Real Estate Management and Value Adding in Corporate Institutions in Ghana

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Abstract
Real estate is a delicate item for most corporations as it account for about 35% of the total asset on their balance sheet. This notwithstanding, very little attention is paid to it by most corporations. Top management view real estate and facilities services as a cost centre, despite the immense ways it adds value to corporations. Corporate real estate management contributions are often submerged in that of the entire corporations’ and it is often very difficult to quantify its total added value. This paper adopts the value adding model by Lindholm et al. (2006) to ascertain its value adding strategies in the Ghanaian context. The paper also identifies new value adding strategies of corporate real estate in view of the dynamic business world. Using convenience sampling, two corporations were selected for the study. The value adding model fits the study corporations, but for a few peculiarities. From the study cost reduction and increasing value of asset were the key strategies. Site selection, workplace design and the provision of the needed facilities are the major factors that influence marketing and sales, employee satisfaction and productivity. Increasing innovations was the least value adding strategy. Space rationalization and the use of a sound data base as value adding strategies were peculiar findings not indicated by the model. The neglect of the real estate department in strategic corporate planning is a drawback to its value adding strategies. The study suggests that real estate must not be treated as a residual function. Real estate value adding strategies must also be linked to corporate strategy.

Keywords - Corporate Real Estate Management, Value Adding, Strategy, Ghana.

1.0 Introduction
Business performance is usually contingent upon effective use and management of all resources to enhance competitive advantage. Amongst such resources are buildings and associated facilities. Notwithstanding, there is still ignorance of the strategic worth of corporate real estate in some organizations despite the risk such ignorance poses to their overall business competitiveness. Traditionally, real estate has been considered as a necessary burden, a bunch of bricks and stones and cost centre by most organizations (De Jonge et al., 1996). Short term real estate decisions without consideration to the long term effect have been the practice in most organizations. Corporate real estate practices have over the years been in a more reactive form of practice and traditional maintenance. Corporate real estate management field has been inhibited by low prestige and priority accorded it in most organizations. This trend is however changing as the pace at which business changes is becoming more rapid. It is a tedious task to focus on long term plans as they seem to become out-dated in the short run. (McGregor, 2000). Real estate departments therefore have to be proactive and move fast with the organizations strategies. It is identified nowadays more as a business resource than just an asset. There is the need for corporate real estate department to move from being a task master to a business strategist. Undoubtedly, real estate adds value to the organization in various ways; however the field lacks empirical testing using well defined models to quantify the value that real estate adds to the organization (Lindholm et al., 2006). With the fast changing and competitive business world, corporate real estate as an enabling facility has a key role to play to enhance corporations’ competitiveness. This paper analyses the value adding strategies of the study organizations using the strategies outlined by Lindholm et al. (2006) model as a base, to see how it fit to these organizations and also make inputs from the case studies.

2.0 Literature Review
De Jonge et al. (1996) simply refer to corporate real estate as real estate in use by corporations. Corporate real estate management is often focused on operational, facility and project management plans, however for corporate real estate to add value to organizations there is the need to integrate corporate strategy with real estate strategy (Barrett and Baldry, 2003). The strategic planning process should align the facilities infrastructure with the core business, as well as drive corporate real estate initiatives process, people and enabling systems. Whilst many corporate real estate organizations are developing property portfolio strategies, most still do not engage in strategic planning for service offerings and capabilities to support the core business (Acofa and Foster, 2003). The role of real estate within the corporate strategy should not be limited to minimization of costs of physical structure or outsourcing activities on the basis of achieving operational effectiveness (Krumm, 2001). By producing strategic real estate plans that address the business unit objectives such as efficiency, customer satisfaction and productivity, corporate real estate executives can best demonstrate their value and provide a platform for being involved in the broader corporate planning process (Lambert et al., 1995). Organizations
always aim at maximizing wealth for their stakeholders by adding value to their productivity. Translating corporate strategies into supporting real estate strategies can lead to value adding. De Jonge et al. (1996) identify cost reduction, flexibility, and relationship between real estate and marketing as ways real estate can add value to the firm. Nourse and Roulac (1993), see value adding as a strategy, highlighting changing culture by introducing workplace innovations and grouping a range of real estate decisions under heading of risk control.

The Balance Score-Card (BSC) as a strategic management system incorporates both direct and indirect value-adding abilities of real estate. The BSC places corporate strategy at the centre, organizing strategic objectives into finance, customer satisfaction, internal business processes and organizational learning and growth. The concept views revenue growth and productivity as ways to increase values (Kaplan and Norton, 1996). In viewing an organization from four vital perspectives, the BSC is intended to link short term operational control to long term vision and strategy of the business. The idea of the BSC is to describe the essential ingredients of business success. The BSC furnishes a language for describing expectations and performance, thus laying the foundation for discussions on how each individual can contribute to fulfilling the organizations vision (Dilanthi et al., 2002). The role of corporate real estate in achieving the organizations vision cannot be underestimated.

Lindholm et al. (2006) also outlines seven value adding strategies. Cost reduction, increasing productivity, increasing employee satisfaction, increasing value of assets, increasing flexibility, promoting marketing and sales, and increasing innovations. The model has revenue and profitability growth as the main drive. The model is a built up of the BSC and involves both direct and indirect ways that real estate decisions can increase revenues and profitability to maximise wealth of shareholders. Lindholm et al. (2006) also further add that for real estate strategies to add value to the firm, CREM decision making must be linked to the strategic decision making level of the organization and corporate real estate staff must possess knowledge of business and its needs. Such knowledge creates confidence amongst business units who are more willing to corporate and depend upon the corporate real estate staff to make value adding to the firm in a language that top decision makers understand.

3.0 Methodology
The value adding model expounded by Lindholm et al. (2006) was adopted for this study. Two case studies organisations that have core businesses in banking and finance, and insurance were selected for the study. Interviews were conducted with the heads of the estate management departments of these organizations using structured questionnaire taking into consideration the very key attributes of the strategies expounded by Lindholm et al., (2006). A qualitative analysis of the key reasoning on the various strategies with the respective organizations was done alongside the adopted model, taking note of any peculiar findings.
This model is broad based and actually incorporates the balanced scorecard approach which identifies revenue growth and productivity as the two basic ways by which corporations can add value. Lindholm et al. (2006) corroborate it with other value adding attributes like increase value of assets; promote marketing and sales, increase employee satisfaction, increase productivity, cost reduction, increase flexibility and increase innovations. We sort to see how this model adapts to the case of these two organizations as well as identify major differences. Considering the fact that the business world is dynamic we identified new value adding strategies that have cropped up in these organizations under study.

4.0 Background Information of Study Corporations
4.1 The Ghana Commercial Bank Limited (GCB)
Ghana Commercial Bank Ltd. started in 1953 as the Bank of the Gold Coast to provide banking services to the emerging nation for socio-economic development. In 1957, it was renamed Ghana Commercial Bank (GCB) to focus solely on commercial banking services. Its mission is to be the established leader in banking, satisfying the expectations of customers and shareholders, providing a full range of cost efficient and high quality services through the optimization of information technology and efficient branch network. Currently, Ghana government owns 21.36% shares in the bank, while institutional and individual holdings add up to 78.64%. GCB now has over 150 branches and 11 agencies throughout the country. GCB has real estate portfolio in the form of branch premises to carry out its banking operations, residential buildings and staff training school.
With a little over 300 properties, the role of corporate real estate to the bank cannot be underestimated. As figure 2 depicts that the bank owns little more than rented properties.

4.2 State Insurance Company Limited (SIC)
Enjoying an estimated market share of over 25% of the insurance market in Ghana. SIC is one of the oldest non-life (general business) insurance companies listed on the Ghana Stock Exchange. The government of Ghana owns 40% equity share whiles the Ghanaian public has 60% shares. Its mission is to provide innovative and competitive insurance and allied financial services to their clients through a highly skilled and motivated workforce with a commitment to deliver value to all stakeholders. Its real estate portfolio is in the form of branch offices and residential buildings. SIC have branches in all regional capital and some few districts offices.

Figure 3: Estimated Number of Real Estate (Owned & Lease) - SIC

On the average SIC has about 60 properties and this constitute quite a sizeable an investment. Prudent management of these properties has brought significant gains to the company. About 40% of these properties are owned.

5.0 Findings
The stake of the study organizations in the markets varies as their core businesses are in banking and finance, and insurance. The strategic ways in achieving revenue growth and profitability through the various real estate value adding strategies differs as such an analysis of the individual corporation is done.

5.1 Ghana Commercial Bank Limited (GCB)
The Properties and facilities management unit although seen as a non-core business is quite vital to the
successful operation of the bank. The unit exists to support the operational needs of the bank. The study revealed that cost reduction was the key value adding tactics by the bank. The bank’s view is perfectly in line with Kaplan and Norton (1996) and Krumm and Devries (2003), who sees cost reduction and revenue growth as key element for global performance.

GCB operates in a very competitive environment as such proactive corporate real estate decisions that lead to cost reduction are adhered. There is strategic outsourcing of services to reduce cost. Services procured are taken through a tender process to select the best option at the lowest practicable cost. The bank also has a well planned maintenance policy. Currently, there is a five year maintenance plan which is reviewed yearly. This helps the bank to avoid costly repairs and expenditure; thus, reducing cost and indirectly maximizing shareholders wealth. In-house technicians are readily available to respond to urgent needs such as faulty air conditioners, generators and communication systems. Such timely response to problems minimizes disruption of the banking operations and enhances performance. Selection of locations for branches is based on the need, customer base assessment, and economic activities in the area. Government incentives as a cost reduction measure have little influence on location of branches.

Site selection, physical and workplace design and provision of the needed amenities were identified as key factors that influence GCB’s marketing and sales, employee satisfaction and productivity. As a commercial bank, accessibility and visibility through site selection influence marketing and sales. Accessibility is basic to attract customers. The provision of good infrastructure with the required fittings and fixtures, and parking spaces create satisfaction not only for employees but also for customers. The study revealed that, the availability of these influence themes and systems of the bank, and accordingly affects productivity. Environmental assessment by the Environmental Protection Agency (EPA) is done to ensure environmental quality before the building becomes operational. With increase in customer base and congenial workplace design with the desired facilities, profitability and revenues are likely to increase thus indirectly adding value to the bank. Quality service is achieved through the institution of Service Level Agreements (SLAs)

In view of the competitive business environment coupled with the cost saving drive, a high degree of flexibility is maintained. This involves the creation of short term leases of up to five years with room for expansion and contraction. In addition, the bank is changing from its traditionally “own” real estate policy. Depending on the necessity and the operational needs of the asset, a decision is then arrived to either own or lease. Flexible workplaces that can be adapted to multiple uses and the creation of hot desks are done. There is an increase in the use of plaster boards in partitioning of buildings than the old concentrate block work that is rigid and difficult to change.

From the study, GCB has a substantial amount of real estate portfolios as depicted in figure 2; however these are mostly for business operations and residential use. Management of real estate portfolios to enhance financial performance is limited at GCB. The bank’s focus is on commercial banking activities and not management of real estate as capital assets. The research revealed that real estate contribution to the banks overall financial performance is insignificant as indicated by table 1.

### Table 1: Contribution of Real Estate to the Bank from 2010-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Other Income (includes Income from Real Estate) GH C '000</th>
<th>Total Income GH C '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4,241</td>
<td>568,189</td>
</tr>
<tr>
<td>2012</td>
<td>7,181</td>
<td>418,124</td>
</tr>
<tr>
<td>2011</td>
<td>3,652</td>
<td>28,8549</td>
</tr>
<tr>
<td>2010</td>
<td>2,432</td>
<td>331,506</td>
</tr>
<tr>
<td>2009</td>
<td>4,464</td>
<td>202,495</td>
</tr>
</tbody>
</table>

Source; GCB, Annual Financial Statement, 2013

As depicted by table 1, contribution from other income that includes incomes from real estate is quite small as against the banks total income over the years.

Increasing innovation is the least value adding strategy to the bank. GCB does not operate in too much knowledge business or high technology environment. Design that provides the needed customer and employee satisfaction is given much attention than innovative workplace.

### 5.2 State Insurance Company (SIC)

SIC places very high rank on real estate since it constitutes a significant amount of their investments. Real estate as a capital asset is a contributing factor in the assessment of insurance companies in Ghana. In terms of real estate value adding strategies, increasing value of assets was seen as a major strategy as opposed to cost reduction seen by most organizations. The study revealed that the effective and efficient management of real estate portfolios has led to increase value of assets thus enhancing financial returns.

With regard to promoting marketing and sales, other vital strategies were discovered in addition to ones expounded by Lindholm et al. (2006). These are ecological and environmental friendliness, “positive address reputation” well-coordinated landscape and design which is user friendly to the physically challenged.
Further, effective management of amenities such as parking, lifts and lighting systems also influence marketing and sales. The study revealed that site selection and physical design, expounded by the model equally enhances marketing and sales at SIC.

From the research, some outstanding factors relating to cost reduction strategy were discovered. Corporate real estate decisions concerning cost reduction factors landlord and tenant market issues vis-à-vis the impact on rent and term negotiations and depreciation and its impact on the organizations balance sheet. An analyses of cost in-house service provision against outsourced service provision with cost reduction as an aim is done and best option taken. Planned preventive maintenance is also done to avoid costly repairs and expenditures. With the rising energy cost, energy economics which involves efficient planning and use of energy is also high on the practice.

With regard to employee satisfaction, SIC is of the view that since employees spend more time in the office, it is important to create working environment that gives employees the needed satisfaction. The provision of quality facilities management services, coupled with SLAs to ensure quality service is paramount. Further, the overall design of the building (both the exterior and interior) and the level of specification and furnishing are considered vital in achieving the desired level of employee satisfaction.

Workflow design and the location of work teams to optimize space usage and minimize communicating time influences productivity. The re-engineering of the workplace or the workflow to reduce existing steps involved during work boost productivity. Further the workplace design, facilities available and level of services influence productivity. Security and safety installations also play a key role.

Flexibility at SIC involves the design of flexible workplace that can stand the duration of business needs. There is also negotiation for short term leases of up to 5 years with room for modification of the property to suit their current business operations. There are instances where long term leases are negotiated in cases where significant capital investment are made to improve the subject property expenditures. With the rising energy cost, energy economics which involves efficient planning and use of energy is also high on the practice.

Like GCB, SIC does not need innovative workplace design as such the strategy is less familiar.

**Table 2 provides a summary of respondents' opinion of the respective value adding strategies.**

<table>
<thead>
<tr>
<th>ORGANISATION</th>
<th>Increase Value of Assets</th>
<th>Promoting Marketing and Sales</th>
<th>Increase Employee Satisfaction</th>
<th>Increase Productivity</th>
<th>Increase Flexibility</th>
<th>Cost Reduction</th>
<th>Increase Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCB</td>
<td>Real estate for operational and residential uses, not actively managed as capital assets to optimize financial returns.</td>
<td>Site selection and physical design are basic to marketing and sales.</td>
<td>Workplace design to give employees the needed satisfaction. Provision of the needed facilities. SLAs to check quality of services.</td>
<td>Workplace design that enhances the productivity of individual themes and systems.</td>
<td>Creation of flexible workspaces that is adaptable to different uses and change. Hot desk creation Flexible short term leases of up to 5 years Strategic lease own decision</td>
<td>Strategic outsourcing decisions. Evaluation of in-house capacity and cost against outsourcing service provider. Planned preventive maintenance to avoid costly repairs and expenditures.</td>
<td>A less familiar value adding strategy. Innovative workplace design is not a priority. Workplace design focused on customer and employee satisfaction.</td>
</tr>
<tr>
<td>SIC</td>
<td>Real estate portfolio actively managed to optimize financial returns.</td>
<td>Site selection and physical design (exterior and interior) design influence marketing and sales. Environmental friendliness Positive address reputation Well-coordinated landscape Design that are user friendly for physically challenged Effective management of amenities.</td>
<td>Site selection Workplace design to give employees the needed satisfaction.</td>
<td>Good infrastructure (exterior and interior) design that impact on the functionality of space. Workflow design and location of work teams to optimize space usage and minimize communicating time. Security and safety installations.</td>
<td>Creation of workspace that is very flexible and adaptable to multiple uses. Hot desk creation Flexible short term leases of up to 5 years.</td>
<td>Strategic outsourcing decisions. Evaluation of in-house capacity and cost against outsourcing service provider. Consideration of property market and its impact on rental values and terms. Depreciation and its impact on balance sheet.</td>
<td>Less familiar value adding strategy. Innovative workplace designs not a priority.</td>
</tr>
</tbody>
</table>
6.0 Discussion

The study organizations generally fit the value adding model, but for a few additions and peculiarities. Increasing value of asset was ranked 2 by GCB while SIC ranked it 7. Clearly the strategy does not add much value to GCB, as identified earlier, real estate portfolios are for business and residential use than actively being managed as a capital asset. Site selection, workplace design and the provision of the necessary amenities were factors that influence marketing and sales, employee satisfaction and subsequently influence systems and themes that affect productivity. Unarguably, a good decision in any of the above variables adds value to the organization. Marketing and sales was ranked 4 and 6 by GCB and SIC respectively. Productivity was ranked 3 and 5 by GCB and SIC respectively. The study found that employee satisfaction could influence the level of productivity of individuals. Employee satisfaction was ranked 6 and 3 by GCB and SIC respectively. From the study, SIC had more marketing and sales strategy as compared to GCB, as depicted by the summary table. Other factors such as ecological and environmental friendliness, “positive address reputation”, well-coordinated landscape, user friendly buildings to the physically challenged and effective management of amenities. These were additional factors that were revealed from the study to promote marketing and sales.

Figure 4 shows the ranking of the various value adding strategies by the study organizations. 

**Figure 4: Ranking of the Various Value Adding Strategies by the Study Organizations**

![Ranking Chart]

* Please note that ranking is in order from 1-7, with 7 being the highest and 1 lowest

Increasing flexibility was applicable to both organizations. These ranges from financial aspect, that involves short lease term lease negotiations and flexible terms and physical space that is adaptable to multiple uses. Both study organizations have short term leases of up to 5 years that are flexible and make room for expansions and contractions as well as other rent fixing clauses that suit the tenant. The creation of hot desk as means to increase flexibility was common to both organizations. Flexibility was ranked 5 at GCB and lowest (1) at SIC.

The study organizations are faced with the challenge of reducing real estate expenses. Cost reduction was a prime value adding strategy for GCB. The study revealed that the organizations undertake strategic outsourcing decisions, taking cognisance of the cost of providing the service in-house as against outsourced service provider. An evaluation of their in-house capacity is done and best option is taken. Planned preventive maintenance was a common cost reduction technique in both organizations to avoid costly repairs and capital expenditures. Cost reduction was ranked 7 by GCB and 4 by SIC. There were peculiar findings with regard to cost reduction strategy at SIC, this includes current issues relating to the property market, depreciation and its effect on the balance sheet, and energy economics. Increasing Innovation was the least value adding strategy as the study organizations do not operate in knowledge business that requires exceptional innovation to grow. As such the design of innovate workplace is not a priority. The strategy was ranked among the lowest in both organizations.

A finding of peculiar interest and not indicated by the model which was common was space rationalization. This is greatly attributed to the increase use of information communication technology. This has led to significant space and cost savings. Excess space is rented out to generate income, whilsts unused spaces are disposed off through outright sale or lease. For instance, as a result of space rationalization at the GCB Tower in

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Accra about 50% of total space was saved and rented out to generate income. Moreover, a similar exercise at its Harper Road branch at Adum in Kumasi has resulted in saving space for relocation of its main branch in the same building. Investigations carried out indicated a cost reduction of about Gh C 110,000.00 per annum as a result of this exercise. SIC has also embarked on similar space rationalization exercises in most of its regional branches which resulted in significant space savings. The cost of renting and services associated with the excess spaces becomes savings for the organizations. This a direct value adding strategy from corporate real estate decisions to enhance revenue and profitability.

Another outstanding finding and not indicated by the model is the importance of a sound database to corroborate real estate departments’ work. The study organizations opine that a sound data base is a pre-requisite for the value adding strategies to work. The ability to ascertain with certainty basic but indispensable information like the total space needs, purpose of use and cost apportioning to different spaces are derivatives for successful real estate management.

7.0 Conclusion
The relevance of the corporate real estate to these corporations cannot be underestimated. For corporate real estate departments to contribute more to the organization there is the need for real estate strategy to be aligned with corporate strategy. As better put by Lindholm et al. (2006), participating in strategic processes is vital for these strategies to work. If company strategy and the real estate unit’s goals does not corroborate, then it would be illusive to think of value adding. This view is supported by Pittman and Parker (1989)

Further real estate function must be actively managed. Management must avoid treating real estate functions as secondary. There is also the need to convert real estate into other more profitable uses. This will enhance the value adding capacity of real estate departments. Although both organizations have SLAs in place to check the level of services, there is the need to develop more Key Performance Indicators (KPIs). The current KPI which is customer satisfaction needs to be strengthened. A more detailed survey may be required to get a clearer picture on customer satisfaction.

Many researchers have touched on the relevance of corporate real estate in organizations. Several theories and models have been expounded on the value adding value attributes of real estate in corporations. It is very difficult to quantify the value adding capacity of real estate departments as most of the research has failed to come out with statistical or mathematical formulae as to how corporate estate contribution can be measured. It is fair to conclude that real estate adds value but the quantum is often the problem. Changes in the business environment would most probably provoke new management strategies and hence value adding techniques.

8.0 Endnote
Although the research focused on Ghana, only two corporations with core businesses in banking and finance, and insurance were selected for the study. Value adding attributes of real estate could be viewed from different angles by different corporations. The stake of other corporations in the market could vary, as the strategic ways to achieve revenue growth and profitability differs. Thus the concluding remarks may not be applicable to some corporations. It would therefore be of interest to the text the model in other corporations with different core businesses.

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