



An investigation into how Corporate Real Estate in the financial services industry can add value through alignment and methods of performance measurement

HAYNES, Barry <<http://orcid.org/0000-0003-3740-4159>> and LANGFORD, L

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An investigation into how Corporate Real Estate in the financial services industry can add value through alignment and methods of performance measurement.

Abstract

Purpose - *The focus of this research is to evaluate Corporate Real Estate performance measurement and how value can be added to the core business.*

Design/methodology/approach - *An analysis is made of the appropriate literature and primary research conducted via interviews with eleven senior professionals from three globally renowned companies, one global financial organisation and two corporate advisory firms.*

Findings - *The findings from this research provide evidence that Corporate Real Estate can be used to add value to the core business, both in the physical and behavioural environment. By aligning aims and objectives with the business, continually conducting portfolio analytics encompassing size, cost, space, retention and productivity, value can be added; maximising shareholder worth.*

Implications - *The main conclusions drawn from this study are that Corporate Real Estate can add value to the business. The role of Corporate Real Estate Asset Managers needs to change from the physical environment to the behavioural environment, working to increase productivity which can have greatest impact on shareholder value.*

Originality Value - *This paper provides evidence to suggest that Corporate Real Estate's role is not only to manage property but should be broadened to add value to the organisation by aligning CRE strategy with the corporate strategy. Closer interactions with HR and IT are required to enhance productivity, via relationship management, perhaps outsourcing to provide best in industry expertise. Corporate Real Estate Asset Managers can shape the future of office space, by demanding carbon neutral properties. This paper recommends that further research be conducted on the measurement of intangibles like productivity and Corporate Social Responsibility, how they can be used to add value and sustainable saves.*

Keywords – *CREAM, Alignment, Adding Value, Performance Measurement*

Introduction

The authors of this paper were intrigued by the volume of organisations which CRE functions do not align with the core business. In some instances the CRE function is seen as a cost centre as opposed to a function to drive cost reductions, cost offset and sometimes even income revenue generation whilst facilitating a suitable environment to drive staff productivity. The authors decided to conduct this research to discuss and analyse how CRE can add value back to the core business from both the tangible real estate and intangibles such as increasing workforce productivity and reducing staff attrition. This case study focused on the financial services industry. The research is therefore focused towards the office and service providers and may not be generic or applicable to all industries and sectors.

Establishing the research evidence that demonstrates how CRE strategic alignment enhances performance is still an area of research that is in the early stages of development. Haywood's (2011) review of the literature suggests that there are a number of different approaches to evaluating CRE alignment. Alignment models tend to either be multivariate or single factor models. Clearly there is a need for some form of unifying model. Haynes (2012) presents his own "10 P" CRE alignment model as a theoretical framework for understanding the linkages between corporate and CRE strategy, See Figure 1. The proposed components being planet, position, purpose, procurement, place, paradigm, processes and people to produce performance and productivity. However, Haynes (2012) acknowledges the need to operationalize such a model.

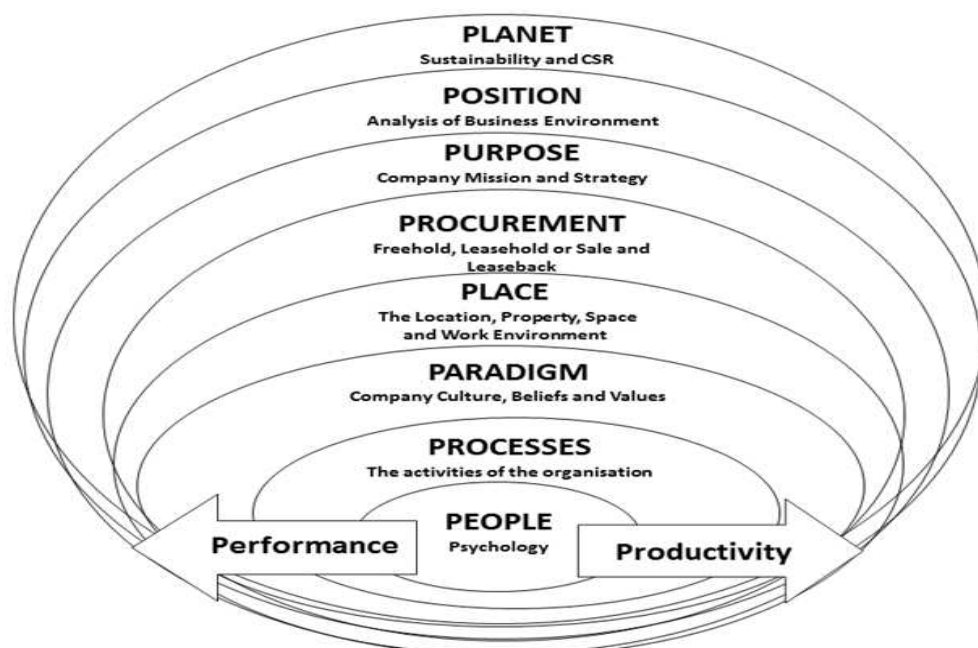


Figure 1: Corporate Real Estate Asset Management Alignment Model

The first part of this paper will evaluate literature that links CRE and performance. Next, the paper will develop research instruments to evaluate the impact that CRE can have in adding value to an organisation. This section is followed with a full discussion of results linking research findings to existing literature. The paper ends with conclusions and recommendations.

Literature Review

One of the main aims of CRE is to align the CRE strategy with that of the corporate strategy. The need to understand CRE alignment is supported by research undertaken by Jones Lang LaSalle (2013). Jones Lang LaSalle asked 545 CRE executives how their CRE strategies aligned to their corporate strategy both now and three years from now (Jones Lang LaSalle, 2013). Fifty-two percent reported that their current corporate and CRE strategy were "entirely aligned". This figure is reported to increase to 72% in the next three years (Jones Lang LaSalle, 2013). Whilst there is a clear demand for CRE alignment research there is also the same demand for performance measurement. It is proposed that it is this strategic alignment that leads to enhanced organisational performance (McDonagh & Nichols, 2009; O'Mara, 1999; Roulac, 2001; Nourse & Roulac, 1993; Heyward, 2011; Appel-Meulenbroek, Brown, M.G. & Ramakers, 2010; Scheffer, Singer, & Meerwijk, 2006; Singer, Bossink, & Putte, 2007; Haynes, 2012).

Jordan, McCarty & Velo (2009, p. 106) discuss that CRE executives should create and communicate performance metrics, linking RE to the objectives of the business and that RE should be an integral part of the vision and success of the organisation. Supporting other comments that CRE's aims and objectives should align with the business to enable wealth maximization, as discussed by Lindholm & Levainen (2006).

"According to shareholder value theory, the goal of the firm is the maximisation of the wealth of the shareholders. A firm should strive to maximise the return to shareholders, as measured by the sum of capital gains and dividends, for a given level of risk or reduce the risk with the same level of income."

(Lindholm & Levainen, 2006). This theory is confirmed by: *"Private sector organizations tend to be in business to make money. It is their primary aim to generate as much profit as possible so that they can provide the maximum return to their shareholders."* Which seems a plausible statement, although Stadlhofer (2010, p. 96) found no evidence that companies outperforming in corporate real estate management (CREM) perform better in terms of share price. Lindholm & Levainen (2006, p. 3) notes that CRE directly and indirectly adds value to the core business and wealth of the firm. Stadlhofers' research was specific to global pharmaceutical enterprises whereas the primary

research in this document is focused toward the financial services industry so results here may differ.

Lindholm & Levainen (2006, p4) produced a model to visually capture how CRE can add value to the firm. This is supported by Haynes (2010, p46) with the understanding that the primary aim of an organisation is maximisation of wealth for the shareholder, supported by development of the business strategy.

Stadlhofer (2010, p. 97) claims that CRE is often the second largest cost of a firm after staff and (Brown & Matysiak, 2000, p. 249) claim that property accounts for over 50% of the worlds wealth. Stadlhofer (2010) stated that *“EY (2002) found in a survey including 103 companies with significant European presence that almost 23 per cent had no performance measurement for their CRE at all. While around 50 per cent use “cost per area” or “property as a percentage of operating cost” only one-third measured productivity or cost per workstation, supporting the findings of Bon and Varcoe”*. CoreNet 2020's (Hughes, Tare, Mitton, 2011) research found that 51% of organisation did not link the core business to the Real Estate performance, yet 78% consider the physical workplace to be a driver of worker productivity and satisfaction. These statements outline how large and important CRE is as a cost to the core business, yet only one third measure productivity and less than a quarter measure performance. This could be evidence that they are harder to quantify and measure, but global corporate firms should do this due to the large financial impact they can have.

It is evident there are many ways to measure performance of CRE as discussed by Varcoe (2010), Varcoe (2002), Haynes, Nunnington (2010), Lindholm & Levainen, (2006), Jordan, McCarty & Velo (2009), Bailey & Copley (2012) and Stadlhofer (2010) including building, environmental, workplace, cost, functional, size, usability, benchmarking and post occupancy evaluation (POE). Jordan, McCarty & Velo (2009, p112) argues against this and states *“CRE metrics should not report real estate performance; but rather, they should report CRE team performance in using real estate to contribute to organizational objectives.” “Varcoe (2001) criticises that existing issues of measurement is property oriented rather than business oriented”* (Stadlhofer, 2010, p101). These statements confirm there are many measurements of CRE but businesses tend to focus on the physical property such as cost and space rather than business orientated performance like productivity of the workforce, suggesting that research should look to establish additional performance measurements of intangibles as opposed to the physical space (Haynes, 2012). CoreNet 2020's (Portfolio Optimisation and Location Strategy, p6) article foresees that: *“Portfolio optimization will be measured based on*

agreed-upon productivity metrics. Corporate real estate will be more productivity and value driven to improve utilization.”

Pogue (2012, p22) discusses a pre and post occupancy evaluation survey developed by Gensler called the Workplace Performance Index (WPI), which could be beneficial as it measures not only physical and tangible measurements but also intangibles like behaviours, attitudes and satisfaction. Positive measurable intangibles have been quantifiably measured both post and pre occupancy as a result of the WPI survey and has shown a positive impact on business performance and work rate.

Lindholm & Nenonen (2006) identify the need for CREAM’s to use a variety of tools and found Balanced Score Cards and Post Occupancy Evaluation were the most commonly used. They conclude emphasising the requirement for reliable data and the need for a close connection with Human Resources (HR) and ICT managers, with the intention of bringing together and balancing both the physical and virtual environment in order to support the core business.

PricewaterhouseCoopers LLP recently completed a 5-year sustainability cycle, the results show an important correlation between sustainable saves and financial benefits; reporting a 32% carbon reduction, reduced paper consumption with creativity skills improving by 15.5% through volunteering (Powell & Jackson, 2012). Siemens Italy saved £134,000pa by updating their heating, ventilation and air conditioning systems. In Germany, Siemens reduced their carbon footprint by 1,450 metric tons leading to a further sustainable save of £250,000pa (Kronen, 2008). These examples demonstrate that sustainability can lead to both financial and environmental benefits.

Research Methodology

Three main themes emerged from the literature review which provided the foundation for the structure and direction for the interview questions. These were; performance measurement, adding value and alignment.

Interviews were conducted face to face with staff from a global financial firm’s Global CRE team and two globally renowned property consultancy firms. Participants had varying levels of CRE experience. A range of staff ages and role profiles were chosen to participate, including; Global Heads, Managers, Directors, Senior Directors, Chief Finance Officers, Facilities Managers and Asset Managers. This spectrum of participants was deliberately selected to give a holistic view, although data may seem biased as nine of the eleven participants were from the same (financial services)

organisation. It is acknowledged that the findings will largely be restricted to the case study organisation.

Conducting interviews allowed for probing questions, allowing the respondent to elaborate on answers and freely give their opinion. Interviews lasted between 15 and 54 minutes, in some instances dictated by the amount of time the participant had available and the time they arrived, a couple running late from previous meetings.

The interviews were semi-structured allowing interviewees freedom to 'ramble'. As recommended by Walliam (2011, p99), McQueen & Knussen (1999, p235) and Naoum (2007). A main advantage of semi-structured interviews is *"the quality of the information is deep and detailed"* (Naoum, 2007, p57). This allowed for quite detailed analysis, especially when comparing and triangulating results.

Interviews were recorded using an audio recording device as evidence of appropriate research – with the exception of two, one over the telephone and one interview over lunch, meaning the environment was too loud to record. However, this participant had prepared written answers in advance for the researcher to keep. A pilot set of semi-structured interviews were conducted to a select couple of industry professionals to check their suitability, assess the length of time required and quality of questions prior to the interviews commencing, this allowed the interviewer to make some amendments (McQueen & Knussen 1999, p238).

Triangulation was adopted between the key themes discussed by participants and the findings from the literature review to ensure validity of data.

The opinions and conclusions drawn from this paper may not be representative of the CRE industry as a whole as nine of the eleven participants were from a financial organisation.

Data Collection and Analysis

Due to the nature of the research undertaken, the decision was taken to use interview analysis and thematic replication, this allowed for 'data reduction' as discussed by Marvasti, (2003). This was chosen as it was the most appropriate analysis for the type of research and the style of answers. The answers were not typically numerical quantifiable answers, (perhaps with the exception of two) but were thoughts, opinions and theories.

The categories selected to organise the data, are ultimately a matter of personal interpretation, as such they could be misleading as this is the researchers interpretation, Gillham (2001, pg70).

As recommended by Gillham (2001), double checking was an essential part of the rigour of the data analysis. The researcher firstly highlighted themes, using a coding system from notes and transcripts of interviews conducted. Secondly, whilst listening to the recordings, additional data was added to the analysis that was omitted in the first phase. This was to ensure that no data was missed and all points were included whilst ensuring they were put into the correct categorisation, in the context there were implied.

An Excel spread sheet was created for each of the interview questions, with participants in one column and themes in the top row. Substantive statements were then coded into themes and text was entered into the box next to that participant. The text entered was a guide to what the participant had actually said and the context. This allows for theme replication and direct quotes to be used whilst also allowing the researcher to refer back to the exact reference made if more context was required. Statements that would not fit a theme were placed in an 'unclassifiable' category but *not* unimportant as recommended by Gillham (2007). A count analysis was then carried out to see how many times each theme occurred for each question.

One way to identify the generality of the statements was to cite how many interviewees made a certain point (or one like it) and/or how many made contradictory points as recommended by Gillham (2007).

For selection of quotes, the researcher has been aware not to use 'selective bias' and quotes were used from a range of respondents ensuring a balanced representation. Via the spread sheet developed to identify thematic replication, quotes used were coloured to allow for an audit trail to allow readers to see how the researcher reached conclusions. This allows for data integrity, allowing readers to understand how the conclusions were reached. This was recommend as 'Effective Evaluation' by Gillham (2007).

Discussion of Results

This section aims to explore the key themes created by the participants whilst also triangulating back with findings from the literature review. It will also make recommendations for further research while noting the limitations of this research. The transcripts created by the interviews were analysed for thematic replication. To quantify the strength of support of each of the themes a bar chart was created. Please note some bar charts do not total 100% as some participants chose or discussed more than one answer or theme. Participants will be referred to as P1, P2 etc.

CRE and Shareholder Value

All participants agreed that an effective and efficient CRE portfolio adds to the value of the organisation and back to the shareholders. Responses included how, via reduced and improved space, value can be added; by rightsizing the portfolio and increasing flexibility. One participant discussed how the costs of RE increase year on year by 8-10% P7. They mention how this is addressed by proactively offsetting costs by exiting buildings, consolidations, renegotiating service agreements and energy bills. *“If I do that, then the gap between income and cost widens, profitability increases and dividends to shareholders increase. There’s the linkage.”* P7.

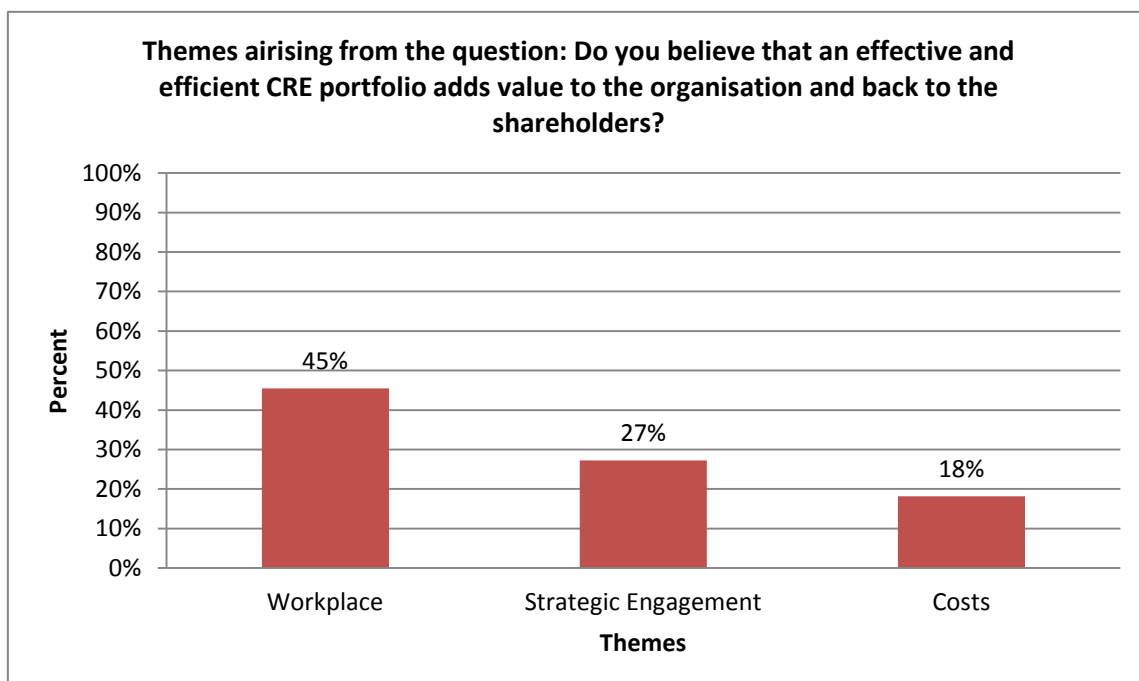


Figure 2: Themes arising from participants agreeing that an effective and efficient CRE portfolio adds value to the organisation and back to the shareholders.

45% of participants agreed the workplace can be used to add value. Comments around how the workplace can be used to attract and retain staff which can be measured by Human Resources (HR), how the workplace can influence employee's productivity. How *"the workplace should support the contribution/expansion of the business to create/ensure commercial advantage"*, P6. One participant stated *"Buildings provide the subconscious of trust and confidence"*, P8. Whilst another questioned what does or should the CRE portfolio include; working from home and working flexibly in addition to the office? P2, P3, P6, P8, P11. Adding value through the workplace is supported by Gensler (2005), Frost (2008) and Haynes (2007b), (2008). What participants did not discuss, was the physical layout of the workplace and the impact it can have on productivity as discussed by Olson (2002), Nathans (2007), Haynes (2008) and Cornell (2003). In literature authors have established that value can be added by the workplace and the different working styles, from caves to commons Hua (2007), and effects that can have on workplace and worker performance by Haynes & Nunnington (2010) and Brill, Keable, & Fabiniak (2000). However, this was not discussed by participants. Further research surrounding the extent of impact the workplace can have on performance and the value it can add is recommended.

27% of participants discussed a theme the researcher categorised as 'Strategic Engagement'. Commenting on how CREAM's should strategically manage space and buildings, compare own vs. lease, which option would be better suited for the business and shareholder value. How staff should be better engaged and more productive, increasing speed to market. How through strategic engagement, long-term decisions could be made, 5-7 years, which can result in either freeing up capital, creating liquidity, or engage in a contract, tying up capital. How the long-term business strategy and CRE strategy should be strategically aligned to deliver value back to shareholders, P1, P2, P9.

Added Value CRE

Participants were asked to “describe ways that you believe CRE can add value back to the core business”:

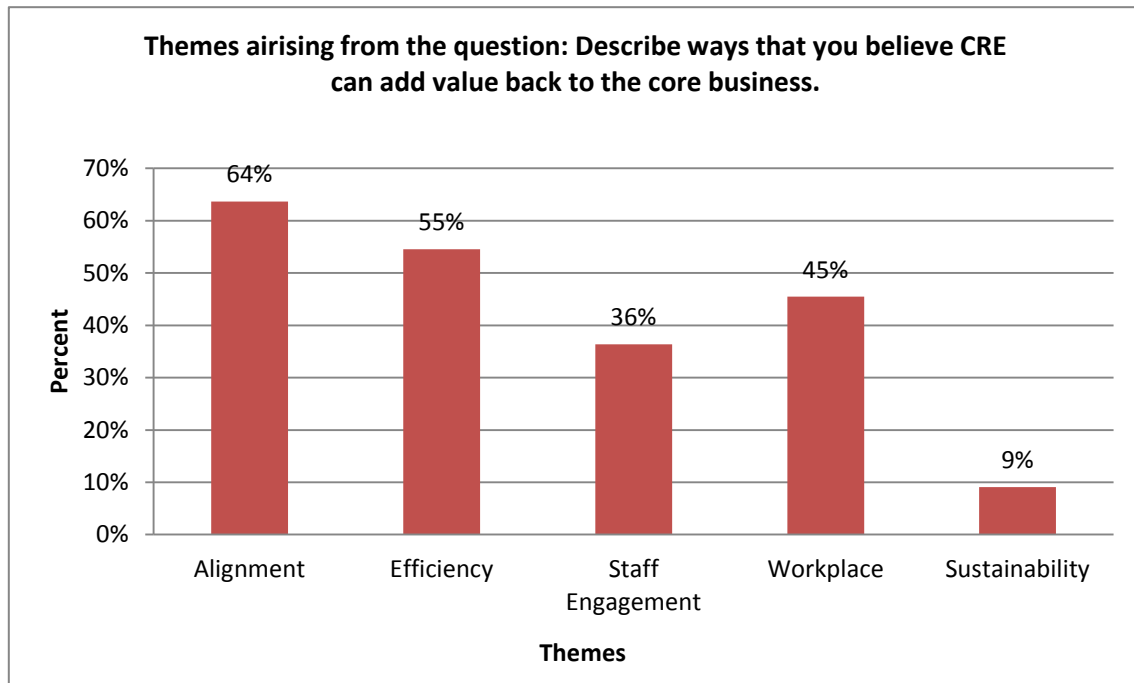


Figure 3: Ways CRE can add value back to the core business

Alignment of CRE with the business was the most common theme for how value could be added back to the business. One stated: *“To have an efficient profitable, good place to work organisation, real estate is absolutely fundamental”* P4. Discussion developed around how CREMs needed to understand the business and its dynamics, understand costs turnover. Providing space that aligns with business, expanding or contracting but also aligning the property portfolio with market conditions. One participant discussed how CRE should stop being an order taker, in the sense of being reactive to the business finding them new space as and when required, but how they should become pro-active, finding cheaper alternatives and that the business should give CRE *“alignments so they can have an oversight of changes upcoming to the real estate and look at the most cost effective options. From being totally reactive, they're now moving to be proactive”*, discussing the need for *“proactive relationship management”* P1. Discussing how there needed to be alignment, visibility and that the CRE function needed to be proactive in its approach to cost savings, P1, P4. This is supported by Lindholm & Levainen’s (2006) research that RE should link its aims and objectives to the business, enabling wealth maximization.

Value added through 'Staff Engagement' was discussed by one participant in relation to flexible working, stating: *"The value added benefit needs to be communicated back to the staff, working flexibly which does not necessarily mean from home, perhaps another office or location. We [CREAMs] need to get this mind-set into people's DNA. People need to work flexibly. People's perceptions should change and benefits be communicated back to them, they will be supporting the local community, less transport and more money spent locally on lunch etc."* P9. This discussion really goes a lot deeper than how the RE can be used to add value to the business, but how the staff that work for the organisation in tandem with the RE can add value. This participant concluded: *"It's human's feelings and emotions that need changing as opposed to physical bricks and mortar"*, P9. This discussion is also completely contradictory to the recent happenings at Yahoo, where the CEO has required all staff to be in the office every day, so perhaps different work styles and businesses operate in different fashions. Clearly this flexible work style is applicable to the service industry only and would not be suitable in the production industry for example.

Two participants discussed how through 'Sustainability'; energy, waste, water and carbon emissions, value can be added; *"RE can materially reduce energy"* P7, P1. One participant discussed how this could be achieved by energy hedging – buying in bulk upfront, reduced water consumption, air conditioning, water cooling, LEED and BREAM standards. They also discussed how partnering in renewable energies like wind farms and wave power. However, concerns were raised that they were *"not showing to be too cost effective at the moment"* P7. What is interesting to see, is that large corporates are exploring sustainability as a way to add value to the business.. (Kronen, 2008) evidenced that financial savings can be made from CRE sustainability initiatives.

Stadlhofer's (2010) research found no evidence that companies outperforming in corporate real estate management (CREM) perform better in terms of share price, so it would be interesting to see if that research was carried out again today, how the results may differ.

P9 discussed adding value by CRE, ICT and HR working together. That they should be brought together to work together, adding value to the business. This was also a theme identified by Lindholm & Nenonen (2006), who concluded they should be brought together in terms of performance measurement, to measure the behavioural and virtual environment, to gain a better understanding, allowing value to be added to the core business.

CRE Alignment with the organisations objectives

100% of participants believed that CRE's aims and objectives should align with the organisations objectives. Responses included "absolutely" P2, they need "traceability" P5, and to provide a "clear line of sight" P10. These responses may have been so well aligned and proportionally high because of the makeup and nature of the participants; all from CRE backgrounds, in teams focusing on CRE and how it can impact the business. If this question had been asked to industries other than financial services or corporate advisory, the answers may well have differed. Participants may have strongly agreed because they have an involvement in similar portfolio alignment tasks.

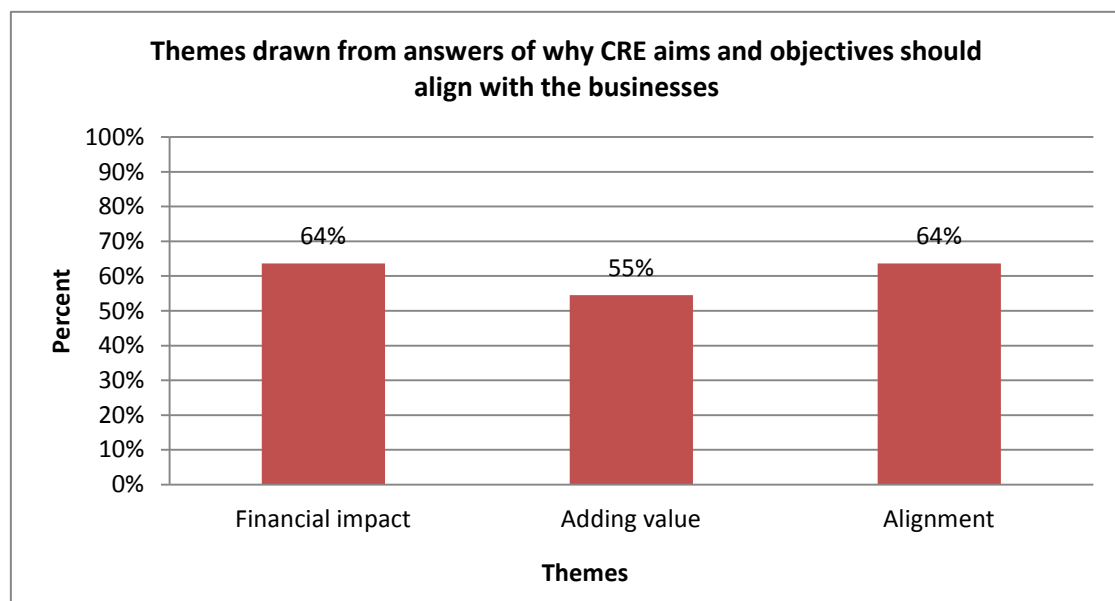


Figure 4: Thematic replication emerging from why CRE aims and objectives should align with the businesses.

The recurring themes developing through interview analysis and thematic replication were: The 'financial impact', 'adding value' and 'alignment'.

64% of respondents discussed the financial impact of aligning CRE's aims and objectives with the organisations, whilst in reality the research by Lindholm & Levainen, (2006, p41) found that only one-third of 26 firms evaluated, had little or no link between the real estate and business strategy. Both Lindholms research and this research focused on CRE, however the results differed. This may be due to the date the research was undertaken; Lindholm's research results were published in 2006, a couple of years prior to the global credit crisis. Perhaps this is a reason why now there is a higher alignment rates as organisations are more financially savvy, looking to reduce costs, being proactive as opposed to historically reactive. Or perhaps it is a result of the demographics, specific

participants and/or the organisations participating in each research that the CRE and business aims and objectives do align. Participants in the primary research discussed how through alignment, value could be added, affecting base costs, both positively and negatively. This supports views proposed by Haynes (2010 p45) and Lindholm & Levainen’s (2006, p3), that CRE can both directly and indirectly add value to the firm.

CRE Performance Measurement

Participants were asked to “Discuss any additional ways CRE’s performance can be measured”:

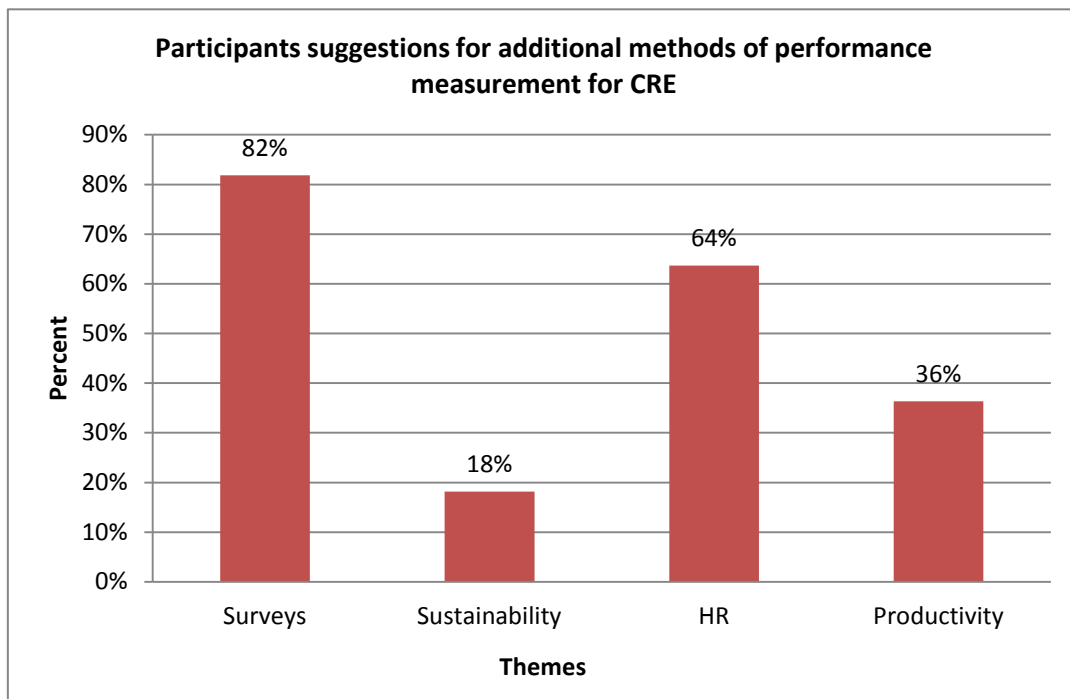


Figure 5: Participants suggestions for additional methods of performance measurement for CRE

A recurrent theme (82%) was to conduct staff surveys to measure performance. Specific to the workplace were pre and post occupancy surveys which aligns with Pogue (2012, p22) and BRE (2013) discussions. There were comments that surveys were only completed by either disgruntled or pleased staff, but not those in between P4. The reference was made to the website Trip Advisor, P4 where it was claimed, feedback is typically either very good or very bad, whereas in CRE they would like a cross section as opposed to just the extremities. One method suggested to get a more holistic cross section response was to use incentive based surveys. It was discussed that for staff to see the outcome of these surveys, the issues need to be actioned and results communicated and fed back to staff, P9. The results also need to be carefully analysed and it was discussed that there were often recurrent themes in surveys like the lighting or temperature, but that the analysis really needed to be in depth.

Linkages with Human Resources were captured by the HR Theme at 64%. This theme relates to how they should measure staff engagement and if employees are comfortable working where they are. Two specifically mentioned focusing on attrition rates as it can reduce cost associated to staff churn. One suggestion was to conduct exit interviews, so when staff leave to find out what they liked and what they did not like. P11 a RE consultant questioned *“Does real estate come as a reason why they’ve resigned? Sometimes location does for sure”*. This does not only have to be for negative comments but also what did work and where and how they worked best.

Productivity was suggested by 36% of participants, specifically does the environment/workplace affect their productivity and creativity? A suggestion of productivity measurement was feelings and opinions, via surveys as previously discussed. One suggestion was to change the desks or work environment for say half an office or a floor, where an office is large enough, measure productivity before and after the change implementation. This would however be difficult in smaller firms. Another discussed not only the work environment, but the wider environment, so if the building has gym facilities, catering facilities and dry cleaning as an example, does that influence productivity? The productivity related discussion tended to be more suggestions and no new methods were discovered as to how productivity should be measured, other than surveys which has already been mentioned, P3, P5, P7. Productivity in a services industry however will be more challenging to measure than a production industry.

A further 18% discussed how performance measurement could be measured via sustainability: the impact the RE has on the environment and measuring reduced consumption, P1, P3.

Further research here could explore specifically how performance measurement information could be obtained.

CRE Methods of Performance Measurement

When questioned on which methods of measurement they believed were most effective and why, a range of eight themes were suggested, each discussed by varying numbers of participants:

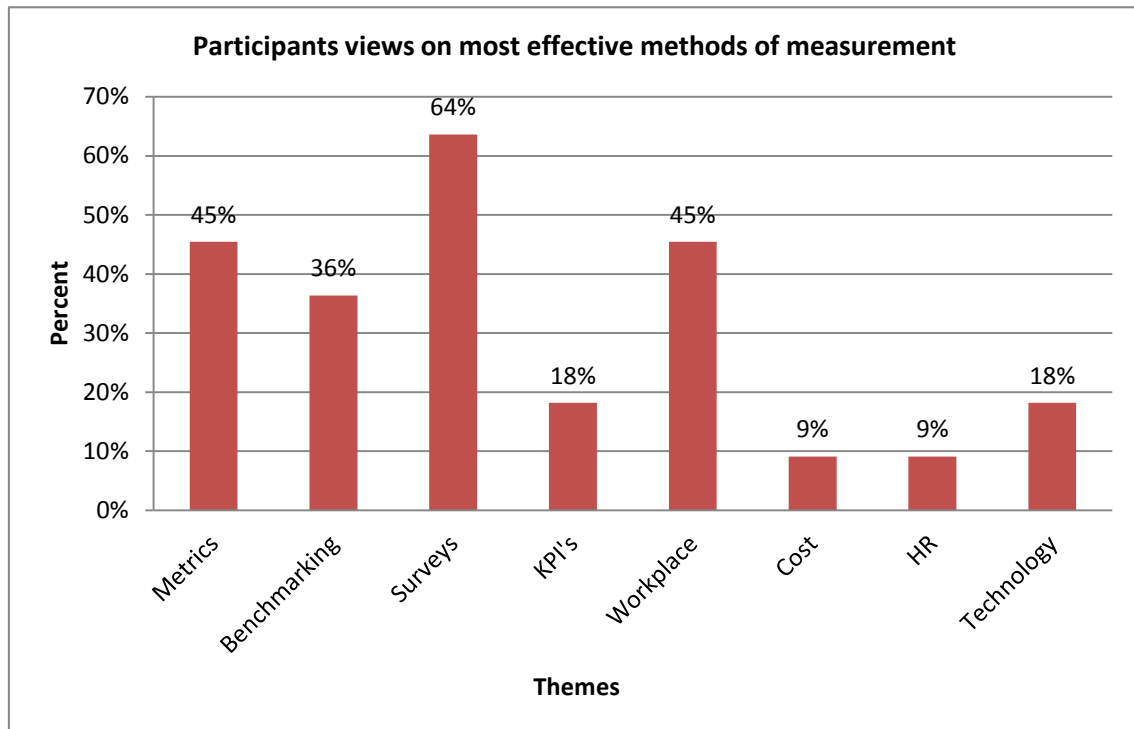


Figure 6: Participants views on most effective methods of measurement

These eight themes have been further categorised into two key themes.

Business performance indicators	Obtaining the information
Metrics	Surveys
Benchmarking	Workplace
KPI's	HR
Cost	Technology

Table 1: Second phase thematic replication into two key themes

45% of participants discussed how Metrics could be used to measure cost and space utilisation. Some participants discussed monthly measurements, whilst another stated; *“they're good to see shifts and trends, particularly if you plot them over a long period of time”*, P4. Another discussed how this should be used in conjunction with Benchmarking.

It was discussed how benchmarking could be used before and after change implementation, internally and externally, and how internally it could be used across functions, *“creating competitiveness”* P2. However, this should be used with caution, as functions may alter figures to make their space appear more efficient rather than actually using benchmarking and metrics as a tool to identify opportunities. Firms may only be able to create competitiveness if the organisation is large enough or they benchmark externally as recommended by Bailey & Copley (2012) and Simpson (2011).

The most common theme for obtaining measurements was ‘Surveys’: Customer and staff satisfaction surveys, questionnaires and pre and post occupancy surveys. Similar to those discussed by Pogue (2012) and the Gensler pre and post occupancy evaluation survey called the Workplace Performance Index (WPI). Participants suggested that they were used to draw key themes, critique good or bad, measure the change the workplace has had on the amount of productivity before and after change (pre and post). However, they should be as objective as possible and a high response rate and staff engagement is required, especially as organisations often spend a large amount of money on them. In addition, it should be made clear how the issues that arise will be addressed to see the value added.

Workplace, HR and Technology overlap in the sense of how does the workplace influence productivity? *“How do sofas improve creativity as opposed to desks?”* P7, P11 HR can measure absenteeism, retention and career progression, the hygiene factor; do staff stay or leave because of the real estate they work in? Technology can be the enabler, used to measure the above mentioned: To track utilisation, how many computers are being used and for how long. Allowing staff to feedback through blogs, the intranet, online questionnaires, chat boards and phone lines.

The workplace was discussed as a method of increasing productivity, specifically how it could be used was not discussed in depth as it was by Brill, Keable, & Fabiniak (2000), Thompson (2013), Knight (2011) and Leow (2013). These authors discuss allowing staff to choose their own work space, caves or commons, empowering staff to choose their environment or adopting the activity based working (ABW) model which categorises workspace according to activities, providing spaces for collaboration, learning, focusing and socialising and was developed to increase collaboration and enable flexibility, whilst also delivering energy efficiency. Nor did the research establish exactly how the workplace could be used to measure performance. Extensive research is available on how the workplace can improve productivity as discussed previously. Perhaps here the participants have less experience in the intangible performance enhancement side of CRE, this could be an area for them to further explore, testing methods which most improve their staff’s productivity. Participants

experience may be on adding value through the physical real estate, rather than the behavioural environment as discussed by Haynes & Nunnington (2010) and Haynes (2008), whereas attitudes should change to incorporate the physical environment as recommended by Lindholm (2006). Although, as previously noted one participant did comment *“Its human’s feelings and emotions that need changing as opposed to physical bricks and mortar”*, P9, suggesting executives may be changing from the physical CRE to the behavioural environment. As human labour costs are much greater than occupancy van Ree (2002, p362), Haynes (2007a) and P10. It is interesting to note that CRE executives did not have more comments/suggestions surrounding how to increase productivity and appropriate methods of performance measurement and that they tended to be property focused. This is supported by Jordan, McCarty & Velo (2009, p112) who identified that metrics should be used not only for RE performance but also for *“team performance in using real estate to contribute to organizational objectives.”*

CRE and Corporate Social Responsibility

91% of participants agreed that CRE does have a CSR but a couple expressed concerns around; to what extent, stating *“it can have”* P5 and another saying; *“it does, but it’s not at the top of the priority list, because cost is still a key driver”* P3. These comments show there is a perceived CSR, but CREAMs are questioning to what degree. Participants were asked to what extent they thought CRE has a Corporate Social Responsibility:

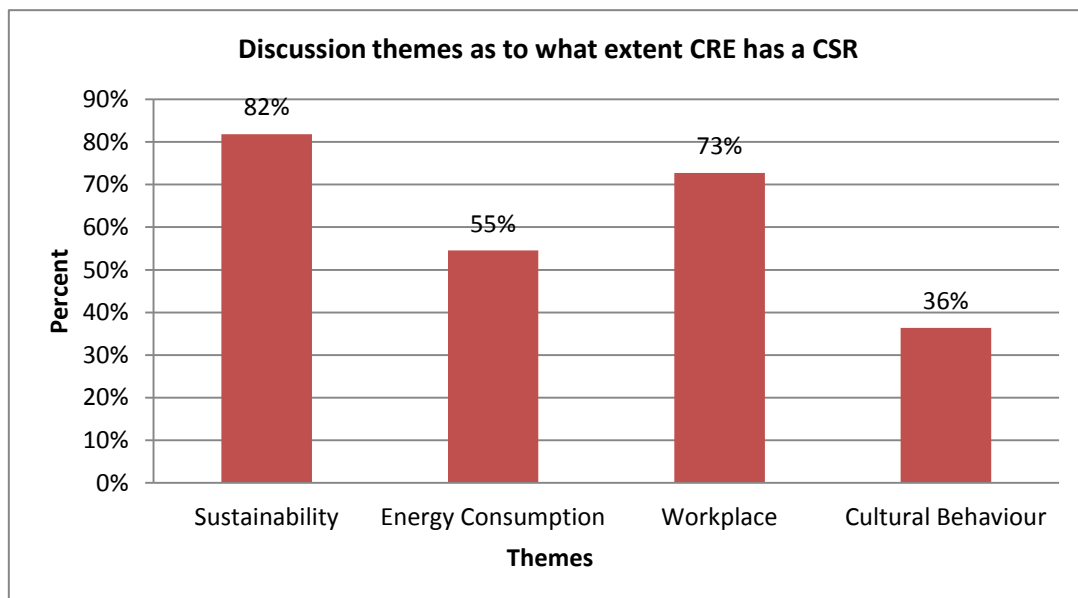


Figure 7: Themes emerging as the areas where participants believe CRE has a CSR.

“It’s not just about how much money we can save, we’ve got a Corporate Social Responsibility too”

P1. This statement was made whilst also communicating how the CSR of an organisation could be the differentiator as to whether people do business with one firm or another and how younger generations have more of a *“green and social conscious”* P1. This discussion was quite interesting as it claims it is not all about saving money but also the public’s and customer’s perceptions of organisations; that if organisations are not as commercially aware or positively contributing to the environment, this could actually have a detrimental effect. Therefore, it could be worthwhile firms investing in CSR and marketing to promote what they have done to ensure customers are aware and may choose to do business with them over a competitor.

Participants recognised that through reduced energy consumption and recycling, P1, P7, P11, cost savings could be made which benefit both the business and the environment (Haynes & Nunnington, 2010, p203), PricewaterhouseCoopers LLP, (Powell & Jackson, 2012) and Siemens (Kronen, 2008).

The themes discussed could be further categorised:

The Internal Environment	The External Environment
Workplace	Sustainability
Cultural Behaviour	Energy Consumption

Table 2: CSR categorisation

One participant commented how CSR is not as important now as it was five years ago due to the financial economic situation.

Conclusions

The research conducted was limited, with the majority of participants in a financial organisation, therefore may not be representative of the CRE industry as a whole and perceptions in other industries may differ. Limitations did not allow the research to directly measure the impact CRE workplace can have on the productivity of staff.

This paper concludes that undoubtedly CRE in the financial service industry can add value to the core business using performance measurement methods to proactively capitalise on opportunities. It outlines the various methods for CRE professionals to add value to businesses, not only through the physical space; increased utilisation, efficiency, sustainability and Corporate Social Responsibility, but also the behavioural environment; increasing productivity, reducing CRE overheads and

organisational attrition rates. It establishes there are many theoretical frameworks for performance measurement and evaluation like Benchmarking, KPI's, Metrics and new approaches utilising Technology. It evidences that research has been conducted on CRE performance however the progress and development has been very slow since the 1980's.

Further research should be conducted exploring the value added by CSR, which options have the largest sustainable and financial benefit and how green leases can benefit occupiers on a global corporate scale.

Participants focused more toward tangible performance measurement over intangibles, which was interesting as the research established staff costs were up to eight times that of property costs. This leads to the conclusion that perceptions need to change to further include not only the physical environment but also the behavioural environment to add even greater value. This may be achieved by cross-functional collaboration between CRE, HR and IT, aligning aims and objectives with the business to deliver the optimal portfolio, maximising shareholder wealth via reduced CRE costs and increased productivity.

The research proved that the implementation of strategic management and utilisation of CRE can lead to measurable added value. It is important that businesses align their CRE aims and objectives with those of the core business. CREAMs can use strategic management information to align with the business, increase the efficiency and productiveness of the workplace, IT and HR to increase utilisation while reducing attrition rates. Added value can be measured using the afore mentioned performance measurements and should focus on both the physical (quantitative) and behavioural (qualitative) environment.

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