Why CREM Should be Implemented by the Office-Based Companies in Shanghai, China?

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Abstract

Purpose – The purpose of this paper is to investigate why CREM should be carried out within the office based companies in Shanghai. Besides, the current CREM practices and performances in the office based companies in Shanghai are examined as well.

Design/methodology/approach - The CREM added value creating model for office based corporations in Shanghai is constructed based on literature review. Then, according to the model, the proposition as to why CREM should be carried out within the office based companies in Shanghai is developed. Later, two case studies, which are composed of online questionnaire, structured interviews, and secondary documentary review, are investigated to test the proposition.

Findings - Although the result from the two-case study does not provide direct evidence to support the proposition that alternative added values listed in the model is the driving force of CREM implementation for Shanghai office users, CREM, or Corporate Office Estate Management, does help them to promote marketing and corporate branding, staff retention, as well as efficiency and cost control.

Research limitations/implications – The research is based on two case studies, the logic of which is replication. Thus, it is not possible to draw any strong generalization. Future studies are needed to validate or contradict the findings in the research.

Practical implications – The research process and result provides inspirations for the office occupiers in Shanghai, China, on how Corporate Real Estate Management (CREM) can contribute to the core business, and what specific added values CREM can create. Besides, the CREM added value creating model for office based corporations in Shanghai provides framework for CREM managers on how CREM can be strategically carried out.
**Originality/value** – Since CREM is a brand new discipline in China, the research is the first one digging into Corporate Office Estate Management practices in Shanghai, with the incorporation of the CREM added value creating model.

**Keywords** – CREM, office property, added value, Shanghai

**Paper type** – Master degree thesis
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CHAPTER 1. INTRODUCTION

1.1. Background

Thanks to the Open Door Policy and the booming economy growth, the skyscrapers used as office space have been becoming the symbol of Shanghai, China. While globalization generates hyper competition, the Chinese companies occupying office space in Shanghai have to make the optimal use of their properties.

Even not being well understood, corporate real estate management (CREM) has been carried out by office-based corporations all the time. However, the traditional focus and requirement seems to lie mainly on decisions vis-à-vis physical space, such as prime location seeking and efficient space utilization (Lindhom et al., 2006a). Due to lack of strategic management system involving CREM, this physical space requirement is often transformed into cost minimization and other short term concerns (Joroff et al., 1993). Bearing only such short term goals in the CREM manager’s mind constrains them to contribute limited values to the company’s core business. Even worse, it sometimes can lead to inconsistent decisions and actions with regard to core business goals and strategies.

Most organizations are divided into various business units and support units, while CREM department plays an important role in the latter group. According to Kaplan and Norton (2006), the additional values can only be created when the organization align its various business units and support units. So to say, the requirements and goals for CREM need to be specified and to be aligned with the core business strategies to create corporate synergies, which will help CREM better create additional values and in turn help the company to survive and grow in the hyper competitive market.
It is in the US where the leading CREM researches are been conducted (Ali et al., 2006; Roulac and Manning, 1999a; Roulac and Manning, 2001), and then followed by the developed European countries. The concept of CREM is very fresh in China, and few literature on Chinese market based CREM researches could be found at present (Zhu, 2008). To extend the concepts of CREM to Chinese corporations and academia, the question on why CREM should be carried out in a Chinese context should be answered first.

**1.2. Research Problem**

The research problem for this thesis is why CREM should be implemented by office-based companies in Shanghai, China.

The proposition is to answer this research problem by looking for the proof of the existence of CREM added value to the firms. Extensive literature review will be done to gain a profound and broad knowledge on the existing research results on CREM. Also, a CREM value creating model for Chinese companies will be built based on the literature review.

Furthermore, due to the time and data access limit, instead of more generalizable quantitative approach, two case studies will be conducted based on the author-revising model of CREM value adding process. Although the validation of the result does not match our expectation, the “pilot test” can at least show the process of how to find out the primary goal for CREM to the specific company and the operations to achieve this goal and would help to gain a first look on CREM current situation in Chinese office-based companies.

In general, there are three purposes for doing this research. Firstly, the authors hope to go through an extensive literature review on existing CREM researches to gain some profound and broad understanding of the studies on CREM. So the
parts of the writings on literature review would help popularizing the concepts and historical study results on CREM among Chinese academy and business market.

Secondly, this study seeks to gain a first look on corporate real estate management situation in Chinese office-based companies by doing case study, applying questionnaires and interviews.

Together by literature review and case study, the last but not least purpose of this thesis is to find future study directions on CREM in a Chinese context, and will result in some given suggestions to future researches for the academy.

Also, this article set the preparation for parameter estimation or statistical significance test when enough data is collected to generalize the result. And suggestions will be given on the directions of future CREM research in China.

1.3. Overview

The following is a brief introduction on the contents of all seven chapters.

Chapter 1 is an introduction to the whole article, which include general background of the study, the research problem and purpose, a brief introduction to the methodology and the overview.

Chapter 2 gives an analysis of the current Shanghai office market.

Chapter 3 includes the definitions to CRE and CREM and provides some existing study results on CREM impact to core business, and stated the current situation of lacking of research and practice of CREM.
Chapter 4 consists of detailed explanation on how CREM can create added value to the core business of a firm. And step by step, the CREM added value creating model for office based corporations in Shanghai is built.

Chapter 5 contains the explanation of the methodology, the case study, and exhibits the case study results.

Chapter 6 contains discussion based on the studying and findings of the whole thesis writing process, namely, literature review, office market analysis, and case studies, and also concludes the whole thesis by summing up all the findings.
CHAPTER 2. SHANGHAI OFFICE MARKET ANALYSIS

Research on office property is important for several reasons. First of all, offices are “the premier city-building land use”, since they provide spaces to mainly support the economic-related actions (Howarth and Malizia, 1998). The occupiers of office spaces are generally from high end services industries, such as finance, insurance, real estate, corporate administration, information technology and consulting, etc. (Ning, 2000), the development of which are highly valued and encouraged by Chinese government. Secondly, together with the approximate 8% yearly GDP growth rate, the demand for office spaces in China are continuously increasing, from both foreign and domestic tenants and buyers. Besides, Chinese government has announced the public-rental affordable housing plan worthy of 60 billion Yuan ($8.97 billion) in 2011 (Global Times, 2011). It is believed that real estate developers will concentrate more on commercial real estate, since the profitability of residential housing, especially the low end projects, will shrink. Thus, research on offices is vital to ensure that no heavy losses will happen. Finally, according to Howarth and Malizia (1998), the accomplishments of office research can be revised and transformed into other fields of real estate research.

Shanghai, the largest commercial city in China (Alon and Bian, 2005; Ning, 2000), is supplied with more than 14 million square meters of office space from 2004 to July of 2010 (Baidu, 2010). According to Colliers International (2010), Shanghai has the largest amount of office space under construction all over the world by June, 2010. Compared with other domestic cities, the average prime office price ranks the highest and the average prime office rent ranks second highest by first quarter, 2011, as seen in Figure 1 (CBRE, 2011). Those figures above strongly suggest that Shanghai’s office market is the leader in China. Thus, the CREM research towards office based corporations in Shanghai can help understand the CREM in China as a whole.
Figure 1. Average prime office rents/prices of Chinese major cities, first quarter, 2011

Source: (CBRE, 2011)

Figure 2. Shanghai prime office market from 1993 to the first quarter, 2011

Source: (CBRE, 2011)
In Figure 2 (CBRE, 2011), the rental and the price indices of prime offices from 1993 to the first quarter of 2011 in Shanghai are depicted. While the price index tends to be more steadily increasing, the rental index has bottomed out twice due to the financial crises in 1999 and 2009. In Figure 3, CBRE (2011) suggested that the Shanghai office rents are in the Rental Growth Accelerating stage of the whole office rental life cycle, and that the rents will continue growing, due to the limited amount of high quality office spaces, which matches the office market analysis from DTZ (2011) and Cashman & Wakefield (2011). In terms of demand, DTZ suggested that it will keep the current growing trend based on the three factors: the outlook of increasing employment rate in office based companies, currently positive enterprise survey index, and the outlook of increasing Foreign Direct Investments (FDI). While the availability ratio (also known as vacancy ratio) and the supply growth rate are currently both climbing up year-on-year, supply might be cooled down in near future, as seen in the Figure 4 (DTZ, 2011).
One characteristic of Shanghai office market is that the distribution of office locations does not concentrate in the planned CBD areas, but scatters all over the city, unlike other international metropolitans (Ning, 2000). The explanation of this phenomenon is attributed to the authority owned by municipality administration in urban planning and construction. From 1996, the municipality governments in Shanghai have been empowered to take more responsibilities in economic management, and urban planning and construction, within their territories to foster urbanization and economic growth of the city (Ning, 2000). After the realization of the driving force from the office property’s branding effects and the high land rental affordability, office development is institutionally encouraged by every municipality. Thus, Shanghai becomes the first city in mainland China to develop a literally defined Decentralized Grade A office market (DTZ, 2010). DTZ (2010) also suggested that the supply of decentralized office spaces, especially prime ones, will increase dramatically after Shanghai EXPO, since 11 metro lines have been available to integrate them with CBD areas,
which means the decentralized office occupiers can enjoy the benefits of lower office space costs while still maintain minimum employee turnover rates.

Nevertheless, the Shanghai office market has systematic problems common in China, such as the lack of transparent and consistent laws and regulations, corruption, comparatively high regional unemployment rates due to restructuring of state owned companies, and inconsistent regulations between local and central government, etc (Alon and Bian, 2005; Realtor, 2001). Among those problems and special characteristics, the word “Guanxi” is often referred to by recent academics. Literally, Guanxi means connection or relationship. Since almost every commercial behavior requires permission, while the competition of certain commercial behavior in China is intense and the amount of corresponding permission is limited, Guanxi, a cooperative relationship of mutual dependence, plays the role to help lubricate commercial behaviors. In the case of Shanghai office market, once the Guanxi circle has been built, several perspectives of potential benefits will come to decrease the company’s transaction costs (Cao and Edwards, 2001). The first benefit is with regard to land acquisition. While the released land parcel for office development project cannot always be acquired through the open market, the company, who has a strong Guanxi network, could have the chance to get the land parcel at comparatively low price based on some under table treaty. Similarly, the granting of planning consent, building regulation permission and project financing is in favor of the company fostering good Guanxi. For instance, the company with Guanxi may borrow large sums of money from a state owned bank at comparatively low interest rate. Other benefits include the forced infrastructure building, and tax reduction, etc.
CHAPTER 3. GENERAL INTRODUCTION TO CREM

3.1. The Definition of CRE and CREM

3.1.1. CRE Definition

All businesses, whether it is a manufacturing company in need of office, plant and warehouse or a retailer selling coffee on the pavement, need property to function (McDonagh and Nichols, 2009). Generally, the property used to house the business for any kind of company is called corporate real estate.

Zeckhauser and Silverman made the definition of CRE (as cited by McDonagh and Nichols, 2009) as the land and buildings owned by corporation which is not mainly in the real estate business. Later on, to make the definition clearer, others researchers have extended it, and mentioned that the objective of CRE is to support and underpin the core business, which is not about real estate business, of an organization. (McDonagh and Nichols, 2009) Similarly, Nappi-Choulet, et al (2009) stated the definition as: “CRE is defined as corporate property – industrial, office and retail space – used for business purposes, as an input into the production process by companies not primarily in the real estate business.”

To distinguish CRE from third party real estate investment, Roulac and Manning (1999a) made a more specific definition.

“CRE is industrial, office and/or retail space (i.e. land, buildings, improvement, etc.) in use by businesses, where not only site selection, but also facility design and space utilization decisions, inevitably impact a company’s business operations and future cash flow in numerous ways beyond any investment return received from the ownership of the real property.”

In contrast, investment real estate is only involved with the return of the investment from the ownership or leasehold of the property. In other words, CRE
is used by corporations for business objectives and can be considered as an input in the production process. While real estate investment is using capital investment into properties and expecting capital gains from the transactions. (Roulac and Manning, 1999a)

3.1.2. CREM Definition and Introduction

As CRE includes all space involved in supporting a company’s business, corporate real estate management (CREM) embraces the managerial and administrative functions regarding the space it uses. (Roulac and Manning, 1999b) The management of corporate real estate may include broad aspects, for instance, facility management, workplace design, outfit management, assets portfolio management and so on. Nonetheless, CRE decision making can be distinct from other business decisions because the decisions upon CRE are non-recurring, long lasting, involve special attributes and requiring specialized expertise. (Roulac and Manning, 1999a) And according to Omar, A. and Heywood, C. (2010), the major difference between corporate real estate management (CREM) and other real estate functions such as valuation, facilities management etc. is that CREM fulfils its function by managing real estate needs for non-real estate organizations such as telecommunications, retailing, manufacturing etc.

Supplying the space requirements is part of the decision making process of any organization; at least decisions for accommodating the organizations business and human requirement should be made by the managers. (Oladokun, 2010) So the activities of corporate real estate management can be dated back to the beginning of industrial and commercial activities since all business need a place to run, however, from the academic point of view, CREM is still a quite young topic. (Krumm, 1999) It is in the 1980s when the first research of CRE took place. (Krumm, 1999; Nappi-Choulet, Missonier-Piera and Cancel, 2009; Roulac and Manning, 1999a). Since the late 1980s, the focus on interest in the analysis of
competitive advantage shifted towards the internal aspects of the corporation. Real estate, as one of the important internal resource of corporations, is gaining increasingly attentions ever since. (Krumm, 1999)

Using case study research, Krumm (1999) concluded in his article that the key word of CREM is customization. Property managers need to be aware of the demands of the space from the company, while the situation differs from corporation to corporation, the demands will differ in accordance. And also the situation of operating corporate real estate management is different amongst different countries. As a result, CREM strategy differs under different conditions, so some studies are conducted to observe and compare the corporate real estate management among different areas. (Bon and Luck, 2001; Bon, 1994; Ali, Z. et al, 2006)

3.2. CREM Impact on Core Business

The relationship between corporate real estate and the overall business performance has long been researched. Several studies have mentioned that corporate real estate is often accounts for a significant portion of the firm’s total assets since the capital commitment to real estate is relatively high comparing with other cost of the corporations. Hence the importance of real estate to corporations is evident, especially in a financial perspective. For example, Omar, A. and Heywood, C.(2010) argued in their article that CRE is the second or third largest operating cost of a business or public authority and may represent as much as 50 per cent of the total assets on a balance sheet. Likewise, Roulac and Manning (1999a) cited in the article that approximately 25% to 40% of all corporate assets were invested in real property. While 40% to 50% of corporate net operating income were represented by occupancy costs of real estate. Moreover, Loukko and Ilsjan’s studies (as cited in Oladokun, 2010) found that properties constituted around 30 to 35 per cent on average in British companies
and they expect an even higher figure for the Western Europe companies. Therefore, Oladokun (2010) regarded real estate to be as the fifth resource of an organization beside capital, people, technology and information.

As significant as corporate real estate be, the management of this kind of business resource plays an important role to any company. Roulac and Manning (1999b) stated in their article that CREM subject is a specialization worthy of research within the academy and industry alike.

Lots of economies of scale opportunities will be available for larger companies when well managed their considerable portfolio of properties, while same opportunities will not be available for small businesses. (Roulac and Manning, 1999a) A number of studies have demonstrated the value creating by CREM to the core businesses. For example, Stadlhofer (2010) investigated the CREM performance by several top global pharmaceutical companies, and group them into outperformers and underperformers. Comparing these two groups, although no evidence has been found in terms of share price performance that shows the outperformers performing better, they do found CREM outperformers perform better concerning expense ratio. And his study results indicate that CREM helps firms to better manage and optimize costs.

However, financial and economic criteria are not the only metrics for determining the added value of corporate real estate. (Krumm, 1999) Measuring the value of corporate real estate decisions is much more difficult than calculating the financial return on traditional “investment” real estate. (Lindholm and Leväinen, 2006)

Some researches have been focused on looking for the relationship between real estate strategy and business strategy, and try to demonstrate that well aligned
CRE strategy benefits the core business. Singer, B.et al (2007) argued in their paper that, organizations pursue either an incremental strategy, a value-based strategy, or a standardization strategy, to optimize the contribution of their real estate to the overall business performance. And they built a combined model for real estate strategies and competitive strategies. Then after a case study, they concluded that a standardization real estate strategy supports all three competitive strategies: lowest costs, differentiation, and focus, while a value-based strategy supports a competitive strategy of differentiation and differentiation-focus, and does not contribute to a competitive strategy of lowest costs, or lowest costs-focus. Finally, an incremental real estate strategy is ambiguous, and does not support any of the three competitive strategies. (Singer, B.et al, 2007)

This kind of models or framework for corporate real estate strategy and management would help managers perform a better decision making process so as to achieve a better operational outcome. However, leading real estate management is not an easy job even with existing framework; there are still troubles which block the executing of a successful REMA. Omar, A. and Heywood, C.(2010) suggested that credibility-positioning issue may be a problem of both performance and relationship in delivering CREM value to the organization.

Also, some researchers are testifying the CREM importance to core business by pointing out the added value by CREM. Some saying that the value adding by corporate real estate management is not so explicit, and the performance of CREM is needed to be detected to verify the existence of created value by CREM. For this reason, a branch of the researches of CREM are focused on the performance measurement of corporate real estate management recently.

Nappi-Choulet et al (2009) introduced that value creation can be measured via
several approaches, and two economic proxies are commonly used: economic value added (EVA) and market value added (MVA). Another approach to measure value added by corporate real estate to firms was demonstrated by Lindholm and Leväinen (2006) in their article with several steps. They first created a framework for value adding assessments, then, developed a performance measure system based on the framework to evaluate the value added by corporate real estate.

And Lindholm with her colleagues have developed a series of articles on modeling the value created creation of CREM, the framework of performance measurements of CREM and also used a constructive research approach method to run the model in reality (Lindholm, Gibler and Leväinen, 2006a; Lindholm and Leväinen2006b; Lindholm 2008). More detailed and systematic explanation on the value creation and performance measurement is given in Chapter 4.

3.3. CREM: Lack of Research and Practice

Notwithstanding the fact that CREM is of great importance to companies, in most of the cases, CRE were not managed with enough attention and involvement by corporate managers. (Roulac and Manning, 1999a) Actually, little attention is given to CRE by corporate managers in most firms even at present. Normally, “they classify property as a cost of doing business rather than a value adding opportunity” (Lindholm and Leväinen, 2006).

In the article written by McDonagh, J. and Nichols, G. (2009), they examined the linkage between business strategy and property strategy, and found that among the approximate 100 surveyed organizations, a majority did not put as much effort into real estate strategies as into overall business strategies. Furthermore, they cited that, an Ernst and Young survey found that still 52 percent were still not knowing what to do or doing nothing regarding the firms’ property
In a survey leaded by Roulac et al. (2003), they found that among the top 150 companies within Ireland, 72 percent of which do not have a formal real estate mission statement or business strategy for property, which implies a serious lack of standardized corporate real estate management in practice. And their comparative analysis at an international level indicates that Ireland is not unique in this respect. Companies all over the world have some significant way to go to utilize their CRE efficiency. A conclusion has been made in that article that much greater emphasis upon CREM should be accomplished by companies and indeed researchers.

The ignorance of CREM by managers results from several reasons. Roulac and Manning (1999a) cited that the lack of adequate information results in the difficulty of making suitable CRE decisions. Similarly, several literatures pointed out that few corporate officers come from the real estate field or have any experience with strategic property decision making, these would make the property decision making process more difficult for corporate managers. (Lindholm and Leväinen, 2006) Moreover, Duckworth (as cited by Stadlhofer, 2010) argued that “while it is physically immobile, time consuming to acquire and modify, prone to obsolescence, financially illiquid, costly to acquire and modify, operate and maintain”, corporate real estate is managed with much less-innovative patterns than other assets.

Not only is CREM ignored by corporations, but also neglect exists within the academy. Roulac and Manning (1999a) reviewed CREM articles published in the 1990s and concluded that there was a decline in CRE research. Several reasons have been given. Mostly, they think it is because of the finance paradigm dominance within the academic community, which makes the financial based
studies more attractive than CRE studies. Another important reason they mentioned is that the academy prefers empirical research based on reliable data so that can be replicated. However, CREM researches are more likely to be behavioral phenomena measuring and the research methods are less amenable to rigorous quantitative analysis. And also, CREM researches are always with high cost and difficulty of obtaining useful data. In brief, still there are much more issues to dig under the CREM topic.

Similar findings with the preceding examples have been made by many other researchers, all suggesting that there is a lack of research as well as practice concerning corporate real estate management. So although lots of studies show that corporate real estate decisions directly and in directly affect the profitability and performance of a firm, still more research need to be done to prove the strong correlation between overall business and corporate real estate management and to find ways to apply CREM all over the business world.
CHAPTER 4. CREM VALUE CREATING: THE MODEL

4.1. Strategic Management

According to Kaplan and Norton (2006), the additional values can be maximized when the organization align its various business units and support units. The strategic management is a powerful tool adopted by corporations to achieve this alignment, since it can help the firm to understand the complex set of cause-and-effect relationships between the performance drivers and the outcome (Lindholm et al., 2006a). Also proposed by Kaplan and Norton (2006), there are eight strategic management check points which help depict the whole process of the strategic management:

- **Enterprise value proposition – Guidelines for strategy formulation**
- **Board and shareholder alignment – Board approval of corporate strategy**
- **Corporate office to corporate support unit – Translate corporate strategy into corporate policies that will be administered by corporate support units.**
- **Corporate office to business units – Corporate priorities are cascaded into business unit strategies.**
- **Business units to support units – Alignment of strategies of support units with those of the business units**
- **Business units to customers**
- **Business units to suppliers and alliance partners**
- **Business support units to corporate support**

In another early work of Kaplan and Norton (1996), they suggested how to translate the long term objectives, especially vision, into short term actions and operations as shown in Figure 5. It can be concluded from the both two articles that clarifying the primary aim comes the priority for a company to carry out strategic management. When incorporating CREM into the strategic management, it is also important to help the CREM managers to understand what ultimate goal the CREM is serving.
Visions like “the number one in the market” and “to provide the consumers the best experience” are all aiming for stakeholder values maximization. However, often the values of different stakeholders (shareholders, managers, employees, customers, etc) can be mutual exclusive or even contradictory. It has been generally accepted that the maximization of shareholder value, or rather economic value comes as the priority for corporation governance (Lazonick and O’Sullivan, 2000).

Figure 5. Strategic management: four processes

Source: Kaplan and Norton (1996)

However, as Jensen (2001) said, the ultimate goal will not automatically transform itself into daily operations and controls, which supports that communicating and linking, business planning, execution and feedback and
learning should followed by. The corporate executives should then spend time and money to design feasible and profitable strategies and sub-goals to divide the primary aim into routine actions and practices, which also requires the support of down-to-earth real estate operations. Lindholm et al. (2006a) provides a roadmap (Figure 6) to maximize shareholder value by CREM. In this roadmap, business strategies will firstly be generated to realize the primary target. Then specific real estate strategies, covering aspects of asset management, facility management and property management, will be developed accordingly to guide the real estate tactical decisions and actions. Finally, those real estate operations will be conducted to create added value to the firm, and in turn to the shareholders. For now, it is interesting to examine the business strategies and how CREM can support them.

![Figure 6. The roadmap to maximize shareholder value by CREM.](source: Lindholm et al. (2006a))

**4.2. Business Strategies and How CREM Can Support Them**

In the work of Lindholm and Leväinen (2006b), they suggested that profitability growth and revenue growth are mainly the two ways to enhance the shareholder
value. The former one can be generally achieved though two directions: improving the cost structure of product and service by reducing the direct and indirect expense, and more efficient using of assets by cutting the working and fixed capital at a given level of business. The latter one can also be achieved by two methods: building franchise to expand the existing market, and building stronger customer relationship to expand sales.

While there is not much to argue, Singer et al. (2007) summarized the business strategies from another perspective. They suggested that lowest costs strategy, differentiation strategy as well as focus strategy can be three options for corporations to choose.

An organization with lowest costs strategy will carry out a rigid control on the costs of its products. Normally, the organization in turn will sell the products at comparatively low prices to boost the revenue and to grab big market share. The target market of this organization can be wide and include several segments.

An organization with differentiation strategy will sell unique products in the market and expect comparatively high prices in return. So while this kind of organization may spend more at the cost part, they may have high requirement for profitability and revenue at the same time. Also, like lowest costs strategy, the organization will have a wide scope of target market.

The difference of an organization with focus strategy from the other two is that the target market is specified. Normally, this kind of organization will focus on only one or several segments of the whole market. Under this circumstance, focus strategy can be divided as lowest costs focus strategy and differentiation focus strategy.
As to how real estate can support the business strategies, Kaplan and Norton (1996) introduced a new business performance measurement system in their pioneering balanced scorecard approach, which can be a supplement to traditional financial measures. They divided business performance into four perspectives: financial, customer, internal business process, and learning and growth. Detailed contents of each perspective can be found in the Figure 7 below.

### Figure 7. Four perspectives of business performance measurement.

Source: Lindholm et al. (2006a)

According to Kaplan and Norton (2006), support units, such as CREM department, unlike core business units, mainly serve internal customers. CREM is more different from other support units including human resource and IT
department by serving both internal and external customers. The CREM managers must well understand corporate and business unit strategies and accordingly align themselves. Next, how the CREM is linked to corporate and business strategies will be further discussed.

4.3. Linking CREM to Corporate and Business Strategies

When to link CREM to corporate and business strategies, the CREM managers will be confronted by the problem of coordination. Nevertheless, in the hypercompetitive and globalized world today, the outsourcing trend is becoming increasingly intense. As to CREM, some European and North American companies have already begun to have full service providers, brokers or advisors to help manage CRE. According to Hartmann et al. (2010), companies which have higher requirements for CREM functions will intend to outsource CREM more. Thus, one result of outsourcing CREM is that when CREM managers make real estate strategic plans and goals, not only have they to coordinate with corporate strategy makers, but also they have to make sure whether the CREM service providers can achieve the targets they set.

When aligning CREM to corporate and business strategies, the duty of CREM managers is not simply to create some fascinating real estate strategies, but more like to understand the corporate requirements for CREM and to set corresponding goals that what values the CREM are supposed to create. So far, several researchers have already developed their own “must” lists of CREM values. Nourse and Roulac (1993) suggested that multiple CREM values, instead of single one, are needed to support the corporate strategies. As seen in the Figure 8, they have almost found out all values that real estate operations can create. However, the eight values listed by Nourse and Roulac (1993) tend to be required more often by manufacture and retail firms than office based ones.
In 1996, De Jonge described the values added by CREM more directly and precisely, involving the consideration of risk control. In Figure 9, De Jonge (1996) believed that CREM can contribute both internally, like increasing productivity and decreasing costs, and externally, like marketing and branding, which matches the distinction of CREM department.

1. Occupancy cost minimization
   Explicit lowest-cost provider strategy
   Signal to critical constituencies of cost-consciousness
2. Flexibility
   Accommodate changing organizational space requirements
   Manage variability/risk associated with dramatic escalation/compression 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 compensation
   Seek locations convenient to employees with preferred amenities
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 sale
6. Facilitate and control 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
   Real estate impacts resulting from demand created by employees
   Real estate impacts resulting from demand created by suppliers

Figure 8. Alternative added values by CREM

Source: Nourse and Roulac (1993)

Based on the previous research and an interview towards CREM executives of 26 firms in four countries, Lindholm et al. (2006a) went one step further. Not only have they constructed their own list of real estate values, but also they exploited
how to realize these required values by tactical real estate decisions and practices, as seen in Figure 10. From those three figures, the estate occupied by corporations is expected to provide more than traditional functions like accommodation, production, and delivery of goods and services. Values, such as marketing and branding, increasing satisfaction of employees, flexibility growth, etc., are given more priority due to their ability of competitive advantage creating.

1. Increasing productivity
   - Offering adequate accommodation
   - Site selection
   - Introducing alternative workplaces
   - Reducing absence of leave

2. Cost reduction
   - Creating insight into cost structure
   - More efficient use of workplaces
   - Controlling costs of financing

3. Risk control
   - Retaining a flexible real estate portfolio
   - Selecting suitable locations
   - Controlling the value development of the real estate portfolio
   - Controlling the process risk during (re)construction
   - Controlling environmental aspects and labor conditions

4. Increase of value
   - Timely purchase and sale of real estate
   - Redevelopment of obsolete properties
   - Knowledge and insight into real estate market

5. Increase of flexibility
   - Organizational measures (working hours, occupancy rates)
   - Legal/financial measures (mix own/rent/lease)

6. Changing the culture
   - Introducing workplace innovations

7. PR and marketing
   - Selection of branch locations
   - Image of buildings
   - Governing corporate identity

Figure 9. Alternative added values by CREM (2)
Source: De Jonge (1996)
Figure 10. The model of CREM added value creating

Source: Lindholm et al. (2006a)

While the previous suggestions regarding CREM requirements seem to have
already covered all aspects, when comes to Chinese office based companies, there are slightly differences. For example, Capowski (1993) argued that the physical office buildings are essential to corporate branding. The ideology of corporate branding is from the theory that consumers create images of corporations based on the whole experiences they have related to the very corporations (Heding et al., 2009). While the corporate identity is fundamental for corporate branding (Appel-Meulenbroek et al., 2010), both external and internal real estate operations can help build corporate identity, thus corporate branding, which then will transform into the corporations’ competitive edge.

Also, Ball et al. (1998) stated that factor costs, transport and communication costs, the quality of urban environment and agglomeration economies are widely agreed to be the key factors when comes to the office location decision. So while it is obvious that office buildings can contribute to the cost control, employee satisfaction and the operation of core business which are more internal consideration, they can also have economical and environmental impacts on the regions which their locations belong to. Another piece of evidence is that the intention that occupiers want to locate their offices into the central business districts will push up the rents there (Bollinger et al., 1998; Mills, 1992). Thus, the possibility that office estate may help upgrade the region, or more often, the municipality, and in turn help the very organization to build good relationship with local administration can be viewed another specific value added by office based companies, especially to those in China. This means that the corporations with good relation with the municipality government will find stronger bargaining position when confronted by the government intentions, such as direct provision of development land, zoning ordinances; legal incentives or restrictions; taxes on property; control of changes in land use or intensity of use; development costs; and investment decisions on infrastructures, equipments or public spaces (Rebelo, 2011).
An article written by Baccarini and Bateup (2008) summarized the “benefits” brought by office properties, especially the fit-out process more systematically. According to them, efficiency, communication, flexibility, image, sustainability, organizational behavior, and staff retention are all potential benefits. Specifically, sustainability benefit is listed individually, which refers to physically constructing office buildings, decorating and producing furniture and workstations by reusable materials to minimize the impact on environment.

While in the model proposed by Lindholm et al. (2006a), increasing flexibility was listed individually as a real estate strategy, Arge (2005) argued that flexibility is one dimension of adaptability, and other two dimensions are generality and elasticity. Other aspects of added values from real estate operations will be investigated by the following survey.

Finally, it comes to real estate operational level to realize all the CREM requirements and values. At this point, we assume that there is no participation of real estate service providers, agents or advisors. Otherwise, there will be too many scenarios to discuss with regard to the degree of outsourcing. According to Harmann et al. (2010), the CREM operations, not like real estate development, are more a process of real estate portfolio management, as seen in Figure 11. They can be divided into three stages of real estate life cycle: provision of space, operation, and disposition. Compared with the operations listed in the model provided by Lindholm et al. (2006a), Harmann et al. (2010) did not specify what are included under technical facilities management, infrastructural facilities management and commercial facilities management. In Lindholm et al. (2006a)’s model, they summarized real estate operations with regard to value adding thoroughly. When comes to corporate branding, Appel-Meulenkoek et al. (2010) specifies all important aspects of CRE: location typology, reputation location,
landscaping, façade, recognisability, quality finishing, main entrance, architectural style, floor-plan, accessibility, thermal comfort, and lighting.

![Figure 11. CREM operations](source)

Source: Harmann et al. (2010)

### 4.4. The CREM Added Value Creating Model For Office Based Corporations in Shanghai

Based on literature review, especially the model proposed by Lindholm et al. (2006a), the CREM added value creating model for office based corporations in Shanghai has been constructed as shown in Figure 12. In the model, specific added values created by CREM, which are required to support the core business strategies and performance, have been re-summarized. Moreover, detailed real estate tactical decisions and actions to realize these values have been elaborated accordingly.

So to say, the model provides the proposition as to why CREM should be implemented. The proposition can be understood as that the added value created by CREM is the driving force of CREM implementation. Besides, a general framework of how CREM can be carried out is also depicted in this model. Later, the model will be fed data from the case study to test the proposition.

Directed by the road map in Figure 6 and the structure of the model proposed by Lindholm et al. (2006a), the revised model was also divided into three stages:
the core business performance level, the required CREM added value level and real estate decision making and operation level. The arrow lines in Figure 12 stand for that the strategies or values on the left-hand side can be supported or achieved by the values or operations on the right-hand side. For instance, the corporate performance perspective, financial, can be supported by CREM added value, promoting efficiency and cost control.

In the model, at the core business performance level, the ultimate aim is to maximize the shareholder value. With integration of Kaplan and Norton (1996)’s balanced scorecard approach, the business performance vis-à-vis how the ultimate aim has been achieved is based on four perspectives: financial, customer, internal business process, and leaning and growth. To support the four perspectives, CREM is primarily required to create eight alternative added values: (1) promoting efficiency and cost control, (2) increasing asset value, (3) promoting government relationship, (4) promoting marketing and branding, (5) increasing staff retention, (6) increasing productivity, (7) increasing adaptability, and (8) increasing sustainability.

While the detailed explanations for each alternative value has been made in the text above or in previous literature, as mentioned before, the alternative value (3), promoting government relationship, is individually mentioned to match the uniqueness of Chinese real estate market. Additionally, the alternative value (4), promoting marketing and branding, is believed to have larger weight when comes to office based corporations. The alternative value (8), increasing sustainability, is also believed to have increasing importance to help the company to create competitive advantage in the current hypercompetitive global market. Yet, increasing innovation has been omitted from the model since the authors believe that while the physical working environment can incubate innovation, innovation is not an important requirement for CREM to create.
For simplicity, the real estate tactical decisions and operations in the model will not be thoroughly elaborated in this research. In the model, they are used to give a general idea how a certain CREM added value can be obtained and they might not cover all existing real estate operations.

Figure 12. The CREM added value creating model for office based corporations in Shanghai
CHAPTER 5. CASE STUDY

5.1. Research Methodology

The research, above all, investigates why CREM should be implemented within the office based companies in Shanghai. Besides, the current CREM practices and performances in the office based companies in Shanghai will be examined as well.

In the “CREM added value creating model for office based corporations in Shanghai”, the framework that how CREM can be carried out has been depicted, and the possible added values have been listed as the preliminary motivation of real estate tactical decisions and operations. Thus, the study proposition comes as below:

The reason for why CREM should be carried out within the office based companies in Shanghai is because that CREM can create added values to maximize the shareholder value.

The case study approach will be adopted in the investigation mainly to examine the proposition is false or not, and in turn, to explore the answer to the research question.

Ghauri and Grønhaug (2005) stated in their book that in the situation when phenomena cannot be comprehended without social context, qualitative approaches such as case study are alternative methods to scientific investigation. Additionally, the case study method is often employed by studies aiming at theory building and testing (Ghauri and Grønhaug, 2005). The technical definition of case study is given as below:
“A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident... The case study inquiry copes with the technically distinctive situation in which there will be many variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis” (Yin, 1994).

Therefore, case study method has been chosen to serve this investigation, since it is suitable for several reasons specifically. Firstly, since the research questions focus mainly on the explorative “why” question, rather than “what”, “who”, “where”, “how many/much”, the case study approach can better help to answer the research question. Secondly, the CREM research involves quite a lot of complicated managerial issues and facets. Unlike experiment or survey, the variables or factors involved are not easy to be included or excluded in the real-life context. In other words, the behavioral events in CREM research cannot be well controlled or manipulated, which is in the favor of the case study using. Thirdly, the case study is preferred to examine the contemporary events, while this research means to focus on contemporary CREM practices and performances in office based companies in Shanghai, The final reason is that the time and budget for the thesis work is limited while access to the corporate senior executives, who are in charge of CREM, is especially tricky. It is impossible to apply a statistical study method with a mass of samples and data, although in that case the research result would be more validate to generalize.

The authors believe that even though the “statistical generalization” cannot be achieved, well-designed case studies will be valuable to approach the answer for
the research problem by analytical generalization. The study on the linkage between CREM and corporations has only emerged recently in China. Especially as to the deep reason that why CREM should be carried out by office based companies, no reverent literature has been found yet. So as a leading research in this field, the result from case study will set a good beginning for the future research on the same topic, while will also be helpful to give some practical suggestions and inspirations to CREM executives from Chinese office based companies.

While the research design is an exploratory one, it is also a cross-section study since all the information is supposed to be collected at same point in time. Specifically, a “two case” case study approach will be selected based on the logic of replication, since replication can make the original finding more robust and trustworthy (Yin, 1994), and purposive sampling, which uses the judgment of the researcher as to who can provide the best information to achieve the objectives of the study (Kumar, 1996). The details of the two case units are as below:

(1) Case Unit X: X, a Hong Kong listed property developer with Australian capital, principally engages in the development and sale of large-scale, quality property projects in China. With the headquarter and less than 300 employees in Shanghai, X occupies 3 offices by both leasing and owning, which are located respectively in CBD area in downtown, non-CBD area in downtown, and suburb.

(2) Case Unit Y: Y, a both Shanghai and Hong Kong listed restructured state owned insurance corporation, principally offers life insurance, property insurance, asset management, and pension insurance services in China. With the headquarter and less than 300 employees in Shanghai, Y occupies more
than 1 offices by both leasing and owning, which are all located in non-CBD area in downtown.

The two case units are chosen for several reasons based on the same time scope. Firstly, as mentioned before, firms from real estate and insurance industries are two of the main office tenants. CREM practices in these two industries are representative among all office occupiers. Secondly, both case units are large scale companies in the perspective of office space and business scope. They are believed to have more CREM experiences compared with middle or small scale firms. Moreover, these two case units stand for the two typical categories of Chinese business companies, the restructured state owned mega-corporation, and the local or foreign public enterprise.

Data as to the two case units will be collected from three sources. Firstly, for each case unit, a questionnaire survey would be sent to the senior executive who is in charge of the CREM unit by email. The questionnaire for Case Unit X is in English, while the questionnaire for Case Unit Y is in Chinese, the result of which will be translated into English by the authors later.

The construction of the questionnaire is built on the knowledge from the literature review. As such, it is mainly based on the following materials: Stadlhofer G.(2010), McDonagh, J. and Nichols, G.(2009), Lindholm, A.L.(2008). Although the common belief is that the questionnaire should not be too long (Ghauri and Grønhaug, 2005, p. 128), since the online questionnaire will be conducted first as an important part of the case study data collecting, 40 questions have been designed to cover as many aspects of CREM as possible. Ghauri & Grønhaug(2005) stated in their book that open-ended questions may end up with huge amount variations in answers which lead to rather difficult or even impossible categorization and analysis of the results (Ghauri and Grønhaug,
2005). Therefore the questions in the questionnaire are mostly close ended or multiple-choice questions. Nevertheless, several open ended questions are designed to grab fresh opinions and insights on CREM from the respondents. According to the nature of the questions, they are categorized into four parts as shown below (a copy of the questionnaire can be found in the Appendix):

1) General information
2) The CREM position in the company
3) The linkage between CREM and core business
4) The CREM performance and the added value

Other two sources to collect data include subsequent telephone interview towards the same respondents of the questionnaire, and secondary documentary review on the information from company websites and annual reports, which might help understand the CREM performances of the case units.

5.2. Case Study Results Analysis

In this part, the results from two case studies will be compared and analyzed. Since the Case Unit X and Y are both representatives of Shanghai office occupiers, the analytical generalization, based on the logic of replication, is expected to be developed to answer the research problem.

5.2.1. CREM Position in the Company

Case Unit X occupies three office properties in Shanghai, the CREM of the headquarter office property is carried out fully in house, but the CREM of the other two has been fully outsourced. On the contrary, with the trace of more direct government intervention, the Case Unit Y tends to manage its properties internally.

While both case unit companies have certain team or department in charge of
CREM related issue led by admin manager, neither of the two companies has a systematic understanding of CREM. Literally, there is a corresponding Chinese phrase for corporate real estate management (Zhu, 2008). However, few people completely know the meaning of CREM. Evidence can be got from the interview with the respondent from the Case Unit X. The very experienced manager mentioned that “CREM is a brand new concept in China.”

Nevertheless, from the questionnaire and the interview, the CREM has not been merged into the routine considerations for the two units. The senior executive from the Case Unit Y admitted that “although the CREM information and data is collected regularly, the standard for which kind of data should be collected and how it can be analyzed, as well as the reliability of the data is doubtful”. The Case Unit X even does not implement the regularly CREM information collecting at all. Another common characteristic for both case units is: while the CREM seems like a worthy-of-discussing topic in the perspective of senior management, since the frequency, that how often currently the CREM related issues are discussed during the senior management meetings, is between often and sometimes, both case unit respondents thought that a systematic report of CREM performance should not be briefed to the senior management more often than every half a year. This contradictory answer can at least prove that the purposes, functions and added values of CREM have not been clearly recognized. Otherwise, the respondent from the Case Unit Y would not claim that “the report of CREM performance is not frequently needed, since the company is not a specialized into real estate industry”.

5.2.2. CREM Linkage to Core Business

In this part, the authors have designed bunch of questions in both interview and questionnaire, which focus on the strategic management of CREM and the alignment of CREM and the core business. However, those questions have not
been well answered.

Firstly, when asked about the opinions on the importance of CREM to the corporate core business, the Case Unit X chose 6, and the Case Unit Y chose 4 on a scale of 1 to 7, while 7 means "extremely important" and 1 means "not important at all". Secondly, when asked about the frequency of CREM executives/managers' involvement in the overall business strategy making, the Case Unit X chose 2, and the Case Unit Y chose 5, on a scale of 1 to 7, while 7 means "always", 1 means "never". Finally, the proposition testing question that whether the case unit companies have specific requirements or goals towards the added value created by CREM has been asked. It is nothing surprising to find that neither of the two units has any such requirements.

The explanation comes as that according to the company representative, the Case Unit X, a leading high end property developer, knows better that the expertise in CREM, such as asset management, property management, or facility management, can be transferred into their core business, property developing and holding. As a result, it gives high value on the importance of CREM to the core business, while involvement of CREM managers in the overall business strategy making is little. In other words, the value created from CREM to the Case Unit X is not from perspectives of financial, customer, or internal business process, as mentioned by Kaplan and Norton (1996), but from direct core business knowledge increasing or productivity enhancing, since the core business of the property developer, the Case Unit X, is similar to the CREM in some degree. Comparatively, the Case Unit Y is more representative of those Shanghai office occupiers, who do not fully understand the added value created by CREM, and do not manage their office properties strategically and systematically, but still, they want to enhance the efficiency of their office space in the hypercompetitive market.
5.2.3. Why CREM Should be Carried Out and Added Value Created by CREM

Before exploring why CREM should be carried out in office based companies in Shanghai, the respondents have been asked to evaluate the current CREM performance of their own company in general. The Case Unit X chose 5, and the Case Unit Y chose 4, on a scale of 1 to 7, while 7 means “perfect”, 1 means “awful”. While the scoring suggested that there is still space for improvements of CREM, the following telephone interview showed that the current CREM performance is good enough from the perspective of the senior management of both case unit companies, who focuses more on product/service sale and new market expanding. From the perspective of the senior management, specific CREM routine measures, such as calculating number of development projects for obsolete properties, examining the status of IT-system, calculating the percentage of surplus assets sold, calculating cost of underutilized space (Lindholm, 2008), etc., are too costly to be carried out. It is the same reason for the both two units to improve their current CREM tactical decisions and operations.

Next, the two company representatives have been asked why CREM should be carried out directly. Both two case units believe that “CREM is necessary and can support the core business”. However, neither did the two respondents use the phrase “added value”, nor did they systematically summarize what exact perspectives CREM is contributing to. During the telephone interview, the respondent from Case Unit X gave his insight towards the added value created by CREM: “the added value is very new concept currently in China. Actually, most of companies just want to lease or own perfect office with good environment and convenient transportation, but they seldom consider added value created by CREM”. So instead of grabbing the answer which can directly support the proposition, what specific perspective or added value the CREM is contributing
to for the two case units have been asked, based on the “CREM added value creating model for office based corporations in Shanghai”.

For the Case Unit X, the following added values are created by CREM: (1) promote efficiency and cost, (2) promote marketing and corporate branding, (3) increase staff retention, (4) increase adaptability, (5) increase sustainability. For the Case Unit Y, the following added values are created by CREM: (1) promote efficiency and cost, (2) increase asset value, (3) promote marketing and branding, (4) Increase staff retention, (5) increase adaptability. Later, two case units have been asked to give order to the alternative added values by CREM listed in the “CREM added value creating model for office based corporations in Shanghai”, both units placed promoting marketing and corporate branding as the priority.

The respondent from the Case Unit Y said that “the location, facade, and the styling of the office property are all factors to give people the first-eye impression, not only to the customers, but also to the internal stakeholders.” From the result, it can be concluded that the effect of marketing and branding is one of the most important added values created by CREM, which matches the unique characteristic of office property compared with other kinds (Capowski, 1993). The efficiency and cost minimization value, which has been widely accepted as the CREM benefit, has also been confirmed by the two case units, since the occupancy costs of both case units can be clearly calculated due to the unified accounting system for the office properties that the both companies have. Besides, the added value of increasing staff retention has also been recognized by the two case units. Specifically, the above average working environment, acceptable distance from working place to accommodation due to the tunnel, as well as convenient access to amenities, such as shopping center, café, hospitals, etc., are all helping both case units to control their employee turnover rate under
an acceptable figure.

Nevertheless, it is a little surprising to find that the special added value, government relationship fostering, which is closely related to “Guanxi”, has not been created directly by CREM. Moreover, the growth rate of productivity is hard to measure even CREM works.

The final 8 questions in the questionnaire, which allow multiple choices and open answers, are designed to explore how the alternative added value created by CREM can be achieved by specific CREM actions. Although, they have been answered in haste, due to that “the questions go so deep into the corporate office property strategic management field that they are barely systematically considered before”, admitted by the Case Unit X respondent, it is notable that some CREM tactical decisions and operations seem more important than others. For instance, the location decision, the land acquisition, and the following decoration are more decisive operations in promoting marketing and corporate branding, while office space utilization rate investigation seems more important than facility maintenance.

So to sum up, here comes the main finding of the research: although the result from the two-case study does not provide direct evidence to support the proposition that alternative added values listed in the model is the driving force of CREM implementation for Shanghai office users, CREM, or Corporate Office Estate Management, does help them to promote marketing and corporate branding, to increase staff retention, and to promote efficiency and cost control.
CHAPTER 6. DISCUSSION AND CONCLUSION

Although Shanghai has widely been recognized as a commercial market with great potential, and it is consistently drawing investments from every corner of the world, to cope with the pressure of the increasing occupancy cost and hyper-competition, the Shanghai office space tenants and owners, especially the domestic ones, have to be confronted with the unfamiliar term, Corporate Real Estate Management (CREM).

While obviously CREM has not been well understood and strategically practiced in Shanghai, it is more important for the office occupiers to realize why CREM should be carried out. From the previous literature review, especially from the work of Kaplan and Norton (1996), CREM, as a supportive function, can generate competitive advantage and contribute to the core business from four perspectives, financial, customer, internal process, and learning and growth. Specifically, the added values created by CREM, which include (1) promoting efficiency and cost control, (2) increasing asset value, (3) promoting government relationship, (4) promoting marketing and branding, (5) increasing staff retention, (6) increasing productivity, (7) increasing adaptability, and (8) increasing sustainability, have been explored with the construction of the “CREM added value creating model for office based corporations in Shanghai”.

Although the two-case study did not provide direct evidence to support that the alternative added values listed in the model are all considered by the Shanghai office occupiers, CREM, or Corporate Office Estate Management, does help them to promote marketing and corporate branding, to increase staff retention, and to promote efficiency and cost control.

As to the current CREM performance of Shanghai office based firms, after the case study, several interesting statements and assumptions can be made.
Firstly, it is fair to say that the functions and values of the CREM have not been well recognized, and that the CRE is not strategically managed. There is currently a mismatch between the core business and the routine real estate operations. Thus, the research question can be more precisely understood as why corporate office property strategic management should be implemented.

Secondly, it seems that the office space users in real estate industry outperform those in other industries, with regard to CREM performance. The reason might not be that real estate firms have better strategic management system or more systematic requirements towards CREM added value, but might be that, in real estate firms, the knowledge of CREM can be transferred to the knowledge which can directly support the core business.

Thirdly, since it has been noticed that the senior management of the two case unit companies is somehow satisfied with the current CREM performance, for which there is a lot of space to improve, the assumption can be drawn that the competition between office-based companies is not intense enough in Shanghai market. So to say, the profit gained from the core business, like product/service sale, is big enough for the office occupiers to ignore the problems existing in their CREM.

Other implications from the research are also worthy of attention. For instance, due to the decentralized Shanghai office market, the office space seekers can utilize the integrated public traffic system to find balance between cost minimization and corporate branding. Furthermore, office project development is a good way to foster “Guanxi”, although the current case study fails to prove that. Finally, some real estate tactical decisions seem to outweigh others. This could be important for firms, which are going to build a structured
CREM performance measuring system.

Since the research is based on two-case study, the logic of which is replication. Thus, it is not possible to draw any strong statistic generalization with regard to that the added value created by CREM is the driving force of CREM implementation for Shanghai office users. Besides, in the process of the case study, the pilot test has been carried out after the questionnaire design finished. The research problem has been slightly adjusted, when some problems were exposed through the pilot test. However, the authors employed the same questionnaire to answer the revised research problem, which is also a factor leading to weak generalization.

Future studies are needed to validate or contradict the findings in the research. Statistical methods can be applied to find more generalized phenomenon on CREM in a Chinese context, such as some other researchers did based in other countries (Ali et al., 2006; Lindholm et al., 2006; Stadlhofer, 2010; McDonagh and Nichols, 2009). Specifically, two directions are worthy exploring. First one is that the cost/revenue analysis with large sample can be incorporated to examine what exact perspectives CREM can contribute to. However, previous research shows that CREM models, including the “CREM added value creating model for office based corporations in Shanghai”, tend to provide a framework for strategic management instead of quantitative CREM performance measurement. Thus, this direction can be a little bit tricky based on the current accounting and auditing system of Shanghai office occupiers. The other direction is to adopt the constructive research approach, previously used by Lindholm (2008). This research requires long term corporation between researchers and practitioners. Once this relationship has been built, the alternative added values and the specific process of CREM summarized in this research can be experimented in the very firm. Monitoring the performance of business units, while excluding
factors other than CREM, can help explain the effect of added value create by CREM.
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APPENDIX. QUESTIONNAIRE

Letter to the respondents

Dear Sir/Madam,

We are two master students from Real Estate Management Program at the Royal Institute of Technology (KTH) in Stockholm, Sweden.

We are currently doing a degree thesis research on performance measurement of Corporate Real Estate Management (CREM) for office-based corporations mainly in Shanghai, China. While Corporate Real Estate (CRE) includes all space involved in supporting a company’s business, CREM embraces the managerial and administrative functions regarding the space it uses. We will be grateful if you could spare some of your precious time to answer the following questionnaire.

The questionnaire is divided into four parts, which are 1. general questions, 2. CREM position in the company, 3. CREM linkage to core business, and 4. CREM performance and added value created by CREM. It will take you approximately 20 minutes to answer all those questions. Your participation will really help us to build the effective measurement model, and will definitely help future research on CREM in China. Also, we will send you our final work by email. It will be really great if you may get some managerial inspirations on CREM from answering these questions and our research result. Thanks again for your patience and kindness.

Best regards,

Ruolan Liang and Yang Chen
Questions

Part I. General questions
1. How many different locations of offices does your company occupy in Shanghai?
   - [ ] 1
   - [ ] More than 1
2. Does your company lease or own the offices occupying now?
   - [ ] Lease
   - [ ] Own
   - [ ] Both lease and own
3. Where does/do the office/offices locate in the city? (Multiple answers can be chosen)
   - [ ] In CBD area in downtown
   - [ ] In non-CBD area in downtown
   - [ ] In suburb
4. How many employees does your company have in Shanghai?
   - [ ] Less than 30
   - [ ] 30-100
   - [ ] 101-300
   - [ ] More than 300

Part II. Corporate Real Estate Management (CREM) position in the company
5. Is there a specific person, team or department, who or which is primarily responsible for CREM in your company?
   - [ ] Yes, a person
   - [ ] Yes, a team
   - [ ] Yes, a department
   - [ ] Not at all
     If yes, what is the title of the CREM executive?
6. How does the CREM of your company been carried out?
   - [ ] By external full service providers
   - [ ] With the help of external brokers
   - [ ] With the help of external advisors
   - [ ] Fully in house
   - [ ] Others, please specify

7. Does your company collect CREM information and data regularly
   - [ ] Yes
   - [ ] No
   - [ ] Don’t know
8. How often do you think the report of CREM performance should be briefed to the senior management?
   - [ ] Every three weeks or less
   - [ ] Every three months
9. Please select the frequency, that how often currently the CREM related issues are discussed during the senior management meetings, on a scale of 1 to 7, while 7 means “always”, 1 means “never”.

1 2 3 4 5 6 7

Part III. CREM linkage to core business

10. Please select the importance of CREM to the core business on a scale of 1 to 7, while 7 means “extremely important” and 1 means “not important at all”.

1 2 3 4 5 6 7

11. Please select the frequency of CREM executives/managers’ involvement in the overall business strategy making on a scale of 1 to 7, while 7 means “always”, 1 means “never”.

1 2 3 4 5 6 7

12. Does your company have specific requirements for added value created by CREM? (Those requirements will be known as “CREM requirements” in the following text.)

☐ Yes  ☐ No  ☐ Don’t know

If yes to question 12, please continue to answer the following questions. Otherwise, please directly skip to question 17.

13. Are the CREM requirements aligned with the core business strategies?

☐ Yes  ☐ No  ☐ Don’t know

14. Does your company make CREM requirements after when core business strategies are made?

☐ Yes  ☐ No  ☐ Don’t know

15. Are there corresponding adjustments of CREM requirements if the core business strategies change?

☐ Yes  ☐ No  ☐ Don’t know
16. Please select the frequency of checking the relationship between the CRE tactical operations and the core business strategy on a scale of 1 to 7, while 7 means “always”, 1 means “never”.

1 2 3 4 5 6 7

Part IV. CREM performance and added value created by CREM

17. Please evaluate the performance of CREM in your company on a scale of 1 to 7, while 7 means “perfect”, 1 means “awful”.

1 2 3 4 5 6 7

18. Please define the “added value created by CREM” based on your knowledge.


19. Is the CREM, towards the office property/properties of your company, helping promote government relationship?

☐ Yes, please specify how

☐ No ☐ Don’t know

20. Does your company keep and update market values of the office property/properties if it/they are owned?

☐ Yes ☐ No ☐ Don’t know

21. Is the CREM, towards the office property/properties of your company, helping promote marketing and corporate branding?

☐ Yes, please specify how

☐ No ☐ Don’t know

22. Is the CREM, towards the office property/properties of your company, helping increase staff retention rate?

☐ Yes, please specify how

☐ No ☐ Don’t know

23. Please evaluate the employee satisfaction towards the physical working environment on a scale of 1 to 7, while 7 means “extremely satisfied”, 1 means “extremely unsatisfied”.


24. Please evaluate the average distance from the office location/locations to employees’ accommodation on a scale of 1 to 7, while 7 means “extremely close”, 1 means “extremely far”. (Multiple answers can be given based on the number of office locations)

25. Please evaluate the convenience of getting access to amenities such as shopping, restaurants, banks etc. from your office/offices on a scale of 1 to 7, while 7 means “extremely convenient”, 1 means “extremely inconvenient”. (Multiple answers can be given based on the number of office locations)

26. Is the CREM, towards the office property/properties of your company, helping increase productivity?
   - [ ] Yes, please specify how ______________________________
   - [ ] No   [ ] Don’t know

27. Does your company have accounting information available on your office property/properties?
   - [ ] Yes   [ ] No   [ ] Don’t know

28. Does your company have records of occupancy costs by business and support units?
   - [ ] Yes   [ ] No   [ ] Don’t know

29. Does your company have sustainability or environmental friendly consideration vis-à-vis your office property/properties?
   - [ ] Yes, please specify what are included ______________________________
   - [ ] No   [ ] Don’t know

30. Does your company have generality, flexibility and elasticity consideration vis-à-vis your office property/properties?
☐ Yes, please specify what are included ____________________________

☐ No ☐ Don't know

31. Please give order from 1 to 9 to the following alternative added values by CREM, while 1 means “most important”, 9 means “most unimportant”.

☐ Promote government relationship ☐ Increase asset values
☐ Promote marketing and branding ☐ Increase staff retention
☐ Increase productivity ☐ Promote efficiency and cost control
☐ Increase sustainability ☐ Increase adaptability
☐ Others, please specify ____________________________

32. Why do you think the added value in Question 31, which you give order 1, is the most important added value?

__________________________

33. How do you think government relationship can be promoted by CREM towards the office property/properties of your company? (Multiple choices can be chosen)

☐ Develop prime office projects and affiliated infrastructure matching urban or municipality planning
☐ Design, build and operate environmental friendly
☐ Others, please specify ____________________________

34. How do you think asset values can be increased by CREM towards the office property/properties of your company? (Multiple choices can be chosen)

☐ Valuate occupying office properties regularly
☐ Select or remove to better locations
☐ Make lease/purchase decision on facility basis
☐ Conduct technical, infrastructural and financial facility management
☐ Others, please specify ____________________________
35. How do you think marketing and branding can be promoted by by CREM towards the office property/properties of your company? (Multiple choices can be chosen)

☐ Select customer-attracting locations
☐ Develop, purchase or lease customer-appreciating office building
☐ Design and finish the architecture, façade, main entrance and the working environment well to express corporate identity.
☐ Others, please specify ____________________________

36. How do you think staff retention can be increased by CREM towards the office property/properties of your company? (Multiple choices can be chosen)

☐ Select easily accessible locations
☐ Provide comfortable and functional physical working environment
☐ Provide necessary and desired amenities
☐ Respond to real estate related requests quickly and clearly
☐ Others, please specify ____________________________

37. How do you think productivity can be increased by CREM towards the office property/properties of your company? (Multiple choices can be chosen)

☐ Design and finish the working environment based on organizational structures and operating processes
☐ Manage facilities to accommodate optimal business operations
☐ Respond to real estate related requests quickly and clearly
☐ Others, please specify ____________________________

38. How do you think efficiency and cost control can be promoted by CREM towards the office property/properties of your company? (Multiple choices can be chosen)

☐ Establish real estate accounting and cost control system
☐ Seek balance between requirements and costs
☐ Minimize real estate operating costs
☐ Create economies of scale in acquisitions
☐ Use working space efficiently
☐ Conduct routine maintenance
☐ Seek balance between outsourcing and in-door services
☐ Utilize government incentives
☐ Others, please specify

39. How do you think sustainability can be increased by CREM towards the office property/properties of your company? (Multiple choices can be chosen)
☐ Design, build and operate environmental friendly
☐ Others, please specify

40. How do you think adaptability can be increased by CREM towards the office property/properties of your company? (Multiple choices can be chosen)
☐ Seek balance between leasing but physically inflexible and owning but physically flexible
☐ Negotiate for short-term leases if leasing
☐ Allow for different work place designs or solutions
☐ Promote modularity
☐ Allow for fast changes of layouts and other facilities
☐ Separate organizational functions and allow for the buildings used by different user groups
☐ Others, please specify

All questions have been answered. Thanks again for your patience and kindness!