

Introduction: Corporate Real Estate Research Thought Leadership

Once disregarded, if not explicitly discounted, corporate real estate research (CRE) has ascended to a higher priority within both the academy and professional associations. This special issue of the *Journal of Real Estate Research* is the first of two devoted to CRE. Significantly, within a decade, four issues of the *Journal of Real Estate Research* devoted to corporate real estate will be published. This year's issue joins earlier special issues published in 1989 and 1993. Additionally, there has been much significant, important work published by professional associations that serve the interests of executives with corporate real estate responsibilities.

The subject of CRE is an evolving specialization within the academy and industry alike. As important as CRE may be, its importance is not always reflected by senior management attention nor by academic research involvement. Senior managements do not universally recognize the important contributions that their property makes to fundamental business priorities, to include supporting the enterprise's competitive advantage and core competency 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 stakeholder wealth. Superior corporate property strategy contributes to the top line, enhances the bottom line, maximizes the impact of the marketing budget, reduces business process and people costs, and creates extraordinary shareholder interests while also promoting the shareholder's wealth.

It is notable that while the call for papers for this special issue was released in 1995, the scheduled publication has been delayed for over a year because of an initial dearth of papers submitted. Indeed, this initial dearth of papers is the subject of a paper by the co-editors, leading off this special issue, that documents a mid-decade lull in corporate real estate research in the academy and explores reasons for it. Whether due to a Hawthorne Effect (*i.e.*, what is paid attention to improves as a consequence of that attention) or for other reasons, the volume of quality submissions following the presentation of that paper in April, 1997, increased to the point that, this publication has now been expanded to a pair of special issues on CRE.

In recent years, an accurate assessment of the state of research concerning corporate real estate is that industry-initiated research efforts have explored more significant topics and produced more robust research results than have been pursued and achieved in the academy. Whereas research sponsored by industry has pursued the emerging

role of the function of property within the corporation and the relationship of the management of the property function to the information technology and human resources disciplines, academic research has devoted less attention to these topics. In most disciplines, the academy leads practice. Yet, in regard to certain CRE issues, the industry research is ahead of the academic counterparts. It is also worth noting that much of the research cited in academic papers has been sponsored by industry rather than flowing from academic effort and publications. Perhaps this should not be surprising given the challenges inherent in researching corporate real estate issues.

It is important to be clear about the domain of CRE research. As CRE includes all space involved in supporting a company's businesses, CRE research embraces the concerns of an enterprise regarding the space it uses for its managerial and administrative functions, its manufacturing and warehousing, and its selling and distribution activities.

To provide appropriate space for its business needs, some corporations are involved in investment activities, choosing to own rather than rent their space. These companies may also be involved in development activities, choosing to conceptualize, design and build their own facilities. Both real estate investment and development, which are an integral part of a company's provision of the space it needs to conduct its primary businesses, are part of the CRE function. Additionally, companies continually confront, not only make or buy decisions for property per se, but they must also increasingly address the appropriateness of outsourcing the real estate professional services basic to managing their property involvements.

To the extent an enterprise engages in various aspects of the real estate business, with the objective of generating profits unrelated to meeting their own space needs, such as owning, investing, developing and financing real estate, these activities constitute being in the business of real estate, and are not a part of that enterprise's CRE function. Other than the space occupied by such businesses to support their real estate business activities, these *real estate as a profit center involvements* are not CRE. Thus, CRE does not include the business activities of a real estate investment trust, a developer of industrial space, or a commercial brokerage company, other than the procurement and management of their own space needs. As noted, these companies are primarily in the business of real estate, contrasted with using real estate as an input in support of other businesses.

The collection of articles presented here explores an array of issues concerning the CRE function representing insightful probing research into strategic relationships, location decisions and research issues. Interests of CRE researchers are becoming more global, consistent with the domains and concerns of business generally. While global research perspectives continue to be comparatively less developed, it is anticipated that CRE research in future years will devote increasing attention to global concerns.

Production of a special issue such as this is made possible by the generous support of the International Association of Corporate Real Estate Executives (NACORE), who

also sponsored the 1993 special issue. The following individuals having meaningfully contributed to advancing the thought leadership of CRE through reviewing papers for these two special issues.

The caliber and ingenuity of the papers that appear in this, as well as the subsequent special issue on CRE of the *Journal of Real Estate Research* collectively represent eloquent testimony to the ascending scholarship in the academy of the real estate discipline. The challenges to corporate real estate research within the academy are examined by Manning and Roulac, followed by a review of major corporate real estate research issues by Carn, Black and Rabianski, and then by Schaefer's study of the role of corporate real estate in Germany. The clustering of corporate headquarters is examined by Shilton and Stanley, while the impacts of CRE facility location on shareholder wealth are explored by Manning, Rodriguez and Ghosh. Strategic aspects of CRE are next examined in the context of relocation decisions by O'Mara and in the value chain setting by Roulac. The second special issue on CRE of the *Journal of Real Estate Research*, due out later in 2000, promises another strong portfolio of relevant research. Each of the papers that appear in this issue are summarized below.

The state of research in CRE within the academy is addressed by Chris Manning and Stephen E. Roulac in *Corporate Real Estate Research within the Academy*. Whereas academics traditionally lead practicing professionals in initiating research, the opposite relationship has prevailed in the decade of the 1990s concerning the CRE discipline. While CRE was the subject of strong research interest within the academy up through the early years of the 1990s, by 1994 there was a substantial decline in research interest within the academy, at the very time that corporate executives were devoting increasing attention to exploring the significant operational, organizational and strategic issues they confronted. One reason for the decline in academic-based CRE research is the strong dominance of the finance perspective, which is difficult to implement in the CRE setting, but much more readily applied in the investing setting. In late 1990, there is strong indications of renewed interest in CRE research within the academy. The future directions of CRE research within the academy are explored in a subsequent paper that appears in the second volume of the special issue on CRE.

The major Operational and Organization Issues Facing Corporate Real Estate Executives and Managers are examined by Neil G. Carn, Roy T. Black and Joseph S. Rabianski in their article that reports results of a Delphi process survey. Major operational issues explored include globalization, technological change, productivity, benchmarking, flexibility and different segmentation classification schemes for CRE. Organization issues explored include the role of CRE, with supporting corporate objectives being a higher priority than maintaining a separate entrepreneurial profit center or the relationship of the real estate function within other functions in the corporate structure. Among the human resources issues examined in this research are the appropriate role of external providers of CRE services, including different types of arrangements, reasons for the use of external providers, future role of externally provided services, implications for internal control in working with external providers and the relationship of CRE executives to external providers. Other human resources issues explored include the requisite skills for the CRE executive, relationships to

senior management, the need for broader management skills, the imperative of broadening internal and external networks, and needed technical skills. The final human resources issue explored is the interaction between technology and space utilization, specifically in the context of telecommuting. This article highlights the emerging primacy of a strategic orientation and technical sophistication while proposing an agenda of some forty research questions for further investigation.

The study by Wolfgang Schaefer, *Corporate Real Estate Management: Evidence from German Companies*, extends CRE research to the international realm and provides yet additional substantiation to the premise that real estate assets tend to be less than effectively managed in the majority of corporations. Significantly, about 45% of the respondents to the survey reported that they lack sufficient information to answer questions concerning the effectiveness of how their CRE is managed. In addition to advancing a workable model for assessing the effectiveness of CRE, Schaefer's study is the first to be performed on the effectiveness of CRE management in Germany.

The research contribution of Chris Manning, Mauricio Rodriguez and Chinmoy Ghosh, *Devising a Corporate Facility Location Strategy to Maximize Shareholder Wealth*, discusses and illustrates how corporate location decisions should involve consideration of all factors that influence shareholder wealth, including total sales and per-unit prices, operations and process economics, and such standard facility location assessment considerations as transportation, taxes, raw material costs, utility costs, space rental rates and wage rates, all forecasted as far into the future as possible. Manning, Rodriguez and Ghosh also report that the wealth effects of firm relocation decisions, as ascertained by standard event study methodology, are mixed. While relocations motivated to reduce costs or increase revenues may lead to positive changes in wealth, other motivations can trigger losses in shareholder wealth.

Leon Shilton and Craig Stanley conclude from their study of some 6,554 companies in *Spatial Patterns of Headquarters*, that corporate headquarters location decisions reflect a high degree of clustering which may offer "agglomeration" productivity advantages. Notably, some 40% of the nation's headquarters are concentrated in just twenty counties. Within the four highly competitive economic sectors of technology, business services, money and media, gas and electric, nearly two-thirds of the companies are located in the same or contiguous zip codes as their competition.

Martha O'Mara, in *Strategic Drivers of Location Decision for Information-Age Companies*, concludes from examining forty case studies of corporate relocations, that lifestyle and labor market issues, as well as high-quality infrastructure, are more important than economic development incentives. Particularly illuminating is her assessment of the strategic business drivers of relocation, where moves to new geographic areas were motivated by three primary strategies: (1) Pick Up and Go, involving major strategic repositioning of the company; (2) New Horizons, to achieve greater cost advantages; and (3) Consolidation to Beach-head, to increase scale economies, flexibility and control over geographically dispersed operations. The location moves within the same general area, in which much of the workforce is retained, was found also to involve three types of relocation strategies: (1) Green

Acres, to achieve greater control over the surrounding site; (2) New Urbanites, to increase cosmopolitan exposure of its workforce; and (3) Recommitment, reflecting an historical affinity to a community that has retained its quality of workforce and living standards. O'Mara concludes with emphasizing the importance of integrating human resource and information technology goals and policies with facility location decisions.

Real Estate Value Chain Connections: Tangible and Transparent, by Stephen E. Roulac, employs the vocabulary of strategic management to highlight how real estate facilitates the connection of inputs to the value creation process to deliver goods and services to consumers. The article provides an original assessment of the real estate implications of generic value chain categories of inbound logistics, operations, outbound logistics, marketing/sales, service, as well as the support activities of infrastructure, human resource management, technology development, and procurement. Value linkages between different business functions and types of real estate are advanced, including management and marketing, with office; organization, with conference facilities and hotels; research and development, with research and development property; operations and manufacturing, with industrial; promotion, with billboard, prominent building and retail; selling, with retail; and logistics, with warehouse. Real estate considerations for specific value chain elements are examined. Also explored are the similarities and differences to providing an appealing shopping environment in both real estate and cyberspace, together with the crucial value chain decision considerations for both three-dimensional real estate and also cyberspace commerce via the World Wide Web.

The articles that comprise this first special issue share the common theme of representing important contributions that advance the real estate discipline. We commend for your reading, study and action this collection of cutting-edge research on CRE.

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