most CREM problems. The data and knowledge needed to find solutions is spread among many different disciplines, real estate management companies, brokers, architects, contractors, furniture manufacturers, and more, many of whom compete with each other. It is difficult to get the time for academic studies when each party possesses only a piece of the solution, but more

importantly, and a greater impediment, is the fact that the same knowledge that may provide solutions is likely to be the source of competitive advantage, and is therefore unlikely to be shared or disclosed. It may be that industry groups such as CoreNet, where many of these competing entities already share some knowledge, can serve as a clearinghouse to secure access to proprietary information by identifying and advocating for solutions to problems that are common to many of these competing constituencies.

In addition to the need for academic research, there are also educational needs that academics can meet. The data from the study indicates that there may be CREM executives who need advice or training on topics such as; strategic alignment, change management, communication, leadership assessment, corporate culture assessment and emotional intelligence. Also, as noted above in the key findings, the need for more formal academic training. CREM requires a diverse skill set with elements of real estate management, transactions, finance, law, engineering, contracting, project management, architecture, and other disciplines. Most CRE leaders and employees start in one of these fields and then, when an opportunity presents itself, move to CREM and learn on the job. The educational opportunity, therefore, is to design a university academic curriculum that would lead to a degree in CREM. Anecdotal evidence from several of the interview participants suggests that there is a retirement bubble of Baby Boomers in the CREM field. If this perception is correct, there would be a need for and a career path available for new graduates with a degree in CREM. As with the academic studies discussed previously, there may be opportunity for industry groups, such as CoreNet, to partner with universities to assess and address the need and opportunity for such a degree granting CREM curriculum.

Corporate shareholders. To the extent that this study results in more efficient CRE operations, shareholders in the positively impacted corporations should experience added value. Reduction of CRE costs through more efficient operations will, assuming all other conditions are held constant, should result in greater net income for the corporation which, in turn, will result in higher value for the business and a higher stock price.

CRE service providers. CRE executives, such as those interviewed for this study, hire CRE service providers for a wide variety of services. This study will give CRE service providers a greater understanding of the issues and challenges CRE executives face. Having a greater understanding of their clients, the CRE executives, offers the service providers a significant opportunity to develop new services that meet the needs of CREM executives as well as market their existing services more effectively and efficiently.

Recommendations for Future Research

In the course of reviewing the CREM literature for this study, the researcher has noticed that the academic literature, and the research presented therein, are almost exclusively based on two sources of information: (a) surveys or interviews of CREM executives, and (b) publicly available information such as the annual reports and financial information of publicly traded companies. Although it is understandable that CREM executives will invest time in this type of research and publicly available information is easily accessed, it may be that reliance on this type of information is inhibiting finding solutions for some of the problems noted in the literature review. Ultimately, finding solutions to the strategic alignment and performance measurement issues that are reflected in the CREM literature will require input from other functional departments, such as finance, human resources (HR), and information technology (IT), along with the end users of the CRE assets. Other professional and business disciplines such as

architects, engineers, and office furniture and equipment manufacturers are would also seem likely to be interested in measurements that would accurately reflect a facility's contribution to productivity and profitability. Therefore, there seems to be an opportunity to further the research in this area of CREM by expanding the resources and perspectives represented to include these additional functional, business, and professional disciplines.

Other more specific areas that suggest themselves for further academic study include:

- Given the data on the informal nature of CREM leader's assessment of the success of their leadership skills, further academic study on the various dimensions of CREM leadership and how they might be assessed and more formally reported is indicated.
- The informal and qualitative executive assessments that were mentioned by several of the participants also seem to an area in which further academic study might be fruitful. Determining the dimensions and impacts of these informal evaluations, their interaction with corporate culture and the use of emotional intelligence skills by CREM executives might yield important insights into how CREM can make greater contributions to the corporate bottom line.

Final Thoughts

This study touches on a multitude of CREM many of which are technical in nature, complex and require specialized knowledge to address. Many other of the issues relating to leadership and strategy, however, are interpersonal in nature. Several of the interview participants described both the difficulty and the benefits of setting aside their own personal agenda to try and see a problem or issue through the eyes of their business partner. Although it is difficult to set aside one's own agenda, the results of doing so are often powerful in creating

solutions to problems that had formerly seemed intractable. As leaders, the interview participants realized their opportunity to propagate such positive practices to help create not only better corporate results, but also better work environments and more positive work conditions for their employees and colleagues. The presence of executives with such positive values in the CRE industry is very encouraging and bodes well for the further development of CREM as a management discipline. When asked about new skills they had found successful in their role as a CRE leader, one participant captured very eloquently the theory of leadership that many of those interviewed also espoused. Repeating that quote seems like an excellent way to close this study.

It's all about in my view, being a better person and a better leader. By which I mean the more of a leader you need to be, or you want to be, the more you have to have people believing in you and what you're saying. Which means you have to be more authentic, which means you have to understand who you are and what you stand for more, and what you believe in. You have to be honest, truthful, and open on everything, and be visible. Stand up and make clear what you believe in. Don't try and pull the wool over people's eyes or if you don't believe in something, say it. Be straight and that's very difficult. That is the only advice I can offer on this. (P5, personal communication, May 5, 2016).

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APPENDIX A

Informed Consent

PEPPERDINE UNIVERSITY***Graduate School of Education and Psychology (GSEP)*****INFORMED CONSENT FOR PARTICIPATION IN RESEARCH ACTIVITIES****Corporate Real Estate: Strategic and Leadership Challenges**

You are invited to participate in a research study conducted by **Robert G. Schuur, Ed.D candidate and Farzin Madjidi, Ed.D** at Pepperdine University, because you are **an expert in the field of Corporate Real Estate Management (CREM)**. Your participation is voluntary. You should read the information below, and ask questions about anything that you do not understand, before deciding whether to participate. Please take as much time as you need to read the consent form. You may also decide to discuss participation with your family or friends. If you decide to participate, you will be asked to sign this form. You will also be given a copy of this form for you records.

PURPOSE OF THE STUDY

The purpose of this study is to further the development of the CREM discipline by identifying contemporary challenges faced by CREM leaders. The study will also examine the leadership practices and strategies they use to respond to these challenges, and the methods they use to measure the overall success of their strategies and leadership practices. Recommendations they would make to other corporate real estate leaders to help them achieve success in their organizations will conclude the study.

STUDY PROCEDURES

If you volunteer to participate in this study, you will be asked to participate in the following activities:

1. Interview: Participate in a semi-structured interview with Robert Schuur to discuss your experience and perspective on Corporate Real Estate Management strategy, leadership and performance management. The interview will take approximately 60 minutes and will be audio-recorded for transcription.
2. Follow up questions: Should the investigator need to clarify topics discussed in the interview, answer follow up questions. This should not require more than 30 minutes of your time.
3. Review transcripts (optional): Should so desire, you may review and edit the transcript of the interview described above.

4. Research Report: Your interview, along with those of other corporate real estate management experts will be analyzed by the researcher for common themes and experiences. The final report will include the investigators analysis of the themes and experiences discussed in the interviews. Your name and the name of your company will be encoded so that your identity and that of your company will be confidential. Furthermore, should you request, once the interview is transcribed the recording of the interview will be destroyed and the transcript will use only the code name assigned

POTENTIAL RISKS AND DISCOMFORTS

The potential and foreseeable risks associated with participation in this study include:

1. You may disagree with the investigator's analysis and conclusions.
2. The investigator believes there are no other anticipated risks.

POTENTIAL BENEFITS TO PARTICIPANTS AND/OR TO SOCIETY

While there are no direct benefits to the study participants, there are several anticipated benefits to society which include:

Corporate Real Estate (CRE) executives, such as the subjects, will derive significant benefit from the information and analysis developed through the interview process. Having your peer group describe the problems encountered and how they dealt with them is always enriching.

Non-CRE corporate executives benefit from this study by having another data point to use in building their understanding of what is likely a significant asset in their company.

Academics interested in the field of CRE will use this study as another data point which will help develop more robust models of CRE operations and practice.

Corporate Shareholders: To the extent that this study results in more efficient CRE operations, shareholders in the positively impacted corporations should experience added value.

CRE Service Providers: CRE executives, such as those interviewed for this study, are the clients of CRE service providers. Greater understanding of the issues and challenges your clients face is always a significant opportunity to learn how to offer your services more effectively and efficiently.

CONFIDENTIALITY

I will keep your records for this study *confidential* as far as permitted by law. However, if I am required to do so by law, I may be required to disclose information collected about you.

Examples of the types of issues that would require me to break confidentiality are if you tell me about instances of child abuse and elder abuse. Pepperdine's University's Human Subjects Protection Program (HSPP) may also access the data collected. The HSPP occasionally reviews and monitors research studies to protect the rights and welfare of research subjects.

The data will be stored on a password protected computer in the principal investigators home office. The data will be stored for a minimum of three years. The data collected will be coded, and transcribed using assigned code names. The final report will contain only code names for both the subjects and their employers.

PARTICIPATION AND WITHDRAWAL

Your participation is voluntary. Your refusal to participate will involve no penalty or loss of benefits to which you are otherwise entitled. You may withdraw your consent at any time and discontinue participation without penalty. You are not waiving any legal claims, rights or remedies because of your participation in this research study.

ALTERNATIVES TO FULL PARTICIPATION

The alternative to participation in the study is not participating.

EMERGENCY CARE AND COMPENSATION FOR INJURY

If you are injured as a direct result of research procedures you will receive medical treatment; however, you or your insurance will be responsible for the cost. Pepperdine University does not provide any monetary compensation for injury

INVESTIGATOR'S CONTACT INFORMATION

I understand that the investigator is willing to answer any inquiries I may have concerning the research herein described. I understand that I may contact Robert Schuur, [REDACTED], [REDACTED] or Dr. Farzin Madjidi, [REDACTED], [REDACTED], if I have any other questions or concerns about this research.

RIGHTS OF RESEARCH PARTICIPANT – IRB CONTACT INFORMATION

If you have questions, concerns or complaints about your rights as a research participant or research in general please contact Dr. Judy Ho, Chairperson of the Graduate & Professional Schools Institutional Review Board at Pepperdine University 6100 Center Drive Suite 500 Los Angeles, CA 90045, 310-568-5753 or gpsirb@pepperdine.edu.

APPENDIX B

IRB Approval



Pepperdine University
 24255 Pacific Coast Highway
 Malibu, CA 90263
 TEL: 310-506-4000

NOTICE OF APPROVAL FOR HUMAN RESEARCH

Date: February 12, 2016

Protocol Investigator Name: Robert Schuur

Protocol #: 16-01-166

Project Title: Corporate Real Estate: Strategic and Leadership Challenges

School: Graduate School of Education and Psychology

Dear Robert Schuur:

Thank you for submitting your application for exempt review to Pepperdine University's Institutional Review Board (IRB). We appreciate the work you have done on your proposal. The IRB has reviewed your submitted IRB application and all ancillary materials. Upon review, the IRB has determined that the above entitled project meets the requirements for exemption under the federal regulations 45 CFR 46.101 that govern the protections of human subjects.

Your research must be conducted according to the proposal that was submitted to the IRB. If changes to the approved protocol occur, a revised protocol must be reviewed and approved by the IRB before implementation. For any proposed changes in your research protocol, please submit an amendment to the IRB. Since your study falls under exemption, there is no requirement for continuing IRB review of your project. Please be aware that changes to your protocol may prevent the research from qualifying for exemption from 45 CFR 46.101 and require submission of a new IRB application or other materials to the IRB.

A goal of the IRB is to prevent negative occurrences during any research study. However, despite the best intent, unforeseen circumstances or events may arise during the research. If an unexpected situation or adverse event happens during your investigation, please notify the IRB as soon as possible. We will ask for a complete written explanation of the event and your written response. Other actions also may be required depending on the nature of the event. Details regarding the timeframe in which adverse events must be reported to the IRB and documenting the adverse event can be found in the *Pepperdine University Protection of Human Participants in Research: Policies and Procedures Manual* at community.pepperdine.edu/irb.

Please refer to the protocol number denoted above in all communication or correspondence related to your application and this approval. Should you have additional questions or require clarification of the contents of this letter, please contact the IRB Office. On behalf of the IRB, I wish you success in this scholarly pursuit.

Sincerely,

Judy Ho, Ph.D., IRB Chairperson

cc: Dr. Lee Kats, Vice Provost for Research and Strategic Initiatives

APPENDIX C

Reprint Permissions



RE: Permission to use figures

1 message

Robert Schuur <[REDACTED]>

Ken Johnson <[REDACTED]>
 2:47 PM To: Robert Schuur <[REDACTED]>

Fri, May 6, 2016 at

Robert,

You can use the Figures that you need in your dissertation.

Simply cite and give credit to the manuscripts.

Good luck.

A handwritten signature in black ink that reads "K.H. Johnson".

Ken H. Johnson, Ph.D.

Associate Dean of Graduate

Programs SBA Communications

Professor

College of Business | Florida Atlantic University

[REDACTED] | [REDACTED]

Office: [REDACTED] Fax: [REDACTED] Cell [REDACTED]

[REDACTED]



MAKING WAVES

*For the purpose of immediacy, my cell is always the best way to reach me.

From: Robert Schuur [mailto: [REDACTED]]
 Sent: Friday, May 06, 2016 12:26 PM
 To: Ken Johnson < [REDACTED] >
 Subject: Permission to use figures

Dear Ken, I am a doctoral candidate in the Organizational Leadership program at Pepperdine University. I have almost completed my dissertation and am now getting permissions for various figures I hope to use. Diane at the ARES office tells me that you are the person to talk with regarding permission to use figures from the Journal of Real Estate Research.

The title of my dissertation is: Corporate Real Estate-Strategic and Leadership Challenges.

I would like to use the following two figures from the Journal of Real Estate Research in my dissertation:

1) Alternative real estate strategies. Note. Reprinted from "Linking Real Estate Decisions to Corporate Strategy," by H. Nourse and S. Roulac, 1993, Journal of Real Estate Research, 8, p. 480.

2) Linking real estate strategy to corporate driving force. Note. Reprinted from "Linking Real Estate Decisions to corporate Strategy," by H. Nourse and S. Roulac, 1993, Journal of Real Estate Research, 8, p. 485.

The only permission I am asking for is for the purposes of the dissertation. If you would be so kind as to direct me to the appropriate method of getting written permission to use these two figures, I would very much appreciate your help.

Please contact me by email or phone if you have questions or need additional information.

Sincerely,

Robert G. Schuur
 Ed.D. Candidate, Organizational Leadership
 Pepperdine University
 [REDACTED]

Robert Schuur

From: Craig Van Pelt <[REDACTED]>
Sent: Monday, May 09, 2016 8:36 AM
To: Robert Schuur
Subject: FW: Permission to use figure from IDRC report?

See the note below from Tim Venable granting permission to use the figure. Let me know if you need a more formal response.

Craig

From: Tim Venable
Sent: Monday, May 09, 2016 11:34 AM
To: Craig Van Pelt <[REDACTED]>
Subject: RE: Permission to use figure

from IDRC report? Craig,

It's no problem to use this figure as long as he cites the source. And he's got the complete source already. CoreNet Global is the successor to the Industrial Development Research Foundation, and we can grant permission for him to use it. Permission hereby granted! You can send him a short note authorizing it, or I can – either is fine.

Tim

From: Craig Van Pelt
Sent: Monday, May 09, 2016 11:23 AM
To: Tim Venable <[REDACTED]>
Subject: FW: Permission to use figure from IDRC report?

Do you see any problem with allow Bob to use this figure? I wouldn't imagine it would be a problem if it was sourced correctly.

From: Robert Schuur [mailto:[REDACTED]]
Sent: Friday, May 06, 2016 2:06 PM
To: Craig Van Pelt <[REDACTED]>
Subject: Permission to use figure from IDRC report?

Craig, Any idea who at CoreNet could give me written permission to use this figure from the original 1993 Joroff report? Permission would be for dissertation only at this point.

Thanks, Bob

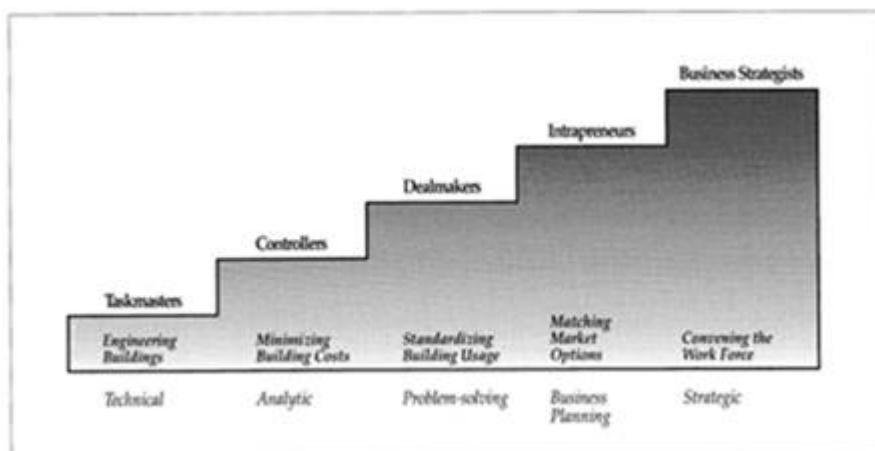


Figure 1. Corporate real estate competency shifts. Adapted from *Strategic Management of the Fifth Resource: Corporate Real Estate* (p. 27), by M. Joroff, M. Louargand, S. Lambert, and F. Becker, 1993, Norcross, GA: Industrial Development Research Foundation. Copyright 1993 by the Industrial Development Research Foundation.

Robert G. Schuur

Cell: [REDACTED] or, [REDACTED]