Corporate Property Strategy is Integral to Corporate Business Strategy

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Abstract

Corporate property in the past has been concerned to much with the facility and insufficiently concerned with the relationship of that facility to the larger real estate markets and to corporate business strategy. Researchers concerning corporate strategic management have too seldom been sensitive to—let alone aware of—the significance of the properties in which corporations operate as a means to connect those corporations to their markets for resources and customers. As a consequence, the corporate real estate function generally and the research concerning the corporate real estate function have tended to be marginalized and disconnected from the concerns and priorities of corporations senior management and board of directors.

Through several information-concentrated exhibits, the powerful intersecting relationship of corporate real estate strategy, place and space contributions, and sources of competitive advantage are summarized, to demonstrate the positive implications of the strategic management of corporate real estate.

It is widely recognized that every business employs an overall strategy. Less recognized is that every business with a corporate strategy usually also has or should employ a strategy—explicit or implicit—for its primary functions (*i.e.*, marketing, human resources, and information systems) as well as for its platform. It is a rare occurrence for a corporate business strategy to include a corporate property/real estate strategy. Not to have a corporate property/real estate strategy is to put the enterprise at risk. Consequently, that omission must—and inevitably will—change.

A corporate business strategy addresses such critical elements as customers, employees and processes. These elements are profoundly impacted by the environments in which the company does business—the environments in which the enterprise interacts with customers, houses its people and supports its processes. These are elements of corporate property/real estate strategy.

A superior corporate property strategy impacts and produces positive outcomes in employee satisfaction, production factor economics, business opportunities realized and forgone, risk management considerations, and other impacts on enterprise value. These consequences enhance or detract from business outcomes—specifically management's ability to add value to increase shareholder wealth.

Both the practice and research of corporate real estate management have historically been narrow. In the past, corporate property management has been too concerned with the facility per se—and insufficiently concerned with the relationship of the facility to the overall corporate business strategy and real estate market opportunities. Those working in the corporate property function have had a limited connection to corporate business strategy, and the academy has reflected a parallel narrowness of perspective. Corporate real estate researchers have tended to emphasize real estate issues and ignore the corporation's business issues. In addition, corporate strategic management researchers have neglected the significance of the properties in which corporations operate as a means to connect those corporations to their markets for resources and customers. As a consequence, the corporate real estate researchers, along with the corporate real estate function itself, have tended to be disconnected from the concerns and priorities of the corporation's senior management and board of directors.

This article presents new thinking and draws on prior research to illustrate the positive outcomes that can be realized from strategic management of the corporate real estate function. It does this by drawing on the strategic management literature and the more limited literature on the strategic management of corporate real estate to make the inductive case for why corporate property strategy is integral to corporate business strategy, rather than presenting empirical work.

This article presents the case for the existence of significant contributions to enterprise value by means of superior corporate property strategies by citing the contribution of corporate property/real estate to enterprise competitive advantage through creating and retaining customers, attracting and retaining outstanding people, contributing to effective business processes to optimize productivity, promoting enterprise values and culture, stimulating innovation and learning, enabling core competency and increasing shareholder wealth.

Corporate Property Perspective

Two decades ago, researchers began to call attention to the largely unrecognized importance of corporate property to many businesses. This appeal for attention and respect was advanced in a number of articles and research studies (Zeckhauser and Silverman, 1983; Estey, 1988; Veale, 1989; Nourse, 1990, 1992; Andersen, 1993; Duckworth, 1993; Joroff, Louargand, Lambert and Becker, 1993; Apgar, 1995; Becker and Joroff, 1995; Roulac, 1995; Manning and Roulac, 1996; and Carn, Black and Rabianski, 1999), which pointed out how significant property was on the corporate balance sheet and just how large was the component of operating expenses that property services represented.

Among the significant research on corporate property being used to further strategic business goals was Weimer's (1962) chronicling of how corporate real estate decisions differ from most other business decisions, the findings of Zeckhauser and Silverman (1983) that corporate property represented between 25% to 41% of total corporate assets, and the conclusion by Veale (1989) that corporate space costs accounted for some 10% to 20% of operating expenses or nearly 50% of corporate net operating income. Despite the uniqueness and significance of corporate property on the balance sheet and income statement, numerous researchers (Roulac, 1986; Veale, 1989; Nourse, 1990; Nourse and Roulac, 1993; and Rodriguez and Sirmans, 1996) have concluded that senior management has not paid the same attention to their corporate property commitments as they do to other aspects of their business.

In response to that wake-up call, senior corporate management has gradually upgraded the importance of the corporate property function. This staff function is now more recognized for its substantial claim on enterprise resources—in terms of both invested capital and operating expenses. Senior management's increased attention to the corporate property function reflected its limited perception of corporate property as basically a cost center, when it largely emphasized cost reduction and operations up until the mid-1990s (Nourse and Roulac, 1993).

Business organizations and their leadership are not alone in neglecting the strategic significance of corporate real property. University faculty have overlooked the importance of corporate real property management, relative to other ways that real estate impacts on society. This is evidenced by the low to nonexistent coverage in the academic curriculum as well as the low level of academic diminished research interest. For all the attention devoted to the tangible, political, legal, financial and regulatory aspects of regional and urban land economics in real estate principles textbooks and introductory real estate courses, comparably little attention is directed to the needs and decision processes of the businesses that use real estate (Roulac, 1994a). In addition to the lack of coverage of corporate real estate issues in the introductory course, few programs offer courses in corporate real estate (Nourse, 1990).

Manning and Roulac (1999), in tracing the evolution of corporate real estate research within the academy since 1989, observed that a decline in corporate real property research by academics was evident in the latter half of the 1990s. In contrast, industry-initiated research, especially that by the International Development Research Council, reflected a greater activity and initiative. In later work, Manning and Roulac (2000) suggest that there is need to address real property issues of strategic importance to the enterprise through research methods that are more useful to the issues being investigated.

Evolving Corporate Property Priorities

Corporate real estate management has evolved significantly over the last several decades. Over this time five corporate real estate eras—custodial, entrepreneurial, administrative, managerial and strategic—have developed, each with its own distinct agenda, relationship to corporate senior management and priorities. Highlights of these five eras include:

- **Custodial:** Prior to 1970, corporate real estate emphasized a custodial approach to managing and maintaining facilities.
- **Entrepreneurial**: During the 1970s and through the mid-1980s, the corporate real estate function in some companies moved beyond the custodial orientation to include taking advantage of entrepreneurial real estate opportunities. In some companies, the corporate real estate function operated as a line business unit, seeking profits through real estate involvements, while also providing a staff role in support of the company's space needs. Entrepreneurial corporate real estate departments pursued profits for profits sake, competing directly in the real estate markets seeking values beyond the business of the parent company. Some entrepreneurial corporate real estate initiatives even placed their primary emphasis on that pursuit of profit, relegating the parent corporation's real estate needs to a secondary priority.
- **Administrative:** During the massive restructuring of corporate America in the 1985 to 1995 decade, corporate real estate priorities mirrored broad business priorities. Just as those business units not related directly to core competency and primary strategic priorities were sold, spun off or closed down, so, too, was surplus property eliminated. These organizational realignments, corporate restructurings and downsizing resulted in reduced space needs. The resulting imbalance of supply exceeding demand in business space markets accommodated corporations aggressively pursuing cost reduction campaigns. Efficiency and cost dominated concerns of growth and the role of real estate as a contributor to profits.
- **Managerial:** In the new economy of the last half of the 1990s and into the twenty-first century, the corporate real estate function shifted, along with corporate management concerns, to emphasize effectiveness. Greater emphasis was placed on contributions of the workplace to productivity, arrangements (*e.g.*, outsourcing) to most effectively manage the corporate real estate function, to accommodate growth and change.
- **Strategic:** In the early years of the twenty-first century, the corporate real estate function is beginning to move beyond concerns of growth, efficiency and effectiveness, to emphasize the efficacy and the significant contribution that corporate property can make to achieving corporate business objectives. Corporate property is beginning to be recognized as "the means" by which an enterprise connects both with its resource inputs (*e.g.*, employees and suppliers) and its customers.

A summary of the evolution of corporate real estate appears as Exhibit 1.

A minority of enterprises can be viewed as having corporate real estate strategies. Among the most common to be characterizable are: minimize occupancy cost;

Exhibit 1 | Evolution of Corporate Real Estate Emphases

Corporate Real Estate Era	Years	Management Awareness / Concern	Management Orientation	Corporate Real Estate Role
Custodial	Pre-1970	Limited	Benign neglect	Facilities administration
Entrepreneurial	1970–1985	Growing	Growth, expansion, conglomerates, diversification	Active in real estate business: development subsidiary; create space, joint venture
Administrative	1985–1995	Efficiency / cost	Cost reduction, performance enhancement, downsizing, reengineering	Outsource, benchmark, financial assessment
Managerial	1995–2002	Effectiveness	Growth, change, differentiation	Develop systems for process and service
Strategic	2002	Efficacy: Crucial resource	Competitive advantage	Creating compelling places to work and shop

increase flexibility; promote human resources objectives; promote marketing message; promote sales and selling process; facilitate production, operations services and delivery; facilitate managerial process; and capture real estate value creation of business (see Exhibit 2).

Through assessing the competitive advantage of proactive corporate property strategy, this article extends prior research (Nourse and Roulac, 1993) and highlights the need for additional research on corporate real estate strategy and the contributions that it can make to competitive advantage.

Create and Retain Customers

Physical environments have an extraordinary role in the marketing function—both in connecting with and serving customers, and also in creating and promoting brands. An explicit proactive approach to three-dimensional marketing transforms the perception and utilization of property from a cost center to a significant driver of revenue generation and growth. A leader, who pays attention to the corporate property function, as if it really mattered, might discover that corporate property could be integral in establishing satisfied customers and building their loyalty to the enterprise. Indeed, the choices of places in which the company chooses to operate determine both how convenient or difficult it may be for certain customers to access the company, as well as how rewarding their experiences might be.

Although marketing textbooks emphasize *place* as one of the four P's of marketing—the others are product, promotion and price—much more marketing attention is devoted to the other three P's. And, while much attention is devoted to the role of service in marketing, too seldom recognized is that much of the critically important service occurs within spaces and in places—where the company's offer and the people supporting its offer interact with customers. Too little recognized in marketing is the importance of customer-friendly place and space design, specifically spatial considerations that enhance customers' experience of the service companies' offer (Barry and Parasuraman, 1991).

Place issues are increasingly important to business because ''consumers are more likely to use the products they can have with them wherever they are than competing products they have to go to in order to use,'' (Davis, 1976:53). Although many businesses have traditionally not explicitly considered the ramifications of their locations on their ability to attract talent and access customers, in the new economy it is increasingly imperative for companies to address how their decisions concerning places and spaces impact their marketing objectives of connecting with and serving customers (Drucker, 1999). As the nature and context of markets—as well as the marketing function itself—change profoundly (Davis, 1997), the places and spaces in which companies connect with their customers must likewise change profoundly.

Exhibit 2 | Alternative Real Estate Strategies

1. Minimize Occupancy Cost
   Explicit lowest-cost provider strategy
   Signal to critical constituencies of cost-consciousness
2. Increase Flexibility
   Accommodate changing organizational space requirements
   Manage variability / risk associated with dramatic escalation / compression of 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 amount to a form of compensation
   Seek locations convenient to employees with preferred amenities (transportation, shopping, recreation, 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 sales
6. Facilitate Production, Operations, Service Delivery
   Seek / design facilities that facilitate making company products / delivering company services
   Favor locations and arrangements 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, employees, and suppliers for adjacent spaces as well as space in current use for corporate operations.
   Profit opportunities afforded by corporate investment in its infrastructure valuable to others

Attract and Retain Outstanding People

An enterprise's corporate property strategy can be integral to achieving human resources' objectives of attracting and retaining outstanding people as well as in enhancing productivity. A superior corporate workplace environment can contribute to superior business performance. The choices of the places in which the company chooses to operate determine both how convenient or difficult it may be for current and prospective employees to access the company, as well as how rewarding such experiences might be. The enterprise's corporate property strategy largely determines which people may be available to work with the enterprise on which terms. Similarly, the universe of business advisors, and the terms of working with those business advisors is influenced by the decisions the enterprise makes concerning the places and spaces in which it chooses to operate.

Decisions concerning the corporation's property influences the experience of all who work within—as well as all who interact with—the organization. Just as an enterprise must market to its customers, that enterprise also markets to its own internal resources—its employees. How better to provide satisfaction and build loyalty amongst the people that comprise the enterprise than by offering them a physical setting that is truly a business *home*, a place they want to come to, enjoy being in and look forward to returning to?

A superior corporate property strategy can produce a competitive advantage in attracting outstanding people; and also can be the means to achieving and reinforcing other forms of competitive advantage. Similarly, an ineffective corporate property strategy can frustrate access to critically valuable people resources.

The decisions that corporations make concerning their property can have major consequences in terms of creating conditions conducive to attracting and retaining outstanding people, or creating circumstances more conducive to outsourcing arrangements. In regard to make-or-buy, corporate property decisions can influence whether certain business activities occur within the firm or are implemented through external market arrangements. Decisions corporations make concerning their real estate have profound implications for their production economics, management processes and the costs incurred to access customer and resource markets. Those decisions are integrally linked to the motivations of individuals to work as part of or apart from organizations (Coase, 1937; Alchian and Demsetz, 1972; Jensen and Meckling, 1976; Fama, 1980; and Weston, Chung and Hoag, 1990).

Corporate property decisions can influence outsourcing, generally, and concerning the corporate property function itself, specifically. Outsourcing decisions have significant strategic consequences, especially if they lead to a diminished quality of workplace, which compromises the enterprise's ability to attract and retain outstanding people. Especially where the enterprise's corporate properties are integral to its service delivery (Roulac, 1995), outsourcing can compromise the company's ''organizational capital,'' ''human capital'' and also its ''customer capital'' (Stewart, 1997), that are basic to delivery of the enterprise's services to its customers. Outsourcing can diminish the contribution of the corporate real estate function to overall corporate strategy, limit organizational learning, impose costs in the control of outsider service performance, sacrifice power-of-scale in contract negotiations, endanger information confidentiality and control, and involve premium transaction costs (Manning, Rodriguez and Roulac, 1997).

Contribute to Business Processes

Companies' business processes occur in places and spaces that either promote or hinder the effectiveness, productivity and efficiency of the enterprise's operations. For a company in a highly competitive market, growing rapidly, short of critical talent to do its most important tasks, finding that its executives spend disproportionate time seeking property and operating in crowded conditions that are less than conducive to high productivity, the implications are dire. Notwithstanding the redesign of processes and methods of doing work, corporate facilities are the settings in which the work that is integral to the company's operations is performed.

Fundamentally, corporate property decisions must be assessed in terms of the degree to which they support what Drucker (1989) describes as the fundamental task of management: ''To make people capable of direct performance through common goals, common values, the right structure, and the training and development they need to perform and to respond to change.'' Corporate property can have profound implications on people's capabilities to perform the components of the fundamental task of management. To what degree does corporate property facilitate or frustrate creative self-motivated performance? To what degree does corporate property convey and reinforce common values? To what degree does corporate property enable or obstruct the right structure for the enterprise? To what degree does corporate property provide an environment that is conducive to building organizational learning and capital with more autonomous workers more capable of responding to change? (Manning, Rodriguez and Roulac, 1997; and Drucker, 1999).

While Porter (1985) asserts that comprehending the value chain is crucial to competitive advantage, a factor too little considered is that corporate property is usually the tangible platform and the physical context of that value chain. Significantly, real estate represents a major means to create demand and attract the buyer to the distribution system (Roulac, 1999). In the place and space value chain—source product/service, create demand, arrange distribution system, attract buyers to distribution system, deliver merchandise and services, provide appealing shopping environment, assist customers and conduct transaction—real estate influences often represent the dominant means of the initial offer that leads to additional sales and referrals. Real estate can also represent a major means to create demand and attract the buyer to the distribution system (Roulac, 1999).

Corporate property, both real and virtual, represents the critical means to connect the enterprise's offer to its customers (Roulac, 1999). Therefore, comprehending how companies' environments, both real and virtual, impact customer shopping experiences is crucial to business success (Roulac, 1994b, 1996, 1999).

The sequence of the progression that governs the evolution of management first involves an assessment of the universe, which assessment is next translated into scientific understanding, which understanding is then extended through developing technologies, which technologies are applied to create services and products for business, whose markets ultimately influence decisions concerning models of organization (Davis, 1997). While organizational models necessarily lag scientific advance (Davis, 1997), the organization model selected provides the context for expression of applied management practices in three-dimensional form through the places in which the organization operates.

So, the real properties of business—the places and spaces in which a business operates—are derivative of old organization thinking, which is increasingly challenged by the new economy. More dramatic and rapid economic evolution suggests increasing need to adapt workspaces and places—as well as management thinking. As Davis (1997:5) observes, ‘‘While the new economy is in the earliest decades of its unfolding, businesses continue to use organization models that were more appropriate to previous times than to current needs.’’ If organization models are outmoded, then the places in which organizations operate will surely be—necessarily—not only outmoded, but—even worse for the industry that supports business properties (the real estate sector) is classically less than forward-thinking and largely behind the times in its business practices generally, and its lack of self-initiated innovation more particularly (Fortune, 1947).

Promote Enterprise Values and Culture

The implementation of the corporation’s strategy through its places and spaces represents a very strong statement of its values and culture. As identity specialist Ackerman (2000) observes, ‘‘The physical environments of most companies reveal much about who they are. The issue of colors, the number of (or the lack of) luxury appointments, the type and amount of office space, the quality of everything from platings to furniture—all say something about the institution. It is the corporate equivalent of how we dress, what our homes look like and what cars we drive.’’

To the extent that the places and spaces in which a corporation operates are consistent within and between each other, and congruent with the corporation’s desired values and culture, then the enterprise will achieve superior performance; relative to what is possible if such consistency and congruency are lacking. Indeed, evidence of inconsistency and incongruency in the enterprise’s places and spaces, and the values and culture its management espouse and aspire to, is, in itself, a strong cultural statement. If the enterprise’s places and spaces fall short of what they might appropriately be, the company is unwittingly communicating to its employees and customers that what it says is not really what it means. The failure to ‘‘walk the talk’’ is probably no more tellingly communicated than by the disconnects between the enterprise’s aspirations, values and culture, and the reality of the places and spaces in which it operates.

A superior corporate property strategy can complement ‘‘achieving competitive success through—seeing the workforce as a source of strategic advantage, not just as a cost to be minimized or avoided'' (Pfeffer, 1995). Pfeffer states that among the important management practices that can lead to competitive success is *symbolic egalitarianism* generally and the elimination specifically of barriers ''to decentralizing decision making, using self-managed teams, and eliciting employee commitment and cooperation.'' Such barriers as dress, specifically the *suits* from corporate headquarters, can be managed through such techniques as having everyone dressing similarly, such as wearing a blue smock.

More impactfully than dress, ''physical space is another way in which common fate can be signaled, or not,'' (Pfeffer, 1995). A very different corporate ambiance prevails when private dining rooms, preferential parking and large private offices are eliminated, than the more common hierarchical corporate atmosphere, where ''The fourteenth-floor headquarters for General Motors is one of hushed, quiet offices reached by a private elevator that was secured—in other words, executives cut off from the rest of the organization,'' (Wright, 1979). At the same time, it should be recognized that promoting egalitarianism through specific corporate property facilities decisions ''would seem easy to implement,'' but ''the elimination of status symbols is often one of the most difficult things for a company to do'' (Pfeffer, 1995).

The places in which a company's facilities are located and the specific spatial attributes of those facilities define and reflect its culture. Since places and spaces shape behavior of executives, employees and customers, the decisions about the implementation of the enterprise's corporate real estate strategy are ultimately decisions that reinforce and shape the organization's culture.

A strategic brand consultant in seeking to understand the culture of Fidelity (the prominent money management firm), proposed a process of ''observing the behavior of executives, employees and even customers, which had come to shape so much in terms of performance'' (Ackerman, 2000). Describing how he sought to understand the culture, the consultant related that ''My investigation into Fidelity took me many places within, and outside the company. It took me back into the chart room with its steadily changing realms of technical analysis; back into the beautifully appointed suites of Ned Johnson, Sam Bodman and other Fidelity executives; the depth and detail of carefully crafted executive speeches about 'how the future will be ours'; and to the not-so-random design of Fidelity's physical plant and the psychology of office allocation; and into the written history of the firm and a range of feature articles penned by ever-curious journalists,'' (Ackerman, 2000).

Notably, places loom large in this investigation. And Fidelity is by no means unique in that its culture is discovered, expressed and preserved by the places and spaces in which the business operates.

Stimulate Innovation/Learning

Corporate real estate locations and facilities can enhance or inhibit innovation and learning. The ambiance of the places in which company facilities are located, the access to learning resources, the stimulus of the spaces in which the company operates, all combine to impact innovation and learning. Companies that are located within markets of creativity will more readily access innovation than those that are not (Roulac, 2000).

Indicative of the significant contributions that corporate property decisions can make to change, innovation and learning objectives is the assertion by Peters (1992) that, ‘‘Space management may well be the most-ignored and most-powerful tool for inducing cultural change, speeding up innovation projects and enhancing the learning process in far-flung organizations.’’

Since creativity is a crucial capability distinguishing those businesses that will increasingly become the most successful in the twenty-first century (Drucker, 1999), discovering markets most conducive to creativity will be an important determinant of successful real estate commitments. Businesses located in markets conducive to creativity will be more creative—and thus achieve more growth—than if such businesses were located in less creative markets (Roulac, 2000). Consequently, there will be more demand for properties, goods and services in such markets.

According to Kao (1996:171), ‘‘place is a key source of competitive advantage. The right enclave has a charged atmosphere that revs up talent.’’ Companies must ensure that their places appeal both to the creative people now in the company and those creative people the company hopes to attract. Kao advocates that companies explicitly assess the degree to which their places reflect their values and the priority of creativity in the company.

Enhance Core Competency

Companies determine their capacity to fully realize their core competencies through their decisions concerning the places and spaces in which they operate. The expression of the enterprise’s strategy through its places and spaces can enhance or inhibit the company’s expression of its core competency. Corporate property strategy is crucial to core competency—its implementation determines enterprise access to resources and markets and also determines the settings in which the enterprise’s interactions and operations occur. Central to core competency is access to requisite resources and markets: resources are crucial, because they are the inputs that make the potential of the core competency real; markets are crucial, because they are the outlets of the expression of core competency. Without access to markets and resources, core competency is more ephemeral and theoretical than tangible and applied.

The enterprise corporate property strategy is integrally intertwined with the means by which it can realize the full potential of its core capabilities. The effectiveness of a corporation’s property strategy largely influences the development, the refinement and the application of its core competency. An ineffective corporate property strategy will inevitably constrain, compromise, even weaken the corporation's core competency. By failing to access resources that are the inputs to its operations and production processes as well as failing to access markets where it wishes to deliver its products and services, the enterprise's realization of the full positive consequences of its core competency is inevitably restrained from what it might otherwise be.

The enterprise's corporate property strategy is implemented through decisions concerning places and spaces, which decisions are made in the context of the probable consequences of how these decisions will influence all who interact with enterprise places and spaces. These considerations influence enterprise access to critical resources, which resources are crucial to enterprise application of its core competency. Even if the enterprise does not compete with another corporation directly for customers, it does in fact compete with other businesses for resources, particularly the critically important resources of employees and property. Indeed, some corporations find that their ability to meet their objectives, to grow and to expand, is severely constrained because the rapid earlier growth of other corporations have absorbed the available supply of people and property resources.

Enhance Shareholder Wealth

The design and implementation of corporate property strategies have direct, significant impacts on shareholder wealth. Corporate facilities in attractive markets will tend to be more viable than those in less attractive markets. For many enterprises, and recurringly for dynamic fast growth companies, corporate property expenditures account for a substantial part of the capital budget and claim a significant portion of discretionary cash flow. Because investments in corporate property are so capital intensive, they must reflect the appropriate finance sophistication. But traditional thinking about costs and benefits is a far less than adequate measure of what property really costs and what contributions it really makes to enterprise strategic objectives and financial performance. Enlightened management recognizes that the finance calculation is more complex then just lease vs. buy, reduce space use and lower occupancy costs. Superior corporate property strategy drives the top line, enhances the bottom line, maximizes the impact of the marketing budget, reduces business process and people costs, and creates extraordinary shareholder wealth.

Corporate property decisions can, by their scale and significance, have profound financial consequences (Roulac, 1986; and Nourse and Roulac, 1993). Several academic studies have evaluated the significant impacts of corporate facility location decisions on shareholder wealth (Chan, Gau and Wang, 1995; Ghosh, Rodriguez and Sirmans, 1995; Rodriguez and Sirmans, 1996; and Manning, Rodriguez and Ghosh, 1999). While Manning, Rodriguez and Ghosh conclude that corporate property decisions can have significant impacts on shareholder wealth, the financial significance of corporate property decisions are little appreciated by senior corporate executives (Wilson, 1987).

Corporate Property Strategies

This research advances the prior work of linking corporate real estate strategy to corporate business strategy (Nourse and Roulac, 1993). Among the corporate real estate strategies identified are: minimize occupancy cost; increase flexibility; promote human resources objectives; promote marketing message; promote sales and selling process; facilitate production, operations, services delivery; facilitate managerial process; and capture the real estate value creation of business (Nourse and Roulac, 1993).

Decisions by corporations concerning which real estate strategies to employ and how to employ them, have profound implications for their overall business performance. These corporate real estate strategies are related to and facilitate sources of competitive advantage, as discussed.

As is true of corporate strategies, corporate real estate strategies are implemented through the choices companies make concerning the places and spaces in which they choose to conduct their business. The connection of enterprise choices concerning places and spaces to real estate strategies is summarized in Exhibit 3. The choices made from the universe of places that might be considered to be attractive to the enterprise both reflect and define enterprise strategy—in the same manner that strategy is structure and structure is strategy (Peters, 1984). The spaces in which the company elects to operate influence its access to markets, the degree to which a customer wishes to do business with the enterprise, its access to resources, an employee's desire to join the company, motivation to come to work productivity of that work and duration of employment with the company.

Consequently, the efficacy of enterprise real estate strategy—and thus its overall business strategy—is heavily dependent on the attributes of those places and spaces in which the enterprise chooses to operate. Choices about places and spaces determine the degree to which the enterprise's overall business strategy can be realized generally—and especially the degree to which that strategy promotes its primary business priorities.

Ways in which places and spaces contribute to sources of competitive advantage are depicted in Exhibit 4. Importantly, the enterprise's corporate property strategy defines the universe of access to crucial resources and factors of production. Ways in which a superior corporate property strategy contributes to competitive advantage are depicted in Exhibit 5, which reflects the relationship between real estate strategies and the contributions that a superior corporate property strategy makes to competitive advantage.

The exhibits interrelate the relationships of corporate real estate strategies to choices about places and spaces (Exhibit 5). The choices influence how corporate property strategy contributes to sources of competitive advantage (Exhibit 3). Combined they portray the intersection of real estate strategies and sources of competitive advantage (Exhibit 4).

Exhibit 3 | Alternative Real Estate Strategies and Place and Space Choices

Alternative Real Estate Strategies	How Places Promote Connection to Specific Real Estate Strategy	How Spaces Promote Connection to Specific Real Estate Strategy
Minimize cost associated with occupancy decisions	Occupancy cost varies dramatically between markets, reflecting the competitive position, economic base, location within market and relative popularity of that market.	Within a given market the cost of business space can vary markedly, as a consequence of local market conditions; design features and finishes and the degree of customization of the company's space.
Increase flexibility	Certain places are much more accommodating to flexibility, by virtue of diverse and viable economy; others are much less accommodating of flexibility, as a consequence of the property supply and tenancy composition / strategies within that market.	Certain spaces can readily accommodate flexibility while others are much more oriented toward limited, single purpose users.
Promote human resource objectives	Places that are perceived as offering high quality of life, where many wish to live, may be more broadly appealing than a more isolated, less favored market. Locations of spaces within markets can represent non-monetary compensation. Certain places may be much more congruent to those enterprise values and priorities, which it wishes to promote as a human resources strategy than others.	Features and attributes can represent a significant component of non-monetary compensation, both positively and negatively.
Promote marketing message	The places in which an enterprise is located can convey, compromise and / or reinforce marketing messages.	Spaces are three-dimensional marketing statements.
Promote sales and selling process	The places in which the enterprise is located can enhance or frustrate access by customers.	The spaces in which the enterprise is located can enhance or frustrate access by customers.
Facilitate production, operations, services and delivery	Certain places are highly conducive to promoting logistics considerations, to gaining access to resources for the production process and to enhancing delivery and service.	The space is the setting of business operations: positive spaces promote production, operations, service and delivery, while negative spaces frustrate them.

Exhibit 3 | (continued)

Alternative Real Estate Strategies and Place and Space Choices

Alternative Real Estate Strategies	How Places Promote Connection to Specific Real Estate Strategy	How Spaces Promote Connection to Specific Real Estate Strategy
Facilitate managerial process	The values and identity of a place can stimulate, reinforce or obstruct managerial process, by providing significant stimulus to creativity or encouraging inward focus.	The space itself can be an integral component of the managerial decision-making process, by virtue of the information embedded in the space and the information processing resources of the space itself.
Capture real estate value creation of business	Places that have broad appeal are more likely to promote the capture of real estate value creation than those that do not.	Decisions concerning spaces companies occupy can be major influences on the degree to which real estate value is created or is not created.

Exhibit 4 | Contributions of Places and Spaces to Competitive Advantage

Contributions of Superior Corporate Property Strategy to Competitive Advantage	How Places Contribute to Sources of Competitive Advantage	How Spaces Contribute to Sources of Competitive Advantage
Create and retain customers	Places are both the means to access and also represent markets; places convey strong marketing messages through their brand identities.	Three-dimensional marketing is integral to achieving business objectives.
Attract and retain outstanding people	Places play an increasingly important role in companies' ability to attract and retain outstanding people.	Work environments represent significant elements of compensation, contributing meaningfully to employment satisfaction.
Contribute to effective business processes	Places play integral roles in the value chain, thereby having profound impacts on business processes; some places are positive and others negative.	The spaces in which the work is done largely determine the effectiveness and efficiency of workers, and therefore the effectiveness of business processes.
Promote enterprises values and culture	Places have strong identities, which can make statements about corporate values and culture.	Spaces convey powerful messages about values and culture.
Stimulate innovation and learning	Markets have creativity attributes, which can be conducive—or frustrating—to innovation, learning or frustrating.	Workspaces can stimulate or frustrate innovation and learning.
Impact core competency	Places can offer resources to enhance, reinforce and preserve enterprise's core competency.	Spaces can provide features that enhance, reinforce and preserve an enterprise's core competency.
Enhance shareholder wealth	The right place enhances an enterprise's financial performance and therefore shareholder wealth, both by contributing to business performance and by making the property assets owned by the business more valuable.	Superior spaces promote superior business performance, leading to both higher levels of profitability and to greater shareholder wealth because the spaces themselves become more valuable.

Exhibit 5 | Alternative Real Estate Strategies and Contributions of Place and Space to Competitive Advantage

	Contributions of Superior Corporate Property Strategy to Competitor Advantage						
Alternative Real Estate Strategies	Create and Retain Customers	Attract and Retain Outstanding People	Contribute to Effective Business Processes	Promote Enterprises Values / Culture	Stimulate Innovation and Learning	Impact Core Competency	Enhance Shareholder Wealth
Minimize occupancy cost	Positive, if customer seeking low cost supplier; prospectively negative for other customer selection criteria	Prospectively positive, if people perceive occupancy cost savings result in higher compensation; substantially negative if not provide appealing work environment	May be positive if not dependent on specialized facilities; substantially negative if work environment compromises business process	Positive, if low cost values are emphasized; substantial negative, if not	Positive, if objective is the solution of problems without spending resources; substantially negative, if not	Positive, if low cost provider; could compromise other competencies	May be positive, if low cost strategy , or in short term; if otherwise, prospectively detrimental to long term objectives
Increase flexibility	Positive, to the extent enhances superior customer service	Conducive to attract and retain those workers who favor change	Very positive to dynamic circumstances	Reinforces adaptability, which may or may not be congruent with values and culture	Promotes improvisational approaches, may not compromise more thoughtful, longer term approaches	Possibly positive; possibly negative	Prospectively positive, as minimizes financial commitments to businesses facilities whose lack of adaptability could impose excessive costs
Promote human resource objectives	Satisfied employees lead to satisfied customers	Integral	Probably positive	Uncertain	Yes	Probably positive	Yes
Promote marketing message	Yes	Yes—strong external marketing messages for improving retention	Strong external marketing messages can complement business processes	Yes	May be conducive or may be detrimental, as very strong marketing message could discourage innovation and learning	Possibly directly related, possibly tangentially	Yes
Promote sales and selling process	Yes	Uncertain	Positive	Uncertain	Uncertain	Could have variable impact	Yes

Exhibit 5 | (continued)

Alternative Real Estate Strategies and Contributions of Place and Space to Competitive Advantage

	Contributions of Superior Corporate Property Strategy to Competitor Advantage						
Alternative Real Estate Strategies	Create and Retain Customers	Attract and Retain Outstanding People	Contribute to Effective Business Processes	Promote Enterprises Values / Culture	Stimulate Innovation and Learning	Impact Core Competency	Enhance Shareholder Wealth
Facilitate production, operations, services & delivery	Yes—the better the enterprise is in its production, operations, services and delivery, the more likely customers are to be attracted and want to work with enterprise	Effective production, operations, services and delivery make company more appealing to work for	Yes	Most probably positive	Most probably positive	Likely to be positive	Yes
Facilitate managerial process	Positive impact	Positive impact	Positive impact	Enhances likelihood of rein-forcing values and culture	Can be crucial means to stimulate innovation and learning	Crucial	Very positive
Capture real estate value creation of business	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain	Uncertain	Yes

The contents of Exhibits 3, 4 and especially 5 are concentrated, succinct and information-rich summary statements. Each of the intersecting relationships of corporate real estate strategy, place and space contributions, and sources of competitive advantage can be the subject of a discrete research investigation.[1]

From Intent to Implementation

Moving from strategic intent to implementation is a daunting task, with challenges, obstacles and difficulties that should not be underestimated. Indeed, it is all too often that people, business units and companies, while knowing what they do encounter great difficulty in actually doing it (Pfeffer and Sutton, 1999). The connections shown in Exhibits 3, 4 and 5 are useful ways to think strategically about relationships between business strategy and corporate real estate; however, it must be recognized that considerable work is involved in implementing these items.

While some organizations have implicitly applied elements of these strategic linkages, few have an explicit appreciation for the powerful payoffs available by recognizing and affirmatively implementing such strategic connections. Because some aspects of this process are not easy to undertake, relatively few companies do so. And of those companies who seek to do so, shortfalls in outcomes are not unusual. 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.

Considering an example from Exhibit 5, the relationship of the real estate strategy of minimization of occupancy costs to the competitive advantage contribution to create and retain customers is subtle, nuanced and many layered. A company, whose offer emphasizes differentiation and seeks to compete on a basis other than lowest cost, will likely find that a minimization of occupancy cost corporate property strategy compromises its ability to be effective.

By contrast, a company that emphasizes low prices may artfully employ a minimization of occupancy cost corporate real estate strategy to signal to its customers that it is a low cost supplier. In addition to the message that its low cost facility sends to its customers that its products are low priced, the less expensive facilities can be embedded in the value proposition by enabling the enterprise to offer its products at a lower cost.

A more complex consideration is added, however, when the strategy of promote sales and selling process is added, for if the facility is less accessible to customers, that limited accessibility could constrain the competitive objective to create and retain customers. Inasmuch as access expressed through location is a primary element of pricing of physical resources, there is an inherent tension between cost and convenience. Thus, a conceptual linear programming approach is necessary to implement multiple complementary and competing strategic objectives in corporate property economics functions.

Conclusion

To date there has been very little published research on strategic approaches to corporate real estate. This article traces the evolution of corporate real estate emphasis (see Exhibit 1), highlighting how corporate real estate can be a crucial resource that advances business priorities.

Eight alternative real estate strategies can be addressed in terms of alternative choices that enterprises confront concerning the places and spaces in which they operate (see Exhibit 2). Ways in which places and spaces can promote connections to the corporation's specific real estate strategies are reflected in Exhibit 3. Places and spaces can contribute to competitive advantage in seven distinct ways, as summarized in Exhibit 4. The eight alternative real estate strategies can be related to the seven contributions of the superior corporate strategy to competitive advantage, as summarized in Exhibit 5. This collection of exhibits provides a structure for approaching corporate real estate strategically.

The prospective payoff of superior corporate property strategy is enormous. Superior corporate property strategies promote multiple objectives of strategic advantage, innovation, business growth, productivity, human resources, business profitability and wealth creation. Superior corporate property strategies enhance the enterprise's competitive advantage and core competencies by creating and retaining customers, attracting and retaining outstanding people, contributing to effective business processes to optimize productivity, promoting the enterprise's values and culture, stimulating innovation and learning, and enhancing shareholder wealth.

Endnotes

[1] Many of these relationships are explored in greater depth in the author's other published writings. Research into a number of these relationships is ongoing.

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