

Book Review

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This section contains reviews on textbooks, professional books and other scholarly books that are appropriate to real estate. Areas of interest include, but are not limited to, mortgage markets, real estate investments, real estate finance, asset and property management, real estate development, corporate real estate, valuation and other areas related to real estate. If you have an interest in reviewing a particular book or if you wish to be considered as a reviewer, please contact James Frew.

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275 Corporate Real Estate and Place Mistakes and How You Can Avoid Them. Stephen Roulac, 356 pages, Property Press, 2004.

Reviewed by: Thomas A. Musil, University of St. Thomas.

With a few exceptions, corporate real estate lacks comprehensive and insightful books that address the many challenges and risks in corporate real estate decision-making and management. Indeed, corporate real estate holds significant balance sheet assets, but has not yet commanded a practical and engaging book addressing common mistakes and challenges—until now.

Stephen Roulac's book, based on the author's extensive corporate real estate consulting experience with leading organizations, is a compendium of how to recognize and avoid potential corporate real estate pitfalls, risks and possible management and decision-making missteps. On the surface, the book appears to be a guide or reference manual for corporate real estate decision makers. However, a closer look reveals a deeper and more insightful perspective and value. The author dissects the complexities of corporate real estate decision-making in a structured and valuable way. This is done through the identification of 275 potential real estate and place pitfalls that can undermine corporate goals and competitive advantage. The book identifies poor corporate real estate decisions and their ultimate negative consequences. By utilizing this approach, the reader sees a diverse and comprehensive process oriented perspective on corporate real estate. The book can serve as a useful reference tool, practical guide and corporate real estate professional practices manual.

The book's comprehensive approach to the pitfalls of corporate real estate decision-making and administration is well structured. The book addresses the following general areas of corporate real estate and place mistakes:

- Strategy management operations
- Deals/deal-making
- Space
- Place
- How you can avoid mistakes.

This general list is, however, inadequate at expressing the depth and richness of the book. Within the context of the five areas listed above, is an elaborate analysis with many examples of the functional areas of corporate real estate practice.

Part I: Strategy Management Operations. This section addresses mistakes made in basic strategy, general management, finance transactions, finance and accounting, technology, human resources, marketing, operations, strategic planning, asset management/administration, advisors/outourcing and the corporate real estate discipline. Overall, this section generally embodies corporate real estate mistakes resulting from decision making that are disjointed from core business activities and from decision makers not being aware of the role real estate plays in contributing to a corporation's competitive advantage. The mistakes identified in this section are often

not fully recognized by corporate real estate practitioners. For example, mistakes such as not knowing how a property can contribute to competitive advantage, unsophisticated financial metrics regarding real estate decisions, using an outsource firm that lacks operational involvement and knowledge, a disconnect of real estate from marketing or operations strategy, or failure to recognize the importance of the brand/beauty/utility mix in real estate decision making. Reviewing these mistakes lead the corporate real estate practitioner to one of two questions about their professional practices and decision-making. First, are these or similar mistakes being made and second, are they examining and evaluating the issues identified by Roulac in an adequate and comprehensive way?

Part II: Deals/Deal-Making. This section addresses possible corporate real estate mistakes made in failing to recognize negotiating opportunities, failing to fully examine relationships and responsibilities and the lack of due diligence in investigating the details of a transaction. The corporate real estate mistakes identified in this section include the decision-maker's focus on one aspect of the transaction at the expense of other more important real estate, operations, property control, or site considerations. For example, mistakes like emphasizing deal-making at the expense of business strategy and performance, lack of a performance measurement orientation, ignoring real estate cycles when entering into agreements, or misplaced reliance on brokers, accountants and consultants. Additionally, this section identifies some basic negotiation considerations that should not be overlooked in the due diligence procedures of corporate real estate decision makers. Examples include failing to verify rent escalators and lessor operating charges, payment of excessive commissions, allowing developers the use of corporate credit and giving greater attention to such things as use restrictions, signage, security, subletting rights or mechanisms to ensure lessor performance.

Part III: Space. In this section, the author addresses mistakes in the quality of space, determining the criteria in the selection and design of space and providing for adequate design input and control. As with other sections of the book, the importance of connecting activities in the built environment with corporate goals is emphasized. This section is especially valuable to corporate real estate professionals working in industry sectors such as telecommunications and technology that have exhibited wide fluctuations in space requirements. Corporate commitments for unneeded space, not understanding the impacts of downsizing on real estate, lack of flexibility and underutilized space have been costly mistakes incurred by more than a few corporations. The most valuable insights in this section can be found in mistakes adversely impacting employee productivity. Corporate real estate practitioners must evaluate space decisions on the basis of the contributions that space makes to employee motivation and productivity. Roulac identifies mistakes such as emphasizing space per employee over productivity; ignoring the relationship that space plays in creativity, productivity and efficiency; and disregarding how a building's ambiance can affect productivity and planning space without adequate employee input.

Part IV: Place. This is a valuable section of the book and may provide the greatest value to the corporate real estate decision maker. The reason for this is that place is

so integral to corporate success—enhancing image, sales, customer satisfaction and corporate culture—but yet little about the sense of place and its importance is investigated and understood by corporate real estate decision makers. Topic areas in this section include: marketing and brand, impacts of places, role of places and functionality/location.

Examples of the place mistakes identified in these categories include:

Marketing and Brand Mistakes: Disregarding the marketing importance of place, failure to recognize how real estate impacts a company's ability to compete, incompatible website and facility design, disregarding place brand identity implications and place/brand mismatch.

Impact of Places Mistakes: Disregarding the impact of economic clusters, relying on anticipated upgrades of public systems, incompatible adjacent tenants and uses, site selection models missing critical variables and disregarding suppliers own place strategies.

Roles of Places Mistakes: Disregarding the symbolic significance of corporate real estate, ambiguity regarding the role of place in customer satisfaction, lack of understanding of how corporate real estate influences employee recruiting, productivity and retention and being unaware of communication's implications of corporate real estate.

Functionality and Location Mistakes: Lack of a comprehensive approach to the virtual and the real workplace, not confirming that the leased building is a 24/7 environment, locating in the right market but wrong site, ignoring the experience of getting to and from work and not considering that each employee has a personal place strategy.

An insightful observation by Roulac is made in his discussion about “compelling places.” He states “people can be more choicfull about places. Many are no longer limited to living where the company wants them to work. And what do they want in making these choices? They want compelling places in which to live, learn, shop, play and prosper.”

Overall, the 275 possible corporate real estate and place mistakes contained in the book provide a comprehensive definition of what corporate real estate is as a field of professional practice. Roulac's identification of potential mistakes and recommended courses of action include valuable insights as to how corporate real estate is designed, managed, acquired, disposed of and utilized to augment the competitive advantage of the corporate enterprise.

The book concludes with a large and challenging objective: How You Can Avoid Mistakes. While the goal of the last section is more a management and executive decision-making primer, the reader will find value in reflecting upon the 21 principles and concepts outlined in this summary. The concluding section illustrates the importance of integrating self-examination and professional development into the

process of avoiding mistakes. The author begins this section with defining what constitutes a mistake and points out the importance of understanding that mistakes begin with poor inputs to decision making (which are controllable) and not simply outcomes, which can be influenced but are less controllable. The importance of integrity in character and decision-making is cited as a key component to avoiding mistakes. The author emphasizes the importance of self-knowledge. This concept is illustrated with an ancient quotation (one of several): "One person on a battlefield conquers an army of 1,000. The other person conquers himself. The second person is greater." The author's observations on how to avoid mistakes includes maintaining logical, controlled and structured decision making, adequate planning and preparation, detailed evaluation criteria and standards, the ability to challenge assumptions and to question existing approaches to making decisions. Additionally, a commitment to investigating the facts and data surrounding a decision, to look for multiple perspectives on the decision's outcome, and to integrate a strategic perspective and analysis to better clarify decision-making are suggested practices to avoid mistakes.

The author stresses the need to acquire information on stakeholder perspectives. By seeking out stakeholder-based sources of information, a decision's outcome will be enhanced. Similarly, if a decision-maker seeks a more refined insight into the nature and context of the decision-making environment (which the author compares to a game), the rules of the game that govern the outcome will be better understood. Lastly, the importance of life-long learning and the recognition of constant change and adversity are critical to enhancing skills and increasing insights to avoid mistakes.