Operational and Organizational Issues Facing Corporate Real Estate Executives and Managers

Abstract: This article examines three major categories of issues facing corporate real estate executives in the future, as determined by a Delphi process survey conducted by the authors. We present areas of agreement and disagreement among the corporate executives surveyed, and distill the results of the Delphi survey and other major studies on the future of corporate real estate into a research agenda for further inquiry.

Introduction

How corporate real estate operations will be conducted in companies in the United States for the next few years commands a great deal of attention by real estate managers and corporate executives alike. Coping with downsizing, mergers, rapid globalization, international competition and fast paced economic challenges on one hand, and soaring technological, regulatory and environmental impacts on the other, American corporations are carefully reexamining and restructuring many of their operations, including the corporate real estate (CRE) function. As a primary support system for American business, the CRE function is heavily involved in devising new strategies and blazing new pathways for more efficient and productive operations consistent with the goals and objectives of their core business.¹

The issues facing CRE in the future have been the focus of studies sponsored by two major professional organizations, NACORE International (International Association of Corporate Real Estate Executives) and IDRC (Industrial Development Research Council).² A recent study on the future of corporate real estate was commissioned by NACORE International (Carn, Black and Rabianski, 1995). This study differs from prior survey research in that it looks at future trends, not past or present factors. Also, the study differs in that it uses a Delphi technique to identify issues facing the current and future CRE function and the executives dealing with corporate real estate. The NACORE study is the basis for this article. The background and technique of the study are set forth in the results section. The issues are classified into five subheadings

*Georgia State University, Atlanta, GA 30302-4020 or bocarn@rose.net.
**Georgia State University, Atlanta, GA 30302-4020 or redrtb@langate.gsu.edu.
***Georgia State University, Atlanta, GA 30302-4020 or jrabianski@gsu.edu.
as shown in Exhibits 1–3 and the Appendix. The Appendix also distills the conclusions of the Delphi Study into a series of research issues.

**The 1995 NACORE Delphi Study**

**The Delphi Process**

The Delphi process is a means of extracting expert observations and concurrence on a given set of problems. It was largely developed by the Rand Corporation in the late 1960s. For the NACORE study, a group of eighteen corporate real estate experts from a variety of backgrounds and organizations were empaneled in a three-stage information gathering process.

The following list identifies the position, type of corporate operation and geographic location of each of the participants in the survey:

<table>
<thead>
<tr>
<th>Title/Position</th>
<th>Type of Company</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Program Manager</td>
<td>High Tech Manufacturing</td>
<td>Illinois</td>
</tr>
<tr>
<td>Executive Director</td>
<td>Utility Company</td>
<td>California</td>
</tr>
<tr>
<td>Assistant Director</td>
<td>Accounting Firm</td>
<td>Ohio</td>
</tr>
<tr>
<td>Director Worldwide Real Estate</td>
<td>Heavy Manufacturing</td>
<td>New York</td>
</tr>
<tr>
<td>Vice President</td>
<td>Bank</td>
<td>Michigan</td>
</tr>
<tr>
<td>Director of Real Estate</td>
<td>High Tech Manufacturing</td>
<td>California</td>
</tr>
<tr>
<td>Senior Vice President and Director</td>
<td>Architectural Firm</td>
<td>California</td>
</tr>
<tr>
<td>Senior Vice President and Director</td>
<td>Diversified Services and Holding Company</td>
<td>California</td>
</tr>
<tr>
<td>Director of Real Estate</td>
<td>University</td>
<td>Massachusetts</td>
</tr>
<tr>
<td>Director, Research and Special Programs</td>
<td>Freight Transport and Delivery</td>
<td>Georgia</td>
</tr>
<tr>
<td>District Manager, Owned Dispositions</td>
<td>Communications Company</td>
<td>New Jersey</td>
</tr>
<tr>
<td>Vice President and Director</td>
<td>Real Estate Services and Development</td>
<td>New York</td>
</tr>
<tr>
<td>Director, Real Estate and Construction</td>
<td>Diversified Manufacturing</td>
<td>Minnesota</td>
</tr>
<tr>
<td>Assistant Professor</td>
<td>University</td>
<td>Massachusetts</td>
</tr>
<tr>
<td>Vice President and Real Estate Director</td>
<td>Bank</td>
<td>Texas</td>
</tr>
<tr>
<td>Director, International Manufacturing</td>
<td>High Tech Manufacturing</td>
<td>Colorado</td>
</tr>
<tr>
<td>Assistant Vice President</td>
<td>Business Services Company</td>
<td>Georgia</td>
</tr>
<tr>
<td>Director, Corporate Real Estate</td>
<td>Investments and Finance</td>
<td>New Jersey</td>
</tr>
</tbody>
</table>
The three-stage information gathering process includes:

- **Phase I:** Information gatherers conduct in-depth telephone interviews to develop information on issues, trends, and problems. The summarized results of the interviews were used to frame a series of propositions and statements offered for comment in the next phase of the study.
- **Phase II:** Respondents make substantive comments on a form containing 81 statements. The 81 statements and comments are used to develop a form to measure consensus in the next phase.
- **Phase III:** Respondents rank their disagreement or agreement on a 1 to 5 basis on a questionnaire containing 128 propositions. The rankings form the basis of the comments and conclusions presented in this article.

**Overview of Results**

Many of the participants expressed opinions indicating the rapid metamorphosis of American companies—through such actions as downsizing, mergers and reorganization efforts—is waning. In the emerging era of greater stability, the CRE function will likely shift toward devising occupancy strategies and reengineering existing and new workplace environments to incorporate both technological innovations and unique space occupancy patterns. It will also be heavily involved in redirecting and reorganizing CRE operations to respond more quickly and effectively to the needs of the corporation.

Respondents strongly agree about the desired strategic direction for the CRE function. Specifically, CRE should facilitate the core business, optimize use of CRE resources and embrace corporate objectives to advance the mission of the company. Backing up this consensus, respondents also strongly support direct input to the overall corporate strategic planning process and more direct access and better communications with senior management. The CRE operation must embrace strategic corporate goals without distancing itself with a separate sense of mission. Improvements in communicating CRE objectives to senior management is vital. Progress is being made and access has improved, but senior management needs to be more aware of the strategic role of the CRE function within the company.

The pace of technological change has quickened and its impact on the workplace is one of the most pressing issues the CRE practitioner must address. Timely responses are needed to satisfy the demands of business units and other CRE clients. Efficiency also requires flexibility in providing CRE services and for maintaining measurable cost-effective CRE operations. CRE executives and managers must face a complex set of problems requiring innovative solutions and strong CRE leadership to recognize and deal with rapid change.

As shown in Exhibit 1, there are several interrelated issues with mean responses ranging from 4.6 to 4.8, showing strong consensus. Participants strongly agree that there is a need for better internal and external networking, closer relationships and
Exhibit 1
Issues with Highest Level of Support

<table>
<thead>
<tr>
<th>Mean Response</th>
<th>Statement Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.8</td>
<td>CREEx needs to broaden networks internally and externally.</td>
</tr>
<tr>
<td>4.7</td>
<td>CREEx must learn how to approach and relate to senior management, and the corporation’s “hot buttons.”</td>
</tr>
<tr>
<td>4.7</td>
<td>CREEx must be involved with the core business even with the different cycles in real estate.</td>
</tr>
<tr>
<td>4.7</td>
<td>Three basic objectives for CRE operations are: (1) enable the core business; (2) optimize real estate resources; and (3) CRE consistency with corporate objectives.</td>
</tr>
<tr>
<td>4.6</td>
<td>Greater flexibility is needed for quicker responses to technical change and shorter product life cycles in the core business.</td>
</tr>
<tr>
<td>4.6</td>
<td>The breadth of skills the CREEx needs include business, engineering and technological abilities.</td>
</tr>
<tr>
<td>4.6</td>
<td>CREEx needs to continuously update skills with training and continuing education.</td>
</tr>
<tr>
<td>4.6</td>
<td>CREEx must speak the language and communicate real estate knowledge to senior management.</td>
</tr>
<tr>
<td>4.6</td>
<td>CREEx needs exposure to a wide variety of management techniques and education.</td>
</tr>
<tr>
<td>4.5</td>
<td>CRE needs a strong relationship with senior management and direct input in strategic planning.</td>
</tr>
<tr>
<td>4.5</td>
<td>CRE must prove its value to the company by providing effective, efficient accomplishment.</td>
</tr>
<tr>
<td>4.5</td>
<td>Global competition is causing corporations to focus more on production and quality.</td>
</tr>
<tr>
<td>4.5</td>
<td>The CREEx must interface with law, environment, human resources and information technology, corporate business units and other corporate clients.</td>
</tr>
</tbody>
</table>

Note: 50% or more respondents strongly agreed.

better communication with senior management, more direct involvement in the core business, greater flexibility to enhance effectiveness and efficiency, continually updating skills and utilizing better managerial techniques, and developing better ways to assist the core business in dealing with global competition.

Exhibit 2 focuses on responses indicating disagreement or low level of support. Most respondents disagree with propositions that CRE should operate semi-autonomously within the company and that an adequate relationship to senior management with an understanding regarding corporate real estate’s strategic role is already established. The topic of outsourcing generates the most disagreement. Five of the eleven propositions that receive rankings of 2.9 or below relate to outsourcing issues. These rankings suggest that there is considerable controversy over which functions to
## Exhibit 2
### Issues with Lowest Level of Support

<table>
<thead>
<tr>
<th>Mean Response</th>
<th>Statement Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.0</td>
<td>CRE is information based and should be under information systems, not the CFO whose emphasis is on cost.</td>
</tr>
<tr>
<td>2.5</td>
<td>A strong relationship between CRE and senior management has already been achieved.</td>
</tr>
<tr>
<td>2.5</td>
<td>Full service real estate firms are the best external service providers.</td>
</tr>
<tr>
<td>2.5</td>
<td>The CREEEx should report to the board of directors and be directly involved in strategic decision making.</td>
</tr>
<tr>
<td>2.6</td>
<td>When the CREEEx is under the CFO, accounting and finance skills are most needed, others are secondary.</td>
</tr>
<tr>
<td>2.6</td>
<td>There is a high degree of consensus among CRE professionals on the meaning of the terms outsourcing, outtasking, strategic alliance and strategic partnering.</td>
</tr>
<tr>
<td>2.7</td>
<td>Senior management has available measures that convey the relative significance of technical versus spatial contributions to productivity.</td>
</tr>
<tr>
<td>2.7</td>
<td>Firms will bring some outsourced functions back in-house when corporate profits rise as a means of regaining control internally.</td>
</tr>
<tr>
<td>2.7</td>
<td>Cost savings is the principal reason to outsource.</td>
</tr>
<tr>
<td>2.8</td>
<td>CRE needs to be entrepreneurial and objective with its own sense of mission.</td>
</tr>
<tr>
<td>2.8</td>
<td>Companies outsource most things unless the CREEEx convinces senior management there is a strong reason for keeping an activity or function in-house.</td>
</tr>
</tbody>
</table>

*Note: 40% or more respondents disagreed or strongly disagreed.*

Outsource, who are the best external providers, what are the predominant reasons for outsourcing, who makes outsourcing decisions and what outsourced functions may be internalized in the future. Outsourcing concepts and techniques are not universally accepted among CRE practitioners, and the growth of outsourcing in the future may be more limited than in the past. This disagreement with propositions regarding the position and role of the real estate function inside the corporation indicates it is increasingly important to distinguish how CRE operations are run and how outsourcing practices are conducted in different industry groups and corporate environments.

Diversity of opinion is greatest on propositions relating to internal CRE operations and skill requirements and career advice. Issues with mean scores between 2.8 and 3.8 are shown in Exhibit 3. A diverse response is indicated by a standard deviation of 1.17 or larger where at least 24% of the responses are more than 2 points away from the mean. A smaller standard deviation indicates most responses are clustered more closely about the mean.
Exhibit 3
Issues and Topics with Greatest Diversity of Response

<table>
<thead>
<tr>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Issue or Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8</td>
<td>1.53</td>
<td>CRE function as entrepreneurial with its own sense of mission.</td>
</tr>
<tr>
<td>3.7</td>
<td>1.50</td>
<td>Need for the CRE to remain under the CFO since it is a cost function.</td>
</tr>
<tr>
<td>3.6</td>
<td>1.44</td>
<td>Dealmaking role of the CRE evolving into a deal management role.</td>
</tr>
<tr>
<td>3.4</td>
<td>1.38</td>
<td>Changing technology as the most critical CRE issue.</td>
</tr>
<tr>
<td>3.8</td>
<td>1.36</td>
<td>CRE in a direct reporting line with strategic planning and management.</td>
</tr>
<tr>
<td>2.8</td>
<td>1.34</td>
<td>Some benchmarking standards from close comparable firms not as helpful as company specific standards.</td>
</tr>
<tr>
<td>2.7</td>
<td>1.30</td>
<td>Cost savings are the principal reason to outsource.</td>
</tr>
<tr>
<td>3.6</td>
<td>1.24</td>
<td>Need for strategic alliances to focus on rewards and liabilities of contributors.</td>
</tr>
<tr>
<td>3.4</td>
<td>1.24</td>
<td>CREEx as a generalist, primarily needing business skills.</td>
</tr>
<tr>
<td>3.1</td>
<td>1.24</td>
<td>CREEx directly under a senior executive responsible for human resources and information systems.</td>
</tr>
<tr>
<td>3.1</td>
<td>1.22</td>
<td>CRE’s change from a transaction-oriented process requires CRE personnel to evolve.</td>
</tr>
<tr>
<td>3.8</td>
<td>1.19</td>
<td>CREEx’s move from transactions to strategic planning.</td>
</tr>
<tr>
<td>3.2</td>
<td>1.19</td>
<td>Telecommuting and the virtual office may reduce need for corporate space.</td>
</tr>
<tr>
<td>3.2</td>
<td>1.19</td>
<td>Office hotelling as a provider of flexible space and agent of productivity.</td>
</tr>
<tr>
<td>2.8</td>
<td>1.19</td>
<td>External real estate firms and internal nonfinancial positions are the most likely positions to find a new CREEx.</td>
</tr>
</tbody>
</table>

Operational, Organizational and Human Resource Issues

This section contains the major issues with the greatest amount of agreement, disagreement or controversy in the NACORE Delphi study. Respondents rank each proposition using a 1 to 5 Likert scale where 1 is “strongly disagree” and 5 is “strongly agree.” The authors calculate mean responses and standard deviations from these rankings.

Operational Issues

Globalization. The respondents strongly agree (4.5 mean response) that global competition is causing corporations to focus more on production and quality. Of note is the fact that this statement, refined through three phases of questioning, indicates a perception that productivity and quality, not cost cutting, are major issues in global
competition. This emphasis gives credence to the contention that providing space is not always a cost issue, but can be seen as an investment in production.

Technological Change. The impact of technological change on CRE operations is generally ranked as an important issue. There is substantial agreement that innovations in information processing and communications systems have led to easier decision making and more timely responses. However, there is disagreement among respondents that these changes either reduce spatial needs or increase spatial costs by necessitating the provision of space with new technological capabilities.

Adapting to rapid technological changes that affect the workplace environment as well as employee satisfaction and productivity is the greatest practical challenge CRE executives and managers will face in the near future. Occupancy strategies, developing reengineering schemes for existing space and designing new space that is adaptable for accommodating changing technology will be the principal tasks of the CRE practitioner. Emphasis on internal cost-cutting and providing cost-effective outsourced real estate services will continue. There is concern for maintaining internal control of the CRE function. Telecommuting and the virtual office concept will continue to have greater application, but the traditional space requirements for other types of corporate operations will continue to apply.

CRE executives and managers do not agree that technology is the primary driving force affecting new occupancy strategies. Slightly less than 60% of the respondents identified technology as the primary source of change. However, one-third of the respondents disagree or strongly disagree with this proposition. Office space innovations—office sharing, hotelling, the virtual office, telecommuting and other integrated workplace strategies—represent the leading edge of new workplace environments that will continue into the next century. The forces behind these new occupancy strategies certainly include but are not limited to technological change. Factors such as human resource and productivity needs as well as flexibility to respond to abrupt production and marketing changes are equally compelling considerations in occupancy strategies.

Productivity. As already shown, productivity is a concern of the participants. This factor emerges as an important consideration, overshadowing the concept of real estate as a corporate investment or a mere corporate cost, suggesting that corporate space is viewed by some corporations as a net present value (NPV) decision. That is, can a marginal increase in space costs produce an increase in productivity that recaptures the marginal costs plus a profit?

Benchmarking. Benchmarks are important in the strategic planning process of corporations, but they are only one of the several approaches and inputs into the corporate strategic plan and the company’s real estate activities and operations. Several important issues surround the benchmarking concept. First, benchmarks that focus only on cost are less important than benchmarks that focus on productivity and profitability. Second, meaningful benchmarks to a specific company or firm should be industry specific and not general in nature. Benchmarks should be drawn from comparable entities. Third, external benchmarks are useful but less important in
internal decisions than the operational needs of the company. Fourth, benchmarks will be used by different firms for different purposes or in different ways.

The collection of benchmarking data across firms in specifically defined categories by an unbiased and independent entity would be modestly useful to the respondent group as a whole, but very valuable to a smaller portion of that same group.

In the future, the CREEx’s use of benchmarks will require more awareness of the following issues:

- The process of forming the benchmarks that includes the sources of the individual data and the manner in which the “benchmark” is constructed.
- Problems that benchmarking can reveal such as the fact that the company is in an inferior position relative to the benchmark. If this is the case, is action necessary? If so, what is the appropriate action given the situation of the firm itself and in relation to the firms included in the benchmark?
- Problems in the measurement of benchmark values such as uniformity of definitions for concepts being measured across the firms providing data into the benchmark.
- Interpretation of the appropriate benchmarks in light of the company’s needs and its specific situation.
- Integration of the information about the benchmarks into the corporation’s strategic planning activities.

**Flexibility.** The respondents agree that the CRE function has to be highly adaptable and flexible because the corporation itself must possess these same characteristics. The statement that “shorter product life cycles require quicker responses to technological changes and greater flexibility in staff and resource allocation” has a mean response of 4.6, with little variation among respondents.

**Industry Segmentation.** The diversity of opinion on many issues suggests that CRE is not a single concept. What is clear from the survey, and presents a fruitful avenue for further research, is the segmentation and classification of different types of corporations whose CRE functions differ due to the nature of the industry or the internal orientation of the company.

For example, some companies such as package delivery services act in an environment where providing the lowest cost space at a given location is the CRE mission. Other companies, such as high tech companies that need to provide a stimulating atmosphere for creative people, may see the CRE function in a net present value context. Bottom line cost may be less important than the return on extra cost spent to promote production. This is but one example of segmentation that can be discovered by analysis or survey methods.
Organizational Issues

Role of CRE

The concept of CRE as a separate profit center seems to have fallen into disfavor. The statement that CRE needs to be entrepreneurial and objective with its own sense of mission drew a mean response of only 2.8, while 40% or more respondents disagree or strongly disagree. Further, the statement that CRE should remain under the CFO since it is a cost function drew a mean response of 3.7, with considerable variation among respondents. The lack of clear agreement on real estate as a cost or profit function illustrates that CRE may have a different function depending upon industry specific and corporate specific goals.

CRE is principally concerned with occupancy strategies to enhance environmental conditions to accomplish dual human resource and productivity goals. There was a high level of support (4.7 mean response) for the statement that the three basic objectives for CRE operations are: (1) enable the core business; (2) optimize real estate resources; and (3) that CRE should be consistent with corporate objectives.

Role of the CRE Executive. There is substantial agreement that the perception of the CREEx as a dealmaker evokes a negative image and that this problem must be addressed. The idea that the “dealmaker” role of the CREEx is appropriately evolving into a deal management role meets with considerable diversity of opinion. Exhibit 3 shows a polarization of opinion for this proposition; 75% of the respondents agree the evolution was taking place but 25% disagree. Similarly, more than 80% agree with the proposition that the role of the CREEx is changing from a transaction orientation to that of a corporate strategic planner, but 20% disagree. There is a wider range of opinion on the need for CRE personnel to retrain as a means of facilitating change from a predominant transaction orientation. More than 40% agree that retraining is a top priority but 33% disagree and 17% think it is needed but not urgent.

The future CREEx is likely to be recognized by senior management as far more than a dealmaker. Managing the real estate negotiations and transactions, however, will continue to be a vital part of the job. Conducting transactions is a critical management role that affects the value of CRE to the company.

The Real Estate Function in the Corporate Structure. There is no agreement on the best placement of the CRE function within the organizational scheme of a corporation. In the initial phase of the study, the respondents identified four statements that were then presented to the group for their responses. These four statements are:

- Placing the CRE function under information systems is appropriate since CRE activities are increasingly information dependent and there is too much emphasis on cost under the CFO. The mean response is 2.0 (strong disagreement).
- The CRE function has become strategically important to the core business and needs to be in a direct reporting line with strategic planning and management. The mean response is 3.8.
- The CREEx should fall under a senior executive in charge of human resources and information technology as well as real estate. The mean response is 3.1.
- The CREEx should report directly to the board of directors or its chairperson where the CREEx is directly involved in corporate strategic plans and decisions. The mean response is 2.5.

These four statements lead to the conclusion that the CRE function should be free standing not linked with information systems or human resources. CRE should play an important role in strategic planning but report to senior management, which in turn reviews and presents the information to the CEO and the board of directors.

**Human Resource Issues**

External Providers of CRE Services. To most respondents, the terms outsourcing, outtasking, strategic alliances and partnering do not have a precise meaning. To clarify this ambiguity, the respondents were asked to provide operational definitions of these terms during the initial telephone interviews. The definitions given by the respondents are synthesized into the following statements:

- Outsourcing is the process of having external personnel take the responsibility for all aspects of a specific function and to rely on the service provider for the management and control of that function, while in-house real estate personnel retain the decision-making role.
- Strategic alliances or strategic partnerships are arrangements with external personnel or external service providers to perform special activities or functions for the company but with the process and decision making functions under company control.
- Outtasking is the process of using external personnel to perform the day-to-day or routine tasks traditionally handled by internal resources, and management or decision making aspects regarding these tasks is retained by in-house real estate personnel.

In the last phase of the Delphi process, respondents ranked the outtasking definition with a mean response of 4.2. The outsourcing and strategic alliance definitions received mean scores of 3.8 and 3.1, respectively. Respondents, therefore, exhibit fairly strong agreement on the definition of outtasking but have more diversity of opinion about the definitions of strategic alliance stratategic partnering and especially outsourcing. This information leads to the conclusion that even among the experts in the field, the terms being used in the industry are not precise and are ambiguous.

The underlying reasons for the differing use of the terms outsourcing, outtasking and strategic alliances or partnerships are the differences in the job responsibilities of the respondents and the nature of the core business. Users of CRE services from an external provider may view the activity as a strategic alliance, while the external
provider might believe that the activity is being outsourced to them. Also, the term “outsourcing” is used generally because it is the original of the three terms.

The use of external service providers is not exclusively driven by the corporate need for cost savings but can lead to a reduction in salary, benefits, office space and occupancy costs. However, total cost savings may not occur because the work of the external service provider may be linked to speed of delivery of the product or service, and the externally provided activity may be provided at a higher quality level. In this instance, the use of external service providers may lead to higher costs because the fees to the external service provider can exceed the internal cost of training and staffing and providing them with space.

For firms that do use external service providers to cut costs, the respondents show a mixed reaction to the extent of the savings. When given the statement that cost cutting may only generate short-term savings, the respondents show a mean response of 3.9.

The move to use external providers is generated by either a definite recognition of the firm’s core competencies or a desire to identify those core competencies. This is usually associated with the process of staff downsizing or rightsizing. The firm uses external providers to replace those activities not within its core competencies.

Respondents also agree, with a mean response of 4.0, that externally provided services will continue to be important for CRE in the future. The general consensus is that the amount of externally provided services will remain approximately at the same level of activity as currently exists, or increase slightly.

Results show the volume of externally provided services will not be sensitive to improvement in the profitability of the firms. In other words, if it makes sense to obtain external services today when profits are lower, it will make sense to obtain these same tasks from external providers when profits increase.

The guiding principle for acquiring externally provided services is that the services need to be considered in the context of value-added management. The need to obtain externally provided services will differ at various times in the corporate life cycle.

The respondents are not precise in their handling of the issue of externally provided services and the need for internal control. Two points should be noted. First, the statement that “a corporation must determine how much control it wants over a certain activity or function . . . the more control it needs or wants, the more the function needs to be in-house,” has a mean response of 3.8. Next, the statement regarding internal control of a function becoming more important than cost reduction as profits rise results in a 2.7 mean response. In both cases, there was little variance in the responses.

The move to use external providers requires the CREE to understand both the nature and significance of the externally provided activity, to have the ability to communicate
expectations regarding the performance standards for the work and to be able to integrate the service provider into the corporate environment. The CREEx plays and will continue to play the following roles that relate to the external provider:

- Determining agent of the functions to be performed.
- Manager and quality control agent.
- Coordinator of the activity with internal procedures and systems.
- Integrator of the product into the corporate mission and procedures.
- Evaluator of the activities, services and reports received.
- Utilizer of the information in the internal decision-making process.
- Explainer of the impact of the work on the internal decision process to senior management.

**CRE Job Skills.** Better integration of the real estate operation into the overall corporate business function continues to be a major concern. While a good grasp of finance is necessary for the CREEx, legal issues, communication skills and general management skills are also cited as important. The picture that emerged is that the CREEx should use a broad range of corporate skills and these skills help to broaden networking within the corporation. Respondents indicate that CRE has been isolated in the past and must emerge in the future as an integral part of the corporate structure, not just a department that manages a “necessary evil” (space) that the corporation needs to perform its main function.

There is strong agreement (4.5) that there must be a strong, direct relationship with senior management, but there is strong disagreement (2.5) that such a relationship has already been achieved. Respondents also strongly agree (4.5 and 4.6, respectively) that the CREEx has the primary responsibility for creating an appropriate relationship and that CRE executives and managers must communicate clearly with senior management and avoid the use of technical real estate jargon.

To achieve the necessary stature and effectiveness required, CRE executives and managers should focus more on management skills and techniques. Respondents strongly agree (4.6) that a wider exposure to management techniques is needed, and that management and technical skill levels must be continuously maintained and enhanced. The idea that the CRE executive or manager should be a generalist meets with considerable diversity of opinion, with 58% agreeing, 25% disagreeing and 17% giving a neutral response. The mean response is 3.4.

There is very strong agreement (4.8) that internal and external networks should be developed and maintained for the CRE function to be effectively managed in the future. Contacts within the company, with external service providers in the real estate community and with the larger business community surrounding the core business, are all essential parts of a network that affects CRE operations.

While there is strong disagreement (2.6) that business skills are more important than technical skills, there is strong agreement (4.6) that a breadth of skills are needed.
The technical skills required for negotiations, information processing and legal matters as well as accounting, finance and management skills, will provide a well-rounded CREEx. Respondents also strongly agree (4.7) that the CREEx should be heavily involved in the core business. In keeping with this “person for all seasons” perspective, respondents disagree (2.8) the future CREEx would likely come to the position as a technical real estate expert from outside the company.

*Interaction between Technology and Space Utilization.* Flexible space programs and space management programs such as hotelling are not necessarily viewed as the strongest or most broadly applied solutions for adapting to technological change, although most think of these programs as important. Other solutions are also needed to meet the wide array of space demands experienced by most companies. The idea that hotelling strategies provide the company with flexible space and enhance productivity meets with considerable diversity of opinion. While 58% register some agreement with this idea, 25% strongly disagree or disagree, and 17% have a neutral response, resulting in a mean of 3.2.

While it is undeniable that telecommuting is increasing and is an important factor in future occupancy strategies, there are aspects of the phenomenon that are not well understood. For the proposition that telecommuting and the virtual office significantly reduce the need for the provision of corporate space, 33% agree, 25% disagree and 42% give a neutral response. The mean response is 3.2. While these relatively new concepts are receiving widespread consideration, they are not viewed as a panacea. There are significant costs, in management and support services as well as spatial reengineering, that must be considered when these creative strategies are employed. Human resource issues associated with remote activity and lack of continuous contact with other corporate activities have not been well addressed.

**Conclusion**

CRE is evolving as a strategically oriented and technically sophisticated field at a dazzling pace. In 1993, the Arthur Andersen study found a wide gap still existed between a corporation’s senior management and its senior CRE executives and managers. It concluded that the principal challenge to CRE was to prove it is a value-enhancing activity versus an input cost problem to be amortized as a factor of production. Benchmarking was the principal planned activity by CRE personnel for the future.

The same year, the CRE 2000 Phase I report indicated that the future direction of CRE should be aimed at providing physical and nonphysical workplace alternatives suited to the needs of employees as well as the corporation’s particular circumstances. The report indicated CRE occupancy strategies, built largely on the concept of integrated workplace strategies, should be rethought. Further, workplaces should be reinvented for greater efficiency. The three major corporate factors that affect these strategies were identified as the type of industry, the size of the company and the point where the company is in the corporate life cycle.
Respondents in the Delphi study were strongly aware and influenced by the many ideas offered in these earlier reports. The Delphi study indicates that the basic issues and concerns of practicing CRE executives and managers are evolving into a more complex set of issues. Rapid changes brought on by global expansion and international competition, by fast paced technological change, by the emerging realities of new corporate environments and operating practices, and by the pace of adaptation to integrated workplace strategies, are buffeting CRE practice. Coping strategies by CRE executives and managers indicate that the gap between senior management and CRE operations is narrowing.

Appendix

Major Research Issues in CRE

Corporate Environmental Issues

Globalism and International Competition

- What aspects of global competition are foremost in evoking change within the CRE function?
- How can CRE operations deal more effectively with global changes to enable their core business to compete more effectively in international markets?

Impact on the Future Direction of CRE

- Should senior management or business units play the lead role in identifying the type, scale and timetable of responses needed when a technological or environmental change interrupts normal business operations? What role should the CRE division play?
- How can the CRE division gain more control over staff and resource allocation to provide for greater flexibility in response?

Issues Arising from Internal CRE Organization and Operations

Repositioning the CRE Function

- What corporate and core business characteristics should be primary considerations when senior management makes a decision to reorganize or restructure the CRE function?
- Where is the best fit for the CRE function within the corporate structure? What are the most reasonable alternatives for repositioning CRE operations to more effectively respond to the needs of the core business?
Impact of Technological Change

- Which aspects of technological change have the strongest impact on corporate space needs and occupancy characteristics, hence on CRE operations?
- What are the principal factors corporate space occupancy strategies need to deal with as a means of accommodating technological changes impacting the workplace environment?

Role of CRE in Corporate Activities

- What is the mission of the CRE division? What are the principal types and level of services the CRE group needs to deliver to the corporate client?
- What type of role should the CRE division play in (1) the corporate strategic planning process; (2) in developing a business plan for individual business units; and (3) in preparing an operating plan for the CRE function?

Relationship with Senior Management

- What is the optimum type of relationship the CREEx should have with senior management?
- What techniques should the CREEX employ in trying to achieve an optimal relationship with senior management?

Role of CREExs and Managers

- Which foremost management principles and techniques should the CREEx employ in directing the CRE operations?
- What leadership role, if any, should the CREEx play on a corporate-wide basis to most effectively deliver CRE services?

Goals for CRE

- What are the most essential personal and professional characteristics a CREEx should possess to effectively carry out the CRE function?
- What is the ideal characterization of the CRE division of the future, in five to ten years from today?
CRE Skill and Training Issues

Strategic and Executive Skills Needed

- Which of the basic job skills needed by a CRE—business and management skills, technical real estate skills and understanding new technologies—need to be emphasized in CRE training programs?
- To train for a stronger strategic and operational role, what additional management techniques should CRE embrace besides the traditional tools of total quality management?
- When and under what conditions should CRE have a strong role in corporate strategic planning?
- What types of training techniques should be employed to provide CRE personnel with a better grasp of the legal and institutional environment involved in the international realm as global economic integration progresses?

Technical and Operational Skills Needed

- How can more effective networks to provide better access and linkages for the core business with real estate resources be effectuated?
- Regardless of the current position of the CRE function within the corporation, what methods can be employed for the CRE to more effectively communicate and have access to senior management?

External Providers of CRE Services

Decisions to Use External Service Providers

- What circumstances and factors should be assessed to ascertain when it is most appropriate to employ the different techniques of obtaining external provision of CRE services (outsourcing versus outtasking versus strategic alliances or partnering)?
- How do strategic alliances or strategic partnering result in a better delivery of CRE services? What is the impact of these techniques on outsourcing CRE functions?

Determining Impact of Outsourcing

- When and under what conditions is outtasking a more efficient or more appropriate technique to use than outsourcing a whole service program?
- What factors should be examined to determine the best technique for arranging an external service provider? To what extent are these factors industry-specific?
Which techniques of obtaining external service providers and reassignment of job responsibilities are most appropriate when internal control of the function is to be maintained? Which CRE services are the most appropriate ones to relinquish internal control and outsource both the management and provision of the service?

What are the principal adverse impacts on the CRE division and the corporation when a firm becomes overdependent on outsourcing?

How does corporate performance and profitability affect the need or desirability to outsource CRE functions?

Managing Outsourced Operations

Is cost savings the principal objective in outsourcing? What other motives are equally compelling reasons to outsource?

What assessment of a firm’s core competencies needs to be conducted to ascertain the desirability of downsizing, rightsizing and outsourcing CRE services?

As the corporate agent responsible for the provision of CRE services including outsourcing, what alternative roles within the corporation should the CREEx play? What proficiencies should the CREEx have in order to adequately carry out these roles?

Benchmarking Issues

Strategic Benchmarking Concerns

Are cost issues relatively more important as benchmarking targets than productivity and profitability issues? As a general rule, should benchmarking objectives be equally focused or aimed at a particular aspect of CRE performance?

What industry specific benchmarks and general corporate performance benchmarks are most meaningful in developing CRE objectives and assessing CRE performance?

What are the advantages and disadvantages of using an unbiased and independent entity to identify and collect benchmarking data across firms in specifically defined categories?

Use of Benchmarking in CRE Operations

In making internal decisions, how should both internal needs of the company and benchmark results be balanced against one another?

What principal considerations should the CREEx use to identify the appropriate action to take when benchmarking reveals a problem that needs to be addressed?
What are the principal uniform definitions and standards needed to establish standardized measures of benchmark values of interest to CRE managers?

Relating Benchmarks to Corporate Goals

What procedures and forms of analysis are needed to relate benchmark results to a company’s needs and its specific situation?

Impact on the Future Direction of CRE

What procedures and forms of analysis are needed to relate benchmark results to a corporation’s strategic planning activities?

Notes

1 There is a substantial body of research in corporate real estate that is not directly germane to this article. For a general introduction to this research literature, the reader is referred to the Journal of Real Estate Research, 4:3 (Fall, 1989) and 8:4 (Fall, 1993)

2 NACORE commissioned a survey of corporate executives about the current and future role of the CRE function (Arthur Andersen & Co., 1993). The study involved the views of both senior management and CRE executives. The IDRC published a series of studies under the series title Corporate Real Estate 2000SM. Both the NACORE and the IDRC studies focus on the strategic role of real estate within the non-real estate corporation and the role of CRE managers.

3 The Likert Method of Summated Ratings is a method of measuring the degree of agreement or disagreement by using an ordinal ranking, such as using 1 to indicate strong disagreement, 3 to indicate a neutral response and 5 to indicate strong agreement. Measurements other than 1 to 5 can also be used. Average response rates can be calculated by computing means and standard deviations of the responses. The Likert scale is a form of equal appearing intervals but is used in judgement samples when questions asked require respondents to have specific knowledge. For a more complete discussion of the Likert Method of Summated Ratings see: Gilbert A. Churchill, Jr., Marketing Research: Methodological Foundations, 3rd ed.

References


The survey research for this paper was sponsored by NACORE International, under grants from Koll Asia Pacific and IA Interior Architects. The authors wish to thank these sponsors for their generous support of this project.