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Corporate Real Estate Strategies – A Multinational Approach

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CRE Strategies – A Multinational Approach

Abstract

CRE strategies have proved to contribute to the creation of competitive advantages by integrating corporate value and the organizational culture across multi-locations. CRE strategies also facilitate attracting and retaining best talent. Through a qualitative research method of case study, this paper examines the impact of changes in the CRE strategies of McDonald's and Hewlett Packard, both companies being multinational firms that represent the two main segments of CRE: retail and offices. Findings indicate that the changed strategies have provided for increased revenue and higher shareholder value in the case of McDonald's and enhanced space utilization, comfortable working environment and a global design standard for all offices and workstations of HP. The study also analyzes the option of selling and leasing back CRE assets against owning them.

Key Words: CRE Strategies, competitive advantage, sale and lease back, resource-based view

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Chapter 1 Introduction

Strategy in general is the direction and scope of a firm that defines its path over the long-term. Strategies as tools enable a firm achieve competitive advantages by a formal configuration of resources available with the firm. Michael Porter (1980) in his approach to strategic management points out that even though a firm may possess varied strengths and weaknesses as compared to its competitors ‘low cost’ and/or ‘differentiation’ are the two basic competitive advantages that ensure the success of the firm. Porter (1980) has identified three generic strategies of cost leadership, differentiation or focus (the latter having further variants of cost focus and differentiation focus).

‘Resource-based view’ of strategy is another way of looking at the competitive advantages available to a firm. This view emphasizes the existence of firm-specific resources as the fundamental determinants of competitive advantage. Firm resources include all assets, capabilities, information knowledge and reputations that a company owns or controls. These resources enable the firm to formulate and implement strategies capable of improving the efficiency and effectiveness of the firm (Pettigrew et al., 2006). Based on the resource-based view of competitive advantage, this paper suggests that corporate real estate is one of the major resources of the firm that helps a firm to conceive and implement successful strategies for improving the business performance. This paper attempts to analyze the salient features of resource-based view of CRE strategies in a multinational context.

1.1 CRE Strategy – A Background Note

There is no precise definition of the term real estate strategy in the literature. Singer, (2005) defines a CRE strategy as “a plan to assert the CRE portfolio in a manner that contributes both

directly as well as indirectly to the long-term profitability and continuity of the corporation”.

Edwards & Ellison, (2004) define real estate strategy as “the appliance of management strategies to the property portfolio of an organization to achieve its operational objectives efficiently”.

O'Mara, (1999) applied the basic concepts of strategies of Porter through formalized analysis of industry situations to enable the corporations to better manage their CRE portfolio from a strategic perspective. O'Mara (1999) developed three generic CRE strategies based on Porter's generic strategies of competitive advantage. O'Mara describes these three generic strategies as the foundation for the firms to implement an effective CRE strategy.

O'Mara states that firms tend to pursue an incremental strategy, a value-based strategy or a standardization strategy, which help the firms improve their overall performance. While the standardization strategy proposed by O'Mara is on the lines of the low-cost strategy of Porter, the incremental strategy replicates the differentiation strategy. The focus strategy of Porter takes the form of value-based strategy of O'Mara.

The globalization of real estate markets has led to the evolution of a number of studies on CRE research. These studies have increased the awareness of the corporations on the importance of the CRE structure and their relationship with business strategies (Rutherford & Nourse, 1988; Rutherford & Stone, 1989; Nourse & Roulac, 1993; and Roulac, 2001). Most of these studies have brought to light the conceptual relationship of CRE to the value of the firms.

Nourse and Roulac have focused on the CRE strategies founded on the context of strategic management. However, literature has no evidence of an empirical reporting on the correlation of CRE strategy with the financial performance of the firms. This is a clear gap in the literature.

1.2 Significance of the Research

Roulac (2001) points out effective CRE strategies could enhance the competitive strength of a firm by attracting and retaining new customers. Cool *et al.* (2006) state that a firm achieves competitive advantage by lowering its cost of production or by its ability to provide higher perceived benefits to a group of customers

According to the resource-based view, the resources that a firm possesses are heterogeneous in nature. The firm acquires some of these resources, such as the reputation of the firm or the information knowledge over a period. However, it is difficult for the competitors to accumulate and imitate these resources specifically owned by a successful firm. This perspective provides an understanding of the resources, which form the basis for developing competitive advantages for the firm and the necessity to protect and develop such resources (Cool *et al.* 2006). The CRE strategies make valuable contribution to improvements in business processes, which ultimately lead to enhanced enterprise values and cultures. It also promotes overall operational efficiencies. Stimulating innovation within the firm, enhancing the core competencies of firms, and increasing shareholders' wealth are some of the other direct benefits from adopting superior CRE strategies. This makes the study of CRE strategies significant from the perspectives of real estate managers and practitioners.

1.3 Aims and Objectives

This research aims to study the impact of CRE strategies on firm performance in a multinational context. The following are the main objectives of the study.

1. To enhance the knowledge on the role of CRE strategies with respect to their relationship with the competitive strategies of corporations;

2. To study the potential contribution of CRE strategies on enhancing the firm performance;
3. To present *via* the case study of two multinational companies in the main sectors in CRE (retail and offices) that have successfully aligned their real estate strategies with their overall organizational goals.

The paper has the following chapters: Chapter 1 introduces the topic under study with a background note on real estate strategies. Chapter 2 reviews the existing literature on the CRE strategies and their relation with competitive strategies. The review also relates to the literature on the CRE in a multinational context. Chapter 3 briefly describes the research methodology. Chapter 4 presents two case studies on CRE strategies in a multinational context. Chapter 5 presents some concluding remarks summarizing the findings of the research and makes some recommendations for further research.

Chapter 2 CRE Strategy – Theoretical Review

Linking strategic real estate planning with overall firm strategies contributes to the success of the firm. Such strategic planning would also contribute to the enhancement of the competitive advantages of the firm. Real estate has the requisite qualities to be included in the resources that could provide competitive advantage to a firm. However, one major impediment for inclusion of real estate in the corporate strategic planning is the lack of knowledge on the part of the corporate executives about the role of real estate in improving firm performance. A survey conducted by Arthur Anderson, (1993) observed that the senior managers working for many of the large corporations in the United States perceive the activities concerning real estate as a routine organizational issue to meet the ongoing needs of the firm rather than a corporate

strategy. The objective of this chapter is to present CRE strategies through a review of the relevant literature.

2.1 CRE Strategy

There are certain major challenges that confront the present day businesses in the form of globalization, consolidation, downsizing, restructuring, streamlining, changes in technology, changes in talents and attitudes of workers and increased focus on the flexibility. CRE has the ability to alleviate the potential adverse consequences of these challenges to any firm. The firm will be able to address some or all of the challenges caused by these factors by conceiving and implementing suitable CRE strategies.

Quite often by providing efficient, innovative and productive work environments, the firms will be able to meet these external challenges largely. It is important that the work environment is flexible enough to enable the firm to respond to changes in the market swiftly. A firm can achieve flexibility in the work environment by adopting proper CRE strategies. While devising the CRE strategies the firm should consider the critical success factors like selection of sites and interior and exterior designing of the proposed factory/office buildings. The firm will be able to enhance the value of its CRE once proper and timely CRE strategies are implemented.

The central focus of this study is to examine the hypothesis that efficient CRE strategies will maximize the work place efficiency. The strategies include precise planning of space per employee. Case study on Hewlett Packard (HP) forming part of this paper highlights the role of CRE strategy in improving the workplace efficiency. HP achieved workplace efficiency maximization through redesigning and consolidating workspace and by undertaking capital improvements.

The changes in workplace settings automatically increase the flexibility of real estate to accommodate growth in the business. The redesigning of the workplace can also lead to the creation of team environments. Finally, it also increases the chances for enhanced interaction among employees contributing to greater organizational efficiency.

It is a fact that real estate providing for technological options such as virtual offices and teleconferencing can further maximize the firm efficiency. Above all, by adopting effective CRE strategies firms can expect positive improvements in their performance. The central focus of this study is to examine the proposition that effective strategic planning of CRE would lead to improved firm performance.

Based on the premise the type of firms that would look for the three different space strategies can be tabulated as below:

Strategy	Type of Firms
Incremental Strategy	Companies under great uncertainties; new companies in the start-up stage; companies in which the demand for the products sold cannot be predicted; companies having fast growth. Example: High Tech Information Technology Companies.
Standardization Strategy	Companies with low uncertainty where decisions on space are strongly regulated; large companies with a well consolidated position in a stable or expanding market and often with distributed localization; companies where the speed of expansion is critical. Example: Large chain stores and fast food franchisees with established brand reputation
Value-based Strategy	Companies where symbols and values of the firm play an important role; companies using their building projects to promote their position; companies using building as a symbol. Example: Banks having multinational presence

The most critical aspect of space strategy is to ensure that the firm's long-term needs are taken into account while adopting a particular strategy. The real estate facilities fulfill two critical expectations of any firm in that the first is to provide physical support to the production or service process and secondly to take the role of a symbolic and recognizable presentation of the firm to the internal and external stakeholders.

2.1.1 CRE Strategy and Competitive Strategies

In a competitive business environment, firms have started realizing the potential of their real estate assets. However, firms will be able to draw such potential benefits from the real estate assets only when they adopt suitable CRE strategies and align them with the overall business strategies.

Competitive strategy is defined to include the allocation of the available resources of the firm among competing investment opportunities with a long-term perspective. However an efficient allocation of the resources based on pre-set strategies, may not alone enhance the competitiveness of the firm. According to Hamel & Prahalad, (1993) the importance of competitive strategy is enhanced by the ability of the firm to marshal its resources and not on the ways in which the firm is able to fit its strategy to match the resources. The long-term competitive success of the firm depends on the ability of the managers to leverage the resources of the firm. CRE strategies will meet this precondition of leveraging resources, which forms part of the competitive strategies.

With CRE strategies in place, the managers will be able to leverage the CRE in the best possible manner to add to the competitive advantage of the firm. On the other hand, the competitive advantage in corporate strategy is achieved by matching the opportunity and competence.

Resources that a firm possesses represent the opportunity, and resources in this case may be either tangible or intangible. Resources like capital, equipment, and the skills of the employees, patents, financial strength and reputation of the firm are inputs into the production and marketing process of a firm.

Corporate strategies provide for increased effectiveness in the operation of the firm. This in turn enlarges the set of resources available to the firm. Through the synergistic combination and integration of the increased resources available, the firm is able to garner greater competitive advantages. When CRE strategy is adopted as part of the corporate strategies, it enhances both the tangible and intangible resources (in the form of market reputation acquired through efficient CRE strategy) available to the firm that strengthens its competitive ability.

There are other aspects of a firm which influence the CRE strategy formulation at the corporate level. For instance, the organizational culture and the nature of business have a large influence on the CRE strategy formulation. Firms expect to realize different benefits from the real estate strategies. Benefits such as low cost, distribution efficiency, employee retention, or proximity to markets or resources result from efficient CRE strategies. Therefore, it is impossible to relate a uniform measure of performance to the CRE strategies of any firm and the benefits that accrue from the CRE strategies. However, it is possible that a firm can derive all the benefits of effective competitive strategies by adopting suitable CRE strategies.

While the resource-based view deals with competitive advantage of the firms based on an internal analysis of the resources of the firm, sustainable competitive advantage results from the privileged market position of the firm. According to Cool *et al.* (2006) sustainable competitive advantage does not arise entirely from firm-specific assets or capabilities. A strategy may lead to the development of a sustainable competitive advantage either because such advantage arises

from the use of unique firm resources or the replication of such strategy becomes unprofitable for the latecomers (since the strategy is already employed by a limited number of firms).

Besanko *et al.* 2008 advocate that under such circumstances the underperforming firms would find it difficult to garner the resources and capabilities possessed by the firms that perform splendidly. Therefore, ‘resource heterogeneity’ is the corner stone in the strategic framework of resource-based theory of the firm. If a firm were able to gain a specific strategy that enhances its competitive advantage, then it would be possible for all the other firms to replicate this strategy.

In order to make a competitive advantage become sustainable a firm should possess resources and capabilities that are scarce and imperfectly mobile.

The real estate assets because of their uniqueness possess this character of ‘scarce and imperfectly mobile’ and can become one of the resources that trigger the development of a perfectly sustainable competitive strategy. This is even more prominent in the case of firms having a multinational presence. The firms by strategizing the holding of real estate properties with different capabilities would be able to derive several competitive advantages apart from low cost, distribution efficiency, employee retention or proximity to markets or resource. The additional competitive advantages may include enhanced image of the company, customer brand recognition and loyalty, better workplace environment to improve the efficiency and productivity of the employees, several financing options including sale and lease back, efficient planning of business processes, promoting firm value and culture and attracting and retaining customers. The asymmetry that exists in the case of real estate assets makes them a useful strategizing element. Since the firms have the flexibility to organize their real estate planning according to the firm needs, real estate becomes a powerful strategizing element in the hands of the firms. This

reiterates the point that firms can effectively use the CRE strategies to achieve a higher level of business performance.

2.3 Strategy of Sale and Leaseback of Real Estate Assets

In the tight capital and credit markets, both large corporations as well as smaller business houses look for alternatives to augment their financial sources. In this process, many firms tend to overlook their own real estate assets, which can enhance the liquidity of the firms. One of the latest real estate strategies is resorting to sale and lease back transactions for enhancing the liquidity of the firms. Sale and lease back is a contractual arrangement in which one party sells a property to a buyer and the seller immediately leases back the property for its own use. The objective of this arrangement is to enable the seller to make full use of the property without its capital tied up in the value of the property. Tax benefits are also one of the major advantages of lease back transactions.

Most of the companies adopt this strategy mainly to improve their liquidity. Firms with a good financial standing use the proceeds to expand their existing business. These firms often sell their specific assets like specialized equipments. On the other hand, firms with low margins sell and lease back their real estate assets in order to artificially leverage their investments.

In addition to enhancing the liquidity, there are several other drivers, which force firms to pursue the strategy of selling and leasing back of real estate assets. These drivers include (i) raising of funds for expansion of business, (ii) diversifying the sources of funds, (iii) improving the overall efficiency of the firm, (iv) enhancing occupational flexibility, (v) selling the assets which do not contribute much to the profitability of the company (vi) focus on its core business (e.g. by

outsourcing operational and facility management to the new owner), (vii) reduction of real estate exposure/risk.

The first reason as to why sale and lease back is a viable opportunity can be the scarcity of capital available in the market and the reason that the conventional forms of debt financing have become prohibitively expensive. The growing record of sale and lease back transactions undertaken by large corporations present the strategy of sale and lease back as a viable alternative for raising the necessary funds at times of exigencies. One of the major advantages of this strategy is that it allows the firms to create capital by raising it through the business. Unlike with the debt financing there is no repayment of the capital raised through sale and lease back transactions.

There are other advantages resulting from sale and lease back transactions, which make the proposition attractive. They are:

- (i) the business through the introduction of new capital is able to deliver a good yield compared to the internal cost of capital and rate of return on equity;
- (ii) this form of financing meets the interest of the shareholders and it also does not break any of the covenants of the banks;
- (iii) there is the flexibility for the firms to decide on the accounting treatment of these leases with the option of treating them as on or off balance sheet transactions;
- (iv) the transactions can be structured in a flexible way taking into account the future ownership of the assets and the role of the firm selling the assets;

- (v) sale and lease back transactions meet the norms of accepted occupational flexibility versus cost.

These advantages make the sale and lease back strategy an efficient alternative source of raising capital for large corporations.

Chapter 3 Research Method

This study uses the qualitative research method of case study for collecting the primary data for presentation.

Case study is found out to be an effective research method, which allows contextual realities to be investigated. Case study enables the researcher to gain a holistic view of a certain phenomenon or series of events. Since case study uses many sources of evidence, it provides a whole picture. “Another advantage is that case study can be useful in capturing the emergent and immanent properties of life in firms and the ebb and flow of organizational activity, especially where it is changing very fast”. (Hartely, 1994) These distinct advantages of case study method prompted the use of this research method for the current study.

The process of this research engages the methodology primarily involving collection of the required data. Efficient data collection process ensures and leads the researcher to valid and credible findings from the research. This research is founded on the case study of real estate strategies of Hewlett Packard and McDonald’s - two distinct multinational firms. These two firms have been successful in implementing real estate strategies and aligning them along with their business strategies.

Data was collected using the available literature on the application of real estate strategies by several multinational firms. The data on development of real estate strategies was gathered from various Internet sites offering volume of information on the subject.

Chapter 4 Case Study

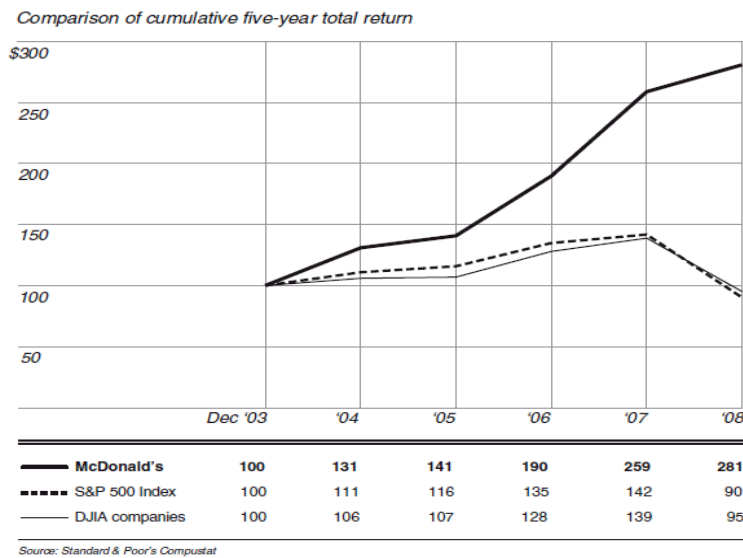
4.1 Introduction

This chapter presents an analysis of the CRE strategies of McDonald's and Hewlett Packard as case studies. The case of these two corporations has been chosen for study based on two reasons. First, the CRE strategy of MacDonal'd's represents the standardization strategy and is a good example of a retail real estate focused company. Secondly, the real estate strategy of HP represents the value-based strategy; focusing more on office real estate (the large majority of its real estate portfolio).

4.2 Real Estate Strategies of McDonald's

Being one of the largest fast food chain restaurants McDonald's franchises operates 31,967 restaurants in 118 countries as at the end of the year 2008. Out of these, 18,402 locations are operated as conventional franchising operations and 2926 as developmental licensed operations. The company owned 6502 retail locations and 4,137 retail outlets are operated by foreign affiliated associates (Annual Report, 2008). The company owns land and buildings or it secures long-term leases for both company operated and conventional franchise arrangements. This strategy enables the company to maintain the long-term occupancy rights, control related costs and above all, align the business strategies with that of the franchisees.

By adopting this rather unique real estate strategy unlike its competitors, the company is able to make revenue in two different ways. First, just like most of the other fast-food operators, as a franchisor, McDonald’s collects royalty from its franchisees who are independent business operators. Secondly, McDonald’s operates as a real estate company because it owns the land and buildings in many of its franchised locations across the world. While the royalty ranged around 4% (presently 8.5%) of the sales, rental income was equivalent to about 10% of the sales on top of the royalties paid by the franchisees. This makes McDonald’s more a property owner, than a conventional fast-food chain.



This CRE strategy among other competitive edges possessed by McDonald’s has enabled the company to make a cumulative five-year total return for the stockholders way higher than the companies included in the Standard & Poor 500 stock index and Dow Jones Industrial Average. The graph above exhibits this. The graph assumes that the value of investment in the common stock of McDonald’s, the S&P 500 and DJI companies was \$ 100 as at December 31, 2003.

In order to buy new properties in different locations where McDonald's wanted to expand, the company needed more funds. For getting the necessary funds from the bank, the company had to show a higher net worth. At that point, the company treated the present value of future rentals receivable from franchisees as an asset and strengthened its balance sheet. This was an aggressive move when the company started implementing its real estate strategy, as the accounting principles were silent on this treatment of future rentals. This item represented \$ 5.8 million in capitalized assets thus increasing the company's assets by four times. The company could report the net income as ten times higher than the previous year's net profits at a time when the company was badly in need of showing an impressive performance to garner more financial strength. This strategy adopted by the company in the year 1968 fueled its explosive growth in the next five years and by the year 1974 the company could open 3000 stores, which made the company have 2000 store more than Burger King standing second. Even in the year 1975 hit by a recession McDonald's reported an increase in sales of 28% at \$ 2.5 billion and a jump in the net income of 32% (David, 2003).

The real estate strategy also enabled the intrinsic value of the shares of the company go up. The book value of the company's US property as of 2002 amounted to about \$ 4.2 billion with a market value of \$ 6.9 billion, which was estimated to contribute \$ 5.50 per share.

Initially real estate ensured success for McDonald's rather than the fast food it ventured. The majority of the company's profits came in the form of rent from the franchisees, which drew from a percentage of the sales of the respective store.

The real estate strategy in fact created strong goal congruence between McDonald's and its franchise operators and minimized the threat of opportunism. This was clearly a win-win

situation for both the company and the franchise operators (Lashley & Morrison, 2000). Another distinct advantage of McDonald's real estate strategy was that the arrangement was more effective than a mere franchise agreement at a point of time when the legal power of franchise agreements were less established. This strategy prevented opportunism on the part of franchisees from simply replacing the signage of the franchisor and withhold the royalty payments.

4.3 Need for Revised CRE Strategies in HP

Hewlett Packard (HP) decided to implement its Global Workplace Program in the spring of 2006 for supporting the increasingly mobile work force of HP. The other objective was to reduce its CRE holdings across the world significantly. This move was considered an effective real estate strategy to improve the performance of the company on an overall basis. There were changes in work styles of the employees because of the growing mobility of the large workforce. This compelled the company to right size its real estate holdings. For a firm of the size of HP having more than 150,000 employees and about 65 million square feet of real estate both owned and leased, the real estate strategies were of critical importance. In addition, the merger with Compaq in the year 2002 expanded the real estate holdings of the company to a level that required urgent attention to have a relook into the strategic decisions in the area of real estate. The merger brought an altogether different organizational culture of Compaq into HP, which sparked the need for HP to reaffirm its culture throughout the larger and more complex firm emerged after the merger (Grantham *et al.* 2007). Factors like significant underutilization of office space (because of a larger number of people working in multiple locations), inefficient usage of available work space, and reaffirming the HP organizational culture led to bringing a complete change in the CRE strategies of HP.

4.4 Scope and Solutions

The scope for revising the real estate strategies in HP was to evolve a workplace, which proves to be an open environment committed to providing inspiration to the workforce. The strategy should also enable a perfect collaboration among the diverse work culture of the company. The ideas for the new workplace consisted of a number of entities that included sustainable building designs and support of the mobility of the work force among multi-locations. The real estate strategies should also provide for a similar look and feel to improve its facility branding therefore developing an internal image and culture. The scope of revised real estate strategies included the development of a “High Performance Work Team” (HPWT) environment, which focused mainly on efficient usage of available space, implementation of superior HP technology and overall services in order to improve the contribution of real estate assets to the performance of the company. The changes in the real estate strategies in the form of designs and guidelines took into account the suggestions and ideas of business groups and employees to gain their support to the ultimate changes in the real estate holdings and utilization. While developing the alternative strategies, HP considered feedback and input into specific areas and interests such as use of sophisticated ergonomic equipments, disabilities resulting from improper or ineffective usage of space and equipments. HP also consulted External benchmarks for arriving at best practices (CBRE Research, 2009).

4.5 Results

The corporate business strategy of HP addresses critical elements such as customers, employees and processes. These elements are impacted by the environments in which HP does business. In addition, such strategies also interacted with the customers, provided workspace for the

employees and supported the business processes. “A superior corporate property strategy impacts and produces positive outcomes in employee satisfaction, production factor economics, business opportunities realized and forgone, risk management considerations, and other impacts on enterprise value.” (Roulac, 2001)

The changed real estate strategies have helped the company

- (i) to enhance the competitive advantage through creating new customers and retaining old customers,
- (ii) attracting and retaining outstanding talents, contributing to effective business processes to optimize productivity,
- (iii) promoting the enterprise value and integrating the organizational culture, stimulating innovation and learning practices,
- (iv) enabling the acquisition of core competencies and above all increasing the shareholders’ wealth.

The objectives of revamping the CRE strategies are to: “minimize occupancy cost; increase flexibility; promote human resources objectives; promote marketing message; promote sales and selling process; facilitate production, operations services and delivery; facilitate managerial process; and capture real estate value creation of business”(Nourse & Roulac, 1993).

4.6 Discussion

The case study of both McDonald’s and HP clearly articulates the character of CRE strategies to be considered as an essential component of competitive as well as corporate strategies as laid down by the resource-based view of these strategies. In both the cases, the CRE strategies have contributed significant financial and other benefits to the corporations, which is the objective of

conceiving and implementing different strategies. Especially in the case of McDonald's the CRE strategy adopted by the firm has contributed to the growth of the company at a critical point of time. McDonald's was able to stand alone from its competitors by sheer adoption of a unique CRE strategy. The Company could convert its resources into opportunity, which is the essence of an efficient corporate strategy. In the case of HP, the Company by properly realigning its internal resources of CRE was able to achieve a higher degree of employee productivity, which again goes to prove the dominant role of CRE in framing efficient corporate strategies.

The real estate strategies adopted by McDonald's and Hewlett Packard leaves the issue whether the corporations should own real estate or alternatively sale or lease back which is a newer concept in the CRE decisions. The real estate strategy adopted by McDonald's is different from the strategy of selling and leasing back. However, the concept of owning and leasing real estate locations best suited the business model of McDonald's as the company mainly operated as franchisor for several franchise operators. This strategy of owning and leasing may not really suit other business models. Therefore, corporations have started looking at the strategy of selling and leasing back the properties instead of owning or simply leasing them.

Chapter 5 Conclusion

This paper discussed various facets of CRE strategies and their impact on the performance of large multinational corporations focusing mainly on the resource-based view of competitive strategy. This study suggests that the linking of CRE strategies to business strategies is likely to result in increased competitive advantages to the firm and make the competitive advantages sustainable. The paper pointed out benefits such as minimizing the occupancy cost, increasing

flexibility of the firm, promoting human resources objectives, promoting organizational values, promoting the marketing messages, facilitating business processes, capturing real estate value creation for shareholders, attracting and retaining customers and engaging and retaining best talents can result from the adoption of efficient CRE strategies. Thus, the results also indicate the possibility of CRE strategies contributing to sustainable competitive advantages to a firm. One of the critical findings of this study is that CRE strategies can supplement the competitive strategies and they can form part of corporate strategies in furthering the business objectives of the firm.

The research undertook a case study of the real estate strategies of McDonald's and Hewlett Packard Inc to find the contribution of efficient real estate strategies to the respective firms. In the case of McDonald's the real estate strategy adopted by the corporation appears to have enabled it to reap superior financial advantages. These are in the form of increased revenues by way of lease rentals and enhanced share value by constant increase in the value of the real estate assets of the company. In the case of Hewlett Packard, changes in the real estate strategies appear to have resulted in pruning the core sites of HP. CRE strategies have helped HP changing the work settings of the corporation to address the work style of the individuals and their personal preferences, promoting superior interaction and teamwork among the employees, enhancing the space utilization up to a remarkable 90% (Grantham *et al.* 2007) and provide a contemporary and comfortable working environment as well as promoting a global design standard for all offices and workstations of HP. The research also attempted to compare the latest corporate strategies of selling and leasing back of the real estate assets against owning of the real estate properties and making strategic decisions. The strategy of sale and lease back of CRE provides a number of benefits to the corporation. However, firms have to consider several factors like corporate image,

convenience of owning real estate properties, escalation in the real estate value and cash flow requirements before they decide on exercising the option of selling and leasing back the CRE assets.

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