Corporate real estate management’s (CREM) positioning status: Exploration of the PCDL model in practice

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Abstract

Corporate Real Estate Management (CREM) is an evolving service provision inside organisations. CREM can be shown to have a significant contribution to an organisation’s growth. Despite these value creation services, CREM still faces uncertainty in its positioning status. There is a credibility gap between CREM executives and their customers. Meanwhile, the PCDL model as part of the branding body of knowledge was identified as a relevant way to understand CREM positioning inside organisations. There are four main elements in the PCDL model beginning with Positioning the brand (P), Communicating the brand message (C), Delivering the brand performance (D) and Leveraging the brand equity (L). The overall study explores the CREM positioning phenomenon using a case study approach from four industry sections including telecommunication, logistics, retail and education in Malaysia (an emerging real estate market) and Australia (a mature real estate market). Semi-structured interviews and document analysis were used for each case. CREM executives and CREM customers were interviewed to get feedback about the phenomenon. This paper reports evidence of the model’s elements being present in CREM practice from analysis of the interview data. Even though adopted from marketing body of knowledge, the PCDL model provides a promising ground to understand CREM’s positioning inside organisations.

Keywords: branding, Corporate Real Estate Management, positioning strategy, service provision
Introduction

Corporate real estate management (CREM) is not a new area of real estate studies. It exists along with other real estate functions such as valuation, facilities management, property development and property investment. A major difference is that CREM plays its function by managing real estate needs for non-real estate organisations. Their core business varies from telecommunications, retails, logistics, education, manufacturing, and many more.

Optimisation of real estate takes different forms of challenges because it involves expenses at all stages of ownership, from acquisition, ownership, operation and disposal. Corporate real estate (CRE) is often a corporation’s second or third largest operating cost and represents as much as fifty percent of the total assets on a balance sheet (Weatherhead 1997). Many corporations combine their primary business along with the real estate function in order to diversify risk. However, CRE is very significant to organisations and has a lot of impact on the organisations’ core business.

Despite being increasingly important in its operational and strategic functions, CREM faces a credibility problem in how it positions itself within an organisation (Valenziano and Kious 2005). However, customer satisfaction with CREM, as a brand, is determined not only by technical performance, but also a complex set of exchange processes, such as effective communication and management of customer expectations (Finch 2004). Reanalysing this situation suggests that the positioning and credibility issues may be a problem of both performance and relationship in delivering CREM value to the organisation.

Aim

The aim of this paper is to explore how a branding model applies to CREM’s positioning inside various organisations in Australia and Malaysia. Even though the branding literature suggests that effective positioning enables the organisation to grow and improve performance (Shostack 1987; Chotipanich 2004; Baines et al. 2005; Blankson and Kalafatis 2007), there is limited empirical evidence from CREM studies that support this claim for CREM. Branding usually serves external customers, but there are opportunities to use branding internally because branding has the capability to establish a mental picture for any customer (Berry 2000).

To date, neither CRE practitioners, nor CREM researchers have looked in detail at the impact of a branding perspective on CREM performance and relationships. Nourse and Roulac (1993) and Lindholm et. al. (2006) are amongst those that mention CRE’s added value to promote corporate sales and marketing activities. But, Roulac (2007) is the only one that mentioned brand, as such, but he referred to physical property in terms of rental or sales. In fact, branding successfully brings together performance and relationship elements in putting products and services to the targeted audience (Aaker 1996). Even though branding demonstrates a good track record in serving external customers branding theory never been used empirically to unpack CREM positioning problem inside organisation. As a result, the overall project’s main research question is how does branding theory unpack CREM positioning inside organisations?

Specifically, this paper explores how a branding framework suits and makes an impact in CREM’s positioning strategies between CREM executives and their customers’ expectations inside organisation. The results are used to understand CREM’s positioning to match the needs of an organisation and CREM contributions.
CREM’S Performance

CREM provides valuable contributions to the business by addressing its objectives. CREM adds value by increasing efficiency, increasing customer satisfaction and improving productivity by incorporating real estate strategy into broader corporate planning (Lambert and Poteete 1997; Scheffer et al. 2006). There are several ways for how CREM demonstrates its value. These can be classified in physical, financial, human, functionality, and capital market terms, as in Table 1.

Table 1: CREM’s demonstrated value

<table>
<thead>
<tr>
<th>CREM’s demonstrated value</th>
<th>Contributions</th>
</tr>
</thead>
</table>
| Physical                   | • Provide and manage workspace (Venezia and Allee 2007; Morgan and Anthony 2008)  
|                           | • Data storage and tools to manage physical objects (Roberts and Daker 2004)  
|                           | • Corporate site selection (Rabianski et al. 2001; Gibler 2006) |
| Financial                  | • Financial flexibility in rapid changing environment (Lasfer 2007; Liow and Ingrid 2008)  
|                           | • Cost reduction (Roberts and Daker 2004; Haynes 2007) |
| Human                      | • Boost employee satisfaction (Martin and Black 2006)  
|                           | • Shifting ‘cost reduction paradigm’ to ‘value added paradigm’ (Weatherhead 1997; Haynes 2007) |
| Functionality              | • Provide conducive workplace design (Gibson 2003; Schriefer 2005)  
|                           | • Owning or leasing (Brounen and Eichholtz 2005; Tipping and Bullard 2007) |
| Capital Market             | • Increase shareholder wealth (Lindholm, Gibler et al. 2006; Liow and Ingrid 2008)  
|                           | • Liquidise capital for uncertainty (Scott 2004; Tipping and Bullard 2007) |

Despite all these demonstrations of technical performance, corporations still do not have sufficient insight into the impact of CRE decisions on corporate performance (Scheffer, Singer et al. 2006; Warren et al. 2007). There are at least two reasons that contribute to this situation. The first comes from CREM customers’ side lacking understanding and interest in CREM, and failing to see CREM opportunities beyond cost savings. The second reason comes from CREM executives who fail to position themselves well and have poor communication strategies to uplift themselves to a better position. This means the positioning problem come from both sides underlied by performance and relationship dimensions (Table 2).

Table 2: Reasons for CREM’s credibility problems

<table>
<thead>
<tr>
<th>Source of problems</th>
<th>Problems</th>
<th>Performance</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREM customers’ side</td>
<td>Lack of interest and understanding from senior management (Osgood 2004; Scheffer, Singer et al. 2006)</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Under-management of real estate (Veale 1989; Gibson and Luck 2006)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>CREM’s side</td>
<td>Poor positioning (Bon et al. 2003; Valenziano and Kious 2005)</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Line of reporting (O’Mara 2002)</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Poor communication strategies (Osgood 2004)</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Both side</td>
<td>Failure to link CREM strategies with overall strategy (Gibler et al. 2002; Ali, McGreal et al. 2008)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Failure to see real estate opportunity beyond short-term cost saving (Kadefors and Brochner 2004; Martin 2004; Stoy and Kytzia 2004)</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Even though corporate real estate’s demonstrated value cannot be denied, a lack of understanding from senior management and poor positioning strategies by CREM executives makes things difficult for CREM to establish its position and credibility in a corporation. Clearly, performance and relationships are important to work together in conveying CREM’s value to its targeted customers.

The Framework – the PCDL Model
Branding encompasses much more than just the branded product or services. The brand is considered to be the sum of all elements of a marketing mix (Ambler and Styles 1996). These elements can be product design, alongside pricing strategy, promotion and distribution, and leveraging strategies. Branding theory is successful in conveying understanding of products and services to a targeted audience (Aaker 2007). Although bodies of branding theory exist outside of real estate management studies, these bodies of theory may possibly be applicable to this performance and relationship condition.

This study applied the PCDL model, which is a part of branding theory in understanding CREM’s positioning strategies. Ghodeswar (2008) identifies the PCDL model with four main elements; they are:

- Positioning the brand (P);
- Communicating the brand message (C);
- Delivering the brand performance (D);
- Leveraging the brand equity (L).

The elements from the PCDL model are supported by branding theory and could be used in empirical case studies into CREM’s internal organisational positioning (Omar and Heywood 2009). The PCDL model could provide a solution to the performance and relationship dimensions of CREM’s problem of being unrecognised by its customers and trying to be accepted as a source of competitive advantage to an organisation as it also has the same dimensions (Table 3). There are other models for understanding branding theory but the PCDL model is one that encapsulates the required elements in a concise yet comprehensive model.

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>PCDL elements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Positioning the brand (P)</td>
</tr>
<tr>
<td></td>
<td>• Trust</td>
</tr>
<tr>
<td></td>
<td>• Brand identity</td>
</tr>
<tr>
<td></td>
<td>• Value proposition</td>
</tr>
<tr>
<td>Relationship</td>
<td>Communicating the brand message (C)</td>
</tr>
<tr>
<td>dimension</td>
<td>• Consistency</td>
</tr>
<tr>
<td></td>
<td>• Accessibility</td>
</tr>
<tr>
<td></td>
<td>• Responsiveness</td>
</tr>
<tr>
<td>Performance</td>
<td>Delivering the brand performance (D)</td>
</tr>
<tr>
<td>dimension</td>
<td>• Brand scorecard</td>
</tr>
<tr>
<td></td>
<td>• Brand metrics</td>
</tr>
<tr>
<td></td>
<td>Leveraging the brand equity (L)</td>
</tr>
<tr>
<td></td>
<td>• Affinity</td>
</tr>
<tr>
<td></td>
<td>• Liking</td>
</tr>
<tr>
<td></td>
<td>• Investing in the brand</td>
</tr>
</tbody>
</table>

Source: Omar and Heywood (2009) and after Godeswar (2008)

Methodology
This study uses a qualitative paradigm because the main aim is to develop theory about CREM’s positioning phenomenon inside organisation. This parallels qualitative research’s aim to discover meaning and understanding rather than verify truth or predict outcomes (Myers 2000). A qualitative approach has the strength to address questions and goals derived
primarily from specific situations and contribute knowledge to the community in its own perspective.

Strauss and Corbin (1990) asserted that qualitative approach is suitable and highly recommended when little is yet known about the investigated phenomena and the research issues cannot be expressed quantitatively. Given the limited access to data, a qualitative approach is a more useful way of gaining deep and clear experiences from CREM executives and CREM’s customers involved with this phenomenon than a positivist approach provides. Hence, the chosen qualitative paradigm closely matched those requirements that need in-depth understanding of data rich in meaning of the CREM positioning situation inside organisations.

Eight cases were selected from different countries as representation of various industry sections - retail, telecommunications, logistics and educations. This paper does not analyse the differences between the two countries but looks at how the PCDL applies to CREM’s positioning situation. These organisations are the leading organisation in their industry with significant market share in their respective countries. Multiple-case studies were applied to this study as it is considered more compelling and therefore regarded as being more robust (Yin 2003). A single case study or country of study appears fragile in the environment where data is accessible and contradictory, which is the nature of comparison research. Each case in the study provided two types of data – semi-structured interviews and document analysis. This paper concentrates on the interview data only.

Interview works as an essential source of case study information because most case studies are about human affairs (Yin 2003). These human affairs should be reported and interpreted through the eyes of specific interviewees, and well-informed respondents can provide significant insights into a situation. Experience and history of interviewee can lead the researcher on paths to locate other substantial sources of evidence (Yin 1994). In fact, qualitative interviewing allows the researcher to develop a holistic description of the situation, as well as learn how different respondents interpret events. It allows the researcher to look insight into perceptions and attitudes that were known only to the people that had experienced the phenomenon.

Respondents in this study were derived from two groups of people, one is from the CREM executive’s side and other one is from the CREM customer’s as branding theory highlighted the needs for service provider and targeted audience in building a strong brand. The same PCDL model framework was used as a guide for semi-structured interviews of both sides. The number of respondents was chosen for its practicality and also to provide corroboration of responses from both sides. At least two interviews were conducted for each case.

This study uses two market conditions – Malaysia and Australia. These two countries represent a developing country with an emerging real estate market and a developed country with a mature real estate market. Either country would be useful in doing research but focusing on one country only is inappropriate because it is not broad enough to give a general understanding from research findings. In addition, Australia is a good place to represent mature markets and comparable to other mature markets – the US and UK.

In this paper, data from all the interviews was used to identify CREM positioning strategies. Each market provides a separate analysis through single-case analysis before being analysed in a cross-case analysis (Table 4). This comparison will be examined in future papers as this paper presents early results from the overall study.
Table 4: Coding for Cross-case Analysis between Australia and Malaysia

<table>
<thead>
<tr>
<th>Country</th>
<th>Australia</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company/respondents</td>
<td>CREM executives</td>
<td>CREM customers</td>
</tr>
<tr>
<td>Retail</td>
<td>AusRCe</td>
<td>AusRCc</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>AusTCe</td>
<td>AusTCc</td>
</tr>
<tr>
<td>Logistic</td>
<td>AusLCe</td>
<td>AusLCc</td>
</tr>
<tr>
<td>University</td>
<td>AusUCE</td>
<td>AusUCc</td>
</tr>
</tbody>
</table>

Findings
Organisations’ management tend to be dominated by accountancy-based thinking because most organisations are profit oriented. Frequently in the case study organisations, CREM exists as a support unit or cost-oriented department reporting to the Chief Financial Officer (CFO) being two or three layer below the Chief Executive Officer (CEO). CREM customers presume CREM’s purpose is to maximise business objectives from occupying space while minimising cost and risk. These create a big challenge to CREM executives as reducing cost contributes little to financial statements compared to providing conducive working environments which give greater impact to the business. Moreover, cost-cutting activities through reducing spaces and relocation of physical buildings to a certain degree have their own limitation.

Positioning the brand
Most CREM executives defined their customers as business units. CREM customers find that CREM function is a specialised area requiring its own qualified person. One customer (AusLCc) mentioned “my first impression that it is a highly complex area. You need people with skill and experience in that background. It is an area that I have no skills at all”. With the expertise, CREM adding value by looking after the working environment and helps in the organisation’s marketing strategy. As stated by MalUCc “we will show off our physical environment and the advanced facilities that we have as marketing tools to attract prospective students to come in”.

Australia has better acceptance from senior management compared to Malaysia, but the trend seems to be moving towards a same direction towards more acceptance of CREM. Organisations in both countries have started to realise the impact that CREM brings to them, in setting their long-term goals, especially during an economic crisis. The statement that CREM is often ignored at board level is slowly changing in both countries. CREM is welcome to help as long as the CREM objective tallies and is accountable with the organisation’s goals. A CREM executive from telecommunication industry (AusTCe) stated “the primary accountability is to match the shareholder funds invested in real estate and effectively minimise the cost base of the property while meeting the business unit’s needs”.

CREM’s value proposition and brand identity can be derived in the following ways:

1. Accountability – by getting the best out of shareholder funds invested in real estate in terms of return on investment, meeting the business needs, minimising real estate costs, and charging users for space usage;
2. Working for the business, not for itself;
3. Applying specific skills in CREM; and
4. Creating positioning for the organisation as a whole by creating certain images or impression from CRE meeting specific organisation needs through real estate development activities.
Organisations are taking bolder steps in utilising CRE more than just providing space for employee activities. A few organisations are venturing into real estate investment activities with support from their senior management. A CREM customer (MalUCc) responded “at the moment, the university is short of space to house postgraduate students. We are trying to move into property investment. Most likely is to build apartments for postgraduate students through a staff cooperative”.

Organisations in Australia are practising a trade in the use of space by business units. Majority of business units are responsible of budgeting their own use of space before request it from CREM unit. AusUCe stated “we are a service provider. We instituted new budget model last year. So we charge everybody for use of space – every faculty or administrative unit, - and that funds the capital plan. And for the operation of the space, utilities, cleaning and maintenance and our property management’s costs we charge the university’s facilities and common services. We run the space like we are the landlord”. This is one way of highlighting the CREM function and its contribution to financial measurement. By utilising space budgeting, this helps the organisation to save cost in regards to space planning and company overheads. Organisations in Malaysia are moving toward the same practice where a few of the studied organisations are proposing to senior management to charge business units for the amount of space being used.

**Communicating the brand message**

CREM executives were expected to communicate in business language rather than cost per square foot language (McCarty et al. 2006). However, one way to impress customers is to show them that CREM executives understand and responsive to their business first. An AusLCe stated that “I not only talk all about property related stuff. It is also about the standard of business. You’ve got to understand how the business works. I cannot just come and doing my job as a property person who did not know what the business is actually doing. It is all coming back to the core business of the company”. However, communication between CREM executives to senior management is not always abundant. A few studied organisations mentioned that there are cases where real estate issues were not being considered in major company decisions because CREM executives not part of the decision-making process. Clearly, this is an area where CRE industry needs to improve.

In order to gain trust from customers, the CREM executive was expected to be proactive in communication. The strategy was to build up rapport with the customer by identifying their problems earlier and to solve it very quickly. Project based activities like moving, relocation, and a newly-built site which is involved with change in the environment provided an excellent opportunity to built good rapport. This sort of project involves people with various backgrounds. A respondent (AusLCe) affirmed how he has done it, “we present the whole paper on what we have been doing, how we were doing it, and how much more value we can add if we create the project. It is just generating additional revenue by being smart without really doing anything more from what we are doing. Just do it differently”. Therefore, project management skill is important for CREM executives to handle all the projects and add value to the organisation.

The studied Australian companies have more systematic customer relationship management (CRM) compared to Malaysian companies. These companies set up a client account for every business unit managed by a CREM executive. The appointed executive is responsible to monitor what is happening in the business unit related to CREM functions. A reason for this arrangement is because of the number of business units and the ongoing projects CREM have
to deal with at the same time. Meanwhile, the information gathered also useful for corporate planning and budgeting.

It was found that not all customers find that the CREM function is important to their business because they think CREM services are replaceable by outside service providers, such as estate agents or property management companies. Probably, this is more specific for site relocation and property maintenance purposes. One CREM customer (AusLCc) mentioned CREM function as “it just fulfilling the functions that need to be fulfilled. In one way they are supporting our business. There are only a few transactions a year. So we still can outsource it because it is not all the time. As long as the business units have access to these services they do not need a department with CREM functions. This reinforces the need for CREM positioning strategies.

**Delivering the brand performance**

The CREM function within an organisation is being accepted as important to the business. A CREM customer from a telecommunication case (AusTCc) stated “property is major enabler. You’ve got to have a property function as to fit with the culture and company guidelines. I look overall of what they are doing with the company portfolio is just amazing, like - reducing footprint, reducing costs, and great fit out, and all sorts of stuff”. In this case, the CREM unit as a single point of contact is crucial for the business because this gives time and resource for business units to focus on their core business.

A changing paradigm from a cost centre towards a unit that adds value to the organisation can be a daunting task. It is always easy for the company to blame CREM if it continues being seen as cost-centred. But the blame is something that they have to live with and the challenge is to increase its value. A head of CREM unit from Australian retailer (AusRCe) voiced how he feels with that role as CREM function inside their retail organisation with “it is comes with the role. It is just a bad luck. You must be ready and prepare. You know they always catch you out somewhere”. But he suggested a few ways to add value to the company. CREM executives perform by highlighting the benefits from CREM compared to an outside provider, secondly by continuing to educate their senior management and customers, and continue fixing any problems that arise. He added “while I am here I will explain what we do. Whenever there is problem or loop hole I will fix it so it does not happen again. It is never about promoting myself. If the company do not want their property function managed by me’, I am happy with that. Give me a retrenchment and I will find something else to do”.

One useful thing to do is to focus more on strategic activities than just doing routine operational activities. Dealing too much with operational activities makes CREM executives lose focus of their contribution in strategic level where the most important parts of performance can be achieved. This happened especially in the retail industry cases. A respondent (AusRCe) mentioned that “it is difficult because with 700 sites you are constantly drawn back to day-to-day activities. But, what I do is set a little piece of my day after the monthly meeting to discuss what we are going to do in future”. This scenario happened to both Malaysian and Australian retail cases. However, a prerequisite for CREM before jumping into strategic activities is that every CREM operational activities must be smoothly managed. It is unacceptable to CREM customers if CREM executives forget their role as a supporting unit and left undone important operational activities that need to be done.

**Leveraging the brand equity**

When the issue of leveraging the CREM function is being raised, CREM executives from both countries preferred to stick to what they know rather than stepping on others’ feet. However, one CREM customer (AusUCe) responded that there is room for leveraging for
CREM in the area of green issues. He does part of this through green strategies by “looking after new buildings with a five star rating. We are looking on how we can fit into new buildings to ensure we maintain a high sustainability”. With the increase of awareness in this area and lack of sole authority in this area, CREM has the opportunity to venture into this area because it involves a lot of physical assets. Australian cases were more aware of this issue compared to Malaysian cases. As one CREM customer (AusTCc) mentioned “property people are pretty good now because if we do a new fit out, we have to do it based on company guidelines. They have all the information because they do all the research”.

There is an idea of leveraging CREM’s value by incorporating CREM with the IT department along the lines of the corporate infrastructure resource (CIR) model as sometimes these two units share information together and meet common organisational objectives (Materna and Parker 1998). But a respondent (AusUCe) did not agree with that idea as “there are quite different parameters between these two. There are overlaps in terms of what you are trying to achieve sometimes. But there are quite different drivers for the two different businesses. So, in many ways it is a matter of time for these two to work together rather than being one department”.

Even though many CREM executives prefer to stick to their current roles, there is room for leveraging that could be taken up, especially in big corporations. As one customer (AusLCc) mentioned “there should be some property function across business units. Sometime it could be better in terms of property and corporate outcomes if there were shared facilities”.

**Conclusion**

This research aims to give useful understanding of CREM’s positioning and credibility problem from the perspective of performance and relationship dimensions. This work shows that those dimensions exist in the PCDL model which provides a holistic view with a multidimensional approach. The model’s four elements help to understand CREM’s complex operating world empirically by providing a different way of seeing CREM’s situation. To this end, this empirical study shows evidence of the PCDL model in practitioners’ understanding of CREM practice. The findings show that the PCDL model provides a useful contribution in understanding CREM’s positioning status inside organisations and provides a basis for future CREM’s study on how to be aligned towards supporting a competitive organisation.

As this paper is from early analysis of the empirical data future research will involve more detailed analysis of the model’s various elements through cross-case analysis and cross-market comparisons.

**References**


