An investigation of the operation of corporate real estate decision-making

Citation for published version (APA):

Document status and date:
Published: 04/07/2019

Document Version:
Accepted manuscript including changes made at the peer-review stage

Please check the document version of this publication:
• A submitted manuscript is the version of the article upon submission and before peer-review. There can be important differences between the submitted version and the official published version of record. People interested in the research are advised to contact the author for the final version of the publication, or visit the DOI to the publisher’s website.
• The final author version and the galley proof are versions of the publication after peer review.
• The final published version features the final layout of the paper including the volume, issue and page numbers.

Link to publication

General rights
Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.
• Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
• You may not further distribute the material or use it for any profit-making activity or commercial gain
• You may freely distribute the URL identifying the publication in the public portal.

If the publication is distributed under the terms of Article 25fa of the Dutch Copyright Act, indicated by the “Taverne” license above, please follow below link for the End User Agreement:
www.tue.nl/taverne

Take down policy
If you believe that this document breaches copyright please contact us at:
openaccess@tue.nl
providing details and we will investigate your claim.

Download date: 05. Aug. 2019
An Investigation of the Operation of Corporate Real Estate Decision-Making

H. Cooke
Dr. ir. H.A.J.A. Appel – Meulenkoek
Prof. dr. T.A. Arentze
• Introduction
• Methodology
• Current Position of Research
• Example of a MR
• Early Conclusions
Introduction

Research into CRE decision-making is limited. What there is looks at:

– Acquisition process (Haynes & Nunnington, 2011)
– Property acquisition (Greenhalgh, 2008)
– Location choice (Rothe et al, 2015)
– Lease versus Own (Barkham & Park, 2011)
– Alignment (Gibler & Lindholm, 2012)
– Link between change in the business environment & the CRE portfolio (Cooke et al, 2019)

However, the overall CRE decision-making process has not been examined

This research aims to examine the ‘black box’ of CRE decision-making
Methodology

- Decisions require an evaluation process
- Previous experience provide choice preferences
- Individuals construct a mental map, a Mental Representation (MR)
- Causal Network Elicitation Technique (CNET) uses semi-structured interviews to determine preferences using Decision Networks, an extension of Bayesian Belief Network methodology.
- Scenario set for the Corporate Real Estate Managers is on the realignment of a portfolio:

The business environment in which your company operates has changed leading to the adoption of a new business strategy. Along with the longer-term trend to use space more efficiently there is a need to significantly reduce the CRE commitment, both square metres and annual cost, in the short term. Consequently, the leased CRE portfolio needs to be realigned to meet these new requirements.
Methodology
Mental Representation: Components of a Decision Problem

(Arentze et al. 2008, Fig 1, p 848)
Classification of Decision Problem Variables and Directions of Causal Relationships

Figure 3 Adapted from Arentze et al 2008 (p852)
Methodology

Terminology

• Decision variables – The options chosen (e.g. surrender a lease)
• Situational variable – External factors outside the control of the decision-maker (e.g. the property market)
• Attribute variable – An observable impact of the decision made (e.g. reduced rent commitment)
• Benefit variable – For each attribute there is a benefit, an ‘end value’ (e.g. improved profitability of the company)
• Utility Weights – assesses the importance of the individual benefits

Current Position

• 9 interviews held and transcribed
• Decision Networks being created for each
• Utility weights to be obtained
• Composite Decision Network to be created
Early Conclusions

• Consistency of responses across property sectors
• CRE strategy flows from business strategy, not vice versa:
  
  “Corporate real estate teams and people who operate in that space, they are not decision makers they are enablers. They are an enabling function that is all they ever are and ever will be.”

• CRE impact seen through tactical approach to strategy implementation
• Key considerations identified for CRE strategy
  – Risk, in particular risk mitigation
  – Accounting regulations, impact of change yet to be fully seen
  – Consequences of any action for P&L and Balance Sheet
  – The factors that operate on a CREM’s decision-making process are a lot more complicated than simply an increase in Shareholder Value.
An Investigation of the Operation of Corporate Real Estate Decision-Making

H. Cooke (hc@core-consult.co.uk)
Dr. ir. H.A.J.A. Appel – Meulenkoek
Prof. dr. T.A. Arentze