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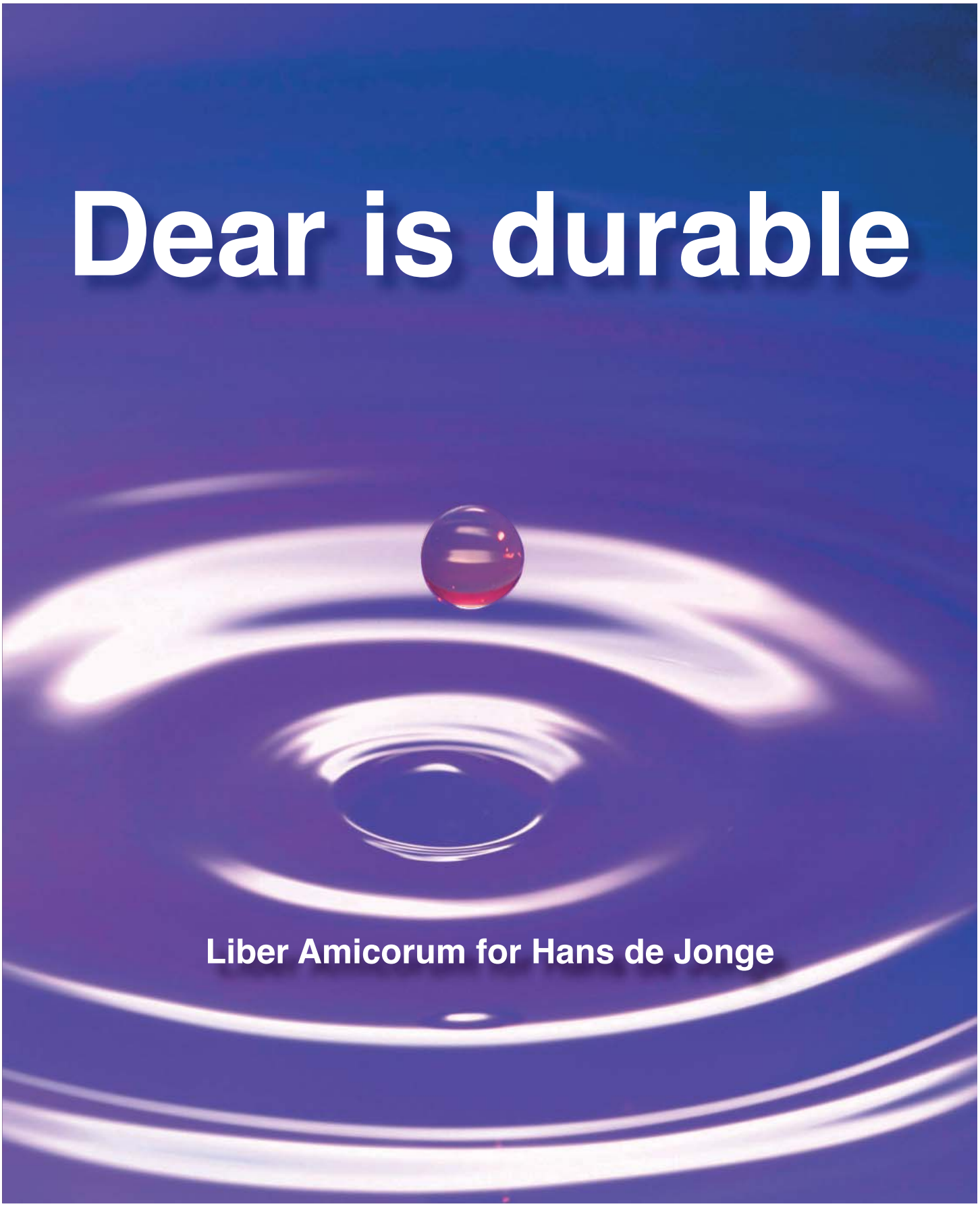

Liber Amicorum for Hans de Jonge

Liber Amicorum for Hans de Jonge

Dear is durable

Presented on 30 September 2016
at the farewell of Hans de Jonge as professor of
Real Estate Management and Development
at the Faculty of Architecture of the
Delft University of Technology

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Alignment of real estate to the organisation's needs

Monique Arkesteijn

One of the big challenges in corporate real estate management (CREM) is reducing the gap between the high speed of business and the slow speed of real estate, i.e. between the so-called dynamic real estate demand and the relatively static real estate supply. In 2000 Hans de Jonge, Peter Krumm and Geert Dewulf defined alignment as the main purpose of CREM in the book Successful Corporate Real Estate Strategies: "CREM is the management of the real estate portfolio of a corporation by aligning this portfolio to the needs of the core business, in order to obtain maximum added value for the business and to contribute optimally to the overall performance of the organisation". The alignment of corporate real estate (CRE) strategy with organizational strategy is a long-standing issue in CREM research, not only in our department but in the whole CRE community. Alignment is one of the main strategic management issues. Kaplan and Norton (2006) state that 'alignment of an organisation's cost and value creation activities is important in achieving enterprise-wide value'.

In CRE alignment research De Jonge et al (2009) and Heywood (2011) studied models for alignment processes. These alignment models try to capture the complex, multi-dimensional nature of CRE and its management. They represent an algorithm-based approach as a series

Aligning the dynamic demand and the relative static supply is a continuous focus in our research.

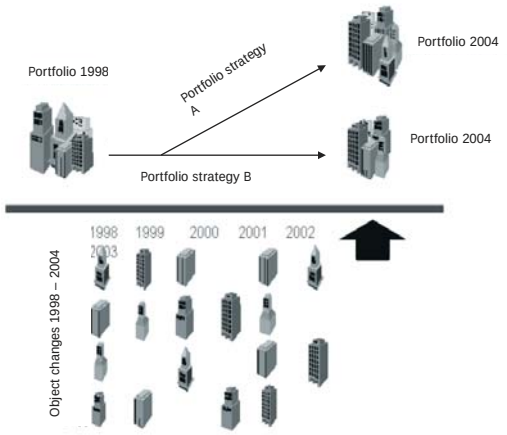
of defined steps. In this contribution the focus is on Hans' contribution to model development. While practitioners are consistently able to answer surveys on the positive state of their CRE alignment (Bon et al., 2002; DEGW, 2006; McDonagh, 2008 in Heywood 2011) but in alignment models this seems less straightforward. Authors often do not define alignment explicitly, maybe because – in our domain - they assume that this is known to the readers. When studying the models however, Heywood (2011, p.8) found that not all authors refer to the same thing

when referring to alignment, and therefore identified four main forms of alignment; alignment is seen as a process, an artefact (plan), a behavior and a state. Heywood and Arkesteijn (forthcoming) indicate that a defined 'strategy' or 'plan' for alignment which can be inferred as existing as a document making it some type of artefact. A 'process' which is defined as a set of actions or the management tasks to achieve greater alignment. A 'state' which is the degree of alignment, now or in the future. It refers to how 'much' alignment is achieved; and 'Behaviour' which is having a strategic mind-set as an emergent form suggested by O'Mara (1999) and was informed by Joroff et al.'s (1993).The first three will contribute to an enhanced state, which is the degree of alignment, now or in the future; it refers to how 'much' alignment is achieved.

This contribution will start with Hans de Jonge's pioneering work in CRE alignment, and his focus on balancing between the interests of different stakeholders. Then the legacy of Hans de Jonge and his teams and some of our research-friends. The focus lies on alignment models which can be called the Delft approach to CRE alignment, followed by some lessons learned. The contribution ends with the need for further research and concluding remarks.

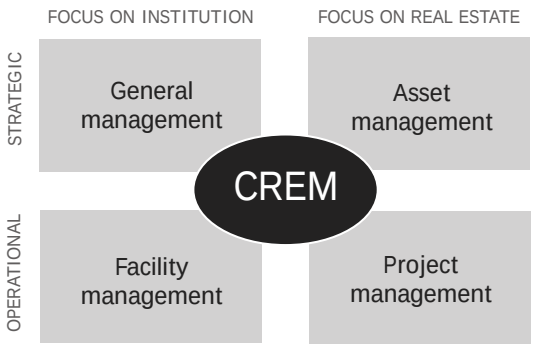
Pioneering in corporate real estate alignment, balancing stakeholder interests

Hans de Jonge introduced multi-factor alignment thinking after his arrival at the new Real Estate & Project Management Department in 1993 in the module "M4" (see for an explanation of our modules the contribution by Prins and Hobma). In his work for the Government Building Agency (GBA) it was daily business to balance the demands from politics, Treasury and the different ministries. Hans' philosophical guidance to balance the interests of different stakeholders dates back to 1988, when Hans proposed the GBA take the responsibility for a future-proof portfolio with sufficient quality and lowest costs. Furthermore, he suggested that the Ministry of Housing, Spatial Planning and the Environment is responsible for the optimum distribution of buildings across all departments, and that maintenance should gain a higher priority than new buildings (see also the contributions of Jaap Uijlenbroek et al. and Frans Evers and Pity Jongens-Van der Schaaf).



Underlying friction between department / object level and the government / portfolio level (Dewulf et al 1999).

Hans taught us that students and practitioners need to understand the interests and language spoken by the different stakeholders at the strategic and operational level of both the organizational/institutional perspective and the real estate part of the business. Therefore students are introduced not only to CREM management but also to general management, asset management, facility management and project management (see figure 2).



Balancing stakeholder interest

In practice the demand side (CREM) and supply side (REM) in the real estate industry use a different language. For instance, similar words like project management and asset management have a different meaning. Ever since 1991 Hans has brought real life cases to the students because when just speaking students will forget, showing examples students will understand, and due to learning by doing students will internalise new knowledge and develop appropriate skills. Students have worked on cases ranging from public to private portfolios from the Government Building Agency to Philips, ABN AMRO, TU Delft, European Commission, MasterCard, ANZ Bank, etcetera.

Legacy of Hans de Jonge, his team and some of our research-friends

The table presents an overview of the Delft legacy in building a body of knowledge on CRE alignment. Some work on CRE alignment is not included in this contribution because models that focus on 'adding value' by CRE are discussed in a separate contribution by Van der Voordt. Here, the focus is on alignment processes and/or the role of the CREM organisation.

Year | Author(s), Topics

1993 | Joroff & Louargand et al. Strategic management of the fifth resource: corporate real estate. Norcross, GA, Industrial Development Research Foundation.

1994 | De Jonge, The future of Corporate Real Estate Management. Seminar IDRC.

1999 | Dewulf, Den Heijer, De Puy & Van der Schaaf, Real estate management in a public organisation. Delft, DUP. In Dutch.

2000 | Dewulf, Krumm & De Jonge, Successful Corporate Real Estate Strategies, especially chapter 2 'What is Corporate real estate? Nieuwegein: ARKO Publishers.

2002 | Van der Schaaf, Public Real Estate Management Challenges for Governments. An International Comparison of Public Real Estate Strategies. PhD thesis.

2002 | De Jonge, The development of Corporate Real Estate Management. Real Estate Magazine, 22, 8-12.In Dutch.

2002 | Vijverberg, Accommodation functionality assessment in office buildings. Facilities 20(3-4): 94-103.

2004 | Den Heijer & De Jonge, Chapter 4 in Introduction to Real Estate Management: Managing of real estate processes.Delft, Publikatieburo Bouwkunde: 68-81. In Dutch.

2006 | Scheffer, Singer & Van Meerwijk, Enhancing the contribution of corporate real estate to corporate strategy. Journal of Corporate Real Estate, Vol. 8 No. 4, pp. 188-197.

2007 | Singer, Bossink & Vande Putte, Corporate real estate and competitive strategy. Journal of Corporate Real Estate, 9, 25-38.

2008 & 2009 | De Jonge, Arkesteijn, Den Heijer, Vande Putte, De Vries & Van der Zwart, Corporate real estate management: Designing an accommodation strategy (DAS Frame). 1st and 2nd edition. Delft, TU Delft, Faculty of Architecture, Department of Real Estate and Housing.

2009 | Van der Zwart, Arkesteijn, Van der Voordt, Ways to study corporate real estate management in healthcare: an analytical framework. HaCIRIC Conference 2009. Brighton, UK.

2009 | Ikiz-Koppejan, Van der Voordt, Gosselink. Accommodation Choice Model. A process model to support decision-makers in (re-)designing their accommodation. Delft: Center for People and Buildings.

2011 | De Heijer. Managing the University Campus. Information to Support Real Estate Decisions. PhD thesis. Delft: Eburon.

2011 | Heywood. Approaches to aligning corporate real estate and organisational strategy. Conference paper ERES 2011, Eindhoven.

2012 | Arkesteijn & Volker. The power of pluralism for urban strategies. Cities: the international journal of urban policy and planning, 31(April), 328-336. (TUD)

2012 | Hoendervanger, Van der Voordt, Wijnja. Accommodation management: from strategy till exploitation. Groningen: Noordhof publishers. In Dutch.

2013 | Arkesteijn & Binnekamp. Real estate portfolio decision making. Iin Gheorghe, A. V., Macera, M. and Katina, P. F., eds., Infranomics: sustainability, engineering design and governance, Dordrecht: Springer, 89-99.

2014 | Van der Zwart. Building for a Better Hospital. Value-adding Management & Design of Healthcare Real Estate. PhD-thesis. Delft: Faculty of Architecture TU Delft.

2015 | Arkesteijn, Valks, Binnekamp, Barendse & De Jonge. 'Designing a preference-based accommodation strategy: A pilot study at Delft University of Technology', Journal of Corporate Real Estate, 17(2), 98-121.

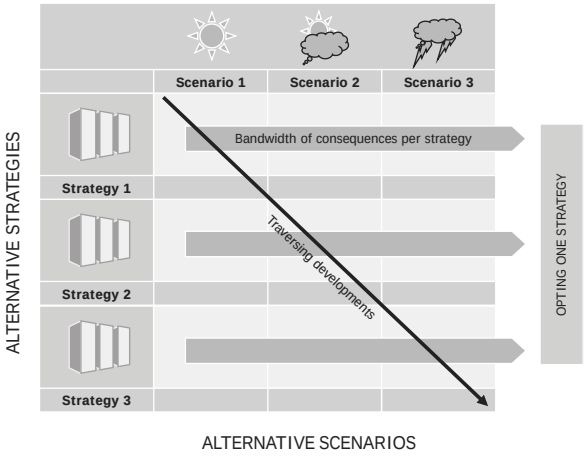
2015 | Beckers, Van der Voordt, Dewulf, Aligning corporate real estate with the corporate strategies of higher education institutions. Facilities, 33 775-793.

2016/2017 | Heywood & Arkesteijn. Alignment and theory in Corporate Real Estate alignment models, International Journal of Strategic Property Management (in press)

Some lessons learned from the Delft approach to CRE alignment

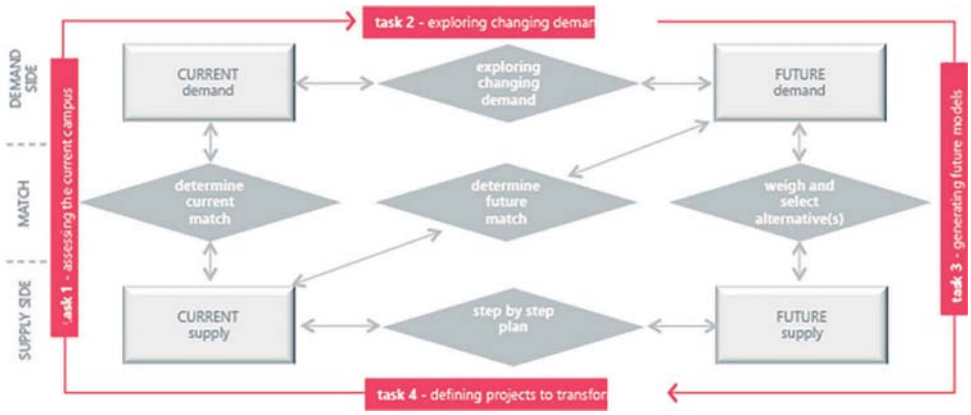
Van der Schaaf, Geert Dewulf and Hans de Jonge adopted scenario planning from management science and applied it to the management of governmental real estate portfolios. Hans and his team also applied scenario planning in the study on the future of the office market (see the contribution by Dewulf). Already in the mid-nineties Hans and his team forecasted a decreasing demand for real estate due to new ways working, resulting in a surplus of office supply that was built at the time and, as a consequence, a growing level of vacancy. Unfortunately this did not lead to a restraint in building production.

In 2008 De Jonge et al. introduced the DAS frame: Designing an Accommodation Strategy, as a support tool to align the CRE portfolio (supply) with the business (demand). Key elements in the framework are four main steering events: (1) 'What we need' versus 'what we have': determine the mismatch between current demand and current supply; (2) 'What we (might) need in the future' versus 'what we have now': determine the mismatch between future demand and current supply; (3) 'Alternatives of what we could have': design, evaluate and select solutions for the mismatch and (4) 'Step-by-step plan to realise what we want to have in the future': plan the transformation of current supply into selected future supply.

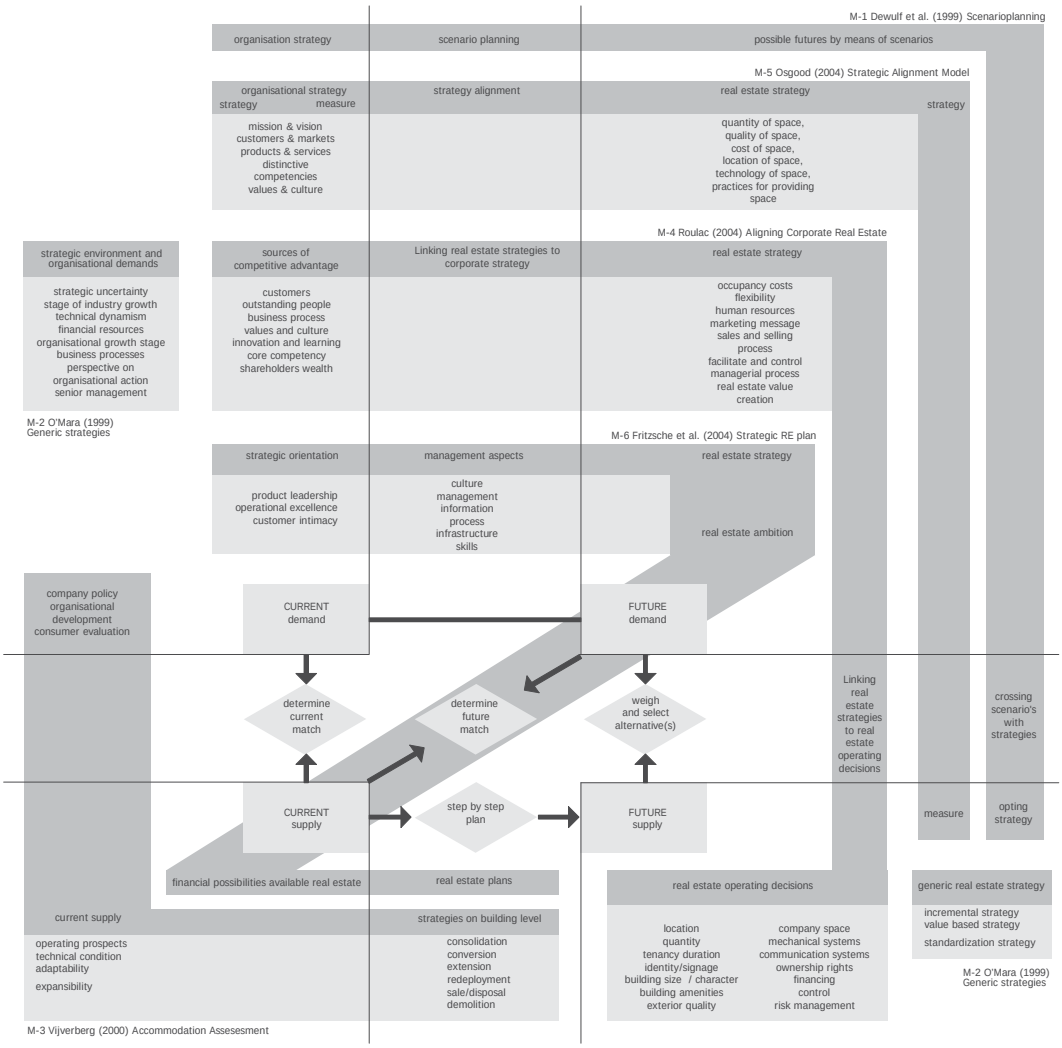


Basic concepts of scenario planning (Dewulf et al 1999, adapted by De Jonge et al., 2008). Organisations can use scenario planning to design various potential futures. Key issue in these scenarios is the low level of predictability of events. The scenarios can be used to test the risk of a specific strategy or to design strategies that anticipate these different futures

The DAS frame is an abstract framework which guides the user through the essential steps of an alignment process, in order to enhance the match between demand and supply, now and in the future. The DAS frame is supported by a mixture of existing tools and approaches from different strategy perspectives. This strategic pluralism approach has been elaborated by linking the DAS Frame to six CRE alignment models: scenario planning from Dewulf et al. (1999), generic strategies and context analysis of O'Mara (2000), Vijverberg (2002) and Fritzsche et al. (2004), and aligning strategies from Roulac (2001) and Osgood (2004), see figure 5.

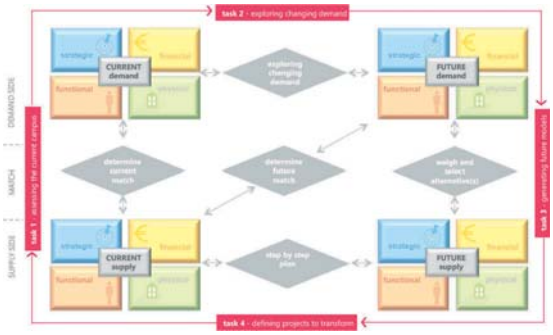


DAS frame (de Jonge et al., 2009)



Elaboration of the DAS frame by connecting the different steps to decision-support tools (Van der Zwart, Arkesteijn and Van der Voordt (2009)

In her dissertation on university campus management, Den Heijer (2011) took a road other than strategy pluralism. She enhanced the DAS Frame by connecting this framework to the ways CRE can add value to the organization, with a focus on university campus managers.

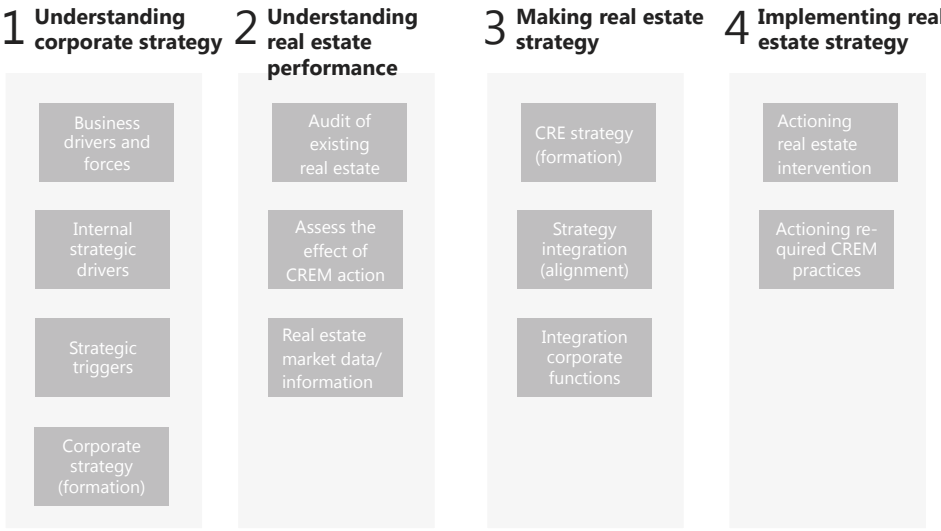


Two combined approaches by den Heijer (2011), connecting the DAS Frame to four different stakeholder perspectives and their ways to add value

Later on Arkesteijn and Heywood compared fourteen CRE alignment models that have been developed in the period from 1987 until 2013 (De Jonge et al 2009; Heywood 2011; Arkesteijn and Heywood, 2013). This analysis traced four main building blocks and twelve components to model CRE alignment. The four building blocks are: 1) understanding corporate strategy; 2) understanding real estate performance; 3) making real estate strategy; and 4) Implementing real estate strategy. Each block includes between two and four of the twelve components. Though all studied models included the four main topics, not every model includes all twelve components; however, all current models include at least seven components.

CRE alignment in practice

Currently Monique is researching CRE alignment in practice. Graduate student Lisa Kuipers is studying 5 multinationals amongst which is ANZ. Our aim is to describe how multinationals organise CRE alignment and to compare this with the insights gained from theory. Lisa studied relevant documents and has been able to interview Kate Langan, ANZ's CRE Manager, twice. ANZ is a multinational corporation active in the Financial Services industry. The firm offers financial or banking products and services to retail, corporate, commercial and institutional customers in 34 countries, mainly within Australia, New Zealand & the Asia Pacific region. Their stock is publicly traded on the ASX. ANZ 's vision is to become the best connected and most respected bank. To achieve this, their corporate business strategy consists of three main elements. First of all, ANZ pursues a centralized and organization-wide approach and the various divisions share common operations, technologies, and services on a global scale. The centralization helps maintain a coherent business for their customers and employees, while expanding globally. Secondly, ANZ aims to further strengthen their position in the domestic markets, through increasing productivity, gains in market shares and penetration of new offerings. Further, ANZ aims to make use of the profitability of the growing Asian markets to expand their business on an international scale. This also helps them diversify across products and geographies, making their business more resilient to changes in markets or customer needs. Eventually, these three main strategic objectives should lead to increased revenue and earnings, which is needed to increase shareholder returns.



Modelling CRE alignment: Four building blocks and twelve components to model CRE alignment (Heywood & Arkesteijn, 2016/2017 in press)

ANZ's Real Estate Group, as one of the business support functions, aspires to create environments that best enable the business. The CRE mission consists of three elements: having a commercial focus by enhancing productivity across the organization, being consistent on a global scale by further centralizing the operating model and delighting the customer by improving their real estate quality. The Real Estate Group recently refreshed their strategy in response to the revised corporate business strategy, which was driven by the impacts of the digital age and increased pace of business on the bank. This will have it's effects on the CRE portfolio. Furthermore, the Real Estate Group noticed that the way they operate had changed, during the previous five years they had gotten closer collaboration with the business, which caused increased levels of trust and transparency. This, combined with the external drivers of the digital age and high business pace, drove them to strive from more flexibility to fluidity and agility in the RE portfolio.

Need for further research

Although much progress has been made in the last decades, more research is needed:

CRE challenges

In The Bigger Picture, The Future of Corporate Real Estate, CoreNet Global identifies issues challenge the CRE manager: technology and the Internet of Things; risk mitigation; cyber security; environment, energy and sustainability; corporate social responsibility; and the interests and needs of a changing work force, particularly with respect to well-being. Michael Joroff and Franklin Becker will address the challenges in-depth and even take them a step further.

CRE alignment in practice

We have started research into the way organisation nowadays align their real estate to the organisation. Our aim is to compare CRE alignment in practice with the insights gained from theory.

CRE alignment book

The ambition to publish a new book on CRE alignment that summarises the insights gained in the last 10 years and which connects academic lessons learned with guidance for practice.

Decision tools to improve CRE alignment.

In the literature algorithmic approaches to alignment prevail. Monique Arkesteijn and Ruud Binnekamp are testing a CRE decision tool to improve CRE alignment (see also PhD research Monique Arkesteijn).

Concluding remarks

Dear Hans, you are aligned by setting the stage for education and research into CRE alignment at TU Delft since 1991. Many students have learned from and with you about scenarios, strategies and the difference between the two. The DAS Frame and other models and approaches to alignment were brought by students into practice. At the same time research continues to observe practice and experiment with new approaches.

Monique Arkesteijn is assistant professor of Real Estate Management (REM) and head of the REM section at the Department of Management in the Built Environment, Faculty of Architecture TU Delft.