Challenges of Commercial Real Estate Management:
An analysis of the Swedish commercial real estate industry

Peter Palm

Doctoral Thesis
Building & Real Estate Economics
Department of Real Estate and Construction Management
Royal Institute of Technology
Kungliga Tekniska Högskolan

Stockholm 2015

Royal Institute of Technology (KTH)
Building & Real Estate Economics
Department of Real Estate and Construction Management
SE – 100 44 Stockholm

Printed by US-AB, Stockholm, September 2015
TRITA-FOB-DT-2015:7
ISBN 978-91-85783-53-3

Abstract

This dissertation consists of five papers with specific objectives. The overall objective is, however, to seek a deeper understanding of the challenges of real estate management in the commercial real estate sector.

The purpose of the first two papers is to provide a mapping of the industry and a better knowledge of the main organizational strategies of the companies and their view of customer relations. The third paper looks at the possibility that the online office market is a so-called lemons market, where primarily "bad" objects are marketed. The last two papers compares companies that outsource property management and companies that has property management in house. The first of the two (paper IV) address the question of incentives for effort and the second (paper V) address information for decision-making, both however consider how the real estate owner has created incentives and regulations to ensure that they are informed.

From the first paper we learn that the commercial real estate industry in Sweden already before 2004 had made a shift from a product focus towards a customer/service focus. However we could not see an increased customer focus in the annual reports during the years 2004-2008. Paper II also conclude that regardless of organisational form of management, in-house or outsourced, the executives state that the chosen form I to be able to deliver best service to the customer.

In paper III a test of the online marketplace for offices in Malmö CBD was conducted to investigate if the market is a lemon market or not. Management form was one of the quality signals together with scale, existence of a local office and if the company has been involved in cases in the special court for rents (Hyresnämnden). The conclusion was that lemons hypothesis could not be rejected.

The conclusions from paper IV and V pinpoints the occurrence of differences in how to build incentives for the real estate management organisation, if it is organised in-house or outsourced. As the management teams in the outsourced setting primarily is governed by the contract between the real estate owning company, and the service providing company, and there it is decided when and how they are to deliver in terms of service and information. The real estate management teams in the in-house setting instead act under a large freedom with responsibilities governing the outcome of their services and not any checklists or job-descriptions. Regardless of how the management teams are governed they do not have monetary incentives tied to their individual performance.

Keywords: Real estate management, Quality in real estate management, Incentives for effort, information sharing, Organisational structure, Customer focus

Sammanfattning

Avhandlingen består av fem artiklar som var och en adresserar ett specifikt område inom förvaltning av kommersiella fastigheter. Det övergripande syftet med avhandlingen är att se till de utmaningar förvaltning av kommersiella fastigheter innebär.

De två första artiklarna utgör en plattform för resten av avhandlingen och är en kartläggning av branschen. Artikel I fokuserar på branschens kund och service medvetenhet i deras årsredovisningar. Artikel II är en uppföljande intervjustudie av företagen i artikel I gällande ledningens uppfattning gällande vilka organisations frågor som är av strategisk natur för att leverera god kundservice.

Tredje artikeln adresserar kontorsmarknaden och hur fastighetsägarens organisatoriska attribut påverkar annonseringstiden av kontorslokaler. Den testar eventualiteten att internet som marknadsplats för uthyrning av kontor är en så kallad *lemons market*, där företrädelsevis ”dåliga” objekt marknadsförs. De två sista artiklarna studerar sedan incitament i förvaltningsorganisationen om den bedrivs in-house eller är outsourcad. Den första av dessa två berör specifikt hur incitament för att genomföra arbetsuppgifter regleras och den andra artikeln ser istället till hur beslutsfattaren säkerställer sig information från förvaltningen för att kunna ta väl informerade beslut.

I första artikeln får vi med oss att den kommersiella fastighetsmarknaden i Sverige är kundorienterad. Vi kan konstatera att branschen redan före 2004 hade gjort skiftet från produkt orientering till kund/service orientering. Däremot kunde vi inte konstatera att kundfokus hade ökat i företagens årsredovisningar mellan åren 2004-2008. Slutsatsen från artikel II är att oavsett förvaltningsorganisation, in-house eller outsourcad, är argumentationen från ledningen i dessa företag att val av organisering av förvaltningen är bottnad i service leveransen till deras kunder/hyresgäster.

Tredje artikeln är ett test av internet som marknadsplats för kontor i Malö CBD där teorin om *market for lemons* testas. Organisering av förvaltningen var en av kvalitetssignalerna, tillsammans med storlek, kontor på orten och om företaget varit i Hyresnämnden. Slutsatsen är att vi inte kan förkasta hypotesen om att marknadsplatsen är en *market for lemons*.

Slutsatsen från artikel IV och V lyfter fram skillnaden i hur incitament skapar i förvaltningsorganisationerna, då den är organiserad in-house alternativt outsourcad. Förvaltningen i outsourcade organisationer regleras primärt av kontraktet, mellan ägarbolaget och service bolaget som de är anställda av, där det stipuleras när och hur de förväntas leverera såväl information som kund service. Förvaltningen i företagen med in-house förvaltning arbetar istället genom frihet under ansvar där de bedöms genom resultatet av deras service istället för genom checklistor och Job beskrivningar. Oavsett organisering av förvaltningen så finns där inte några monetära incitament för förvaltaren som baseras direkt på deras individuella prestationer.

Nyckelord: Fastighetsförvaltning, Kvalitet i fastighetsförvaltningen, Incitament för prestation, Organisationsstruktur, Kund fokus

Foreword

This thesis takes its starting point in my licentiate thesis: "Closing the loop: the use of Post-Occupancy evaluations in real estate management" (Palm 2008). The conclusion that was drawn in this thesis was that the industry was changing from a "bricks and mortar" style of thinking to a more service oriented style of thinking. At the same time, I observed that the industry was becoming more and more complex and specialised. (See, for example, Abdullah et al., 2011.) These observations woke my curiosity regarding how real estate management in Sweden works with respect to the view of customers and how it is organised to meet these customer requirements and the complexities of reality. Concerning the Swedish real estate industry, it is important to bear in mind that there different organisational forms co-exist on the market. Note that the industry underwent a period of reconstruction during mid 1990s, as described in chapter 1.1.

The first question I asked my self was whether the industry needed an information flow regarding its customers to make informed decisions. I was convinced that this was necessary, as, for example, Choo et al., (2008) state that information contributing to a firm's core business should be treated just as any other irreplaceable asset. But this required that the industry recognised its tenants as important and treated them as customers. In other words, they had made the move from a "bricks and mortar" style of thinking to a more service oriented style of thinking. First, I performed a mapping of the industry with respect to their espoused organisational values. In connection with this, I also had several long and productive discussions with Thomas Berggren, managing director for Malmö City Fastigheter (a privately-owned real estate company) and the chairman of Centrum för fastighetsföretagande (a business association within the real estate sector), regarding how a real estate business might build an organisation with an outspoken customer focus and the benefit of having such a focus. The conclusion that was drawn from the mapping of the industry (see paper I) and the above-mentioned discussions both made it clear to me that the industry has developed towards a more customer-oriented mode of thinking, and now regards customer service as a part of its everyday business. This led me to investigate how the Swedish real estate industry has organised its real estate management service, and why certain forms of this service are chosen by different decision-makers. The investigation was reported on in the paper: "Strategies in real estate management: two strategic pathways" (see paper II).

We now consider the industry as 'customer oriented', and, at the same time, note that real estate management is considered to be more and more complex. Both of these statements result in the conclusion that there is a need for well-functioning information sharing system, as well as clear incentives for delivering customer service. The decision-maker needs to get information from management regarding the customer's needs so that the decision-maker can make informed decisions. This question is complicated by the fact that not all real estate owners organise their management in-house, as we will note in later chapters. At the same time the decisionmaker, given that the company is customer oriented, must give clear incentives for the management to prioritise customer service.

In connection to my discussions regarding these questions with Thomas Berggren, I also raised the question of its profitability. Thomas Berggren thought it was natural that it was, since he is a big spokesperson for customer service. Of course I wanted to prove that the company delivering good customer service would also deliver the highest profit with the best yield. This, however, is something that is not that easily observed. It is not the case that you can merely look at the annual reports and compare the numbers, since different companies have different strategies regarding risks and investment strategies. Instead, my curiosity was raised when I took a PhD-course in “Economics, Organisation, and Incentives” at KTH Stockholm, for professor Hans Lind, where Akerlof’s (1970) “Market for Lemons” is part of the reading list for the course. Together with the statements of Matzler and Hinterhuber (1998) and Li (2008) who claim that the cost of obtaining new customers can exceed the cost of retaining present customers, the idea of studying the office leasing market from a lemon market point of view was born. The lemon model provided me with a tool to investigate whether it is profitable to work with customer service in the real estate industry. This investigation resulted in the writing of Paper III.

The first two papers (Paper I and Paper II) provided me with a foundational understanding of how the Swedish industry is structured, and, with the discussions with Thomas Berggren, the question of how the decision-maker or real estate owner can make a success of this business developed. Paper IV presents an investigation into the incentives that are made available to real estate mangers so that they will perform what real estate owners prioritise. Paper V is a study of how the decision-makers keep themselves informed so that they are able to make informed decisions.

Acknowledgements

During my journey as a PhD student, I have come across many inspiring people who have made this thesis possible. Your help has been invaluable, and this thesis would never have been completed without you.

When I recall the start of my journey, four people stand out as being very important to me. First, professor John Sandblad who convinced me to write my thesis. He was involved in designing the platform of research in real estate science at Malmö Univeristy and in developing the professional collaboration with KTH in Stockholm. This enabled people like me to become PhD students. John were also the main source of inspiration with respect to how to facilitate research and ground it in the industry. Second, senior lecturer Carl-Magnus Willert. You were my mentor and guided me in both the field of real estate and the field of teaching in higher education. From time to time, I still ask myself the question "how would Carl-Magnus reason in this matter" before answering a student or grading a paper. Third, senior lecturer Karin Staffansson Pauli. You hired me back in 2003 and gave me both responsibilities and authority that, when I look back, I wonder how you could have had all that confidence in me. But I think that I grew with the tasks that you so graciously entrusted me with. Last, but not least, professor Hans Lind. You have been my supervisor since 2004, when I started as a Phd student. You, together with John Sandblad and professor Stellan Lundström, believed in the value of the cooperation between KTH and Mamö Univeristy, and, not least, in my ability to write this thesis.

There are a great number of other people who I have met during the years and who have inspired me. For example, senior lecturer Magnus Andersson at Malmö University, who helped me to focus on getting the pieces of my research together and to focus on what is important, as well allowing me to vent my frustrations. Sven Nilsson, my stepfather, who with great enthusiasm has read everything I have written, commented on it, and questioned its relevance. With your feedback and practical organisational experience, this thesis has benefitted greatly.

Because this thesis, to a large extent, is a study of the Swedish real estate industry, the discussions during the board meetings at Centrum för fastighetsföretagande (Cfff) has been an invaluable source of inspiration. A special thank-you to Thomas Berggren, former chairman of Cfff, for your interest, interesting conversations, and your untiring and infectious interest in customer relations, your way of doing business and your warm and including approach towards others, I can only admire. I do not think the content of this thesis would have been the same without your enthusiasm.

Thank-you to all my family and friends for your patience and interest in my work and the process of my personal and academic growth.

Malmö
Summer, 2015

Peter Palm

Contents

1. Introduction

‘Real estate management’ can be defined as *the process of operation and maintenance of real estate to achieve the objectives of the real estate owner*. (See, for example, Wurtzebach et al., 1994.) It involves a number of important issues both from a practical and theoretical perspective. From a practical perspective crucial questions concerns how the company should organize its activities in order to attract customers. What activities should the company carry on in-house and what should it buy on the market? Real estate management is also an area in which different theories can be tested, and in this thesis it is for example investigated if theories about service management and transaction costs can help us understand how the market for real estate management works.

1.1 Historical development of the real estate industry in Sweden

Real estate management in Sweden has been traditionally considered to be a static and technical-oriented activity. 40 years ago, we note that the majority of the ownership and use of commercial properties was tied together, and so the functions of construction and management were integrated with ownership. Often, business owners built premises for their own use, as and when the business required premises. This was the case in both the industrial- and the public sectors. It is also important to remember that commercial rents in Sweden were regulated until the 1970s. All this meant that the commercial real estate industry was essentially an industry with clear technical and somewhat legal overtones.

One other contributing factor to this viewpoint was, undoubtedly, the stable environment that the real estate industry was part of. However, the financial and real estate crisis of the early 1990s resulted in a radical transformation of the industry, and, by the end of the 1990s, real estate entrepreneurship and its role began to be discussed more and more (Bengtsson & Polesie, 1998). As this discussion progressed, the real estate industry seemed to change from being technologically-orientated to becoming increasingly service-oriented. In today’s more competitive and complex environment, it is argued that the industry has started to develop a more customer-focused approach (Lind & Lundström, 2011). One of the papers in this thesis investigates how far this really is the case.

It is argued that the ability to link with their customers’ capabilities (Dean, 2004) and to develop a market orientation (Hunt & Morgan, 1995) generates advantages for a real estate business within the market. Rust & Thomsson (2006) propose that a business’s ability to manage customer information and to initiate and maintain profitable customer relations is key to establishing a competitive advantage. In contemporary real estate management, value is customer-driven in the sense that real estate in itself does not generate any turnover: it is the customer who pays the rent that generates turnover. This observation corresponds well with Basole & Rouse’s (2008) claim that value is customer-driven through use. At the same time, customers have become more demanding with respect to the services that they expect to be delivered. Baharum et al., (2009) state that today’s customer is more aware of the level of service they receive. Furthermore, buildings have become more complex, and contain high-level technology that requires very knowledgeable managers (Chin & Poh, 1999; Abdullah et al., 2011).

A strategic change towards a more customer-focused approach within the real estate industry will enforce changed circumstances on the individual real estate manager’s everyday work, and a change in working procedures. Lindholm & Nenonen (2006) argue that real estate managers traditionally tended to adopt an operational-efficiency perspective, looking at maintenance instead of customer satisfaction. Lindholm (2008) however, concludes that service is the most essential task for a real estate manager to work with. This is an opinion that is shared by Kärnä (2004), who argues that the delivery of good service gives rise to customer satisfaction; something that leads to strengthen the relationship between the customer and the real estate manager. Fundamental issues in a more competitive environment, as outlined by Williamson (1975), is how to organize the company so that management will get the *information it need* and create *incentives for effort* remain the same. This is analysed in several of the papers in the dissertation.

1.2 Research setting

This thesis aims to increase our knowledge about a number of the management challenges that currently exist in the Swedish commercial real estate industry, and investigate how different theories can help us understand important issues in this area. A multi-method research approach was applied in this study, as described in section 3 and 4 below. The present research is, to some extent, explorative as real estate management still must be seen as rather new research area.

The geographical context of the study is Sweden, with its unique history regarding what previously influenced the development of the real estate market. The empirical setting of the present study is the commercial real estate industry. The commercial real estate industry is defined in accordance with Lind & Lundström (2011, p.16) as “all real estate that is not residential”. The exclusion of housing companies from the present research project was the result of the decision to study the context of business-to-business relationships in the real estate industry, instead of the relationships between firms and consumers. There are large differences between the housing sector and other sectors in Sweden. The commercial real estate market in Sweden has no regulated rents, first lease contracts are free in terms of rent levels, but when leases are renegotiated (a commercial lease is often between 3-5 years) the rent is adjusted according to the prevailing market conditions. Furthermore, there are vacant commercial real estate properties across the whole of Sweden, thereby implying that a competitive market currently exists in Sweden, which places additional organisational pressures on Swedish real estate businesses. This can be contrasted with the regulated rents and long queues to rental housing in Sweden today. (For a more in-depth description of the rental housing industry in Sweden see Blomé 2011)

1.3 Aim and research questions

The aim of this thesis is to answer a number of more specific research questions and thereby develop an increased understanding of the challenges that are currently faced by the commercial real estate industry in Sweden, with focus on how the *organisation* of real estate management is so structured..

The strategy that was adopted in the research was to first obtain a more comprehensive picture of the industry and its focus on ‘customer and service’, before further researching the challenges that are faced by the industry in terms of how the organisation of real estate management incentives is realised. This is schematically displayed in Figure 1.

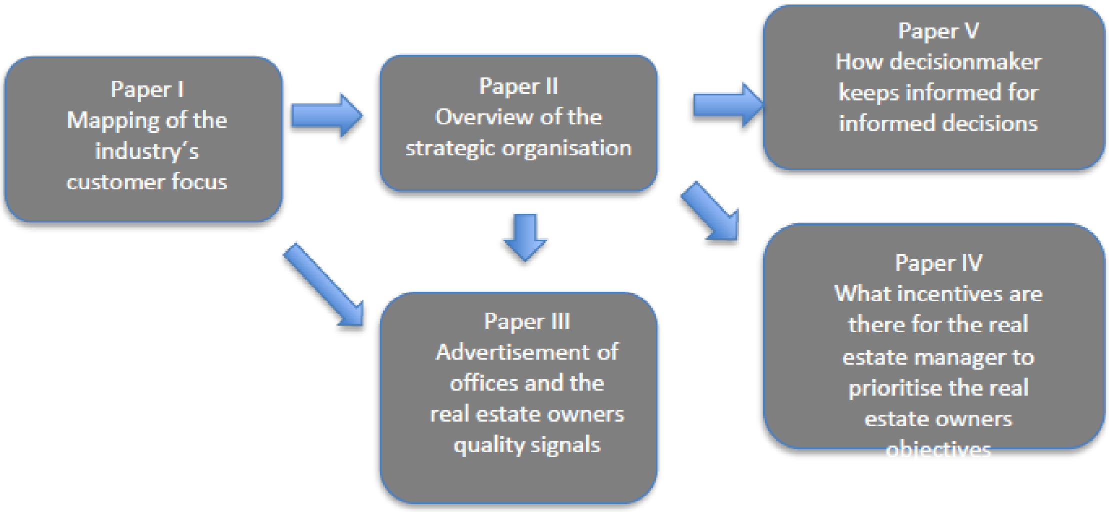

Figure 1. The research process as adopted in the present thesis

The research strategy was implemented by first making a mapping of the industry, reading and compiling 25 real estate companies' annual reports over 5 years, with special focus on the companies' espoused values with respect to customer relations. This study resulted in Paper I. Next, an interview study which addressed strategic decisions concerning the organisation of real estate management was performed. This study resulted in Paper II. These two papers comprised an introduction to the Swedish commercial real estate industry. Following this introduction, three further more theoretically based studies were carried out. Paper III looks at advertisements of offices from the perspective of asymmetric information and the "market for lemons. Paper IV and V starts from a transactions cost perspective and investigate how issues relating to information and incentives are handled by companies that do real estate management in-house and in companies that outsource.

2. Theoretical perspectives

This chapter consists of a discussion of three different theoretical perspectives that has influenced this work, namely literature of 'Service management', 'Strategy', and 'Transaction Costs'. A description and discussion of each of these partly overlapping perspectives precedes a summary overview of the theoretical standpoints that were adopted in the five papers that are included in this thesis.

2.1 Service management perspective

Many researchers (Grönroos, 2008; and Maglio & Spohrer, 2008) highlight the fact that long-term relations with customers and a good reputation of a company quickly translates into market shares and profits. To gain customer value in terms of loyalty and/or positive word-of-mouth reports, and thereby a competitive advantage, is not a new business model; this idea was expressed by Drucker (1954) in the now classic – *The practice of management*. However, today's research has gained a wider recognition in both academia and in practice since the 1970s (Grönroos & Ravald, 2011). Three distinct, international schools of thought concerning 'service' exist (Berry & Parasuraman, 1993). These include the French, the Nordic, and the North American schools of thought. 'Service management', representing Nordic school, and 'Service logic, representing the North American school, will be discussed in further detail below.

An effective customer relationship can not only build on internal plans regarding customer relations, it also needs to be realised by the firm representatives as well. In this context, Payne & Clark (1996) state:

> The adaptation of the relationship philosophy as a key strategy issue is more important than a written plan. For example, a formal marketing plan for internal markets is of little value if customer contact staff are not motivated and empowered to deliver the level of service quality required. (Payne & Clark, 1996, p. 322)

Whilst the representatives of a firm need to be motivated to deliver service, a market approach has to be developed as well. Hunt & Morgan (1995) suggest 'market orientation' as an advantage, or, as Day (1994) refers to service quality as 'market sensing and customer linking capabilities'. Rust & Thomsson (2006) claim that the ability to acquire and manage customer information which is then used to initiate and maintain profitable customer relationships is key to gaining a competitive advantage.

Today, the definition of 'service' is a much-debated question (Winklhofer et al., 2007; Grönroos, 2006; Vargo & Akaka, 2009; Lusch et al., 2008). However, there are some common features of the definition of 'service' that are shared by different researchers. Service exchange is the basis of economic exchange, and 'value creation' is considered as the result of co-creation by multiple parties (Kryvinska et al., 2013). Currently, we note the existence of two main theoretical frameworks with respect to 'service', namely 'Service management' and 'Service-Dominant logic', both of which are further outlined below.

Central to the 'service management' theoretical framework is to consider the firm's business concept as a service concept, and as such, the core business of the firm (Grönroos, 2008). This would imply the business should be engaged in developing a sound service strategy, instead of cost-cutting as a core business strategy, for example. Albrecht (1988) provides the following definition of 'service management':

> Service management is a total organizational approach that makes quality of service, as perceived by the customer, the number one driving force for the operations of the business. (Albrecht, 1988, p. 20)

It is the shift in focus, taking the customer's perception into account, that is the foremost benefit of service management. Grönroos (1994) identifies five key features of service management as an overarching management perspective: (i) overall management perspective, (ii) customer focus, (iii) holistic approach, (iv) quality focus, and (v) internal development.

Originally, the discussion regarding 'service management' concerned service firms only. However, over time, this discussion has gradually developed to include the growing importance of adopting different perspectives, and it is now applicable within all kinds of industries (Grönroos & Ravald, 2011). A key feature of this development is the highlighting of the importance of a framework, inter-functional collaboration, and long-term perspectives, instead of seeing short-term cost-cutting as being fundamental to service management.

Traditionally, *service* has been defined as 'value that is co-created' (Spohrer & Maglio, 2008). However, 'service dominant logic', first proposed by Vargo & Lusch (2004a), defines *service* as 'the application of competences for the benefit of a party'. The basic distinction being made here is a perception of service as if it was something that emerges from the delivery of products or goods, or whether the goods are mere components in the service process. Vargo & Lusch (2004b; 2008a) define this difference of perception in terms of the differences between 'Goods Dominant logic and Service Dominant logic. The shift from focusing on units of output and service to support this output, to seeing service as a *process* where one applies one's competence to the benefit of another party has been called the shift from Goods-Dominant logic towards a Service-Dominant logic (Vargo & Akaka, 2009; Lusch & Vargo, 2006a). One of the central parts of this new perspective is the view regarding service. One concrete example of this new perspective can be seen in the use of the new term *service*, which refers to collaborative processes, and is the preferred term in the field of Service Dominant logic, instead of the old term *service**s***, which implicitly refers to units of output (Vargo & Lusch, 2008c).

However, Service logic contains an analytical approach that implies that Service Dominant logic can direct a business towards thinking in terms of value-generating processes, because Service logic can be used to analyse these processes (Grönroos & Gummerus, 2014). One can thus see that these different views on service fulfil different purposes.

Thanks to Vargo & Lusch (2008a), the literature on 'service' has undergone considerable development in the last decade, with emphasis on the concept of 'value co-creation' (Grönroos, 2011). The concept is proposed as an alternative to 'firm value creation' and the notion of the value chain. Instead, Vargo & Lusch (2008a) propose that one focuses on the intersection of the organisation and its environment, instead of its internal process. The concept can be traced back to Håkansson & Snehota (1989), and, later, Norman's 'service logic' (Normann & Ramirez, 1993; and Normann, 2001) and Service Dominant logic (Vargo & Lusch 2004a; 2008a), who all argue that value is co-created between the customer and the firm. The underlying assumption is that customers, as well as firms, are resource integrators (Vargo & Lusch, 2006; 2008a; Lusch & Vargo, 2006b). These resources may be intangible (knowledge and skills) or tangible (goods and materials). The customers' resources are mainly commercial relationships, image, and specialized knowledge (Arnould et al., 2006). In addition to this viewpoint, Nambisan (2002), states that the customer may function as a resource for the firm by providing information about market needs and preferences. This is especially true in business-to-business relationships, where it has been claimed (Anderson, 1995) that mutual value creation is a shared outcome. Because firms in a service process do not produce value, in the classical 'value-in-use' perspective, but are only a part of the value co-creation process, Grönroos & Voima (2012) propose that such firms provide *potential* value because such firms are facilitators of value.

2.2 Strategy perspective

Company strategy has always received a great deal of interest, from both researchers and practitioners. It has however been described and defined in various, different ways. The term, for example, been described as referring to 'top management planning for the future' (Grant, 2010). It has also been described as the policies of an organization or as a tool which can be used to provide an organization with goals and a vision.

This standpoint and approach to strategy is what Whittington (2001) defines as a '*classical'* approach. Strategy is viewed as a rational process of well-analysed, deliberate choices that are aimed at maximising the organization's profits and benefits over time. From this perspective, efficient planning is essential to the management of the organization's inner- and outer environment, and it is the upper-level management's task to formulate, and implement these plans. This implies that the implementation of strategy is a deliberate process which is aimed at maximising the organization's profit. For example, Ansoff (1984) describes strategy as a systematic approach for management to position and relate the firm to its environment in a way that enables continued success. What is common to these views on strategy is the idea that strategy is something one can plan and that it is implemented from a top down perspective. This viewpoint is widely accepted and can be found in most standard textbooks that deal with the subject of strategy (Roos et al., 2004; and Grant, 2010), as well as in research papers (for example, Day, 1994; and Balogun et al., 2014). However, this is a perception that has been subject to critical debate (see, for example, Mintzberg et al., 1998; and Whittington, 2001). This debate is perhaps most critical in the 'Swedish school of strategy, which is more process- and context rooted. (See, for example, Melander & Nordquist, 2008).

An overall business strategy usually consists of strategies at three levels: the corporate level, the business level, and the functional level (Ali et al., 2008; Morrison & Roth, 1992; Porter, 1981). Strategy on the corporate level is generally defined as a company's overall direction in terms of its general plans for growth and product segmentation (Morrison & Roth, 1992). Thus the main concern of corporate strategy is to select the areas in which the company will be present. Strategy at the business level is concerned with how the structure of the organisation matches the internal capabilities and resources of the company with its external environment. (See, for example, Porter, 1981; and Leiblein, 2011, for a review of how these theories have been applied.) Strategies on the functional level are strategies that are implemented so as to support the strategies on the business level (Porter, 1981). Note too that O'Shannassy (2010) also concludes there has to be cohesion between these strategies.

Caves (1980) defines strategy on the business level as focusing on 'how' instead of 'what' the corporate strategy does. Because the business strategy is an extension of the corporate strategy, the formulation of a business strategy and the structure of the organisation must be consistent with the company's overall plans. Edwards & Ellison (2004) state that the purpose of developing a business strategy is to focus on the operations of the company's business.

Within the classical view of strategy, it is the chief executive officer (CEO) who is the central actor. In *modern* strategic management, on the other hand, O'Shannassy (2003; 2008) concludes that there also exists a bottom-up information flow, whereby middle managers participate in strategy formulation. Traditionally, middle managers were tasked with merely implementing the CEO's strategy. This view is shared with Liedtka (2000), who describes the strategic planning process as a link between the members of the organization, the top management, and initiated change within the company. Furthermore, O’Shannassy (2010) maintains that the CEO is not the top strategic leader responsible for strategy formulation, but is the chief designer of the strategy process facilitating the strategic conversation. Whittington (2001) concludes the following:

> For every manager, the strategy-making process starts with a fundamental strategic choice: which theoretical picture of human activity and environment fits most closely with his or her own view of the world. (Whittington, 2001, p. 118)

The strategic planning process has historically been viewed as a bureaucratic and rigid activity, in which the main focus has been financial control, with no incentive to change or develop the business (Mintzberg, 1994; Bonn & Christodoulou, 1996). Partly as a result of this criticism, strategic planning has undergone substantial change since the 1980s (Aldehayyat & Anchor, 2010). There is now less bureaucracy and more emphasis on implementation and innovation, as well as more participation from managers and employees. Strategic planning has also been critiqued for other reasons; from not being organic to being something that emerges within organizations rather than being planned (Mintzberg et al., 1998). Whittington (2001) concludes that companies need strategic planning to rationalize their choices, because this is what the dominant professional groups and cultural norms demand. In other words, there is much criticism of strategic planning, but as long as the culture of the general business environment expects and demands plans, the industry will continue to design and work with such planning. It is this perception that makes the investigation of such plans of interest to the researcher; to ascertain why top management designs them in the way that they do.

Given that strategy is deliberate and planned, it is also logical to think that a strategic plan must work as an alignment mechanism between the firm and its environment (Raymond & Bergeron, 2008). Caves (1980) states that it is the top manager’s perception of the market structure and the firm’s strengths and weaknesses that determines the strategy of the company. It has been argued that the top management’s choice of strategy is made through cognitive structures that reflect a perception of the industry. If everyone else is doing things a certain way, we should follow suit (Dutton & Jackson, 1987). Caves (1980) concludes that this kind of relation between the company and its market environment lies at the intersection of industrial organization and business strategy. Porter (1981) states that successful firms must adapt their strategies to their external environment, and that this is best studied at the business level (as defined by Morrison & Roth, 1992; Hawes & Crittenden, 1984; Porter, 1981) because this is where a strategy can have the greatest impact. To establish a fit between the company’s capabilities and its potential, knowledge of the possibilities regarding the realisation of potentials must be acquired.

The business model embodies nothing less than the capability of the business’s organisation for value creation. Value creation obtains by aligning the company’s internal opportunities with its external environment. The core of strategic planning is to provide the organization with a model that acknowledges the external threats to the business and internal opportunities for the business. The company’s strategy is to match its internal capabilities with external possibilities, a match referred to as a ‘fit’ (Mintzberg et al., 1998). Fit is considered a fundamental concept in strategy (Venkatraman & Camillus, 1984), and its role is to highlight the company’s market opportunities and the organization’s competences and resources, so as to enable a match or alignment (Venkatraman, 1989). When strategies are planned so as to establish a fit between the internal structure of the business and its environment, then differences between strategies which might be implemented so as to obtain and retain new customers can be identified.

It is from business strategy and strategic planning that we derive the concept of ‘business model’. Teece (2010b) states that there is a lack of research regarding the structures of business models. This is in agreement with Hewlett (1999), who argues that strategic planning is aimed at developing a business model. Thus, the theoretical framework is well-developed within the theory of strategic planning, even if the concept of a ‘business model’ has not been problematized to the same extent. We note, however, that there has been increasing interest in the concept, as well as in ‘strategic planning’ and ‘strategic management’ (Zott et al., 2011).

An organisation’s business model should be based on its internal strengths, termed its *strategic capacity*. The definition of *strategic capacity* originates with Wernerfelt (1984), where both the organisation as a whole and the organisation’s separate parts are valued separately. Ultimately the organisational performance regarding service is determined by activities; marketing, and the delivery and monitoring of services. According to Teece’s concept of ‘capacity’ (Teece, 2010b), the different value-creating activities of the organisation, and the relationship between these activities, constitute the competitive advantage that the organisation enjoys.

2.3 Transaction cost perspective

Transaction costs usually refer to the direct costs that are involved in carrying out a business or a service exchange. This includes costs associated with contract formation, information retrieval and dissemination, and engagement in the service exchange. A *transfer* refers to both exchanges within the organisation and in relation to a customer or business partner. Williamson (1981) likens an organization and its relations to a machine. If it is a well-working machine, then the transfer will take place smoothly. But everything that causes friction in the mechanical system is the economic counterpart of transaction costs. Examples of transaction costs are costs associated with writing contracts, obtaining information, and engaging in exchange. But since a transaction can be subject to opportunistic behaviour, costs associated with misunderstandings, conflicts, and everything else that might interrupt the harmonious exchange of a service delivery are also considered as transaction costs.

The core of providing service delivery that is as smooth as possible lies with contracts. It is the contract that stipulates what is to be done and how it is to be done. However, contracts are incomplete, in practice. Complete contracts are not possible because all possible future contingences cannot be foreseen at all times. This contractual problem emphasis the fact that everyone act under bounded rationality. Since all contracts are incomplete, in the sense that all future contingencies cannot be dealt with in a contract, then the possibility for opportunistic behaviour from at least one of the parties that are subject to the contract is an unavoidable assumption. According to Williamson (1975), it is essential that these two behavioural assumptions be made with respect to bounded rationality and opportunistic behaviour when one applies economic principles to the analysis of organisations.

The concept ‘bounded rationality’ is related to the fact that there are limitations in the knowledge that is available to the parties that enter into contracts with each other. Full details about the future are not possible to obtain, which results in uncertainty about the future. This limited information and attendant uncertainty entails that it is not possible to write up a 'complete' contract. No matter how well-written a contract might be, it will never be perfect, because many situations cannot be predicted and regulated for (Milgrom and Roberts, 1992).

The concept of 'opportunistic behaviour' relates to a situation when one party acts in their own interest and imposes costs on the other party that are larger than the gain that is due to the other party. This leads to inefficiency. The mere risk of opportunistic behaviour by either party entails transaction costs, because the simple *reduction of risk* for opportunistic behaviour involves costs in the transaction process.

Williamson (1981) states that, in the study of organisations, transaction costs can be applied at three levels. The first is the overall structure of the firm. This level includes the operating parts of the firm and how they should be related to each other. The second level focuses on how the organisation is structured with respect to the functions that are to be performed within the firm, and the functions that are to be performed outside the firm, and the reasons why this distribution of functions is so made. The third level concerns how the human assets are organized within the firm.

'Incentives' is a central concept in transaction cost economics. The most popular model that is invoked to explain how individuals are motivated to perform is the 'principal-agent' model. In this model, the principal cannot perfectly monitor the agent, who might behave in an opportunistic manner at the expense of the principal (Williamson, 1975; and Eisenhardt, 1989). This opportunistic behaviour is described as 'the moral hazard problem' (Milgrom & Roberts, 1992). A number of different strategies exist which can be used to reduce the moral hazard problem. (See, for example, Eriksson & Lind, (2015) for a recent overview.)

One organizational question that is subject to a great deal of discussion and analysis in the literature on 'transaction cost' is the strategic issue of outsourcing vs. in-house production (also known as the '"buy" versus "make" decision'). This issue can be traced to Coase's classic paper "The nature of the Firm" (1937), where he introduced the idea that the boundary of a firm was a strategic decision in response to an economic assessment, instead of something that is predestined.

There are two different arguments for outsourcing. The first argument stems from the theory of a 'resource-based view of the firm'. This view states that if a task is not conducted within a firm's core business, then it should be outsourced (Penrose, 1959). The other argument comes from the theory of 'transaction costs'. This theory claims that if one can buy a service on the market at a lower price/cost (including transaction costs), with the same quality or better than if you performed this service oneself, then you should turn to the market (Williamson, 1975).

The 'resource-based view of the firm' and 'transaction cost theory' are also closely connected. Williamson (1975) defines the phenomenon of outsourcing on the basis that the companies which choose to integrate the functions of their assets (or competencies) are specific and a value-creating for the company. The features that are considered to be specific to and create value for the company constitute its core business.

2.4 How the different perspectives are used in the articles

The service management perspective has influenced several of the articles and most directly paper 2 (“Strategies in real estate management: two strategic pathways ”) that investigates to what extent the service perspective has influenced how the firms describe their own activities. Even if the issue of strategy is central in paper 1 (“Customer orientation in real-estate companies: the espoused values of customer relations ”), the underlying issue is how the firms have chosen to organize themselves in order to produce a competitive service. This also counts for paper 3 (“The office market: a lemon market? A Study of the Malmö CBD office market”) where the organisation of the real estate owner’s management were tested whether its quality (service) signals are counted for by the office market. In the same way Paper 4 (“Real Estate Management: Incentives for Effort ”) and 5 (“Information for Decision-making in In-house and Outsourced Real Estate Management ”), though primarily based on transaction cost theory, concerns how the companies keep informed and create incentives, and this is of course also necessary to be competitive.

The strategy perspective is central in paper 2, as it looks closer at how firm look at two strategic issues: the degree of outsourcing and the organization of the letting function. Paper 1 also relate to strategy in the sense that it looks at how companies describe their strategy or business model. Paper 4 and 5 are also related to strategic issue of outsourcing and the focus in those articles are how the company can make different strategies “work” in terms of getting the right information and creating the right incentives.

A central assumption in transaction cost theory is the existence of asymmetric information and this can as shown by Akerlof (“The Market for “Lemons”: Quality Uncertainty and the Market Mechanism ”) lead to “a market for lemons” where only “bad” objects are traded on the open market. Paper 3 tests this theory on firms advertising vacant office space. Paper 4 and 5 looks a two crucial issues in transaction cost theory – information and incentives – and studies how firms carrying out property management in-house and firms that outsource tries to solve these problems.

3. Research process

The context of this thesis is the Swedish real estate industry and the challenges that are faced by commercial real estate management. The five papers presented in this thesis use different data sets and different methods. The complexity of trying to capture how the industry regards itself and how the industry meets it customers’ needs has demanded this research approach.

The different methods are represented in the five different papers. The research process can be thus illustrated in five research phases, where the first four phases represent different research questions and methods, and the fifth phase comprises of the compilation of the five papers in the dissertation overview.

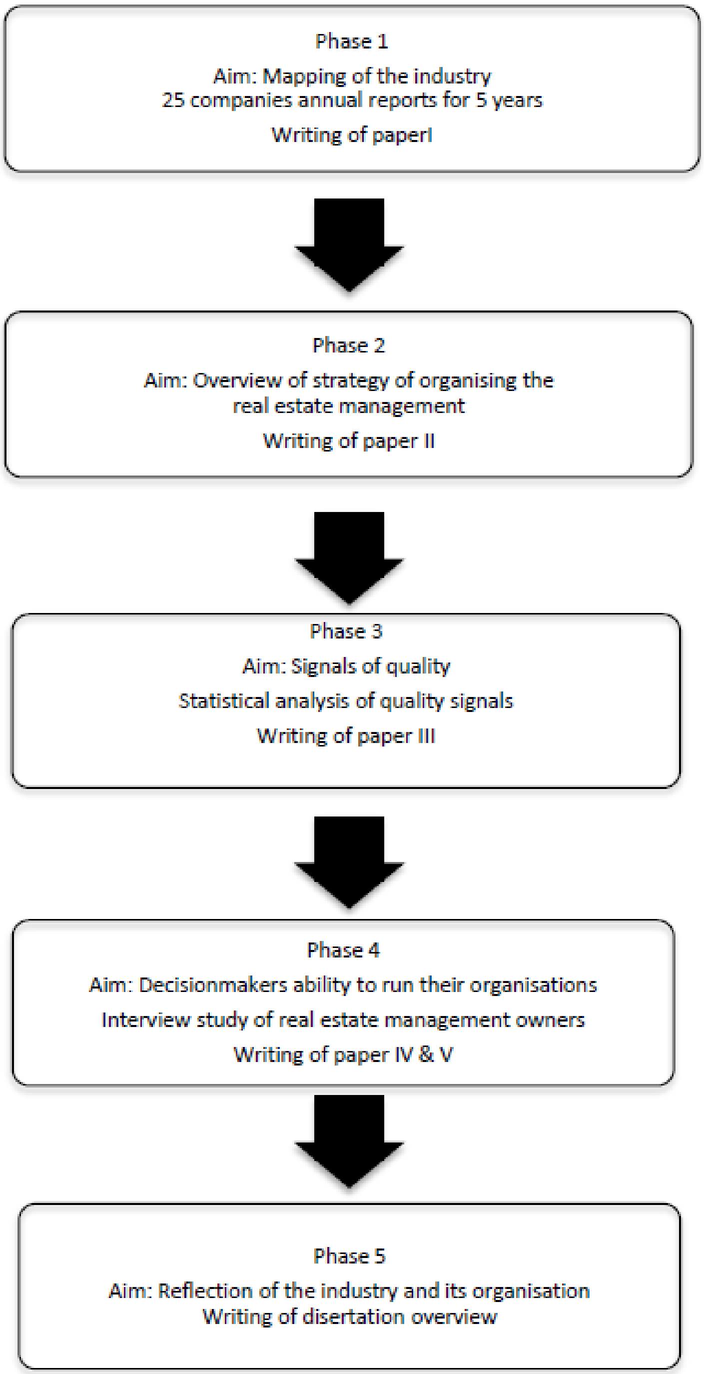

Figure 2. The five phases of the research process

Phase 1. The first research phase was grounded on the result of my licentiate thesis: *Closing the loop - The use of Post Occupancy evaluations in real estate management* (Palm, 2008). This thesis proposed that firms in the real estate industry need to start to incorporate customer relations into their management system. This proposal then raised the question of how the industry currently works with its customers. The aim of this phase in the research project was to obtain insight into how the industry considers itself in the light of being a product- or service-oriented industry, and to identify the values that are espoused within the industry with respect to customer relations. Two hypotheses were developed: Hypothesis 1 – Companies that currently operate within the Swedish real estate industry are customer-oriented, and

Hypothesis 2 – The espoused customer orientation has increased over time. To test these hypotheses, the annual reports of 25 different companies, from the years 2003 to 2008, were mapped.

The study reported on in Paper 1 was limited to real estate companies that focused on commercial real estate. Attention was directed towards companies in a business-to-business environment, thereby housing companies were excluded from the study. Furthermore, the first phase of the study was limited to companies with annual reports that included the managing director's statement and a report on the on the firm's past year of business. These documents revealed information about the company and how it describes itself. 'Content analysis' was the method that was used to measure measuring the company's strategic view with respect to customer relations. The basic assumption that was made by the researcher was that companies leave traces of their distinctive value patterns in their annual reports, and that such traces can be observed and measured (Kabanoff, et al., 1995). The distinctive value patterns were identified via the investigation of certain words and phrases that were related to the companies' strategy and customer relations. Frequent references to the same concept or issue were interpreted as an indication of importance (Huff, 1990). The analysis was not computer-aided. Instead, the analysis was performed manually, by logging the frequency of customer-orientated statements and by registering the type of sentence that customer-orientated statements were used in. This manual method was used because of my interest in the *context* of where the words were used was greater than my interest in the words themselves.

The theoretical basis for the text analysis method was influenced by the work of Hellspong (2001) and Rutherford (2005). The valuation scheme that was constructed for the text analysis was structured by combining Hellspong's (2001) method of 'corpus linguistics' and Mintzberg's (1999) 'strategy process'. To determine how the customer-relation values that are espoused in the annual reports changed during the 5-year period that was studied, a one-way ANOVA test was conducted.

Phase 2. After the first phase, where I provided an overview of the industry and its espoused customer values, and how Swedish real estate companies are organised in relation to these values, I conducted an interview study with top-level managers from 15 of the companies that were reported on in Paper 1. This interview study was reported on in Paper II. The main purpose of this paper was to investigate *how* and *why* the Swedish real estate industry uses different business models. This paper provides an overview of the field and provides a comparative discussion of the arguments proposed by the top-level managers in relation to the arguments proposed in the current literature on 'strategy'.

The interview material was analysed via the identification of concepts that linked the different top-level managers' stories together. The material was then combined using profiles based on the real estate management literature and the descriptions that each top-level manager had given. Gradually, two concepts arose, 'in-house or outsourced frontline personnel' and 'leasing as a management task or a centralised function'; each describing the strategic plan behind the organisation of the real estate management businesses that were studied.

Phase 3. In the third phase of the research project Akerlof's (1970) 'market for lemons' model was used to evaluate online office advertisements, in relation to the quality signals of the real estate owner. These quality signals were developed through the use of Benjamin et al's., (2006) 'signals of quality' and by adding the signal if a real estate owner had been called to appear at the special court for real estate rents (Hyresnämnden). From these signals, the hypothesis that the internet marketplace for commercial premises contains an overabundance of lemons was developed. If the lemon model is correct, the probability of an experience of bad quality should be higher for premises that are owned by real estate companies that either signal bad quality or do not signal quality at all.

The study in Paper III was limited to office premises that were advertised in the Malmö central business district (CBD) area. This limitation was made so as to ensure a fair comparison between the managing companies, since location is crucial when leasing office premises. This approach follows a previously-used method of how to geographically screen a real estate market which is similar to McCartney's (2008) study of Dublin's office market, and Dermisi & McDonald's (2010) study of the downtown Chicago office market.

The material for the study consists of the advertisements for office premises in Malmö, from February 2013 until the end of January 2014. The data was obtained by observing and taking inventory of *Objektvision*, the largest online advertising platform for office premises in Sweden. This inventory lasted for 52 weeks, were the advertisement of 46 of them were logged. A total of 6.557 advertisements from 381 unique cases were logged. During the data collection period, the number of offices that were advertised was between 129 and 162 per week.

From a careful logging of the weekly inventory that was available on the internet marketplace and from reviewing the ownership information of the properties, (including the organisational form of the ownership and other ownership information relating to the management of the properties), two ownership variables were identified: (i) a binary variable that indicated whether the ownership of the property was present locally or not, and (ii) a binary variable indicating the benefit of scale. Both of these variables are associated with features that are considered as quality signals with respect to the real estate owner, according to Benjamin et al., (2006), even if it of course is simplification to use a binary scale. Further to this, two additional variables that were seen to correlate with attributes of the real estate management were identified. One variable indicated whether the company was vertically integrated or not, and another variable indicated whether the company had been to court more than once during a two-year period. Benjamin et al. (2006) consider vertical integration as a signal of quality for the real estate owner.

Phase 4. This phase of the research project resulted in an in-depth understanding of the different organisational settings that exist in the industry, and how decision-makers make informed decisions, and ensure that decisions are implemented in a way that is congruent with the decision-makers' original wishes. The method used in this paper was, to a large degree, influenced by Eisenhardt's (1989) claims regarding theory building from case studies. Although I did not intentionally seek to build a theory in Phase 3 of the research project, it became an appealing approach, since I assumed that all organisations shared some common problems.

I chose three organisations whose business model was in-house real estate management. I interviewed each decision-maker and the real estate management team at the three organisations. In total, 9 respondents were interviewed in the in-house setting. When selecting the respondents in the real estate management teams, I was careful to select respondents who worked together. For example, the real estate managers who worked with the head of real estate, as well as the technical manager were included. The selection of respondents was done in this way so that the work premises were the same for all of the respondents, and the validity of the study was thereby increased.

Three real estate owners who outsourced their real estate management were also selected for the study. From each of these three organisations, I interviewed the person from the real estate owning company who had responsibility for its real estate portfolio. In my selection of the three real estate owning companies, I selected companies that had chosen to outsource their real estate management to different service partner companies.

The selection of the three real estate owners also informed my decision regarding the service partner companies that were included in the study. It also informed my decision regarding who was interviewed in the different service partner companies. As in the case of in-house management, I wanted to interview the real estate management teams that worked with the decision-maker who I had interviewed at the real estate owning company. In total, 7 respondents from the service partner companies were interviewed.

The theoretical basis for the analysis of the interviews was the framework of Transaction costs theory. To enable a sorting of the material, I considered each organisational setting as a separate case and incentives were pinpointed through this theory.

Phase 5. This phase of the research project was particularly grounded on the work done during Phases 2 and 4. During Phase 5, I returned to the interviews that were conducted during Phase 2 and Phase 4 of the project, and I began to group and classify the organisations. The methodology of Weber's 'ideal types' (Weber, 2009) was employed to form a comprehensive picture of the organisations that existed in the area of commercial real estate management. According to Weber, subjectivity is both unavoidable and necessary when one forms 'ideal types'. Notwithstanding this, during the grouping and classification process, I concluded that the differences between the various real estate businesses did not lie in their organisational structure, but in the mind-set of the decision-maker, instead.

Figure 3, below, presents a schematic diagram of the process of how theory was related to the collection of the different empirical data that was used in this project, and how theory gave rise to the initial problematisation addressed in this thesis.

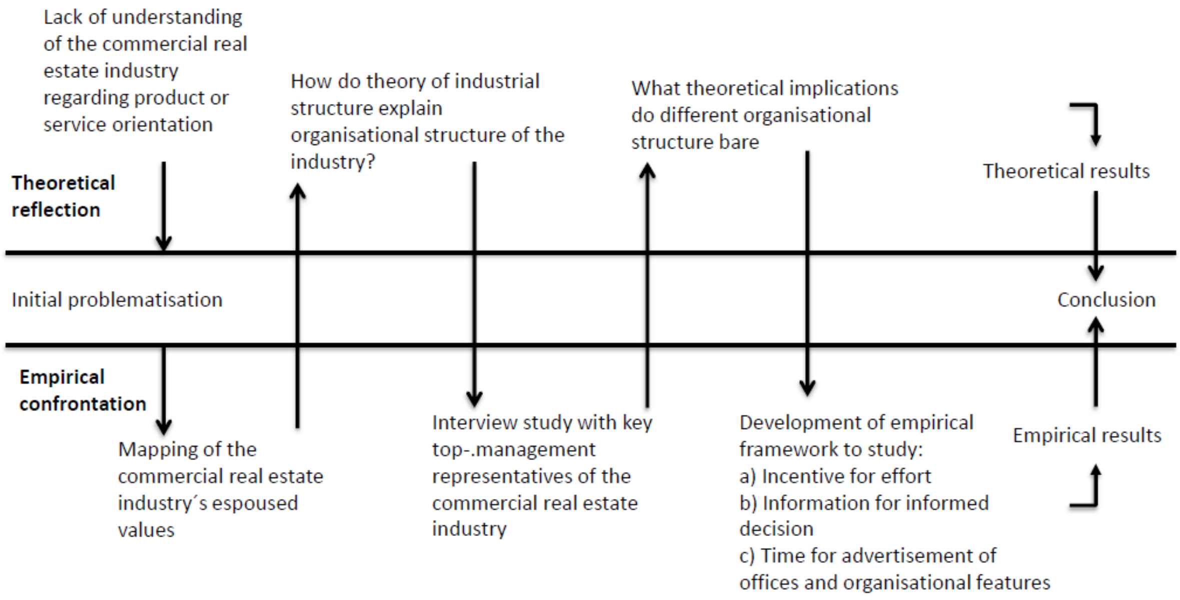

Figure 3. Schematic overview of the research process used in this thesis

4 Method – research approach and data

Within the particular context of this thesis, which explores the commercial real estate industry, both a well-defined empirical setting and a research design is needed to manage the complexity of the field that was studied. The main objective of the research project was to find determinants for the different organisational forms of working with customers within the commercial real estate industry, with the further view of presenting a discussion of the challenges that this industry is faced with in this particular area. Therefore, different datasets with different characteristics, different methods, and different analytical approaches were used.

4.1 Sources of data

The five papers presented in this thesis use four different data sets; all of which were collected and compiled by the author. They were collected during the period 2009-2014 (with a break between 2011-2012 due to parental leave).

	Paper I	**Paper II**	**Paper III**	**Paper IV**	**Paper V**
Data collection period	2009	2010	2013-2014	2014	2014

Data set 1: I used annual reports in Paper I to map the industry's espoused costumer values. The data consisted of the annual reports of 25 real estate companies that were published between 2004 to 2008. My main focus in the annual reports was on the CEO's statement and the companies' presentation of the work that they had done in the previous year. The financial numbers that were presented in the company's balance sheet were not of particular relevance to the present study, instead, the texts that each company chose to espouse their values and dealings with customer relations were focused on. These texts contain what Häckner (1988) defines as 'soft information', in contrast with 'hard information', that can easily be quantified.

The data set consists of a mix of listed- and non-listed companies, as well as large and small companies. This information is displayed in Table 2:

Table 2. Participating companies in Paper I

	Large	Small	Total
Listed	8	8	**16**
Private		2	**2**
Family		2	**2**
Institutional	3	2	**5**
Total	**11**	**14**	**25**

Companies that had a revenue turnover between €50 million and €999 million were categorized as 'small', and companies that had a reported revenue turnover of €1,000 million or more were classified as 'large'.

From the table, we can see that listed companies dominated the data set. This is largely due to the fact that only companies with annual reports that included a statement from the CEO were included. Since companies are not legally required provide an annual report with a statement from the CEO, (only the financial numbers are legally required), several companies could not be included in the study. However, all of the listed companies do provide their annual reports with a CEO-statement, since the annual reports have become an important communication tool for these companies (see, for example, Rutherford, 2005; and Smith & Taffler, 2000). The 17 listed companies included in the study were all listed real estate companies with commercial real estate.

Data set 2: Data set 2 consists of studies of real estate management organisations. It actually contains two different data sets. Data set 2.1 was collected during 2010 for Paper II, and data set 2.2 was collected during 2014, for Paper IV and Paper V.

Data set 2.1 consists of interviews with 15 top-level managers at 15 commercial real estate companies. The distribution of the participating companies can be seen in Table 3. All of these 15 companies were chosen among the 25 companies that were included in Paper I.

Table 3. Real estate companies included in paper II

	Small	Large	Total
Listed	5	4	**9**
Private	2		**2**
Family	2		**2**
Institutional	1	1	**2**
Total	**10**	**5**	**15**

As can be seen in Table 3, the majority of the top-level managers who participated in the study come from listed companies. Note too that none of the privately- or family-owned companies are regarded as 'large'.

Data set 2.2 also consisted of interviews with real estate management organisations, and the interviews were referred to in Paper IV and Paper V.

The data set for Paper IV and Paper V consists of interviews with 6 decision-makers and their real estate management organisations. Three of the decision-makers have an in-house real estate management organisation, and three have outsourced their real estate management, as displayed below:

Table 4. Real estate owners included in Paper IV and Paper V

	In-house	Outsourced	Total
Listed	1	0	**1**
Institutional	2	2	**4**
REIT	0	1	**1**
Total	**3**	**3**	**6**

As can be seen in Table 4, the majority of the companies that were included in the studies are institutionally-owned, which is merely a coincidence. However, all of the companies included in these studies were regarded as ‘large’, as defined above. This was the case because the companies with outsourced management *could* have had an in-house management and thus the size of the company should not be the main reason for using outsourced management.

Data set 3: Paper III used the data set that was collected during February 2013 to January 2014. Data was collected weekly from *Objektvision*, the online marketplace for office premises. This inventory lasted for 52 weeks. A total of 6.557 advertisements from 381 unique cases were logged. During the data collection period, the number of offices that were advertised was between 129 and 162 per week.

The market where the study was conducted consisted of 44 companies, 117 properties, and over 540,000 square metres of office premises. Of this, 90 percent was commercial space and has an approximate value of over 1,180 million euros. The 44 companies are presented below:

Table 5. Presentation of the companies included in Paper III

	Large	Small	Total
Listed	3	0	**3**
Private	3	17	**20**
Family	0	14	**14**
Institutional	3	3	**6**
REIT	1	0	**1**
Total	**10**	**34**	**44**

In Paper III, a distinction regarding the form of ownership was made. Consequently, companies were classified as ‘Listed’, ‘Private’, ‘Family’, ‘Institutional’, and REIT (Real Estate Investment Trust) companies. From analysing the table, we can also conclude that most of the companies are privately owned; either family-owned or by private investors (34 of 44 companies). We also note that these companies are more frequently classed as ‘small’, especially the family owned companies, than the other companies. This was the case, since all of the listed companies, half of the institutional companies, and the REIT-owned company were classified as ‘large’ companies. The same criteria with respect to the classification of a company as either ‘large’ or ‘small’ were applied in this paper, as in Paper I.

Taking all of the data in consideration, the different data sets were selected so as to enable access to different levels of knowledge of the commercial real estate companies and their real estate management organisations. However, this data-based approach was not used for cross-checking the data in the individual papers. Instead, it was used to build a broader body of knowledge and understanding of the field.

4.2 Research approach

A multi-method data analysis approach was used in my analysis of how the commercial real estate industry works with its customers, and how it is organised to serve its customers. The use of different methods involves engaging in both qualitative and quantitative research within the overall research project (Bryman & Bell, 2007). This enabled a broader analysis, compared to an analysis restricted to a single method.

'Text analysis' was used in Paper I in the mapping of espoused values concerning customer relations in the commercial real estate industry. The text analysis was based on Hellspong's (2001) theory of text analysis, and on the perspective of Mintzberg et al.'s (1998) view of 'strategy'. The analysis process was then used to categorise the different companies according to a set number of characteristics. After I logged and classified the companies' espoused values, I then conducted a quantitative analysis of these values, so as to determine how they had evolved over the time period under investigation.

Paper II, Paper IV, and Paper V all used interviews and a comparative analysis to investigate real estate companies. The interviews were semi-structured, as defined by Kvale (1995), so as to enable both standardisation, and the opportunity for the respondent to elaborate on their answers.

Paper II consisted of 15 interviews with top-level managers from 15 different companies. All of the companies were selected from the original 25 companies that were included in Paper I. I was thus familiar with the companies, since I had read each of the companies' previous five annual reports.

In Paper IV and Paper IV, each organisation was considered as a separate case, according to Eisenhardts (1989). This was done so as to enable a classification of each company, and to reason about theory in the different organisational settings, separately.

Paper III used a statistical analysis to determine whether the online office market was a lemon market or not. The method that was used to ascertain this was to log the advertisement of offices in Malmö CBD every week for one year, and then apply a standard regression analysis. To classify whether the companies were lemons or not, I analysed the quality signals associated with each company (according to Benjamin et al., 2006), and recorded whether the company had appeared in court.

There were primarily pragmatic reasons for using different research approaches, and the choice was determined by the research question and the available data in the specific study.

4.3 Quality of data and method

The quality of data and methods in contemporary research projects are often discussed in terms of ‘reliability’ and ‘validity’ (Arbnor & Bjerke, 1994). Validity is often divided into internal validity, that reflect if the conclusions drawn really follow from the material, and external validity that concerns whether the results can be generalized.

4.3.1 Reliability

Throughout all of the papers that are contained in this thesis, effort has been made to ensure that it, as far as possible, is possible to replicate the individual studies that are reported on in the papers. Two of the papers (I and III) rely on publicly available data and are therefore easy to replicate.

In Paper I, data come from annual reports and well-established theories were applied. However, since the findings were categorised by the researcher, there is risk of biases in terms of misinterpretation that might enter into the analysis. However, since the categories were defined in a simple and theoretically-anchored way by applying Mintzberg’s definition and categorisation of espoused values as intentioned or realized actions, there should be a high degree of reliability.

In paper III the data set for paper III consists of online advertisements for offices for rent in the CBD area of Malmö. The problematic features of the article from a reliability perspective concerns that quality indicators which we be commented on in the section on internal validity below.

Paper II, IV and V are based on interviews and such studies are always problematic from a reliability perspective, but a number of measures were taken to try to make sure that the answers reflect the true view of the respondents and that other would have got the same answers.

The design of the interview process was structured as semi-structured interviews (Kvale, 1995). The interviews with the decisionmakers from the real estate owners had, as their starting point, the choice made regarding whether or not to structure the real estate management in-house or to outsource it. As for the interviews with the individuals from the real estate management teams, the starting point was a more comprehensive question regarding work tasks and the representatives’ placement in the organisation, in order to become familiar with the representatives’ authorities. All in all this procedure led to an openly presentation and review from the respondents.

To enable the sorting, interpreting, classifying and coding of the material, all interviews were taped, and the interviewer transcribed all of the material. This is a time-consuming working procedure, but enables a better overall understanding and feeling for the nuances of the material. Also, it helps secure the process and ensure the respondents are correctly quoted. Taping and transcribing are also working procedures that are considered essential when working with interviews (see for example Riessman, 1993).

To enable analysis, each real estate owner and management team pairs were considered as a separate case before clustering the three with in-house management as one and the three with outsourced management as another. This enabled what Eisenhardt (1989b) labels ‘cross-case patterns’. From there, structures and similarities were crystallised as well as making it possible to highlight differences within the material.

As time has passed by, especially since Paper I and Paper II, the conclusions made in the five papers may not necessarily match the conclusions of a new set of investigations. As LeCompte & Goetz (1982) claim, it is impossible to freeze the circumstances of a performed study. However, if one were to take on the role that I played in the different studies, I believe that the studies can be replicated, because the objects that were studied are well-defined, and exist in a narrow and structured market. However, some of companies that were reported on in Paper I do not longer exist, and we note that several new companies have entered the market. In addition, at the present time, at least one company representative who was interviewed for Paper IV and Paper V has changed company. But we should bear in mind that the real estate industry is quite uniform (see, for example, Palm 2008), which indicates that new companies and a change in company representatives should not change the fact that this study can be replicated.

4.3.2 Internal validity

Paper I conclusions were based on standard statistical analysis of the data and the conclusions should be valid given the data. We must however bear in mind that only the companies’ espoused values in their annual reports were studied in this paper, and to be able to answer the research question in a more general way, other sources of information must be considered as well.

Paper II employs a classic perspective on strategy, where strategy is considered to be something that the management can plan and then execute. The results of this paper are both grounded on the literature on strategy, as well as on the literature on real estate management, and this speaks for internal validity. For Paper II, respondents were selected among the companies that were included in data set I. All of the original 25 companies were not included in the interview study, but since saturation in the material was reached, I claim that a high degree of validity has been achieved here (Patton, 2002).

The theoretical framework called “Market for Lemons” (Akerlof, 1970) was used in Paper III. However, this framework has never been applied to the real estate market before. In this context, there is a risk involved in using signals of quality (Benjamin et al., 2006), and especially the quality signal of ‘vertical integration’, because, even if the real estate management function is performed in-house, this does not answer the question of whether this function is performed in a good way or not. It can still be the case that the real estate owner does not allocated sufficient resources for this function, or has employed low-skilled workers. The data was as in paper I analysed with standard statistical methods and this contributes to a high internal validity, given the data.

Paper IV presents a study of information sharing and how the real estate owner secures information on which to base informed decisions. Since only large companies were studied, the process within the company should be more formalised. The study only reports on how these company representatives reasoned, and it does not try to evaluate whether the decision-maker was *actually* well-informed; only whether they *think* that they have access to the information that they want to have access to. One way to increase the internal validity of this study would have been to conduct a more ethnographic-influenced study, where the researcher participates in the everyday decision-making process and with information sharing within the companies.

Paper V reports on how real estate management teams are motivated to perform the tasks that are prioritised by the real estate owner. Here, the same kind of risks appear as in Paper IV, re. the perception that the incentives are not evaluated whether they work or not, only if the incentives are available or not. One way in which one might increase the internal validity of this study would be to engage in a participatory form of research where the researcher participates in the everyday work of the real estate management team.

When one considers the five papers in total, their claims to internal validity, we note that the different theoretical frameworks and methodological approaches, and the different data sets that were used in the studies suggest that a higher level of internal validity has been achieved, compared to a situation where only one theory, method, or set of data might have been used. The research questions that are raised in this thesis have been investigated and discussed using different levels and perspectives. However, the perspective of how the companies are organised with respect to providing service to customer has only indirectly been dealt with in Paper III.

4.3.3 External validity

In Paper I the external validity for the specific group is strong since all of the real estate companies that were listed on the stock market were included, and many of these companies provided a detailed description of the company in the annual report. However, if we were to apply this study on smaller companies, (which a turnover of less than 5 million euros per year), we would have faced different questions because these companies do not have the same financial basis for building their organisation, and thereby, their strategic customer-relation platform.

Paper II studies the same companies and in Paper II and the arguments above concerning external validity should be relevant for the conclusions in this paper also.

The data set for paper III concerns the CBD area of Malmö. One might question whether this study is relevant to other office markets outside the Malmö CBD. However, the observation that companies that been called to appear in the special rent court (Hyresnämnden) have to advertise their office premises for a longer time period indicates that this is a quality parameter, and this parameter may well be relevant in other geographical markets, at least in Sweden.

Paper IV and Paper V report on the same set of interviews. As the results of these studies indicate, the companies´ reason in the same way, regardless of whether they have in-house personnel or outsourced management. This indicates that this should be transferable to companies with the same pre-requisites. However, we should bear in mind that the three companies that had in-house management are all ‘large’ companies, and in ‘small’ companies with a more informal organisational structure, arguments for organising the management in-house of outsource might look different. The same condition is applicable to the companies which used outsourced management. They were all ‘large’ companies, as were the service companies. The outcome of the study might have been different, if I had studied small real estate owners who work in close collaboration with small service companies, since in such circumstances, the business setting would more closely resemble a relationship between person-to-person, than a business-to-business relationship. However, there is nothing in the material that speaks against the assumption that the outcome of the two different papers is transferable to situations which include other 'large' companies. I claim this because the outcome of the study, both with respect to information and incentives for effort, is unanimous among all of the included companies.

The empirical setting of the research project was Sweden, with its unique regulations. Whether the results of the present are to be considered valid outside of Sweden is not an easy question to answer. Although the real estate market is international, in the sense of international investors are involved in a large part of the transactions, the market is still local. The real estate market is 'local' in the sense that Sweden has its own particular laws and regulations with respect to real estate, thereby establishing a 'local' legal framework.

Although the real estate market is local, in the sense that it is restricted to specific geographic location, international companies were included in all of the papers. The fact that they own real estate in other countries in addition to Sweden might also have influenced their strategic actions but this has not been investigated in the present study. In Paper IV and Paper V, two companies with foreign owners and headquarters were included in the study, but in fact it was their Swedish divisions or subsidiaries that were actually studied. In summary, I do not think that the result of this thesis can be "copy and pasted" into another national setting. Notwithstanding that, I do think that many of the conclusions that are made in this thesis are applicable in an international perspective.

In summary, when one takes the whole of the material into account, there exists a rather high level external validity with respect to the study, as long as one considers relatively large companies in Sweden. However, as soon as one moves outside of Sweden, much of the claimed validity is lost. This is due to the specific features of the Swedish real estate market. One example is how the Swedish real estate market has developed after the Swedish financial and real estate crisis in the beginning of the 1990s, as discussed in section 1.1.

5. Summaries of the five papers

In this section, a brief summary of each of the five papers is presented, including the methodology that was used in each of the papers, and the results of each individual study.

5.1 Paper I

'Customer orientation in real-estate companies: The espoused values of customer relations'
This paper was published in *Property Management*, 2011, Vol. 29, No. 2.

Purpose: The original idea behind this paper stemmed from my licentiate thesis, where I stated that businesses within the industry need to change, and incorporate customer relations in their management systems. The purpose of this paper was to analyse how the espousing of customer relations has evolved over time in the Swedish real estate sector. Has a shift occurred within the Swedish real estate sector from product thinking towards customer thinking?

Method: The research is based on an analysis of 25 companies' annual reports that were mapped for the years 2004-2008. The mapping of the annual reports consisted of logging how, and in what context, these companies wrote about their customers and service. The material were then analysed through text analysis using the theoretical framework of Mintzberg´s five Ps.

Findings: The Swedish commercial real estate industry, in general, has made a shift from product orientation to customer orientation. However, the statistical analysis of the data did not show that a significant strategic change had taken place during the 5 years that were studied. We may interpret this as the industry had made the shift towards customer orientation already, before 2004. The study also indicated that there was no increase in espoused customer focus in the annual reports, during the time period studied. Furthermore, the study implies that it is not sufficient to categorise the companies within the industry as either being product orientated or customer oriented. Instead four categories of companies were suggested: Product orientated, Customer orientated, Project oriented, and Financed oriented.

5.2 Paper II

'Strategies in real estate management: two strategic pathways'
This paper was published in *Property Management*, 2013, Vol. 31, No. 4.

Purpose: The overall aim of this paper is to obtain insight into which strategic questions the real estate owner is faced with when the real estate owner is tasked to organise a real estate management team. The paper is a continuation of the first paper, where I concluded that the commercial real estate industry is customer oriented. My interest was then piqued with respect to the question of how, and through the use of which motivating forces, does the industry choose to organise its frontline personnel and its leasing of offices.

Method: The data consisted of recordings of interviews with 15 commercial real estate company executives.

Findings: The findings in this paper were that when making strategic plans for a company, the commercial real estate industry has two strategic pathways to consider regarding the organisation of real estate management. The first is to choose whether to have one's own frontline personnel, or to outsource this function. The second is to decide how the leasing task should be treated: Should it be treated as a real estate manager's task, or should it be a function of its own within the organisation? The conclusion of the study was that the organisations that were studied can be structured using either pathway, and the firm can still be successful. Furthermore, the arguments that were made by the top-level managers were the same, regardless of how their organisation was structured. They all based their strategic plans on the view that the current structure of the organisation was suited to take care of the customer. In other words, they had the same arguments, but chose different strategic pathways to achieve their goals.

5.3 Paper III

'The Office Market: A Lemon Market?'
This paper was published in *Journal of Property Finance and Investment*, 2015, Vol. 33, No. 2.

Purpose: The overall aim of this paper was to investigate whether the online market for offices in Malmö between 2013 and 2014 was a lemon market, or not. The focus of the investigation was to determine whether quality signals from the real estate owner influence how offices are advertised.

Method: The paper is based on a statistical analysis of the advertisement of offices in Malmö CBD, collected weekly during a period of one year. The paper used four quality signals to evaluate the influence of quality signalling in advertisements. These signals were 'vertical integration', 'scale', and 'local presence' according to Benjamin et al. (2007), with an addition signal; 'appearance in the rent court' (Hyresnämnden).

Findings: The finding in this paper was that the hypothesis that the market for office properties that were advertised on the internet for the Malmö CBD is a lemon market cannot be rejected. The observation that real estate owners who had appeared in court more than once in the last two years were also more inclined to advertise their properties supports the hypothesis.

5.4 Paper IV:

'Real Estate Management: Incentives for Effort', Submitted

Purpose: The overall aim of this paper was to investigate how representatives of real estate owners have offered incentives for the real estate management organisation to ensure that the real estate management organisation prioritises the "right" tasks.

Method: The data that was used in this study consisted of interviews with 6 large commercial real estate owning companies and 3 large service provision companies. In total 19 interviews. Each of the interviews were treated as separate cases and then clustered together to enable an investigation into the occurrence of incentives for effort in the organisation. Each company that owned real estate was represented by a top-level manager (the managing director, or, in the cases where the company which owned the real estate was not the managing company, the person who was head of the real estate division). The service providing companies were represented by a top-level manager who was responsible for service contracts. In addition to these nine people, one whole division in each of the real estate management organisations was also interviewed.

Findings: The conclusion that was drawn in this paper was that irrespective of whether the real estate management organisation was organised in-house or not, both organisational forms employ a low degree of incentives at the management level. In situations where the real estate management was outsourced, there existed formal requirements that stipulated the individual real estate managers perform certain tasks. These formal requirements were ubiquitous and regulated the contract between the real estate owning company and the service company. In situations where real estate management was performed in-house, there existed a more informal environment where responsibility begat accountability. The individual real estate manager, via his or her employment, was given authority to make purchases, as well as engaging the company in long-term contractual settings with customers, and by that authority, also the confidence from the senior management to prioritise tasks and perform them.

5.5 Paper V

'Information for Decision-making in In-house and Outsourced Real Estate Management Organisations', Submitted

Purpose: The overall aim of this paper was to investigate how the decision-maker in companies that own real estate owning makes informed decisions.

Method: The data that was used in this study consisted of recordings of interviews with 6 large companies that own commercial real estate and 3 large service provision companies. In total 19 interviews. Each of the interviews were treated as separate cases and then clustered together to enable the question of how incentives for effort from the real estate management teams could be aggregated and discussed. Each company that owned real estate was represented by a decision-maker (the managing director, or in the cases where the owning company is not the managing company the one that is head of the real estate division) and the service providing companies by a decision-maker being the one responsible of service contracts. Beside these nine decision-makers one line in each of the real estate management organisation were also interviewed.

Findings: The conclusion that was drawn in this paper was that, in the in-house organisation, information sharing is performed in informal ways. For example, the managing director had weekly personal contact with the managers, where the managing director spoke about everyday things as well as strategically important issues. In the situation where the real estate management was outsourced, the information sharing process was more formalised, where the contract between the real estate owner and the service company stipulated what information was to be reported, when, and how. Furthermore, the study showed that, in the in-house situation, information was reported mainly orally, while in the outsourced situation information was reported in writing. This indicated a rigid process in the outsourced situation which did not appear in the in the in-house situation.

5.6 Overview of the five papers

Taking all the five papers into account, we conclude that they represent an investigation into the organisation of the management of commercial real estate businesses towards their customers. In Table 6, an overview of the methods and the empirical material that was used in each paper is presented.

Table 6. Overview of methods and empirical material used

	Paper I	**Paper II**	**Paper III**	**Paper IV**	**Paper V**
Title	'Customer orientation in real-estate companies: The espoused values of customer relations'	'Strategies in real estate management: two strategic pathways'	'The Office market: A Lemons Market?'	'Real Estate Management: Incentives for Effort'	'Information for Decision-making in In-house and Outsourced Real Estate Management Organisations'
Research Question	How has the espousing of values related to customer relations evolved over time in the real estate industry?	How do Swedish real estate companies organise their real estate management tasks?	Do bad real estate owners drive out good real estate owners from the online marketplace for offices?	How are real estate owners ensured that their real estate management prioritises the right tasks?	How does the decision-maker remain informed so as to make informed decisions?
Method	Based on mapping of the industry's annual reports. 24 companies for the years 2004-2008	Based on interviews with 15 top-level managers	Based on weekly logged advertisements between February 2013 to January 2014	Based on 19 interviews with 6 decisionmakers and 13 managers	Based on 19 interviews with 6 decisionmakers and 13 managers
Background theories	Strategy as Ploy with strategic action and strategic intention as defined by Mintzberg (1999)	Strategic planning and business models as defined by Teece (2010)	Market for lemons as defined by Akerlof (1970) and Quality signalling in real estate management as defined by Benjamin et al. (2006)	Incentives in organisations as outlined by Milgrom and Roberts (1992) including Transaction cost as defined by Williamson (1975)	Incentives for information sharing inside the firm as outlined by Hertzberg et al. (2010) including Transaction cost approach as outlined by Williamson (1975)

Empirical material	25 real estate companies, with a focus on commercial real estate, annual reports, 5 years back in time	15 interviews with top-level managers in the Swedish commercial real estate industry	Advertisements of offices for rent in the Malmö CBD area were weekly logged for 46 weeks.	Six decision-makers, where 3 came from companies with in-house management and 3 from companies with outsourced management. In addition, 6 management organisations were interviewed. In total 19 interviews were made.	Six decision-makers, where 3 came from companies with in-house management and 3 from companies with outsourced management. In addition, 6 management organisations were interviewed. In total 19 interviews were made.
Analysing methods	Context analysis, the model of corpus linguistics, and for analysing the development over time a One-side ANOVA was used.	Using the framework of strategic plan in combination with real estate management concepts enabled the analysis to extract the different strategic pathways.	Using four quality signals as proxies in a regression analysis.	Using the framework of transaction costs for analysing the interview context in relation to incentives.	Using the framework of transaction costs for analysing the interview context in relation to incentives.

From Table 6, we can see that two papers (Paper I and Paper III) employ a statistical approach, and three of the papers (Paper II, Paper IV, and Paper V) have a qualitative approach with respect to the nature of the data and how it was subsequently analysed.

6. Discussion and conclusions

The overall aim of this thesis is to analyse a number of issues in the commercial real estate industry in Sweden, with focus on customer orientation and the organisation of real estate management

The combined research presented in the five papers discussed above provides increased knowledge concerning these issues. By addressing the research issues, I aimed at creating a deeper understanding of how a commercial real estate company organises itself towards its customers. What follows is a discussion of the main research questions, followed by a section that provides a summary of the conclusions that can be drawn by this research project.

6.1 How is the industry organised, so as to satisfy its customers' needs?

All of the five papers that are included in this thesis address this question from different perspectives and methods, as discussed below.

Paper I: This paper provides a mapping of the values espoused by commercial real estate companies regarding their work with customer relations. The conclusion that we can draw from this paper is that, even before 2004, the commercial real estate industry had made the shift towards being more customer orientated. It indicates that the early "backwardness" of the real estate sector and of a late change into considering customer relations as important.

From Paper I, we also note that it is not particularly easy to classify a company as either customer oriented or product oriented. The classic perception which claims that service or products are polar opposites to each other in terms of what a company might decide to focus on (see, for example, Parasuraman et al., 1985) was found not to be sufficient, because the real estate industry has more focus areas than just products and service. Instead, I proposed four different organisational orientations; ‘Brick’, ‘Customer’, ‘Project’, and ‘Financial’. Of these categories, companies with both a ‘Customer’ or ‘Project’ orientation can be regarded as service oriented.

Paper II: From paper II it is evident that the commercial real estate industry in Sweden is able successfully organise itself, both with in-house management and outsourced management. Both ways of organising the management of a business seem to be successful and the arguments (which are all based on customer contact) for organising the management in a particular way all originate from the top-managers; but their strategic plan to enable the organisational customer fit is different.

Regardless of whether the real estate management is organised in-house or is outsourced, the leasing of properties is also treated in two different ways. What is of interest is the way leasing is organised within the real estate management organisation. Leasing can be organised as either a manager’s task or as something that is centralised as a function of its own. In this case, the arguments for organising the leasing are based on customer focus, but the strategic plan that is implemented to realise such an organisation may vary.

Paper III: From the regression analysis of the online office advertisements, we find that vertical integration is significantly correlated with advertisement. If a real estate owner has organised the real estate management function in-house, then such a real estate owner will also engage in more online advertisement than businesses where the real estate management function is outsourced. This observation stands in contrast to earlier studies that have concluded that vertical integration is a signal of quality.

Paper IV and Paper V: Both papers investigate the two different ways of organising a real estate management team with respect to how it interacts with its customers. This may rely on an in-house management team, or this management can be outsourced. Paper IV highlighted the fact that the in-house organisation of real estate management is more informal, and incentives are established in the light of the notion that ‘responsibility begets accountability’. Paper V demonstrated that in cases where the real estate management organisation is outsourced, a more rigorous information reporting system regarding the business’s customers is followed.

When we consider all of the five papers discussed above, we note that all of the companies that were investigated consider customer relations as something important to them. All of the companies employ an organisational strategy for satisfying their customers’ needs. Even if a real estate owner organises the real estate management in-house or outsources this function, the basis for the structure remains customer-oriented, as this is a necessary condition to be competitive.

6.2 What motives and incentives does the real estate manager have?

The question regarding motivation and incentives to work in a customer-oriented way was primarily discussed in Paper III and Paper IV, as presented below.

In Paper III, it was argued that the frequency with which a real estate company is called to appear in the rent court (Hyresnämnden), positively correlates with the frequency with which the company advertises its properties online. Knowing that poor customer relations correlates with longer periods for which a property needs to be advertised before it is leased provides an incentive for the real estate manager to work more closely with customer relations. The risk of ending up in the rent court should also affect top management.

Paper IV: This study investigated the differences between the incentives that are available to businesses which manage their real estate in-house in contrast to businesses that have outsourced this function. This study thus considered incentives for the individual real estate manager, as well for the company that has been tasked to perform the management service. In both organisational settings, there are no bonuses offered on the real estate manager level. In the in-house setting, a bonus exists for all employees, but only if the company as a whole succeeds in achieving certain goals, including achieving or exceeding a pre-determined score on their SCI (Satisfied Customer Index). In the outsourced situation, there are no bonuses that are tied to contracts, except for in one case, but that bonus was subjective, with no pre-determined goals that were set for it to be awarded. This reflects the general problem to construct bonuses in a way that creates the right incentives.

In the in-house situation, it is primarily up to the individual real estate manager and her good judgement about which tasks will be prioritised. There is a relationship of trust between the senior management and the real estate manager in this matter. In the outsourced situation, on the other hand, all of the tasks that are to be conducted by the real estate management team are stipulated in the contract between the real estate owner and the service company. The out-sourced real estate management team are subject to a rigorous set of performance criteria. It is these performance criteria, and the original contract, that create the incentive for the out-sourced management team, and not necessarily their pride in doing a good job. Both organisational settings have one thing in common however, which is that there is no direct monetary incentive for the individual real estate manager to prioritise one or another task, regardless of how prioritised the real estate owner may think a particular task is.

As direct monetary incentives and bonuses can lead to sub-optimization, the companies primarily work with other methods to create incentives, e.g. promotions and prolonged contracts.

Paper V: In Paper V, the sharing of information was investigated, in both in-house and outsourced organisational settings. It was found that customer information, except for contractual information, is seldom requested and thereby there is a low level of incentive, from the management side, to provide information on this question. This implies that, in the in-house situation, the trust from the senior management is high regarding the individual real estate manager's ability to deal with requests made by the customer. In the outsourced situation, the contract stipulates hard facts concerning customers, but the real estate owner has confidence that the service providing company will deal with customer questions in good time, before negative consequences in financial reports or vacancies appear.

6.3 Summary of conclusions

In summary, we conclude that it is evident that the Swedish commercial real estate industry has an espoused strategy towards customer relations. How individual firms structure their organisation however, differs. On a strategic business level, the different firms operating in the Swedish commercial real estate industry either structure their real estate management organisation in-house or they outsource it. The arguments are the same for both ways of structuring the organisation. Top management representatives (primarily managing directors) all motivate their ways of structuring the organisation by invoking a customer perspective

In Paper I, I presented a number of examples of companies that described describing themselves as ‘service-management oriented’. They both highlighted the fact that service was a core activity within the firm, as well as that customers’ perception of quality was a driving force in value creation. Both of these statements correspond well with a basic service management perspective. (See, for example, Albrecht, 1988, and Grönroos, 2008). It also reflects what Grönroos (1994) claims as being the five key factors of service management. The companies in Paper I that were categorised as ‘customer-oriented’, as well as some of the companies that were categorised as ‘project-oriented’, do possess an overall management perspective regarding service and customers; they have a customer focus, a holistic approach to service, the focus on quality is customer-anchored, and a focus on internal development, as claimed in their annual reports. However, when we consider the result from Paper II, we note that the customer service factor permeates the organisational structure of the business. The result that the chosen pathway is embedded in the customer perspective of service quality is, in itself, a clear signal of being an organisation that is grounded in a service management tradition.

By combining the results from Paper IV and Paper V with Paper II, we derive that the organisational structure that delivers the best service value for money was chosen by the businesses, or, in other words, the lowest transaction cost was paramount for these businesses, as seen in Paper IV. This result is also of interest if we relate the discussion of the service perspective in Paper III with the observation that in-house management prolongs the time that a property needs to be advertised before it is leased by a customer. If we argue that a service-oriented firm has chosen an organisational structure that entails the lowest transaction cost given a certain level of service quality, then in-house management cannot be interpreted as a quality factor that signals that the firm takes these questions seriously.

The core argument, as seen in Paper II, is that regardless of the organisational structure, the top management has chosen the extant organisational structure from a customer perspective. Of course, price is a factor. For example, one can argue that it would not be economically feasible to have an in-house organisation, if the real estate portfolio were not big enough. However, the companies that were studied in Paper IV and Paper V were all large enough and own portfolios that are geographically dense enough to justify an in-house organisation, so that argument is of no concern to this study.

However, since the basic argument with respect to the choice of which structure the real estate management organisation will take is based on a perception of customer relations, then we note that there are large disparities regarding regulations and incentives in the two different organisational settings. In the in-house setting, information reporting is informal and the individual real estate manager is given an expansive mandate. The notion of ‘responsibility begets accountability- reflects the in-house setting quite well. In the outsourced setting, the contract regulates everything, from information reporting to the real estate managers’ mandates, which are small. The structure is not informal, and there are clear regulations and guidelines for each business activity that takes place. However, there is common feature of the two organisational settings; there is a lack of monetary incentives at real estate manager level within the business. There is no real estate management organisational structure, regardless of whether it is in-house or outsourced, where the individual real estate manager enjoys a direct relationship between her own effort and the possibility of earning a bonus.

In the in-house setting, all bonuses are tied to the *overall* financial outcomes, and sometimes also to SCI outcomes within the business. Thereby, as an individual, one can only, to a very little degree, influence the possibility of earning a bonus. In the outsourced setting, we again find that there is no possibility of earning an individual bonus, or it is on a company level and is linked to a subjective bonus. In other words, if the real estate owner feels like it, a bonus might be paid, but there are no guidelines for awarding such a bonus, it is completely subjective from the real estate owner’s perspective. As mentioned above the lack of direct financial incentives can be explained by the difficulties in constructing such incentives as it can lead to sub-optimization and reduced cooperation.

Two different organisational structures are adopted by different companies as answers to the same question regarding customer service, and the same basic argument for the choice of structure is invoked, regardless of which structure is ultimately chosen, but with different transaction costs and benefits. These transaction costs could be lowered and the benefits could be transformed between the two structures. But this will mean that the real estate owner in the outsourced setting needs to develop a higher degree of trust for the service provider, and is willing to let go of some control. The real estate owner in the in-house structure, on the other hand, would need to provide company regulations that do not intrude on the individual manager’s perception of freedom and control. Furthermore, in both structures owners could implement an incentive scheme that measures general service quality and is linked to the award of bonuses. These bonuses should reward, if not on an individual level, on business-area levels, thereby ensuring that individual real estate managers have has a clear line of sight between their own efforts.

We note that the service- and customer-orientation identified by Bengtsson & Polesie (1998) is now fully incorporated within the industry. Nowadays, the real estate business it is not solely focused on the physical aspects of a property and the management of a property. Instead, the practical management of real estate is seen as only one of several activities that is engaged in by modern service-providing real estate companies. From the customer’s perspective, real estate is only a shell. For the customer the services provided by the real estate company which support the customer’s business are of particular interest, and not only the physical attributes of the property. The fact that commercial real estate businesses do not now see themselves as being engaged in a static activity, but, instead, as actors in a competitive market, has given rise to a number of different issues for the industry. One issue is that the industry has now been forced to realize that it must organize itself in a way such that it can meet market demands. Another issue is that companies need to clarify for themselves what kind of player they are, and what role within the industry that they want to play. In other words, contemporary real estate businesses need an active strategy plan for their businesses and a clearly defined market orientation.

In summary, the challenges faced by the real estate industry in Sweden are dealt with by structuring the organisation from a service perspective, and not by a cost cutting approach. We note that real estate businesses that own properties tend to rely on different incentives regarding information for decision and for effort making in the real estate management situation. While owners of real estate with an in-house management team rely on information that is well nuanced and from different sources, soft as well as hard information, in-house organisations tend to have few incentives for effort making and such organisations seem to rely on the idea that co-workers to be motivated through the notion of 'responsibility begets accountability'. The businesses that outsource their real estate management functions, on the other hand, are more structured; written reports with a focus on hard information are the basis for decision-making in these businesses, and the work tasks that are performed by these outsourced management teams are well-formulated in contracts between the business that owns the real estate and the management business. In these contracts, the individual manager's work tasks, responsibilities, and authorities are stipulated.

7. Contributions and future research

This chapter contains a discussion of the contributions that are made by the research papers that comprise this thesis, highlights how the different papers support and elaborate on each of the findings. The chapter consists of three different sub-sections, namely Theoretical, Empirical and Practical contributions.

7.1 Theoretical contributions

We conclude that the commercial real estate industry must be regarded as a service industry and thereby is it justified to subject this industry to studies that adopt a service-management perspective or a service-dominant logic perspective. Furthermore, we note in Paper I and Paper II that the classic classification of organisations as either product-oriented or service-oriented (see, for example, Kotler & Ley, 1969; and Wilkie & Moore, 2012) ought to be broadened and categorised as 'service-oriented', 'product-oriented', 'financial-oriented', or 'project-oriented' organisations instead. This more finely-grained categorisation has implications for the field of strategy as well.

Considering the field of strategy, the findings indicate that strategy in the management of real estate in the commercial real estate industry should be considered and analysed through a service management perspective or a service-dominant perspective. The reason for adopting a service perspective while considering and/or analysing real estate management organisations is the close relationship between real estate management and service management, and the fact that Swedish real estate companies are organised so as to deliver customer value through service, as seen in the different papers.

The combination of service and strategy also has implications for the classic "market for lemons" model. Together, these different implications made in Paper I, Paper II, and Paper III all indicate that a particular 'mind-set', rather than a top down perspective, constitutes customer relations. However, the mind-set of the top-level managers sets the agenda. As Paper III shows, this model is applicable to the commercial real estate market and indicates (i) how customers reason and (ii) the function of a geographically-screened market. Furthermore, the frequency with which a company is called to appear the rent court (Hyresnämnden) was tested positive in the lemon model as constituting a negative quality signal and should be added to Benjamin et al's., (2006) three quality signals; 'local presence', 'scale', and 'vertical integration'. We also note that the quality signal of 'in-house management' (or 'vertical integration') as outlined in Benjamin et al. (2006) and tested in (Hardin et al., 2009) might not be a quality signal on the Swedish market. This is the case because the companies that were studied in Paper II, in combination with Paper IV and Paper V, demonstrate that the best service to lowest transaction cost is chosen.

7.2 Empirical contributions

The industry considers customer relations as important, and has done so for more than 10 years (at least since 2004). This is demonstrated in both Paper I and Paper II, where the companies' annual reports and the top-level managers' arguments both bear credence to this claim. In Paper II, it was claimed that the design of the structure of the organisation was based upon customer relations.

The fact that leasing can be regarded either as a manager's task or as a centralised function, and that both of these options are argued for in terms of how they benefit the businesses' customers indicates that that it is not the structure of the organisation that determines customer focus. Instead, other parameters, such as a general perception of doing business, determine the structure of the organisation.

The application of the "market for lemons" theory on the real estate industry indicated that this theoretical model can be used to interpret the commercial real estate market with respect to the leasing of offices. The implication that vertical integration correlates with a longer time needed to advertise a property can be interpreted as it is not the organisation setting in itself that constitutes value. Instead, it is how the management organisation carries out their tasks. Together these different implications from Paper I, Paper II, and Paper III all indicate that it is a mind-set instead of a top down perspective that constitutes customer relations. However the mind-set of the top-level managers does set the agenda.

In Paper I, we conclude that the Swedish real estate industry is service oriented, but, as shown in Paper II, this is associated with different organisational settings. Consequently, different companies will choose an organisational structure that implies the lowest transaction cost, given a particular level of service quality. If this is the case, which Paper II and IV indicate, then in-house management cannot be a quality factor signalling that the firm takes these questions seriously. Instead, other factors constitute the different organisations' quality signalling.

From Paper IV, we note that there are no clear bonus incentives that are available to the management organisations to work in a manner that can be said to be 'customer oriented'; neither for in-house management teams nor for the outsourced management providers,. However, there was a veiled expectation on behalf of the representatives the real estate owners (at least in the six of the companies included in the study) that the real estate management teams were expected to work with focus on customer relations, and there might be more long term incentives to work in this direction.

7.3 Practical contributions

When one spends time with industry representatives, one is given the impression that much has happened within the industry during the past two or three years with respect to service and customer focus. However, the findings from the papers indicate that this is not the case. Instead, the research contained in this thesis allows us to come to the conclusion that the industry already had a customer focus more than a decade ago. What we note is that the change that Bengtsson & Polesie (1998) observed was established already in 2004. This is something that the industry should incorporate in their mind-set instead of still excusing themselves as 'novices' in the field of service provision. Furthermore, it is something that implies that the industry ought to be able to take their service orientation to the next level. However, this also puts demands on the educational sector to incorporate service and customer relations in curricula so as to be able to satisfy the industry's requirements.

The findings in Paper III note that if a company has been called to appear in rent court (Hyresnämnden), then it will also have to advertise its office premises for a longer period of time. Whether the fact that a company has been to court and this is taken into consideration by future tenants *and* that this it is an indication of a bad reputation in general has not be determined.

With respect to the organisation of real estate management, Paper IV and Paper V highlight the pros and cons for each organisational form (i.e. either in-house, or outsourced). The most beneficial practical outcome of which form is chosen might be the fact that, although the individual real estate manager has a great influence over the budget process, most real estate managers feel like there should be a more clear relationship between their effort and the opportunity of winning a bonus, since the managers' efforts are not currently measured on an individual level, but on company level instead. Designing such an individual incentive scheme is however not easy.

When the choice between in-house management and outsourced management arises, companies within industry motivate their choice through enabling an affordable service delivery, regardless of the organisational form that they adopt. This gives us two different organisational structures as answers to the same question, with the same basic argument being invoked irrespective of the structure that is ultimately chosen. However, whatever structure is chosen comes with different transaction costs and benefits. These transaction costs could be lowered and the benefits could be transformed between the two structures. But this will mean that real estate owners who have outsourced their real estate management are forced to develop a higher degree of trust in their service provider and are willing to let go of some of the control that they currently have. The real estate owner with an in-house real estate management structure, on the other hand, would need to stipulate documentation in a matter that does not intrude on the individual manager's perception of her freedom and control. In both structures, an incentive scheme which is based on measuring service quality and is linked to bonuses could be introduced. These bonuses should reward, if not on an individual level, business area levels, thereby making sure that individual real estate managers benefit from a clear relationship between their own efforts and the opportunity of being awarded a bonus.

7.4. Ideas for future research

This thesis has a clear focus on the company perspective and the top-management. The same questions could be studied from a customer perspective instead. For example: How do the tenants perceive in-house and outsourced real estate management? It would be of interest to conduct a study where tenants are asked about their opinion about the organisation of the management of their premises. Furthermore, it would also be of interest to ask tenants who have recently moved from one organisational form to another how they perceive the differences in management.

As Paper II discusses, real estate companies with an in-house management structure can organise leasing as an activity as either a manager task or as a central function. What is the most efficient solution, and how would it be perceived by customers? Do office premises take shorter time to lease depending on whether the real estate company has organised leasing as a management task or a centralised function within the organisation? Furthermore could this question be studied from a customer's perspective regarding their perception of the leasing process: How is the leasing process perceived by a new customer?

Another question is the question of service in general, and the measurement of service that is provided. First, how do company executives interpret service? Can we determine whether they perceive service from a goods dominant logic perspective or from a service dominant logic perspective? Second, how do real estate companies measure the service that they provide and customer satisfaction? Even more interesting: How do they use this information?

References

Abdullah, Shardy, Arman, Abdul, R., and Abd, Hamid, K.P. (2011), The characteristics of real estate assets management practice in the Malasian Federal Government, *Journal of Corporate Real Estate*, Vol. 13, No. 1, pp. 16-35.

Akerlof, George, A. (1970), The Market for “Lemons”: Quality Uncertainty and the Market Mechanism, *The Quarterly Journal of Economics*, Vol. 84, No. 3, pp. 488-500.

Albrecht, Karl. (1988), *At America´s Service: How corporations can revolutionize the way they treat their customers*, McGraw-Hill, Homewood.

Aldehayyat, Jehad, S., Anchor, John, R. (2010), Strategic planning implementation and creation of value in the firm, *Strategic change*, Vol. 19, pp. 163-176.

Ali, Zaiton, Stanley, McGreal, Alistair, Adair, James, R. Webb. (2008), Corporate Real estate strategy: A conceptual overview. *Journal of real estate literature*. Vol 16 No 1 pp 3-21.

Anderson, James, C. (1995), Relationships in Business Markets: Exchange Episodes, Value Creation and Their Empirical Assessment, *Journal of the Academy of Marketing Science*, vol. 23, No. 4, pp. 346-350

Ansoff, Igor. (1984), *Strategic management*, Palgrave, Macmillan, Basingtoke

Arbnor, Ingeman, and Bjerke, Björn. (1994), *Företagsekonomisk metodlära*, Studentlitteratur, Lund.

Arnould, Eric, Price, Linda L., and Malshe, Avinash. (2006), Toward a Cultural Resource-Based Theory of the Customer, In *The service-dominant logic of marketing. Dialog, debate and directions*. Editors: Robert F. Lusch and Stephen L. Vargo. M. E. Sharpe London England, pp. 91-104.

Azasu, Samuel. (2011), Ownership and size as predictors of incentive plans within Swedish real estate firms, *Property Management*, Vol. 29, No. 5, pp. 454-467.

Baharum, Zarita, A., Nawawi, Abdul H., and Saat Zainal, M. (2009), Assessment of Property Management Service Quality of Purpose Built Office Buildings, *International Business Research*, Vol. 2 No. 1, pp. 162-174.

Baldwin, Greame. (1994), Property management in Hong Kong: An Overview, *Property management*, Vol. 12. Iss: 4, pp. 18-23.

Balogun, Julia, Jacobs, Claus, Jarzabkowski, Paula, Mantere, Saku, and Vaara, eero. (2014), Placing Strategy Discourse in context: Sociomateriality, Sensemaking and Power, *Journal of Management Studies*, Vol. 51, Iss. 2, pp. 175-201.

Basole, Rahul, C. and Rouse, William, B. (2008), Complexity of service value networks: Conceptualization and empirical investigation. *IBM Systems Journal*, Vol. 47, No. 1, pp. 53-70.

Bengtsson, Niklas, and Polesie, Thomas. (1998), *Från fastighetskris till Castellum –en studie av gestaltning och styrning*, SNS förlag Stockholm

Benjamin, John, D., Chinloy, Peter, and Hardin III, William, G. (2006), Local Presence, Scale and Vertical Integration: Brands as Signals, *Journal of Real Estate Finance and Economics,* Vol. 33, Iss. 4, pp. 389-403.

Berry, Leonard, L. and Parasuraman, A. (1993), Building a new academic field – the case of service marketing, *Journal of Retailing*, vol. 69, No. 1, pp. 13-60.

Blomé, Gunnar. (2011), *Organizational and Economic Aspects of Housing Management in Deprived Areas*, Doctoral Thesis in Building and Real Estate Economics, Royal Institute of Technology, Tryck och Media, Stockholm.

Bonn, Ingrid, and Chris, Christodoulou. (1996), From strategic planning to strategic management, *Long range planning*, Vol. 29 No 4, pp. 543-551.

Bryman, Alan, and Bell, Emma. (2007), *Business research methods*, second edition, Oxford University Press. Oxford.

Caves, Richard, E. (1998), Industrial organization, Corporate Strategy and Structure, *Journal of Economics Literature*, Vol. 18, No. 1, pp. 64-92

Chin, Lawrence, and Poh, Lam Khee. (1999), Implementing quality in property management – the case of Singapore, *Property Management*, Vol. 17, Iss. 4, pp. 310-320.

Choo, Chun, Wei, Bergeron, Pierrette, Detlor, Brian, and Hetaon, Lorna. (2008), Information Culture and Information Use: An exploratory Study of three organizations, *Journal of the American Society For Information Science and Technology,* Vol. 59, Iss. 5, pp. 1-13.

Coase, R. H. (1937), The Nature of the Firm, *Economica*, No. 4, pp. 386-405.

Day, George, S. (1994), The capabilities of Market-Driven Organizations, *Journal of Marketing*, Vol. 58, No. 4, pp-37-52

Dean, Alison, M. (2004), Links between organisational and customer variables in service delivery: Evidence, contradictions and challenges, *International Journal of Service Industry Management*, Vol. 15, Iss. 4, pp. 332-350.

Dermisi, Sofia, V., and McDonald, John, F. (2010), Selling Prices/Sq. Ft. of Office Buildings in Downtown Chicago – How Much Is It Worth to Be an Old But Class A Building?, *The Journal of Real Estate Research*, Vol. 32, No. 1, pp. 1-21

Drucker, Peter, F. (1954), *The Practice of Management*, New York, Harper Collins.

Dutton, Jane, E., and Jackson, Susan, E. (1987), Categorizing strategic issues: Links to Organizational action, *The Academy of management review*, Vol. 12 No. 1, pp. 76-90.

Edington, Gordon. (1997), *Property Management: A customer Focus Approach*, Palgrave Macmillian, Basingtoke, Hants

Edwards, Victoria, and Ellison, Louise, (2004), *Corporate property management*. Blackwell Science Ltd., Oxford UK.

Eisenhardt, Kathleen, M. (1989), Building Theories from Case Study Research, *Academy of Management Review*, Vol. 14, No. 4, pp. 532-550.

Eriksson, Per-Erik, and Lind, Hans. (2015), Moral hazard and construction procurement: A conceptual framework, *Working Paper Series 2015:02, Department of Real Estate and Construction Management & Centre for Banking and Finance (cefin),*

Grant, Robert, M. (2010), *Contemporary Strategy Analysis and cases* 7th ed. John Wily and Sons Ltd

Grönroos, Christian. (2011), Value co-creation in service logic: A critical analysis, *Marketing Theory*, Vol. 11, No. 3, pp. 279-301.

Grönroos, Christian. (2008), *Service Management och marknadsföring* Liber Sverige

Grönroos, Christian. (2006), What can a service logic offer marketing theory?, In *The service-dominant logic of marketing. Dialog, debate and directions*. Editors: Robert F. Lusch and Stephen L. Vargo. M. E. Sharpe London England.

Grönroos, Christian. (1994), From Scientific Management to Service Management A Management Perspective for the Age of Service Competition, *International Journal of Service Industry Management*, Vol. 5, No. 1, pp. 5-20

Grönroos, Christian, and Gummerus, Johanna. (2014), The service revolution and its marketing implications: Service logic vs Service-dominant logic, *Managing Service Quality: An International Journal*, vol. 24, Iss. 3, pp. 206-229.

Grönroos, Christian, and Ravald, Annika. (2011), Service as business logic: implications for value creation and marketing, *Journal of Service Management*, Vol. 22, No.1, pp. 5-22.

Grönroos, Christian, and Voima, Päivi. (2012), Critical service logic: making sense of value creation and co-creation, *Journal of the Academy of Marketing Science*, Vol. 41, Iss. 2, pp. 133-150.

Guba, Egon, G., and Lincoln, Yvonna S. (1994), Competing Paradigms in Qualitative Research, in Denzing, Norman K. and Lincoln Yvonna S. (eds), *Handbook of Qualitative Research,* Sage Publications, Thousand Oaks, California.

Hardin III, William, G., Hill, Mathew, D., and Hopper, James, J. (2009), Ownership Structure, Property Performance, Multifamily Properties, and REITs, *Journal of Real Estate Research*, Vol. 31, No. 3, pp. 285-306.

Hawes, Jon, M. and Crittenden, William, F. (1984), A taxonomy of competitive retailing strategies, *Strategic Management Journal*, Vol. 5, No. 3, pp. 275-287.

Hellspong, Lennart. (2001), *Metoder för brukstextanalys*, Studentlitteratur, Lund

Hewlett, Charles, A. (1999), Strategic planning for real estate companies. *Journal of property management* Vol 64 No 1 pp26-29

Huff, Anne, S. (1990), *Mapping strategic thought*, John Wiley & Sons, Chichester.

Hunt, Shelby, D., and Morgan, Robert M. (1995), The comparative advantage theory of competition, *Journal of Marketing*, Vol. 59, No. 2, pp. 1-15

Håkansson, Håkan, and Snehota, Ivan. (1989), No Business is an Island: The Network Concept of Business Strategy, *Scandinavian Journal of Management*, Vol. 5, Iss. 3, pp. 187-200.

Häckner, Einar. (1998), Strategic development and information use. *Scandinavian Journal of Management.* Vol. 4. No. 1 pp. 45-61.

Kabanoff, Boris, Waldersee, Robert, and Cohen, Marcus. (1995), Espoused values and organizational change themes, *Academy of Management Journal*, Vol. 38, No. 4, pp. 1075-1104.

Kotler, Philip, and Levy, Sidney, J. (1969), Broadening the concept of marketing, *Journal of Marketing*, Vol. 33, No. 1, pp. 10-15.

Kryvinska, Natalia, Olexova, Romana, Dohmen, Paul and Strauss, Christine. (2013), The S-D Logic Phenomenon-Concpetualization and Systematization by Reviewing the Litterature of a Decade (2004-2013), *Journal of Service science Research*, Vol. 5, Iss. 1, pp. 34-94.

Kvale, Steinar. (1995), *Den kvalitativa forskningsintervjun*, Studentlitteratur, Lund.

LeCompte, Margatet D., and Goetz, Judith Preissle. (1982), Problems of Reliability and Validity in Ethnographic Research, *Review of Educational Research*, Vol. 52, No. 1, pp. 31-60.

Leiblein, Michael, J. (2011), What Do Resource- and Capability Based Theories Propose?, *Journal of Management*, Vol. 37, No. 4, pp. 909-932.

Li, Quanxi, and Xu, Feng. (2008), Customer Participation, Customer Satisfaction and Customer Loyalty: An Empirical Study on in Real Estate Industry, International Conference on, Information Management, Innovation Management and Industrial Engineering, ICII ´08, Taipei, Vol. 2, pp. 82-85

Liedtka, Jeanne, M. (2000), Strategic planning as a contributor to strategic change: A generative model, *European management journal*, Vol. 18 No. 2, pp. 195-206.

Lind, Hans, och Lundström, Stellan, (2011) *Kommersiella fastigheter i samhällsbyggandet*, SNS förlag, Stockholm.

Lindholm, Anna-Liisa, and Nenonen, Suvi. (2006), A conceptual framework of CREM performance measurement tools, *Journal of Corporate Real Estate*, Vol. 8, No. 3, pp. 108-119.

Lindholm, Anna-Liisa. (2008), A constructive study on creating core business relevant CREM strategy and performance measures, *Facilities*, Vol. 26, No. 7-8, pp. 343-358.

Loh, Siew C. (1991), Property management: an overview. *Surveyor*, No. 4, pp. 25-32.

Lonsdale, Chris and Cox, Andrew, (2000), The historical development of outsourcing: the latest fad?, *Industrial Management & Data systems*, vol. 100, No. 9, pp. 444-450.

Lundström, Stellan. (2011), kap. 27 Fastighetsföretagande, i Institutet för värdering av fastigheter och ASPECT, *Fastighetsekonomisk analys och fastighetsrätt Fastighetsnomenklatur*, 11:e upplagan.

Lusch, Robert F. and Vargo, Stephen L. (2006a), Service-dominant logic: reactions, reflections and refinements. *Marketing theory* Vol. 6, No. 3, pp. 281-288.

Lusch, Robert F. and Vargo, Stephen L. (2006b), The service dominant mindset, In *The service-dominant logic of marketing. Dialog, debate and directions*. Editors: Robert F. Lusch and Stephen L. Vargo. M. E. Sharpe London England, pp. 3-30.

Lusch, Robert F. and Vargo, Stephen L. and Wessels Gunter. (2008), Toward a conceptual foundation for service science: contributions from service-dominant logic. IBM Systems Journal Vol. 47, No. 1, pp. 5-14.

Maglio, Paul P. and Spohrer, Jim. (2008), Fundamentals of service science, *Journal of the academy of marketing science*, Vol. 36, No. 1, pp. 18-20.

Matzler, Kurt, and Hinterhuber, Hans, H. (1998), How to make product development projects more successful by integrating Kano´s model of customer satisfaction into quality function deployment, *Technovation*, Vol. 18, No. 1, pp. 25-38.

McCartney, John. (2008), An Empirical Analysis of Development Cycles in the Dublin Office Market 1976-2007, *Quarterly Economic Commentary*, Iss. 4, pp. 68-92.

Melander, Anders, and Nordqvist, Mattias. (2008), *Att förstå strategi Process och context*, Studentlitteratur, Lund

Milgrom Paul, and Roberts John. (1992), *Economics, Organisation and Management*, Prentice Hall, Upper Saddle River, New Jersey.

Mintzberg, Henry. (1999), *The Strategy Process*, Prentice-Hall, Harlow.

Mintzberg, Henry. (1994), The fall and rise of strategic planning. *Harvard business review*, Jan-feb 1994, pp. 107-114.

Mintzberb, Henry, Ahlstrand, Bruce, and Lampel, Joseph. (1998), *Strategy safari – A guided tour through the wilds of strategic management*, Prentice Hall Europe, Hertfordshire.

Morrison, Allen, J., and Roth, Kendall. (1992), A Taxonomy of business-level strategies in global industries, *Strategic Management Journal*, Vol. 13, No. 6, pp. 399-417.

Nambisan, Satish. (2002), Designing Virtual Customer Environments for New Product Development: Toward a Theory, *Academy of Management Review*, Vol. 27, No. 3, pp. 392-413.

Normann, Richard. (2001), *Reframing Business: When the Map Changes the Landscape*, Chichester, John Wiley and sons.

Normann, Richard, and Ramirez, Rafael. (1993), From Value Chain to Value Constellation: Designing Interactive Strategy, *Harvard Business Review*, Vol. 71, No. 4, pp. 65-77.

O´Shannassy, Tim. (2003), Modern strategic management: Balancing strategic thinking and strategic planning for international and external stakeholders, *Singapore management review*, Vol. 25 No. 1, pp. 53-67.

O´Shannassy, Tim. (2008), Sustainable competitive advantage or temporary competitive advantage: Improving understanding of an important strategy construct, *Journal of Strategy and Management*, Vol. 1 Iss. 2, pp. 168-180.

O´Shannassy, Tim. (2010), Board and CEO practice in modern strategy-making: How is strategy developed, who is the boss and in what circumstances?, *Journal of Management & Organization*, Vol. 16 Iss. 2, pp. 280-298.

Palm, Peter. (Submitted), Information for Decision-making in In-house and Outsourced in Real Estate Management Organisations

Palm, Peter. (Submitted), Real Estate Management: Incentives for Effort

Palm, Peter. (2015), The office market: a lemon market? A Study of the Malmö CBD office market, *Journal of Property Investment & Finance*, Vol. 33, No. 2, pp. 140-155.

Palm, Peter. (2013), Strategies in real estate management: two strategic pathways, *Property Management*, Vol. 31, No. 4, pp. 311-325.

Palm, Peter. (2011), Customer orientation in real-estate companies: the espoused values of customer relations, *Property Management*, Vol. 29, No. 2, pp. 130-145.

Palm, Peter. (2008), *Closing the loop - The use of Post Occupancy evaluations in real estate management*. Licentiate Thesis in Building and Real Estate Economics, Royal Institute of Technology, Tryck och Media, KTH Stockholm.

Parasuraman, A., Zeithami, Valarie A., and Berry, Leonard L. (1985). A Conceptual Model of Service Quality and Its Implications for Future Research, *Journal of Marketing*, Vol. 49, No. 4, pp. 41-50.

Patton, Michael, Quinn. (2002), *Qualitative Research and Evaluation Methods*, 3rd ed., Sage, Thousand Oaks, CA.

Payne, Adrian, and Clark, Moira. (1996), Marketing services to external markets, in Glynn, W. And Barnes, J. Eds. *Understanding services Management.* Wiley. New York.

Penrose, Edith. (1959), *The Theory of the Growth of the Firm*, 4th ed. Oxford, University press.

Porter, Michael. (1981), The contribution of industrial organization to strategic management. *The academy of management review*, Vol. 6, No. 4, pp. 609-620.

Raymond, Louis, and Bergeron, François. (2008), Enabling the business strategy of SMEs through e-business capabilities A strategic alignment perspective, *Industrial Management & Data Systems,* Vol. 108 No. 5, pp. 577-595.

Roos, Göran, von Krogh, Georg, and Roos, Johan. (2004). *Strategi –en introduktion*. Studentlitteratur Lund

Rust, Roland ,T., and Thomsson, Debora, Viana. (2006), How does marketing strategy change in a service-based world? Implications and directions for research. In *The service-dominant logic of marketing. Dialog, debate and directions*. Editors: Robert F. Lusch and Stephen L. Vargo. M. E. Sharpe London England pp 381-392

Rutherford, Brian, A. (2005), Genre analysis of corporate annual report narratives: a corpus linguistics-based approach, *Journal of Business Communication*, Vol. 42, No. 4, pp. 349-378.

Smith, Malcolm, and Taffler, Richard J. (2000), The chairman´s statement – A content analysis of discretionary narrative disclosures, *Accounting, Auditing & Accountability Journal,* Vol. 13, No. 5, pp. 624-637.

Spohrer, Jim, and Maglio, Paul, P. (2008), The emergence of service science: Toward systematic service innovations to accelerate co-creation of value, *Production and Operations Management*, Vol. 17, No. 3, pp. 1-9.

Teece, David, J. (2010a), Alfred Chandler and ”Capabilities” theories of strategy and management, *Industrial and Corporate Change*, Col. 19, No. 3, pp. 297-316.

Teece ,David, J. (2010b), Business models, business strategy and innovation. *Long range planning* Vol 43 pp 172-194

Vargo, Stephen, L., and Lusch, Robert, F. (2004a), The four services Marketing Myths Remnants from a Manufacturing Model. *Journal of Service Research*, No. 4, pp. 324-335.

Vargo, Stephen, L., and Lusch, Robert, F. (2004b), Evolving to a New Dominant Logic for Marketing, *Journal of Marketing* No. 1, pp. 1-17.

Vargo, Stephen, L., and Lusch, Robert, F. (2006), Evolving to a New Dominant Logic for Marketing, In *The service-dominant logic of marketing. Dialog, debate and directions*. Editors: Robert F. Lusch and Stephen L. Vargo. M. E. Sharpe London England.

Vargo, Stephen, L., and Lusch, Robert, F. (2008a), Service dominant Logic: Continuing the Evolution, *Journal of the academy of marketing science,* Vol. 36, No. 1, pp. 1-10.

Vargo, Stephen, L., and Lusch, Robert, F. (2008b), Why “Service”, *Journal of the academy of marketing science,* Vol. 36, No. 2, pp. 25-38.

Vargo, Stephen, L., and Lusch, Robert, F. (2008c), From goods to service(s): Divergences and convergences of logics, *Industrial Marketing Management*, Vol. 37, No. 3, pp. 254-259.

Vargo, Stephen, L., and Akaka, Melissa, Archpru. (2009), Service-Dominant Logic as a Foundation for service science: Clarifications, Journal of *Service Science* Vol. 1, pp. 32-41.

Venkatraman, N., and Camillus, John, C. (1984), Exploring the concept of “Fit” in strategic management, *The academy of management review,* Vol 9. No. 3, pp. 513-525.

Venkatraman, N. (1989), The concept of fit in strategy research: Toward verbal and statistical correspondence, *The academy of management review.* Vol. 14 No. 3, pp. 423-444.

Weber, Max. (2009), *The Theory Of Social And Economic Organization*, Simon and Schuster Inc., New York.

Wernerfelt, Birger. (1984), A Resource –Based View of the Firm, *Strategic Management Journal*, Vol. 5, No. 2, pp. 171-178.

Whittington, Richard. (2001), *What is strategy –and does it matter?* 2ed. South-Western Cengage learning, London

Wilkie, William, L., and Moore, Elisabeth, S. (2012), Expanding our understanding of marketing in society, *Journal of the Academy of Marketing Science*, Vol. 40, pp. 53-73.

Williamson, Oliver, E. (1981), The Economics of Organization: The Transaction Cost Approach, *American Journal of Sociology*. Vol. 87, No. 3, pp. 548-577.

Williamson. Oliver, E. (1975), *Markets and Hierarchies: Analysis and Antitrust Implications: A study of Internal Organisation*. New York, The free press.

Winklhofer, Heidi, Palmer, Roger, A., and Brodie, Roderick, J. (2007), Researching the service Dominant Logic – Normative Perspective Versus Practice, *Australien Marketing Journal*, Vol. 15, Iss. 1, pp. 76-83.

Wurtzebach, Charles, H., Miles, Mike, E., and Cannon, Susanne, Ethridge. (1994), *Modern Real Estate* 5th ed., John Wiley & Sons Inc., New York.

Zott, Christoph, Amit, Raphael, and Massa, Lorenzo. (2011), The Business Model: Recent Developments and Future Research, *Journal of Management*, Vol. 37, No. 4 pp. 1019-1042.

Received May 2010
Revised November 2010
Accepted November 2010

Customer orientation in real-estate companies

The espoused values of customer relations

Peter Palm
Malmö University, Malmö, Sweden

Abstract

Purpose – The purpose of this paper is to analyse how the espousing of customer relations has evolved over time in the real estate sector. Has a shift occured within the Swedish real estate sector from product thinking towards customer thinking?

Design/methodology/approach – The research is based on an analysis of 25 commercial real estate companies' annual reports from the last five years. The annual reports are analysed through text analysis using the theoretical framework of Mintzberg's five Ps.

Findings – The Swedish real estate sector has in general made the shift from product orientation to customer orientation. There was, however, no significant change during the last five years and most of the companies espoused customer orientation already in 2004. The study implies that it is not sufficient to categorise the companies between product or customer oriented. Instead four categories are suggested: product, customer, project, and financial orientated. Customer orientation, as measured here, was higher in listed companies and in larger companies.

Research limitations/implications – The research in this paper is limited to the Swedish real estate sector.

Originality/value – The paper shows the espoused values regarding customer relations of the commercial real estate companies that can be found in their annual reports. As the annual reports are a marketing instrument it should reflect the senior management's core values. By highlighting how the top management's core values regarding customer relations are espoused an understanding for the sector is built up.

Keywords Customer relations, Real estate, Sweden, Customer orientation

Paper type Research paper

1. Introduction

Internationally there is a discussion about increased customer orientation in the real estate sector. Is the sector changing from a traditional focus on "bricks and mortars" to more focus on the tenant/customer (see for example Rasila *et al.*, 2006; Wilson *et al.*, 2001)? Product focus is here used in the sense that the focus lies on the premises and not customer services, but it should be noted that this definition differs from the one in ISO 9000 where product includes services as well. Lindholm and Nenonen (2006) state that corporate real estate managers traditionally have tended to have an operational efficiency perspective looking at maintenance instead of customer satisfaction or customer relations. This change of approach has in Sweden been discussed since the mid-1990s (Bengtsson and Polesie, 1998), and to what extent this has initiated changes within the organisation concerning attitudes and strategies (Palm, 2008).

To be able to make such a change within the real estate sector, it is important for the top management to formulate and communicate the organisation's new strategies

Property Management
Vol. 29 No. 2, 2011
pp. 130-145

0263-7472
DOI 10.1108/02637471111122435

(Palm, 2008). As stated above, the change within the real estate sector is believed to have started in the mid-1990s and the sector is still changing. One should not underestimate the time such a change of an organisation can take. Regarding a change of an organisation's beliefs Henry states:

> Because of the deeply embedded nature and culture, societal, institutional, or organisational, is resistant to change (Henry, 1999, p. 563).

When it comes to changes in thinking patterns, it requires what Hofstede and Hofstede (2004) define as a change of the second degree. They say:

> New symbols without the support of more fundamental changes of the deeper levels of heroes, rituals and the values of key leasers just mean a lot of hoopla, the effects of which wear out quickly (Hofstede and Hofstede, 2004, p. 313).

As Hofstede and Hofstede argue, it is hard to change an organisation's thinking pattern and thereby also the organisation's strategic thinking. It is therefore interesting to study how the company communicates its attitudes and policies.

In this article the focus is on how customer focus is displayed in the companies' annual reports. Högberg and Högberg (2000) state that annual reports are one of the top management tools to express the norms and values that the company stands for (Högberg and Högberg, 2000; see also Zerfass, 2008; Rutherford, 2005; Smith and Taffler, 2000). When the company's top management decides about the structure and form of the annual report, what should be printed and what tone it should have, it leads to it espousing what the company gives high priority to (Smith and Taffler, 2000). It is through the titles "CEO's statement", "missions and goals", and "corporate information" that the top managements' strategies are displayed in the annual report. Investigating each of the top management's display of strategies in the annual reports will display that company's espoused values regarding customer relations (Martin, 2004).

Two hypotheses are the starting point for the study presented below:

H1. The majority of Swedish real estate companies are today customer oriented.

H2. The espoused customer orientation has increased over time.

These hypotheses will be tested by analysing 28 real estate companies' annual reports, using text analysis based on theories of strategy.

The structure of this paper is as follows: in section 2 the theoretical background will be mapped. In section 3 the research design and methodology will be discussed. In section 4 the data regarding the Swedish companies' espoused values for customer relations today will be described and analysed, and section 5 will analyse how the espoused values have changed over time. Section 6 analyses the results in relation to the structure of the companies'. Section 7 includes a discussion of the results and how the companies can be classified due to their espoused values of customer relations. The conclusions are presented in section 8, where the hypotheses will be answered.

2. Theoretical background

To be able to analyse how the annual reports display strategies, we must first define strategy. Wright *et al.* (1992) summarizes what most textbooks in the field of business management define strategy as:

> Top management's plans to attain outcomes consistent with the organisation's missions and goals (Wright *et al.*, 1992, p. 3).

This definition is broad and general. But the core of the definition is widely accepted (Roos *et al.*, 2004; Grant, 2008). To be able to use the definition in terms of analysing the annual reports a more detailed description and categorization must be made. Mintzberg *et al.* (1998) has developed a framework for strategy called Five Ps for strategy. In this framework strategy is defined through five Ps: "strategy as plan", "strategy as pattern", "strategy as position", "strategy as perspective", and "strategy as ploy" (Mintzberg *et al.*, 1998).

"Strategy as plan" is the organisation's movement or course of action into the future, the guidelines to get from here to there. "Strategy as pattern" on the other hand is the organisations past. It is the organisation's consistency in behaviour over time. So, "strategy as plan" is looking ahead as "strategy as pattern" is looking at past behaviour. In other words "strategy as plan" is an intended strategy and "strategy as pattern" is a realized strategy.

To complement the two first Ps two more can be added. First, "strategy as position". By "strategy as position" Mintzberg *et al.* (1998) means that it is about creating a unique position on the market, involving a different set of activities. "Strategy as perspective" is the organisation's way of doing things, its concept. For example IKEA's concept with flat packages is the organisation's way of selling furniture. "Strategy as position" and "strategy as perspective" complement each other. Position is the product and the perspective is the enterprise or the organisation's way to do things. Take IKEA for example, their perspective is flat packages, and if they were to add other products than furniture, they would come in flat packages as well. In that way IKEA would have changed the position but kept the perspective.

This article will focus on Mintzberg's fifth P, "strategy as ploy". This concept focuses on the top management's manoeuvres and can be divided in two different perspectives; "strategic action" and "strategic intention" (Mintzberg, 1999).

Strategic action

By strategic action is meant an individual act in purpose to fulfil a strategy. It can be a customer survey that has been carried out, or the work with facility management services to support the tenants' core business.

Strategic intention

Strategic intention is related to plans to fulfil a strategy. Mintzberg (1999) categorised this into two, intention and plans. The intentions are general and comprehensive while the plan is more concrete. In this article these two perspectives on intention are joined into one. Strategic intentions can be a statement from the top management about an ambition to work for long-term customer relations.

3. Research design and methodology

The research strategy was to identify the companies' espoused values regarding customer relations through their annual reports. The study was limited to real estate companies that are both owners and managers of commercial properties. Housing companies were not included in the study and neither were companies that do not own the buildings but only manage them.

A total of 28 companies were selected, including all of the listed real estate companies in Sweden. Of these 28 companies three companies' annual reports included just the minimum of information according to the Swedish Companies Registration office requirements. These were small companies that do not have the opportunity to, or do not see the extra value of, using the annual report as a marketing instrument. These three companies (company 26, 27, and 28 in the references) were excluded from the study because of that. Therefore the study will consist of 25 companies. To be able to analyse the companies' espoused values the last five years annual reports were used in the study. The study was limited to the last five years since the last five years has been a revolving time for the Swedish real estate sector with several new actors on the market, a change of capital structure and foreign owners playing a more central role. Some of the companies did not have annual reports, or at least annual reports including strategies for all five years. In those cases the years available were used. The list of companies and annual reports are displayed in Appendix 1.

The annual reports consist of both words, as CEO's statement, and numbers. This article will focus on the written words, what Häckner (1998) defined as soft information in contrast to hard information that easily can be quantified. Soft information consists of information through pictures, visions and ideas of cognitive structure. Although most organisations use both soft and hard information in their strategic actions, the focus in this article will be on the soft information because the interest lies in how the organisation communicates its strategic actions and intentions.

The core method for measuring the company's strategic view of customer relations is content analysis. The basic assumption when using content analysis for describing a company's values is that companies leave traces of their distinctive value patterns in their annual reports and that these traces can be observed and measured (Kabanoff *et al.*, 1995). The pattern is investigated by identification of word and phrases that can be related to the topic. These words and phrases are measured by counting the frequency with which they are referred to in the text being analysed. Frequent references are interpreted as an indication of the values' importance (Huff, 1990). The analysis is not computer aided instead the analysis is made manually. This method was used because of the interest of the words and phrases investigated lies in the context where they are used. Since computer-aided methods are less context sensitive than manual analysis the later method was preferred.

The foundation for the text analysis model has two parts. The first is theories of text analysis and analysis of annual reports (mainly Hellspong, 2001; Rutherford, 2005). The second part is the theories of strategy (mainly Mintzberg, 1999). The analysis of the annual reports is based on Hellspong's (2001) theory concerning a corpus linguists based approach and the evaluation scheme used are structured according to Mintzberg (1999) strategy process categorised into intention and action. When registering the Intention and Actions of the companies, these were registered either as a unique strategy or as a strategy that already had been mentioned and registered. When analysing the annual reports, the findings regarding formulations referring to customer relations were categorised according to the evaluation scheme (Table I).

Examples of formulations belonging to the different categories presented in Table I are given in Table II. The occurrences of these key phrases, when used in the customer context, were registered.

To determine whether a firm should be considered as customer focused, it was decided that the companies should espouse more than one strategy for customer relations. It seemed reasonable to say that to be considered as customer oriented the companies should espouse at least two strategic intentions and one strategic action. The fact that a customer oriented statement appears in the annual report can in itself not be evident with that the company is customer oriented. It could have been a coincidence or something that is espoused just because the company thinks that it is required of them. But if the limitation is set to two intentions and one action the company, through the espoused action, must show that they have done something and by the two intentions it cannot be a coincidence that they espouse customer values. So espousing two intentions and one action is evidence of a deeper orientation towards customers.

When registering intentions and actions of the companies these were registered either as a unique strategy or as a strategy that already had been mentioned and registered. In Table III there are two figures in each column: the first is the number of unique strategies, regarding customer relations, and the second figure shows how many times these strategies were mentioned in the annual report. The table also consists of the sum (Σ) as well as the mean (X) of that year's intention and actions.

In order to be able to make a more extended analysis, a categorization of the companies according to size and if listed on the stock market or not was made. In Table III listed companies are marked with a Y and not listed companies with an N. The companies are categorized as small (S in the table), medium (M in table) or large (L in table). To be categorised as a small company the company should have a revenue up to €500 million, as medium-sized a revenue between €501-1,000 million, and as large-sized a revenue over €1,000 million.

4. The situation in 2008

This section examines the outcome of the corpus linguist analysis regarding the espoused values of customer relations in 2008. The findings of the investigation of the annual reports are displayed in Table III.

Table I.
Evaluation scheme, types of formulations

Intention	Action
Aim	Continue
Ambition	Follow through
Focus	Work with

Table II.
Examples of categorisation of phrases

Intention	Action
We aim to build long-term good customer relations	We will continue to have our operation management close to our customers
Our ambition is to have satisfied tenants	Our co-workers have follow through courses in customer relations
The overall focus is to constantly improve our SCI	The work with customer relations is a continuous process with high priority

Table III. Rate of espoused strategies in annual reports

	Size	Listed	2004 Intention	2004 Action	2005 Intention	2005 Action	2006 Intention	2006 Action	2007 Intention	2007 Action	2008 Intention	2008 Action
1	S	N	0:0	0:0	0:0	0:0	0:0	0:0	0:0	0:0	0:0	0:0
2	L	N	3:3	2:2	2:2	3:3	5:6	7:10	4:4	2:2	2:3	3:3
3	L	Y	3:3	2:2	3:3	1:1	4:4	1:1	5:8	3:3	7:9	2:6
4	M	Y	–	–	4:6	2:2	4:4	3:3	5:8	4:4	5:8	5:5
5	S	Y	2:4	2:2	0:0	2:4	1:1	2:2	2:2	1:1	2:2	1:3
6	L	Y	3:4	4:5	2:4	2:5	3:5	4:6	3:6	3:7	3:3	3:6
7	M	Y	–	–	–	–	3:5	2:2	5:9	2:3	4:8	2:2
8	S	Y	–	–	–	–	–	–	2:2	0:0	3:3	0:0
9	S	Y	–	–	–	–	–	–	0:0	1:1	2:2	3:5
10	L	N	–	–	1:1	0:0	0:0	0:0	0:0	2:2	0:0	1:1
11	S	Y	–	–	5:8	3:3	1:1	3:3	1:1	2:2	3:5	3:3
12	S	N	–	–	2:2	0:0	2:3	2:2	2:4	1:1	2:4	1:1
13	L	Y	1:3	2:2	1:3	3:3	2:6	1:1	2:6	3:3	4:5	5:8
14	S	Y	0:0	0:0	0:0	0:0	0:0	1:1	0:0	1:1	2:2	3:5
15	L	Y	2:2	3:3	3:3	3:3	2:2	3:3	3:3	2:3	3:3	3:3
16	S	N	–	–	–	–	1:1	4:4	0:0	1:1	0:0	2:2
17	L	Y	4:8	3:3	3:5	3:3	3:6	3:3	6:10	2:8	6:10	2:6
18	L	Y	1:1	0:0	1:1	0:0	1:1	0:0	1:1	1:1	3:3	0:0
19	M	N	–	–	–	–	0:0	0:0	0:0	0:0	0:0	0:0
20	S	Y	0:0	0:0	0:0	0:0	0:0	0:0	0:0	0:0	0:0	0:0
21	S	N	2:2	1:1	2:2	1:1	1:1	0:0	1:1	0:0	1:1	1:1
22	L	Y	4:9	3:8	4:10	3:6	4:9	3:8	3:4	4:12	2:7	5:8
23	L	Y	3:8	10:12	1:4	6:11	2:6	7:10	7:12	10:18	–	–
24	L	Y	3:4	0:0	3:3	1:1	4:6	2:3	3:3	2:2	3:3	1:1
25	S	N	3:3	2:2	0:0	0:0	0:0	0:0	0:0	0:0	1:1	1:1
Σ			34:54	34:42	37:57	34:46	43:67	48:62	55:84	47:75	57:82	47:70
X			2.1:3.4	2.1:2.6	1.9:2.9	1.7:2.3	1.9:2.9	2.1:2.7	2.2:3.3	1.9:3.0	2.4:3.4	2.0:2.9

From Table III we can see that all of the companies except company 1, 19, and 20 have some espoused values regarding customer relations (e.g. company 1, 19, and 20 are the only ones that do not espouse neither an intention nor an action in their annual reports considering customer relations). Four companies stand out as having a higher rate. Company 3, 4, 13, 17, and 22 seem to have a more extensive customer focus. All of these five companies are listed on the stock market, but so are other of the companies as well, e.g. company 19 and 20, that do not have any formulations related to customer orientation.

Looking at the companies' annual reports for 2008 it is clear that almost all of the companies espouse strategies for customer relations and thereby ought to be considered to have some customer focus within the organisation. But, as defined above, to be considered as customer focused the companies should espouse more than one strategy for customer relations. At least two intentions and one action should be espoused to be considered as a customer oriented company. By applying these criteria nine companies should not be regarded as customer oriented and 15 should.

5. Development over time

This section examines the outcome of the corpus linguist's analysis regarding how the espoused values of customer relations have developed over time. First a more quantitative display and analysis will be made, concentrating on the actual feature of strategies for customer relations in the annual reports. Afterwards, a more qualitative analysis of the material will be made concentrated on the context and expression of the strategies for customer relations.

In the introduction of this paper it is argued that the real estate sector is developing a more customer related approach. These companies should then have a more extensive espousing of strategies regarding customer relations in the later years. By doing a time series analysis, see Appendix 2, for the five years, patterns regarding the development for espoused values are analysed. The one-way ANOVA test, testing patterns regarding the development of espoused values over time, does not show any significance difference regarding any development over time. The result of the ANOVA test was unambiguous where both unique and the accumulated rate of intentions as well as for actions did not have any significant development over the five years in the study. The conclusion of the analysis is that we must reject the hypothesis that there has been a development over time regarding the espousing of customer relations in the annual reports.

Nevertheless from Table III we can see that there are differences between the companies and it is possible to make a categorisation of companies that have a poor reporting of strategies and companies with a more extensive reporting, in terms of how many strategies that are espoused and the rate of times they are espoused in the same way as was made in section 4 above.

From Table III we can see that the companies that today have a more extensive espousing of customer relations also tend to have implemented their customer orientation before 2004. Two companies are exceptions to this and it is company 9 and 14. In 2007 they would not be categorised as companies with a more extensive espousing. But in their annual report for 2008 they do have a more extensive espousing. This might be because 2007 was company 9's first year as a listed company and they did not use the annual report as a source for communicating their strategies before that. What is behind company 14's change towards a more extensive reporting must be something else as they have been a listed company for the whole period.

By doing a statistical analysis of these companies that are considered as having a more extensive espousing we can see if companies that consider customer relations as important has had a development over time regarding the espousing. A one-way ANOVA was conducted, see Appendix 3, but this analysis did not indicate any development over time. The ANOVA test did not even show on significance on the 10 per cent limit, for neither the unique or rate of actions nor the unique or rate of intentions. We can conclude that the espousing of customer relations in the annual reports did not tend to vary over time for companies with high level of espousal. These companies seem to have more or less the same reporting every year during this period.

In Table III it is displayed that the companies with a poor espousing tend to have a poor espousing over the whole time period. There are some exceptions and it is especially company 25. They have gone from a company with a more extensive espousing, medium level in 2004 to not to having any espousing in 2005, 2006, and 2007. More or less the same pattern can be seen in company 21.

A trend among companies with a poor espousing, that is displayed in Table III, is that the companies tend not to mention any strategies regarding their customers at all. But we can see that five of these nine companies in 2008 increased their espousing regarding strategies of customer relations. This could indicate that they may have started their journey towards a more customer oriented thinking by espousing strategies for customer relations.

From Table III we can, however, observe that there are some indications that these questions are becoming more important in recent year. Not that the rates are getting higher and higher, but that more companies are taking up these questions into their annual reports. It is only company 1, 8, 10, 16, 18, 19, 20, 21, and 25 that do not tend to expose their customer relation values in an extended way. But looking at Table III will not give the whole truth regarding the company's values in customer relations. To be able to analyse the companies espoused values we have to look at how they express themselves and in what context the strategies for customer relations are espoused.

6. Company characteristics and customer orientation

In this section the annual reports and the espoused values of customer relations will be analysed in relation to the characteristics of the company. First a categorisation of the company if listed on the stock market or not was made.

If you are a listed company you could see your annual report as a more important marketing instrument than if you are not listed. This statement is supported since the average listed company tends to have a more extensive reporting than the not listed companies, see Table III. All of the listed companies, except company 8, 18, and 20, are regarded as having a more extensive reporting. Among the not listed companies, see Table III, only two companies would be regarded as having a more extensive reporting of their customer relations.

By doing a statistical analysis of the listed companies we can conclude that listed companies have a more extensive espousing of customer relations. A one-way ANOVA was conducted, see Appendix 4. The ANOVA test shows that there is a statistical difference regarding the reporting of customer relations that are significant on the 5 per cent level both when it comes to unique intention, number of intentions and number of reported actions. But not in unique actions. Regarding unique actions, they are only statistical significant on the 10 per cent limit.

When extending the analysis a categorizing of the companies due to size was made, from Table III we can see that almost every large-sized company have a more extensive rate of espoused values regarding customer relations. It is only company 10 and 18 that a poor reporting of customer relations.

As the medium-sized companies are only three it is harder to see any clear patterns. But two of them have a rather high espousing, even for a company with a more extensive espousing. At the same time the third company does not have any reporting at all.

From Table III we can see that the small-sized companies are diverse regarding their espousing. Five are considered as having a more extensive espousing and six are considered as having a poor reporting.

All of this indicates that the subject of the companies espousing regarding customer relations cannot be explained simply by one feature. Instead we must consider that there are several factors that determine whether companies choose to have a more extensive espousing or not. But when conducting an ANOVA (Appendix 5) and testing if the size of the company influences the rate of espoused customer relations there are some indications that the larger companies tend to have a more extensive reporting regarding customer intention. The rate of intentions were significantly correlated to the size of the company on the 5 per cent limit were the espousal of unique intentions only was significant on the 10 per cent limit. Regarding the espousal of strategic customer actions the significance for both unique and the rate of actions were above even the 10 per cent limit. This signals that size only matter in the reporting of intentions and not in the reporting of actions.

7. Discussion of results

The starting point for this paper was that a change within the real estate sector in Sweden has been discussed during the last decade, going from a product orientation to a customer orientation. The first question to discuss is whether a high rate of espoused values regarding customer relations is a good measurement of whether the company really is customer focused? As this only takes the espoused values into account and not what the company actually does, one should also look at the context that the espoused strategies are presented in.

As an example, company 2 does not have the highest rate (see Table III), but reading their annual report one can conclude that they have a well thought through strategy for their customer relations. They have the most developed approach regarding the display of their strategic intention and actions. In the annual report they display a chart in which this years goals, where goals for customer relations are one, are listed. In the same chart they display last year's outcome and how the outcome was measured. No other company has an espousing of their strategies that are as structured as company 2. At the same time company 6 has the most expounded espousing regarding customer orientation. They clearly state:

> We shall be regarded as a service management company this shall be accomplished thorough creation of long-term relations.

By expressing themselves as a service management company they espouse that they have made a strategic choice and that the direction are clearly service and customer focused.

Company 5 must be regarded as a company with a low customer orientation even if they have a relatively extended rate of espoused customer strategies. The reason for this is that the context in which customer strategies are espoused in have a clear project orientation and the customer are just a side issue. For example company 5 has a relative extensive reporting of their business concept in a section about business model and goals and strategies, but in these they focus on projects, income and yield. Clearly espoused strategies for customer relations are in these sections more or less completely absent.

The starting point of the paper was that a change within the real estate sector in Sweden has been discussed over the last decade, going from a brick orientation to a customer orientation. Analysing the context that the intentions are written in one can conclude that a classification between companies that have a poor espousing and companies with a more extensive espousing are not sufficient. Instead, a categorisation into four categories regarding the espoused strategies for customer relations could be made. These categories are:

- brick oriented companies;
- customer orientated companies;
- project oriented companies; and
- financial orientated companies.

Categorising the companies into these four categories does not mean that if the company is regarded as a project or financial orientated company, they do not have any customer focus at all. It only implies that the company's espoused strategies are concentrated firstly on developing the premises or the financial matters leaving the customer as a side issue.

Brick oriented companies are companies that fit in the older description of real estate companies, earlier in the article also called brick thinking, where they concentrated their managing on the properties, bricks and mortars, and not the customers. They generally express them self in terms of:

> We will be characterised by active management with an optimal composition of properties.

Of the 25 companies in the study only one can be categorised as traditional brick oriented company (company 9).

Customer oriented companies have made the change from a brick orientation to seeing them self as not a provider of premises' or developer of them but a company that provides services. An example is a company referring to them self as:

> Shall be perceived as a service management company.

Of the 25 companies in the study 12 can be categorised as customer orientated. These are companies 2, 3, 4, 6, 7, 11, 12, 13, 15, 17, 22, and 23.

Project oriented companies are companies with an aim to develop real estate. They generally express themselves in terms of:

> Our aim is to develop functional premises together with our clients.

Of the 25 companies in the study four can be categorised as project orientated. These are companies 5, 8, 16, and 21.

Financial orientated companies are companies with a clear focus on the financial part of real estate management. When referring to their self they can, as company 1, express them self in terms like:

> We are active at every stage of the value chain from strategic allocation through property selection to individual property asset management, where skilful manager can unlock the potential for added value and outperform.

The companies defined as financial orientated can be equal to asset management companies instead of property management companies in a more traditional meaning.

Of the 25 companies in the study eight can be categorised as financial orientated – companies 1, 10, 14, 18, 19, 20, 24, and 25.

Looking at the context one can see a clear line between the financial and brick orientated companies. They tend to talk about tenants as something that, more or less, just comes with the properties. One company does not even talk about customers or tenants, until 2008, instead they talk about tenant capital. The exception is company 9 and 24 that in recent years has started to implement tenants and customer relations in their annual reports.

The project-orientated companies are more diverse regarding their orientation. On one hand is company 4 trying to implement a customer orientation stating:

> We are a modern real estate company focusing on customer solution in our premises.

On the other hand there is company 16 and 21 that still are more brick orientated. Company 21 states:

> Attract tenants that prioritise distinctive premises.

This description of company 21's approach towards customers indicates that they work with customers that appreciate their premises and not work with the premises so that they will be optimal for the customers. This is a fine thread but it is clear in the annual report that the premises comes first and the tenant either appreciates it, and then all is good, or they do not, and then the property company has to find another tenant.

The structure of how the espoused values are reported in the annual reports is also different. The companies that in this article are regarded as companies with a high rate of espousing also have a more structured way of espousing their customer relations. For the companies with low rate of espoused customer relations in the annual reports' the structure is weaker. For example company 2 has a clear structure regarding the espoused values as they display a chart with last year's outcome, how it was measured and this year's goal. They are alone with this type of chart, but the other companies all have titles and/or subtitles that clearly display customer relations. The other companies' with a more extensive espousing has titles like for example: "customer strategy", "company's customers", and "customer relations" in their annual reports. The companies' with a poor reporting of customer relations do not tend to have these kinds of titles or subtitles. This together with the discussion above regarding customer or product orientation indicates that the companies with a more extensive espousing have made the shift while the others have not.

6. Conclusion

It is clear that most Swedish real estate companies regard their annual reports as a publication where they besides reporting standard economic data, also use it for expressing the company's values. Regarding the shift from brick thinking to a customer orientated thinking and its display in the annual reports through the companies espoused strategies, it is concluded that many companies have made the shift. But at the same time that they are companies left with a more brick orientated thinking two groups of companies that has not made the shift yet was detected. The first of these are companies with a strict financial focus. Generally these companies presented a thinking of real estate management that must be equal to asset management and not real estate management. A second group, project orientated companies, were detected. They were more diverse and many tended to have a customer approach even if the espoused strategies focused on the premises in the first place and the customers was treated as something that just came along with the premises.

Two hypotheses were initially formulated stating:

(1) The majority of Swedish real estate companies are today customer oriented.

(2) The espoused customer orientation has increased over time.

The conclusion concerning the first hypothesis is that the Swedish real estate sector has made the shift from brick orientation to customer orientation and that the majority of Swedish real estate companies should be considered as espousing a customer orientation today. The conclusion comes from both counting the companies' espoused values and analysing the context where their values are espoused. When analysing the characteristics of the companies there is a clear line between companies listed on the stock market and those that are not. The listed companies tend to have a more extensive espousing of customer relations than the unlisted. The same observation can be made regarding the size of the companies. Larger companies tend to have a more extensive espousing. However a new "brick oriented" thinking has occurred and it is a financially oriented thinking. It was expected that the companies either still would be considered as product oriented or had made the shift towards a customer thinking. But the study has shown that there is another category of companies with a lack of customer thinking. This category neither has a focus on the premises nor the customer as they have a strict earning thinking. These are companies that regard property management as asset management just like capital placement in stocks or grain.

The second hypothesis for the study was rejected. No real increase of espoused values can be detected over the five years in the study. Most companies tended to have an extensive espousing already in 2004 and have afterwards not made any major changes. But when conducting a more in-depth analysis of the context that the espoused values are written in a maturity within the companies espousing can be detected. This is the case when a company not only reports its customer values but also seem to have implemented them within the organisation. But it is here important to remember that it is the companies that already (in 2004) were considered as having a more extensive espousing that also show this maturity. Companies with a poor espousing also in general tend not to mature in this question.

Further research

This study is relatively narrow as only the espoused values in annual reports are considered. On the other hand it includes many, including all of the listed, of the commercial real estate companies in Sweden. Further research should focus on going into depth regarding how these espoused strategies are implemented within the companies.

It would also be interesting to evaluate the companies' results due to their customer relations. Is it that companies with a customer orientated thinking within the organisation also have a stronger result?

Finally recommendations could be developed about how to present the espoused values in a clear way. An interesting way is shown by company 2, mentioned above where last year's outcome, how it was measured and this year's goal are displayed. One way of refining it would be to add what steps of actions that were made last year to fulfil that year's goals and what the company will do this year to improve even more and to realise this year's goals.

References

Bengtsson, N. and Polesie, T. (1998), *Från fastihetskris till Castellum – en studie av gestaltning och styrning*, SNS Förlag, Borgå.

Grant, R.T. (2008), *Contemporary Strategy Analysis*, 6th ed., Wiley, New York, NY.

Häckner, E. (1998), "Strategic development and information use", *Scandinavian Journal of Management*, Vol. 4 No. 1, pp. 45-61.

Hellspong, L. (2001), *Metoder för brukstextanalys*, Studentlitteratur, Lund.

Henry, J. (1999), "Cultural theory and contemporary management organization", *Human Relations*, Vol. 52, pp. 557-77.

Hofstede, G. and Hofstede, G.J. (2004), *Cultures and Organization Software of the Mind*, 2nd ed., McGraw-Hill Publishing, New York, NY.

Högberg, A.-L. and Högberg, E. (2000), *Kunddriven fastighetsförvaltning*, Daleke grafiska, Malmö.

Huff, A.S. (1990), *Mapping Strategic Thought*, Wiley, Chichester.

Kabanoff, B., Waldersee, R. and Chohen, M. (1995), "Espoused values and organizational change themes", *Academy of Management Journal*, Vol. 38 No. 4, pp. 1075-104.

Lindholm, A.-L. and Nenonen, S. (2006), "A conceptual framework of CREM performance measurement tools", *Journal of Corporate Real Estate*, Vol. 8 No. 3, pp. 108-19.

Martin, J. (2004), "Organizational culture", Research Paper No. 1847, Stanford University, Stanford, CA.

Mintzberg, H. (1999), *The Strategy Process*, Prentice-Hall, Harlow.

Mintzberg, H., Ahlstrand, B. and Lampel, J. (1998), *Strategy Safari: A Guided Tour Through the Wilds of Strategic Management*, Prentice-Hall, Harlow.

Palm, P. (2008), *Closing the Loop: The Use of Post Occupancy Evaluations in Real Estate Management*, Tryck och Media, KTH Stockholm.

Rasila, H., Mikkola, K. and Rasila, T. (2006), *Methodology for Service Innovation in Real Estate Business: Case Senior Housing in Finland*, EABR & ETLC, Florence.

Roos, G., von Krogh, G. and Roos, J. (2004), *Strategi – en introduction*, Studentlitteratur, Lund.

Rutherford, B.A. (2005), "Genre analysis of corporate annual report narratives: a corpus linguistics-based approach", *Journal of Business Communication*, Vol. 42 No. 4, pp. 349-78.

Smith, M. and Taffler, R.J. (2000), "The chairman's statement: a content analysis of discretionary narrative disclosures", *Accounting, Auditing & Accountability Journal*, Vol. 13 No. 5, pp. 624-37.

Wilson, C., Lockman, J., Cappucino, K. and Pullen, W. (2001), "Towards customer delight: added value in public sector corporate real estate", *Journal of Corporate Real Estate*, Vol. 3 No. 3, pp. 215-21.

Wright, P.L., Pringle, C.D. and Kroll, M.J. (1992), *Strategic Management Text and Cases*, Allyn & Bacon, Needham Heights, MA.

Zerfass, A. (2008), "Corporate communication revisited: integrating business strategy and strategic communication", in Zerfass, A. (Ed.), *Public Relations Research European and International Perspectives and Innovations*, VS Verlag, Wiesbaden.

Appendix 1. Annual reports

Aberdeen 2004-2008 (company 1).

AP Fastigheter 2004-2007 (company 2).

Vasakronan 2008 (AP Fastigheter bought Vasakronan 2008 and changed their name to Vasakronan).

Atrium Ljungberg 2004-2008 (company 3).

Balder 2005-2008 (company 4).

Brinova 2004-2008 (company 5).

Castellum 2004-2008 (company 6).

Cityfastigheter 2008 (company 26).

Catena 2006-2008 (company 7).

Corem 2007-2008 (company 8).

Dagon 2004-2008 (company 9).

Diligentia 2005-2008 (company 10).

Diös 2005-2008 (company 11).

Fastighets AB Malmö city 2005-2008 (company 12).

Fabege 2004-2008 (company 13).

FastPartner 2004-2008 (company 14).

Hufvudstaden 2004-2008 (company 15).

Humlegården 2006-2008 (company 16).

Klövern 2004-2008 (company 17).

Kungsleden 2004-2008 (company 18).

LE Lundbergs 2004-2008 (company 19).

Platzer 2007-2008 (company 27).

Sagax 2004-2008 (company 20).

Svea Real 2007-2008 (company 28)

Svenska Hus 2004-2008 (company 21).

Wallenstam 2004-2008 (company 22).

Vasakronan 2004-2007 (company 23).

Wihlborgs 2004-2008 (company 24).

Volito 2004-2008 (company 25).

Appendix 2

ANOVA	Sum of squares	df	Mean square	F	Sig.
Unique intentions					
Between groups	5,214	4	1,304	0.419	0.795
Within groups	320,666	103	3,113		
Total	325,880	107			
Rate intentions					
Between groups	6,728	4	1,682	0.180	0.948
Within groups	961,568	103	9,336		
Total	968,296	107			
Unique actions					
Between groups	2,713	4	678	0.175	0.951
Within groups	399,833	103	3,882		
Total	402,546	107			
Rate actions					
Between groups	6,821	4	1,705	0.160	0.958
Within groups	1099,920	103	10,679		
Total	1106,741	107			

Table AI.
ANOVA over the years

Appendix 3

ANOVA	Sum of squares	df	Mean square	F	Sig.
Unique intentions					
Between groups	10,250	4	2,563	1.000	0.414
Within groups	169,046	66	2,561		
Total	179,296	70			
Rate intentions					
Between groups	14,977	4	3,744	0.436	0.782
Within groups	566,769	66	8,587		
Total	581,746	70			
Unique actions					
Between groups	3,524	4	881	0.233	0.919
Within groups	249,264	66	3,777		
Total	252,789	70			
Rate actions					
Between groups	15,404	4	3,851	0.328	0.858
Within groups	774,089	66	11,729		
Total	789,493	70			

Table AII.
ANOVA service oriented companies

Appendix 4

ANOVA	Sum of squares	df	Mean square	*F*	Sig.
Unique intentions					
Between groups	33,333	1	33,333	15.120	0.001
Within groups	48,500	22	2,205		
Total	81,833	23			
Rate intentions					
Between groups	63,021	1	63,021	9.317	0.006
Within groups	148,812	22	6,764		
Total	211,833	23			
Unique actions					
Between groups	8,333	1	8,333	3.621	0.070
Within groups	50,625	22	2,301		
Total	58,958	23			
Rate actions					
Between groups	38,521	1	38,521	7.224	0.013
Within groups	117,313	22	5,332		
Total	155,833	23			

Table AIII.
ANOVA listed companies

Appendix 5

ANOVA	Sum of squares	df	Mean square	*F*	Sig.
Unique intentions					
Between groups	19,006	2	9,503	3.176	0.062
Within groups	62,827	21	2,992		
Total	81,833	23			
Rate intentions					
Between groups	53,130	2	26,565	3.515	0.048
Within groups	158,703	21	7,557		
Total	211,833	23			
Unique actions					
Between groups	7,246	2	3,623	1.471	0.252
Within groups	51,712	21	2,462		
Total	58,958	23			
Rate actions					
Between groups	28,658	2	14,329	2.366	0.118
Within groups	127,176	21	6,056		
Total	155,833	23			

Table AIV.
ANOVA regarding size of the company

Corresponding author
Peter Palm can be contacted at: peter.palm@mah.se

The current issue and full text archive of this journal is available at
www.emeraldinsight.com/0263-7472.htm

Strategies in real estate management: two strategic pathways

Peter Palm
Department: of Urban Studies, Malmö University, Malmö, Sweden

Abstract

Purpose – The purpose of this paper is to identify different strategic pathways for structuring the real estate management organization. Different strategic pathways regarding commercial real estate organizations, and the alignment of their business models with the environment are studied and outlined.

Design/methodology/approach – This research is based on an analysis of 15 interviews with top-level managers in the Swedish commercial real estate sector.

Findings – When making strategic plans for a company, the commercial real estate industry has two strategic pathways to consider regarding real estate management. The first is to choose whether to have its own frontline personnel or to outsource this function. The second is to decide how the leasing task should be treated: Should it be treated as a real estate manager's task or should it be a function of its own in the organization? The conclusion of the study is that the organizations studied can be structured using both pathways, and the firm can still be successful. Furthermore, the argument by the top-level managers are the same regardless of how their organization is structured. They all base their strategic plans on the view that their structure of the organization is the best way to take care of the customer. In other words, they have the same arguments but haves chosen different strategic pathways to achieve strategic fit.

Research limitations/implications – The research in this paper is limited to the Swedish commercial real estate industry.

Originality/value – This paper outlines the strategic pathways for real estate management from a top-level management view.

Keywords Strategic planning, Real estate management, Strategic fit, Organizational structure, Sweden

Paper type Research paper

1. Introduction

In order to survive and succeed in a competitive market, companies need to develop and maintain an alignment with their environment. The strategy literature emphasizes strategies designed to enable a fit between the firm and the environment in order to obtain and retain new customers. In the context of commercial real estate (in which properties are held as an investment asset and managed with their own property management), the market has become more competitive (Lind and Lundström, 2011). This competitiveness has forced the real estate industry to develop a more service-oriented approach (Palm, 2011). Regarding the field of strategies in commercial real estate, the industry must align its business model with the environment to match its customers' needs and to enable the delivery of necessary services.

An inventory of the research field of the real estate industry reveals a lack of empirical research on business models in relation to service delivery and customer interaction. Instead, most research is either on the subject of how to involve the company's properties in the corporate strategy (see, e.g. Ali *et al.*, 2008 or Scheffer *et al.*, 2006) or the financial aspect of the field (see, e.g. Wofford *et al.*, 2011). Some work has

Property Management
Vol. 31 No. 4, 2013
pp. 311-325

0263-7472
DOI 10.1108/PM-10-2012-0034

also been done on whether to outsource property management or not, but again, many of these studies (e.g. Ghodeswar and Vaidyanathan, 2008) have been conducted on corporations whose core business is not real estate. A lack of research regarding real estate companies' strategies for the organization of management is also detected; however, there are exceptions. For example, Hewlett (1999) acknowledges that the organization of real estate companies is a vital component in their strategic planning, which has as its aim to deliver customer satisfaction, although he regards strategies for customer satisfaction as a part of "efficiency strategy" a set of strategies that reduces the cost of doing business. Moreover, Wilson *et al.* (2001) conclude that the real estate industry understands the need to provide not only high-quality products but also services to their customers. Nevertheless, it is acknowledged that business strategy geared towards delivering value to customers is critical (see, e.g. Teece, 2010).

Currently, the real estate industry is facing new challenges as a part of an increasingly competitive sector (Wilson *et al.*, 2001). Apple-Meulenbroek (2008) concludes that in order to survive in this new, competitive environment, imperativeness of delivering good service is required, a factor that Anderson and Sullivan (1993) also state as crucial to be able to compete. Consequently, the real estate industry will be forced to develop strategies for organizing companies and preparing them to meet these new challenges. Considering the different companies involved in the industry and the different models they use for doing business, their underlying rationale has become a point of interest. How does a real estate company choose to organize itself and its internal abilities to match the challenges of the external environment, and what elements does it regard as critical to ensure success in the market? This paper investigates the commercial real estate company's strategies for organizing its property management in order to enable success.

This paper uses the term strategy in relation to real estate to refer to a distinct plan for property management on the business level. Traditionally, the term strategic business management is used to describe a clearly defined plan aiming to optimize its capacity (Edwards and Ellison, 2004). Hewlett (1999) states, "companies with a well-defined business strategy have the distinct advantage of having clearly articulated a plan with a common direction for the company".

The scope of this paper is to empirically identify arguments for structuring the organization of real estate management in relation to different strategic pathways. The purpose of the paper is neither to define an optimal strategy nor to rank them, but merely to identify the arguments for different strategic paths of organizing property management.

2. Theoretical background

This section of the paper consists of three parts: at first, a general discussion of the concept of strategy and a clarification of this paper's standpoint in the strategy jungle are outlined. Second, the concept of strategic planning will be is discussed. Third, the concepts of fit and environment are outlined.

In the past decades, strategy has received great interest from both researchers and practitioners. As a result, it has been variously described and defined. It has, for example, been described as top management planning for the future (Grant, 2010). It has also been described as the policies of the organization or as a tool to provide the organization with goals and visions. The theoretical standpoint and approach to strategy is what Whittington (2001) defines as a classical approach. Strategy is viewed as a rational process of well-analyzed, deliberate choices aiming to maximize the organization's profits and benefits over time. From this perspective, efficient planning is essential to be able to govern the organization's inner and outer environment, and it is the top management's task to formulate, substantiate, and implement these plans. This implies that the core of strategy is deliberate and that the top management's task is to analyze, plan, and implement a deliberate process in order to maximize the organization's profit. Ansoff (1984) describes strategy as a systematic approach for management to position and relate the firm to its environment in a way that enables continued success. Once the general standpoint regarding the strategy field is outlined, the concept of strategic planning can be discussed.

The strategic planning process has historically been viewed as a bureaucratic and rigid activity, in which the main focus has been financial control with no incentive to change or develop (Mintzberg, 1994; Bonn and Christodoulou, 1996). Partly as a result of this criticism, strategic planning has undergone a substantial change since the 1980s (Aldehayyat and Anchor, 2010). There is now less bureaucracy and more emphasis on implementation and innovation as well as more participation from managers and employees. Strategic planning has also been critiqued for other reasons, from not being organic to being something that emerges within organizations rather than being planned (Mintzberg *et al.*, 1998). Whittington (2001) concludes that companies need strategic planning to rationalize their choices because it is what the dominant professional groups and cultural norms demand. In other words, there can be much criticism towards strategic planning, but as long as the culture of the general business environment expects and demands plans, the industry will continue to design and work with them. It is this perception that makes it interesting to investigate plans and to ascertain why top management design them the way they do.

Within the classical view of strategy, it is the chief executive officer (CEO) who is the central actor. In modern strategic management, on the other hand, O'Shannassy (2003) concludes that there is a bottom up information flow in which middle managers participate in strategy formulation, whereas traditionally they just implemented it. This view is shared with Liedtka (2000), who describes the strategic planning process as a link between the members of the organization, the top management, and the initiated change within the company. Furthermore, O'Shannassy maintains that the CEO is not the top strategic leader responsible for strategy formulation but the chief designer of the strategy process facilitating the strategic conversation. Whittington (2001) concludes the following:

> For every manager, the strategy-making process starts with a fundamental strategic choice: which theoretical picture of human activity and environment fits most closely with his or her own view of the world (p. 118).

Given that strategy is deliberate and can be planned, it is also logical to think that the strategic plan must work as an alignment mechanism between the firm and its environment (Raymond and Bergeron, 2008). This takes us to the third part of the section, where the concept of fit between the firm, its organization, and its environment is explored. Caves (1980) states that it is the top manager's perception of the market structure and the firm's strengths and weaknesses that determines the strategy of the company. It has been argued that the top management's choice of strategies is made through cognitive structures reflecting the perception of the industry. If everyone is doing things a certain way, we should follow suit (Dutton and Jackson, 1987). Caves (1980) concludes that this kind of relation between the company and its market environment is at the intersection of industrial organization and business strategy.

Porter (1981) states that successful firms must adapt their strategies to their external environment and that this is best studied at the business level (as defined by Morrison and Roth, 1992; Hawes and Crittenden, 1984; Porter, 1981) because this is where they can have the greatest impact. To establish a fit between the company's capabilities and its potential, knowledge of the possibilities must be acquired. The possibilities are on the market and, in the case of real estate management, are set by the tenant/customer. For the real estate manager, a deep understanding of user needs is vital. Teece (2010) states that this is crucial for the design of the business model. The business model embodies nothing less than the capability of its organization for value creation. Value creation is obtained by aligning the company's internal opportunities with the external environment.

The core of strategic planning is to provide the organization with a model that acknowledges the external threats to and internal opportunities of the business. The company's strategy is to match the internal capabilities and the external possibilities, a match referred to as a "fit" (Mintzberg *et al.*, 1998). Fit is considered a fundamental concept in strategy (Venkatraman and Camillus, 1984), and its role is to highlight the company's market opportunities and the organization's competences and resources to enable a match or alignment (Venkatraman, 1989). When planning strategies for the internal structure to fit the environment, differences between strategies to obtain and retain new customers can be identified.

In the field of real estate, the customer is the tenant, and the cost of obtaining new customers can exceed the cost of retaining present customers (Matzler and Hinterhuver, 1998; Li, 2003). If a satisfied customer can lease larger properties, there is an even greater incentive to work with retaining strategies. At the same time, it is very costly for a real estate company to have empty properties: the costs are there regardless, and the market value can be affected as well. There is, therefore, a strong incentive to have well-outlined strategic plans outlining how to attract new customers. However, the most important task is to work with your present customers to prevent them from moving since the cost of retention is less than the cost of attracting new customers (Matzler and Hinterhuver, 1998; Li, 2003).

It is the real estate management team's task to work with these questions in an efficient way. Baldwin (1994) and Ling and Archer (2010) state that it is the real estate manager's task to supervise, coordinate, and control all activities related to the property. Loh (1991) and Wurtzebach *et al.* (1994) also include that the dimension of the real estate manager is to maximize returns by increasing rental income. These goals are divided by Abdullah *et al.* (2011) into two categories: short- and long-term objectives. The fulfillment of short-term objectives (like the task of maintenance, rent reviews, leasing, and customer relations) is a requirement that need to be fulfilled prior to ensuring long-term objectives (like increasing investment returns, optimizing property usage, and prolonging the functional life) are fully met. Abdulla *et al.* also conclude that the function of real estate management is a mixture of the achievement of financial objectives and practical management issues, which maintain investment on one hand and customer value on the other.

This paper will focus on the practical management tasks. These tasks are divided by Blomé (2010) into three different elements: customer service, leasing, and caretaking. The task of customer service includes the possibility to make fault reports and get in touch with the responsible staff. The task of leasing incorporates the process of marketing, tenant selection, contract writing, and so on. The task of caretaking includes day-to-day activities and control over in- and outdoor areas; it contains tenant consultations, day-to-day care of property, maintenance, solving problems related to fault reports, repairs, and so on. Leaving aside the task of customer service because it is most often is done electronically or by direct contact with the personnel in charge, there are two tasks left: leasing and caretaking. Blomé (2010) and Ling and Archer (2010) conclude that these tasks can be organized in two different ways, which can be seen as two strategic pathways since the structure of the organization would have been preceded by a strategic decision dependent on the strategic plan outlined by the senior management.

The first decision is whether to outsource the task of caretaking or to keep the function of frontline personnel[1] in-house. There is a vast discussion in the literature regarding the strategic decision of outsourcing. The theoretical base of the discussion can be found in the transaction cost theory (Hätönen and Eriksson, 2009), a trend that can also be seen within the field of real estate management. In the transaction cost theory, the foundation of the argument regarding outsourcing is that tasks can be more efficiently organized when carried out by larger units. This argument goes back to Coase's work in 1937 (cited in Hätönen and Eriksson, 2009); he suggests that tasks should only be organized within a firm when the cost of doing so is lower than the price on the market. The second strategic decision regarding how to structure the organization pertains to leasing. Should the leasing function be regarded as a task for the individual property manager, or should it be regarded as a centralised task with specialized employees? This question determines whether the organization should assign specialized leasing managers or not.

Both decisions are central strategic decisions to be made by the top-level management when structuring their organization. When considering both these tasks as central questions for structuring the organization and at the same time viewing strategy as something that can be planed, the organization should be planned to fit the company's environment. The organization should be structured to align with the environment to maximize profit. This strategic fit between the organization and the environment should be central in the top-level managers work when making the strategic plan of how to structure the organization. Due to a competitive environment, companies with an organization lacking alignment with the environment should have difficulties to compete on the market.

3. Research design and methodology

The foundation of this paper is an interview study with top-level managers in the real estate industry. The concern of the study was to identify the top management's view regarding the strategic choices made in the company's business model. Teece (2010) concludes that a business model describes the design of the value creation for the company. By collecting strategic views regarding the design of the business model, an understanding for the typology of the company's strategic plan and its alignment with the environment should be possible.

3.1 Data collection

For this study, a selection of 16 companies (together managing approximately 20-25 per cent of the property values in Sweden) was made through a stratified purposeful sampling, as defined by Eisenhardts (1989) and Patton (2002). From the 16 companies chosen, one listed company decided not to participate. The outcome should not be affected since it was a company from the group of listed companies, and this group is well represented in the study since it consists of nine of the total 16 listed commercial real estate companies in Sweden. Stratified purposeful sampling was used to enable a representation of organizations with different characteristics. These characteristics include size, ownership, and most importantly, organization of the real estate management. This is because the study's aim was to investigate the top-management's arguments regarding the strategic plan of how to structure the organization. Since only a limited number of cases can be studied, the selection should be strategic; whereas, the process of selection is transparently observable. Since this study does not try to make any statistically evident conclusions of the commercial real estate business, strategic selection is preferred. This research design strives to categorize within-group similarities coupled with intergroup differences. For the study in this paper, the following four categories were chosen: family, listed, institutional, and privately owned companies. The selection of these four specific categories facilitated the discussion on a more general level concerning the commercial real estate sector in Sweden.

The distribution of the participating companies can be seen in Table I. Furthermore, Table I shows a categorization of the companies according to size. They are categorized as "small" or "large". To be categorized as "small", the company should have a revenue between €50 million and €999 million; to be categorized as "large", it should have a revenue of €1,000 million or more. The reason behind excluding companies with a revenue under €50 million is because they usually do not have the same strategic prerequisite when it comes to organizations due to their size.

The interviews with the top-level managers of the 15 companies were conducted during the winter of 2010. Eisenhardts and Graebner (2007) state that a key approach to mitigate a bias in interview studies is to combine it with retrospective material. In this study, all interviews have been preceded by a study of annual reports from the previous five years for each company. The study of annual reports allowed the design of this interview study to follow a general structure and, at the same time, to focus each interview on the specific company interviewed.

The design of the interview process is based on Kvale's (1995) structure for semi-structured interviews. The foundation for the interviews was the more comprehensive question regarding the company's business model. At the same time, every interview had its own unique starting point since all of the interviews started with the individual business model of each company and how it presented itself in its annual reports. The basic intention with this was to be able to run each interview as a conversation about the individual company and its unique situation. Each top-level manager then continued to describe the background to the strategic decisions which preceded the business model and the way the company was organized. The follow-up questions were all based on the strategic concepts identified from the literature of real estate management, including Ling and Archer (2010), Larsen (2003), and Wurtzebach *et al.* (1994). Designing the interviews with foundations in the organization at hand and the literature allowed the top managements to describe the strategic plans

	Small	Large	Total
Listed	5	4	9
Private	2		2
Institutional	1	1	2
Family	2		2
Total	10	5	15

Table I.
Participating companies

in a more in-depth way. The result gave an insight of the top management's underlying rationale regarding the organization's design of its strategic plans.

3.2 Data analysis

To enable sorting, interpreting, classifying, and coding of the interview material, all interviews were recorded and all of the material was then transcribed. This working procedure enables a better overview and understanding of the material while securing the process and ensuring that the respondents are correctly quoted. Taping and transcribing is also a working procedure that is considered essential when working with this type of interview material (see, e.g. Riessman, 1993).

The concept of interviewing the top-level managers with a starting point in the literature and reflecting each company's unique situation resulted in interview material that was similar to stories from the top management. The interview study carried on as long as there were useful interpretations; this achieved saturation in the material (Patton, 2002; Steiner, 2003) and gave the study a body of concepts that linked the stories together. The interview material was then combined using profiles based on the literature of real estate management and the descriptions each top-level manager had given. Gradually, two concepts arose, describing the strategic plan behind the real estate management for the companies studied: in-house frontline personnel or outsourcing and leasing as a central function or as a management task.

4. Real estate management strategies

This section examines the outcome of the 15 interviews regarding the strategic pathways chosen. The outcome is placed in a strategic context and discussed from that viewpoint. The section is divided into two subsections. First, an overview of the material is displayed. Afterwards, the next two subsections categorize the interview material under the two strategic pathways. The purpose of categorizing the findings under these two concepts is to structure the material to improve comprehension. The use of categorization of the findings through concepts is also found in the theory of corporate culture and identity (see, e.g. Steiner, 2003 or Bourgeois and Eisenhardt, 1988).

The literature suggests that when building a real estate management organization, the questions regarding frontline personnel and the leasing function are treated as central questions (Ling and Archer, 2010; Larsen, 2003; Wurtzebach *et al.*, 1994). These two questions are considered as two strategic and alternative pathways. Table II summarizes the evidence for the strategic paths chosen.

From Table II, a remarkable spread is seen regarding the strategic choice of respondent companies to organize their property management. Regarding the function of frontline personnel, either in-house or outsourced, the companies in the study tend to have their own frontline personnel. The companies' preference is less clear when it comes to leasing. Of the 15 companies, seven regard it as a real estate manager's task, while eight regard it as a function that should be centralised within the organization. The situation is summarized in Table III, which shows that the most common way to organize property management is to have in-house frontline personnel and to consider leasing as a function of its own in the organization.

4.1 In-house frontline personnel or outsourcing

When building your organization, one essential question is whether you should run your business with your own personnel or not. This paper is based on interviews with real estate companies with their own property management organization, but they also have the decision of whether to use their own frontline personnel or not. Table IV summarizes the top managers' arguments on why to organize the frontline personnel task in-house compared to outsourced.

Examples of how two top-level managers view the strategic choice to have their own frontline personnel are presented as follows:

> We have built our organization entirely with our own personnel because it is so important for us to have control over the customer – that we have contact directly with the customer.

Table II. Strategic paths chosen

		Frontline personnel		Leasing	
Ownership	Size	In-house	Outsourcing	Manager task	Centralised function
Listed	Small		×	×	
Listed	Small		×		×
Listed	Small	×		×	
Listed	Small	×			×
Listed	Small	×			×
Listed	Large		×	×	
Listed	Large	×			×
Listed	Large	×			×
Listed	Large	×		×	
Private	Small	×		×	
Private	Small	×			×
Family	Small		×	×	
Family	Small	×		×	
Institutional	Small	×			×
Institutional	Large	×			×
Total		11	4	7	8
Listed-9	S = 10				
Private = 2	L = 5				
Family = 2					
Institutional = 2					

Table III. Frontline personnel and leasing as strategic pathways

	Leasing		
	Manager task	Centralised function	Total
Frontline personnel			
In-house	4	7	11
Outsourcing	3	1	4
Total	7	8	

Table IV. Arguments regarding frontline personnel function

Frontline personnel	
In-house	Outsourcing
Direct contact with customer	Customer focus
Short decision paths	Local function
In charge of the question	Flexibility
Effective management	Service to the customers

> If there is something the customer thinks is wrong or not up to standards, it can easily be addressed directly to us. We don't have many intermediate links between the customer and the person in charge. If you have consultants involved doing work for you, that will maybe not happen. Because they have always their own goals, their own business model, or whatever, that means that they are never working 100% for you and your goals. For example, it is always best for the owner that the tenant stays. But it isn't sure if you use a consultant for the management because maybe it isn't in their best interest that the tenant stays. Maybe they will earn more if there is a little rotation of tenants (Small privately owned company representative).

For this company, the strategic choice to have in-house frontline personnel is based on the fact that they want to own the entire process and to "own" the problem themselves. They want to know that things are up to their required standards and to be able to control the situation:

> We have an organization locally at every locality – with management, leasing, and operation – so that we can daily serve our customers and meet their needs. We don't buy these kinds of services. Several companies do buy parts of it, but we keep it in-house since we see it as strategically important to be able to find this kind of effective management that can make solid investment decisions (Small family-owned company representative).

This citation points at two more factors, besides having control of the situation. One is that they see having in-house frontline personnel as strategically important since they want to be able to make the management more effective; they need to own the function. The other factor is that, in order to make solid investment decisions, they need to have frontline personnel competence in-house.

An example of how one top-level manager views the strategic choice to have in-house frontline personnel is set out as follows:

> We have outsourced the maintenance and operations, but we make all of the important decisions ourselves. This is because we have decided to be customer-focused. This way, our property managers will be 100% focused on the customer instead. Even if maintenance is important, especially for the kind of properties we own, we think this way is better. And it is in our business model to own high yield properties that are to give a positive return from the start. We don't buy anything that will start to give a positive return in five years; we want it to start to make money directly. We buy good investments, and when we do so, we don't want to tie ourselves up to anything else (in-house frontline personnel). Therefore, we have chosen to outsource all of the maintenance operations because then we will get a local janitor, and we think that it is important for the property to have that (Large listed company representative).

What this citation points out is that they think it is important to have flexibility, and if they were to have their own front personnel, they would lose that flexibility. It also points to the fact that there has to be frontline personnel locally, and if you do not have a large stock of property, you will not be able to run it efficiently.

The points outlined above regarding controlling the situation and being able to have an efficient management can both be tied to alignment with environment. If you are the one doing the work, you will also be the one getting the feedback and have the responsibility to update your services accordingly. When that function is outsourced, you can only update your services by adding or elucidating this requirement in the contract before the contract is due to expire, which is costly, if even possible. Therefore, to enable a fit between the organization and the customer, the companies investigated see in-house frontline personnel as strategically important.

4.2 Leasing as a manager task or as a central function

The other essential strategic pathway when planning your organizational structure is deciding where the responsibility for new leasing should lie. When planning, there are two choices: leasing can either be regarded as a task for the individual real estate manager, who is responsible for the property and its customers, or be treated as a separate function that is centralised in the organization and leads to a central sales team in the organization. Summarizing the top-level managers' arguments regarding why to organize the leasing question gives us the outcome shown in Table V.

Examples of how two top-level managers view the strategic choice to have leasing as a real estate manger's task are illustrated as follows:

> Our property managers don't work with projects. They are out in the field to meet the customers and have the overall picture, Leasing, moving in, administrating, and moving out. They have the process under their umbrella. We have leasing as a manager task because it benefits the customer focus. We see it as a strength also depending on the type of properties that we own. We prefer somewhat longer contracts, and then there is a strength that you have both the customer relation and knowledge of the properties with you in the whole business process. Of course, it is a little vulnerable because it generates a lot to do sometimes, but it is also very interesting and stimulating for the manager to work with the deal. New leasing is perhaps the part that is most fun. It is what we live on (Large listed company representative).

The respondent highlights the importance of the real estate manager's knowledge of the overall picture of the property as well as their relationship with the customer. Moreover, he points at the importance of the leasing – it is, as he states, what they live on:

> The real estate manager is responsible for the leasing. The reason for this is because it is the real estate manager that has the full responsibility for the property, regarding both costs and revenue. The manager is the one that knows the property best, and it is the manager that makes the strategic plans for the property regarding the operations for the next two to three years. I believe that it is that person who is best suited to lay the puzzle also when it comes to leasing (Small Listed company representative).

This citation repeats the same facts as before but highlights the fact that it is the real estate manager that will have the responsibility because such an individual is best suited to be responsible for the leasing as well.

An example of how one top-level manager views the strategic choice to organize leasing as a centralised function of its own is pictured as follows:

> The thing is to get the organization to function on a horizontal level. Here you get a lot of delimitations between management and the leasing function. The thing is that a central leasing function can focus on getting things done. If you have a focus, let's say you have a management area where you have leasing, project and management, then you won't get much done regarding projects and leasing. This is because new projects and new leasing will only be done when the market comes to you, not from you working the market. The chief of management cannot handle that at the same time as they have to take care of the current

Table V. Arguments regarding the leasing function

Leasing	
Manager task	Centralised function
Customer contact	Customer contact
Most important task	Most important function
Best knowledge of properties	Focus on one task

> customers. In that case, the service delivered to the customers will suffer. Furthermore, it is a service function for our future customers. If you want to lease from us, you should get the best service available (Large listed company representative).

The main argument from the citation is that it comes down to delivering the best service possible to new customers, and to do so, you have to be one hundred per cent focused on leasing.

The two main reasons for having leasing as a centralised function are outlined by the respondent, and they are focus and customer service. The respondent states that it is not possible to work with leasing and simultaneously attend to your present customers because then it is unavoidable that your service towards the present customers will suffer due to lack of attention. Customer services in the sense that responsibility for leasing requires 100 per cent devotion to work with new customers and then you cannot have anything else that needs your attention. It also provides guidance for the whole company, not just for the properties that one individual is responsible for.

The argument regarding knowledge of the property is evident since you cannot match future customer needs with specific properties if that information is missing. The real estate manager has that information and will also know if anyone might be interested in renting smaller properties and, thereby, require a new lease. Having leasing as a centralised function, on the other hand, enables your company to lay the customer and properties puzzle on a higher level and considerer all vacancies when talking to a potential customer. The conclusion is that if leasing is done on the real estate manager's level, there needs to be an information flow between the managers and incentives to help your fellow co-worker to let. If leasing is a centralised function, there needs to be a flow of information between real estate managers and leasing managers as well as incentives to lease, even for those not directly responsible. If this information does not flow properly, the company will not be able to match the customers' requirements appropriately, no matter how good the properties.

5. Two strategic pathways

The literature on real estate management identifies two strategic pathways related to the strategic planning on how to structure the real estate management organization. It is the function of front-line personnel and leasing. When planning for the structure of the organization, the top-level managers must consider these two strategic questions to enable the best organizational fit to the environment as possible: should the company outsource or have the front-line personnel in-house? Should the company structure the organization with a centralised leasing function, or should this be regarded as a task for the individual real estate manager? This study regards the top-level managers' arguments behind the strategic plan for structuring the organization in order to make an alignment with the environment.

First, when it comes to frontline personnel, the top-level managers' main argument for structuring their organization with in-house frontline personnel is the organization's direct contact with their customers. The top-level managers representing companies with this organizational structure all regard it as the only way to be able to have an effective management and take good care of their customers. For them, structuring the organization in another way seems as inconceivable as not being a part of the real estate industry anymore. In other words, the respondents all argue that their way of structuring the organization is the only way to enable an organizational fit with the environment. Structuring the organization in any other way would render less control and would not enable them to properly take care of their customers; in other words, it would allow their competitors to gain market shares, and the firm would be overtaken in the long run.

Considering the arguments from the top-level managers that structured their organization with outsourced frontline personnel, the same kind of worries are displayed. These top-level managers state arguments regarding the possibility to give proper service to their customers. They stress that it would be difficult, if not impossible, to deliver good service without outsourced frontline personnel.

The difference between the arguments for in-house and outsourced frontline personnel, both of which tend to be based within a customer focus or service delivery, is that arguments for in-house consider control of the process while arguments for outsourcing consider flexibility instead. The organizational fit, from the perspective of having both control of the process and having flexibility, seem to be subordinated to the strategic question of customer focus and service delivery, but when structuring the organization to fit with the environment, this is what makes the difference.

Second, when it comes to the leasing task, the top-level managers present arguments for structuring the organization with it as either a manager task among other tasks or as a centralised function; in both cases, they state customer contact as the main argument. Top-level managers structuring their organization with the leasing function as a manager's task emphasize the importance of the fact that the real estate manager is the one with customer responsibility. This emphasis places the real estate manager as the natural choice for taking charge of the leasing task, being the one with the customer contact in the future as well. The representatives of the other way to structure the organization, with leasing as a centralised function instead, consider it impossible for the individual real estate manager to handle the leasing task. Instead, they stress the importance of having personnel with leasing as their only task. Otherwise, they do not believe that the organization would be able to provide a satisfactory service for their customers.

The interpretation of the arguments of both sides when it comes to leasing is that the structuring of the organization is viewed with customer consideration in mind, but how to handle the task at hand is viewed diametrically differently. As in the question before, both sides see the other way of structuring the organization as just as distant and strange as if you were talking about a completely different business. Both sides have a great scepticism for the other way and cannot imagine that the organization would perform if structured in the other way. Both ways of structuring the organization have their base in customer contact, but their strategic plan to enable the environmental fit is different. However, they both seem to work in a satisfactory manner to the degree that the different top-level managers cannot see how it could work in any other way.

All of the companies within the study are competing in the same arena and facing the same environment. When the top-level managers outline the strategic plan, they should consider the same environment when structuring the organization in order to make the best fit possible and enable business success. It is evident that the argument of top-level managers for structuring their organizations is based on the two strategic pathways described in this study: customer contact and focus. However, the same argument is used regardless of the strategic pathways chosen to enable the fit.

6. Implication for further research

The study invites further research regarding how companies make their organizations effective. Each of the companies selected for this study has a solid history, so how can they all manage to survive in the competitive market environment despite having different organizational structures?

Note

1. In this paper, frontline personnel is defined as all personnel in day-to-day contact with the customers, such as janitors, technicians, service personnel, and so on.

References

Abdullah, S., Arman, A.R. and Abd Hamid, K.P. (2011), "The characteristics of real estate assets management practice in the Malaysian Federal Government", *Journal of Corporate Real Estate*, Vol. 13 No. 1, pp. 16-35.

Aldehayyat, J.S. and Anchor, J.R. (2010), "Strategic planning implementation and creation of value in the firm", *Strategic Change*, Vol. 19 Nos 2-3, pp. 163-176.

Ali, Z., McGreal, S., Adair, A. and Webb, J.R. (2008), "Corporate real estate strategy: a conceptual overview", *Journal of Real Estate Literature*, Vol. 16 No. 1, pp. 3-21.

Anderson, E.W. and Sullivan, M.W. (1993), "The antecedents and consequences of customer satisfaction for firms", *Marketing Science*, Vol. 12 No. 2, pp. 125-143.

Ansoff, I. (1984), *Strategic Management*, Palgrave Macmillan, Basingstoke.

Apple-Meulenbroek, R. (2008), "Managing 'keep' factors of office tenants to raise satisfaction and loyalty", *Property Management*, Vol. 26 No. 1, pp. 43-55.

Baldwin, G. (1994), "Property management in Hong Kong: an overview", *Property Management*, Vol. 12 No. 4, pp. 18-23.

Blomé, G. (2010), "Local housing administrative models for large housing estates", *Property Management*, Vol. 28 No. 5, pp. 320-338.

Bonn, I. and Christodoulou, C. (1996), "From strategic planning to strategic management", *Long Range Planning*, Vol. 29 No. 4, pp. 543-551.

Bourgeois, L.J. and Eisenhardt, K. (1988), "Strategic decision processing in high velocity environment: four cases in the microcomputer industry", *Management Science*, Vol. 34 No. 7, pp. 816-835.

Caves, R.E. (1980), "Industrial organization, corporate strategy and structure", *Journal of Economics Literature*, Vol. 18 No. 1, pp. 64-92.

Dutton, J.E. and Jackson, S.E. (1987), "Categorizing strategic issues: links to organizational action", *The Academy of Management Review*, Vol. 12 No. 1, pp. 76-90.

Edwards, V. and Ellison, L. (2004), *Corporate Property Management*, Blackwell Science Ltd, Oxford.

Eisenhardts, K. (1989), "Building theories from case study research", *Academy of Management Review*, Vol. 14 No. 4, pp. 532-550.

Eisenhardts, K. and Graebner, M. (2007), "Theory building from cases: opportunities and challenges", *Academy of Management Journal*, Vol. 50 No. 1, pp. 25-32.

Ghodeswar, B. and Vaidyanathan, J. (2008), "Business process outsourcing: an approach to gain access to world-class capabilities", *Business Process Management Journal*, Vol. 14 No. 1, pp. 23-38.

Grant, R.M. (2010), *Contemporary Strategy Analysis and Cases*, 7th ed., John Wily and Sons Ltd, Chichester.

Hätönen, J. and Eriksson, T. (2009), "30 + years of research and practice of outsourcing – exploring the past and anticipating the future", *Journal of International Management*, Vol. 15 No. 2, pp. 142-155.

Hawes, J.M. and Crittenden, W.F. (1984), "A taxonomy of competitive retailing strategies", *Strategic Management Journal*, Vol. 5 No. 3, pp. 275-287.

Hewlett, C.A. (1999), "Strategic planning for real estate companies", *Journal of Property Management*, Vol. 64 No. 1, pp. 26-29.

Kvale, S. (1995), *Den Kvalitative Forskningsintervjun*, Studentlitteratur, Lund.

Larsen, J.E. (2003), *Core Concepts of Real Estate Principles and Practices*, Wiley, Chichester.

Li, M.-H.C. (2003), "Quality loss functions for the measurement of service quality", *International Journal of Advanced Manufacturing Technology*, Vol. 21 No. 1, pp. 29-37.

Liedtka, J.M. (2000), "Strategic planning as a contributor to strategic change: a generative model", *European Management Journal*, Vol. 18 No. 2, pp. 195-206.

Lind, H. and Lundström, S. (2011), *Kommersiella Fastigheter I Samhällsbyggandet*, SNS Förlag, Stockholm.

Ling, D.C. and Archer, W.R. (2010), *Real Estate Principles: A Value Approach*, 3rd ed., McGraw-Hill Irwin, Boston, MA.

Loh, S.C. (1991), "Property management: an overview", *Surveyor*, Vol. 4 No. 91, pp. 25-32.

Matzler, K. and Hinterhuver, H.H. (1998), "How to make product development projects more successful by integrating Kano's model of customer satisfaction into quality function deployment", *Technovation*, Vol. 18 No. 1, pp. 25-38.

Mintzberg, H. (1994), "The fall and rise of strategic planning", *Harvard Business Review*, January-February, pp. 107-114.

Mintzberg, H., Ahlstrand, B. and Lampel, J. (1998), *Strategy Safari – A Guided Tour Through the Wilds of Strategic Management*, Prentice Hall, Harlow.

Morrison, A.J. and Roth, K. (1992), "A taxonomy of business-level strategies in global industries", *Strategic Management Journal*, Vol. 13 No. 6, pp. 399-417.

O'Shannassy, T. (2003), "Modern strategic management: balancing strategic thinking and strategic planning for international and external stakeholders", *Singapore Management Review*, Vol. 25 No. 1, pp. 53-67.

Palm, P. (2011), "Customer orientation in real-estate companies – the espoused values of customer relations", *Property Management*, Vol. 29 No. 2, pp. 130-145.

Patton, M.Q. (2002), *Qualitative Research and Evaluation Methods*, 3rd ed., Sage, Thousand Oaks, CA.

Porter, M. (1981), "The contribution of industrial organization to strategic management", *The Academy of Management Review*, Vol. 6 No. 4, pp. 609-620.

Raymond, L. and Bergeron, F. (2008), "Enabling the business strategy of SMEs through e-business capabilities a strategic alignment perspective", *Industrial Management and Data Systems*, Vol. 108 No. 5, pp. 577-595.

Riessman, C.K. (1993), *Narrative Analysis*, Qualitative Research Methods Series 30, SAGE University Paper Sage, Newbury Park, CA.

Scheffer, J.J.L., Singer, B.P. and Van Meerwiik, M.C.C. (2006), "Enhancing the corporate real estate to corporate strategy", *Journal of Corporate Real Estate*, Vol. 8 No. 4, pp. 188-197.

Steiner, L. (2003), "Roots of identity in real estate industry", *Corporate Reputation Review*, Vol. 6 No. 2, pp. 178-196.

Teece, D.J. (2010), "Business models, business strategy and innovation", *Long Range Planning*, Vol. 32 No. 2, pp. 172-194.

Venkatraman, N. (1989), "The concept of fit in strategy research: toward verbal and statistical correspondence", *The Academy of Management Review*, Vol. 14 No. 3, pp. 423-444.

Venkatraman, N. and Camillus, J.C. (1984), "Exploring the concept of 'fit' in strategic management", *The Academy of Management Review*, Vol. 9 No. 3, pp. 513-525.

Whittington, R. (2001), *What is Strategy – and Does it Matter?*, 2nd ed., South-Western Cengage Learning, London.

Wilson, C., Leckman, J., Cappucino, K. and Pullen, W. (2001), "Towards customer delight: added value in public sector corporate real estate", *Journal of Corporate Real Estate*, Vol. 3 No. 3, pp. 215-221.

Wofford, L.E, Troilo, M.L. and Dorchester, A.D. (2011), "Cognitive risk and real estate portfolio management", *Journal of Portfolio Managements*, Vol 17 No. 1, pp. 69-73.

Wurtzebach, C.H., Miles, M.E. and Cannon, S.E. (1994), *Modern Real Estate*, 5th ed., John Wiley & sons, New York, NY.

Further reading

Porter, M. (2004), *Competitive Strategy Techniques for Analysing Industries and Competitors*, Free Press, New York, NY.

Corresponding author

Peter Palm can be contacted at: Peter.palm@mah.se

Received 8 December 2014
Revised 8 December 2014
Accepted 11 December 2014

The office market: a lemon market? A study of the Malmö CBD office market

Peter Palm
Department of Real Estate Science, Urban Studies, Malmö University, Malmö, Sweden

Abstract

Purpose – The purpose of this paper is to test whether bad real estate owners drive out good real estate owners from the online marketplace for offices.
Design/methodology/approach – This research is based on a statistical analysis of the advertisement of offices in Malmö CBD, collected weekly during a period of one year.
Findings – The hypothesis that the market for advertisement of office properties is a lemons market cannot be rejected. The result that owners who have appeared in court more than once in the last two years being more inclined to advertise supports this.
Research limitations/implications – The research in this paper is limited to the Malmö CBD office market.
Practical implications – It provides an insight in how the online marketplace for offices works as a marketplace and how quality signals influences advertisement.
Originality/value – This paper is a direct test of Akerlof's classical lemon model.

Keywords Leasing, Lemon market, Office market, Online advertising, Quality in real estate management, Quality signalling

Paper type Research paper

1. Introduction

The office market is a competitive market where we can observe market information asymmetry. In Sweden several independent internet sites for advertising premises have emerged in recent years. These sites act beneficially for future tenants by displaying numerous premises for lease. As a result of these initiatives, the cost for finding premises has decreased dramatically. Today, one can easily screen the market by browsing one or more of these sites without involving a third party.

The consumer seeks to obtain as much information as possible on a product's quality before purchase, for consumers ultimately choose a product because it delivers a better service at the same or at a lower cost than another. When this information can be easily accessible and processed by the business partners, it is known as symmetric information. Asymmetric information is when one party has an information advantage over the other party, either by superior knowledge of the product or when the one party is unable to interpret the information due to a lack of experience. Kadefors and Bröchner (2004) conclude the real estate manager is likely to know more about a building's technical characteristics and its quality than the future tenant is.

Information asymmetries arise in property markets when a manager offering a service holds better information than the party requiring the information. This kind of situation is known as the "principal-agent problem" within economics of information (Stiglitz, 2000). Relating the theory of the principal-agent problem to the property market – in particular, the leasing market – the manager providing the premises is the agent, and the consumer looking to lease premises is the principal.

Journal of Property Investment & Finance
Vol. 33 No. 2, 2015
pp. 140-155

1463-578X
DOI 10.1108/JPIF-12-2014-0073

In a market with symmetric information, price is directly correlated with quality. If the agent reduces quality, the price would fall. However, in the case of asymmetric information, principals cannot determine the quality before delivery. This is especially evident in service delivery, where the quality can be determined only at a later stage. This gives agents an incentive to lower quality, for principals will orient themselves towards mean quality. Such behaviour is called moral hazard, which, in extreme cases, can lead to a general quality downgrade within a market.

The other market inefficiency is adverse selection, which occurs when the agent's quality of service is not verifiable or observable by the principal at the time of signing the contract. Before contracting, the principal can assess only the average quality of similar services. If not supplied with measurable information of the property or services, the principal is prepared to pay only an average price for average quality. Suppliers of higher quality products are then prevented from leasing their premises, potentially resulting in a general decline in quality because the principals will not accept a higher price since they cannot observe the unique quality of a premises, only the quality in average. In the end, a downward cycle occurs where the "bad" products tend to drive the "good" products out of the market. This phenomenon, named by Akerlof (1970) "Market for Lemons", is expected to arise in markets where agents are not rewarded for delivering quality or cannot reveal it to the market and where principals cannot distinguish the difference in quality.

This paper regards an empirical test of the implications of a market with asymmetric information in post contractual setting.

George Akerlof (1970) concluded that if the buyer cannot, or it is of high cost, distinguish quality until after committing to a contract, bad quality products will drive out good quality products. If we apply this theory to the advertising of offices on the real estate market, owners delivering inadequate service or who hold a bad reputation would have to advertise their premises more frequently and for a longer time period than others. As the qualities of the premises are visible before contract, by the future tenant, it is the quality of service that is considered.

The aim of this paper is to test whether bad real estate owners drive out good real estate owners from the online marketplace for offices. The measure of quality chosen is the occurrence of cases in court (i.e. if or how often they have been sued in the special court for real estate rentals (Hyresnämnden)). Considerations have been taken concerning what signals of quality the companies give to the market.

An office tenant would have an idea of an owner or manager's quality from past service experiences, but it may be difficult and/or costly for a potential tenant to predict future service quality – especially from an unknown owner/manager – from office advertisements and company web sites. If this information asymmetry occurs the tenants of "lemon" managers, the office would appear on the advertisement web site more often. This advertisement web site would then become a market for "lemons", where there would be an abundance of low-service owners pushing out leasers of good service owners, as argued above.

This paper is organised as follows. The first section concerns information and information asymmetry in real estate markets before introducing the lemon model. The next section provides a description of the office real estate market in Malmö before a description of the current study is made. The paper ends with a discussion of the empirical results and the conclusion.

2. Information and information asymmetry

The principal-agent problem has been empirically tested in the car market, in the insurance market, in the banking market and in the property market. Rudolph (1998) argues that information asymmetries are the prime justification for licensing appraisers. Similarly, Colwell and Trefzger (1992) argue that if banks cannot determine quality of the appraiser, only appraisals of low quality will be delivered. Cooper *et al.* (2000) conclude that property investors behaviour and the predictability of real estate returns is more determined by portfolio rebalancing than by being an adverse selection problem.

Lützkendorf and Speer (2005) contend there are short-term and long-term implications regarding information asymmetry in the property market. They display how principal-agent disparity and information asymmetry lead to imperfect markets where the consumer (in the short-term) and the supplier (in the long-term) suffer from disadvantages because quality is compromised and products deliver disappointing results. They conclude the tenant risks suffering from less function and service than expected, as well as loss of time and money, in the short term. This will, in turn, lead to more consumer complaints and more fluctuations in tenancy and increased administration for the manager. In the long term, tenants tend to file lawsuits with related costs, to move or to develop mistrust for the property market. Accordingly, managers can be sued, lose credibility and receive less profits in the long term.

Lützkendorf and Speer (2005) state that adverse selection and moral hazard processes are applicable to the transaction market for properties. The following example of a typical office lease will display this: a tenant acquires the services of a manager after inspecting the building, as agreed on. After moving in, the tenant experiences shortcomings and/or faults regarding quality or service, which were neither known nor foreseeable when the contract was signed. If relevant and sufficient building- and/or manager-related information is not available for a prospective tenant before signing a contract, information asymmetry occurs.

There are two suggested solutions to these kinds of market failures regarding information asymmetry: signalling and screening (Riley, 2001). First, the owner/manager must signal credible information of the building's characteristics, quality and service in a way that can be trusted by the leaser. Second, additional screening by the leaser could be used to verify the owner/manager's information.

Information exchange and signalling

Signalling service quality is, in the literature, similar to price and advertising as joint signals of quality; for example, Milgrom and Roberts (1986) provide a model where they identify various conditions where quality is signalled through price or through a combination of price and advertising. Their conclusion is that price alone can signal quality when differentiation is substantial and when advertisement is not required.

In the office market – in leasing in particular – managers act as suppliers of information. Lützkendorf and Speer (2005) state that price has been the major signal from the manager; they also state that appropriate information regarding quality and service performance is difficult to interpret. Although the manager communicates the characteristics of the building, an inexperienced leaser would find this difficult to interpret. Bröchner (2010) argues this type of building characteristics information ought to be carried out systematically in a standardised form. In 2005, Lützkendorf and Speer concluded that no standardised form or structure had been agreed upon to show a building's quality to tenants (or to buyers); when analysing the advertisement of office premises in Sweden and when interviewing brokers, no such standard is available today. Concerning signalling through certification on the real estate market, there is one certification administered by the manager's association (Fastighetsägarna syd), but it has not yet gained traction since very few have chosen to be licenced.

The lemon model

Akerlof's basic argument in his 1970 paper "The Market for Lemons" is that in many markets the buyer uses market statistics to measure the relevance of goods. The buyer sees only the average of the whole market, while the seller has more information on the specific good. Akerlof argues this information asymmetry gives the seller an incentive to sell goods of poorer quality; the average quality of goods in the market will then decrease. Adverse selection occurs when this reduce in quality starts to dominate the market. When calculating the market size under asymmetric information, Akerlof (1970) concludes that, in the end, no goods will be traded as the market resembles a market of adverse selection.

To mitigate adverse selection, there are some market institutions including brand name, guarantees, independent certification, use of agents and learning from experience. Leland (1979) in his paper, showed how posing minimum quality constraints, for example, by licensing helps the buyer or, in fact, the market to become more functioning.

Bond (1982) tested the theory empirically on the US used-truck market. He rejected the hypothesis that bad trucks had driven out the good ones from the market. However, Pratt and Hoffer (1984) criticised his test since it did not take the cost of repairs, only the frequency, into consideration. Bond (1984) modified and developed his idea based on Hoffer's comments, but even after modifying the model he still rejected the hypothesis and concluded that the used truck market is not a lemons market.

Kim (1985) theorised Bond's findings by arguing good product holders will sell just for the sake of buying a new one (fitting-up). Kim's study has gained support as Hendel and Lizzeri (1999) presented a model of adverse selection between new- and used-goods markets. Kim's (1985) and Hendel and Lizzeri's (1999) models remain relevant. Sultan's (2010) study on the used car market was based on the aforementioned studies; Sultan concluded that certified pre-owned programmes have substantially improved the information mechanism between buyers and sellers of used cars.

Previous studies on real estate (see, e.g. Springer, 1996) demonstrate the market of real estate premises (as being unique and durable goods) is a complex process where leasers and managers make many decisions under uncertainty. There are non-observable factors for the future leaser. This is a classic example of asymmetric information as introduced by Akerlof. Most interest has concerned information and transactions in the commercial property market. In particular, a number of empirical studies regarding appraisals information and transaction prices have been carried out (see, e.g. Downs and Slade, 1999; Fisher *et al.*, 2007; Downs and Güner, 2012). The main contribution of these studies is the appraisers' ability to assess values and produce reliable information in their appraisals. The quality of information in appraisals is debated: most researches have concluded appraisals and appraisers contribute with reliable information and that appraisal information is more critical in markets with incomplete information. However, Garmaise and Moskowitz (2004) state the opposite: appraisers are not a source of valuable information. They argue investors rely on contract history and their own market knowledge, only purchasing properties nearby. This should be seen in the light of Downs and Slade's (1999) study in which they concluded investors gain considerable benefits through appraiser information indexes. Fisher *et al.* (2007) refer to the appraisers' ability of informative appraisals. However, investors do choose to use their own price indexes instead of appraiser information when tracking investments on the investment market, the so-called Fisher-Gatzlaff-Geltner-Hausin methodology for movement tracking. Fisher *et al.*'s main argument does not concern poor quality appraisals but, rather, the time lag the appraisers result in. Also Öhman *et al.* (2012) conclude the appraisers' forecasts are almost as accurate as those obtained using autoregressive models; however, the authors do note a decreasing accuracy over the period studied.

Signalling from real estate owners

Benjamin *et al.*'s (2006) research compiles three signals of quality for real estate owners: local presence, scale and vertical integration. Local presence is a signal of quality since it involves a focus on real estate; it gives the owner the ability to be efficient in management and in advertising. By scale, the owner controls a sufficient number of properties to be able to manage efficiently and ability to reduce average costs, enabling better customer services. Furthermore, benefitting of scale enables one to possess knowledge and competence one would otherwise not be able to hold. Vertical integration is considered a quality signal since it displays an owner's willingness to work with property management – not just seeing property ownership as an asset. In their study, Benjamin *et al.* (2006) concluded that owners who can signal these qualities are able to charge a higher rent:

> A manager able to invest in a signal of quality that is accepted by the tenant market commands higher rent (Benjamin *et al.*, 2006, p. 394).

The occurrence of cases in the special real estate court should be seen as a negative signal of quality since it is a direct signal from present and/or previous tenants' dissatisfaction with the real estate owner's management. This dissatisfaction ought to lead to a bad reputation regarding service performance, as Hansen *et al.* (2008) conclude in their study. They argue the intrinsic nature of service performance leads to a strong connection between reputation and the choice of service provider. Benjamin *et al.*'s (2006) proposal for signals of quality for real estate owners has been incorporated in recent studies on the real estate sector; for example, it has been empirically incorporated in to An *et al.*'s (2010) study of the REITs management and their ability to receive bank credits. An *et al.* conclude that firms which are able to signal, or which are more transparent, are more likely to receive bank credit. Hardin *et al.* (2009) study concerning the performance of REIT-owned properties concludes the structure of property ownership positively impacts property performance when there is an operational of scale. In addition, they support the hypothesis that a local organisational structure positively affects the property performance. Furthermore, the three quality factors have been incorporated in the empirical study of Benjamin *et al.*'s (2007) concerning on the Atlanta market of 1996-2001; they conclude that larger-scale owners and local property management perform better. An important distinction was made between local owners and local management. The study's results show the local management – not local owners – earns the premium. In other words, it is not who owns the properties that matter – it is who manages them.

3. The Malmö office market

Malmö is Sweden's third largest city and the nation's third largest office market. Malmö has over 300,000 citizens and has grown rapidly in recent years, primarily due to immigrants moving to Malmö.

Since the early 1980s, Malmö has gone from being industrial focused, with Kockums as the main private employer, to being knowledge based, with the 1998 establishment of Malmö University being a clear marker for this change.

The office market in Malmö consists of approximately 3.5 million square metres; the ten largest companies own 60 per cent (2,050 t square metres) of the office market. The rest of the market is controlled primarily by companies each owning < 10,000 square metres Datscha.se 140520 (2014). Domestic owners dominate the real estate market in Malmö. The recent downturn following the financial and property crisis of 2008 has led to a low increase in rents and a vacancy rate of approximately 12 per cent in Malmö (Newsec, 2013), while the growth in value has seen a positive trend. Since 2009, the offices in Malmö CBD have increased in value by 20 per cent and are today traded at a yield of 5.25-6 per cent (NAI Svefa, 2014). The transaction market in Malmö is dominated by domestic buyers and foreign sellers (Rundquist, 2013).

4. Research design

Data collection

This study is an analysis of the Malmö CBD office market based on advertised office premises from February 2013 until January 2014 (46 weeks in total). The advertised data was obtained by observing and inventorying Objektvision, the largest online advertising platform for office premises in Sweden. The selection for the study was limited to office premises in Malmö's CBD. In line with McDonald's (2002) question regarding issues when building an econometric model of office markets, this limitation was made to ensure a fair comparison between the managing companies, since location is crucial when leasing office premises. It also follows the tradition of how to geographically screen the market, similar to Wheaton *et al.*'s (1997) study of the London market, McCartney's (2008) study of the Dublin office market and Dermisi and McDonald's (2010) study of the downtown Chicago office market.

The property owners/managers were identified through the official register of real estate managers, and the taxation code enabled the list to only include office premises. This list is complete since it is the same list as the one being used for taxation. The list was modified to consist only of parent companies, for it is very common to own premises in subsidiaries in Sweden. In practice, the subsidiaries were clustered and labelled under the parent company's name. The main argument for clustering the subsidiaries is that the subsidiaries do not have any real activity; they merely hold assets for tax purposes. Generally, tenants see the parent company as their managers, and the parent company does all the advertisement and acts as managers towards the tenants in all situations.

The material for the study consists of 44 companies, 117 properties and over 540,000 square metres of office premises. Of this, 90 per cent is commercial space and has an approximate value of over 1,180 million euros. All advertisements of office premises were logged during the period studied (February 2013 to January 2014). In total, 381 different office premises were advertised during the period.

Categorisation of owners
Benjamin *et al.*'s (2006) factors regarding quality signalling in the commercial real estate market were used to categorise the companies. Besides Benjamin *et al.*'s (2006) quality signals, cases where the manager had been to the special real estate court were added as a factor of quality.

When making the inventory for cases in court, help was sought from the clerk's office at the court in Malmö to ensure none were missed. Being a public register, all cases were accessible for this study.

5. Empirical results

Presentation of data
From February 2013 until January 2014, data were collected weekly from Objektvision, the online marketplace for advertising office premises. This inventory lasted for 52 weeks (46 weeks were logged), and a total of 2,024 cases were collected and 6,557 advertisements from 381 unique cases were logged. During the data collection period, the amount of advertised offices was between 129 and 162 per week. Figure 1 shows that the amount of offices advertised was almost constant, with a slight increase of advertisement during the period.

This consistent advertising seen in Figure 1 strengthens the study since we can say the result is not influenced by a shorter period of down- or up-turn on the market.

From the weekly inventory of the internet marketplace for advertising office premises and from reviewing the ownership information including organisational form along with other ownership information relating to management, two ownership variables are generated: one dummy variable measuring if the ownership is present locally and one dummy variable regarding the benefit of scale. Locally present ownership is defined as the tenant being able to knock on the company's door in Malmö and meet a company authority able to make qualified decisions. This distinction is in line with the statement of Benjamin *et al.* (2007) regarding signals of quality from a real estate owner. In terms of benefit from scale, the company should hold more than 10,000 square metres in the restricted CBD area in Malmö; this is because it both provides the company at hand an ability to work with their customers in terms of offering alternatives to grow or downsize and provides the company the ability to build an organisation of its own.

In addition, two variables that control the property management attributes were generated. One variable measuring whether the company is vertically integrated

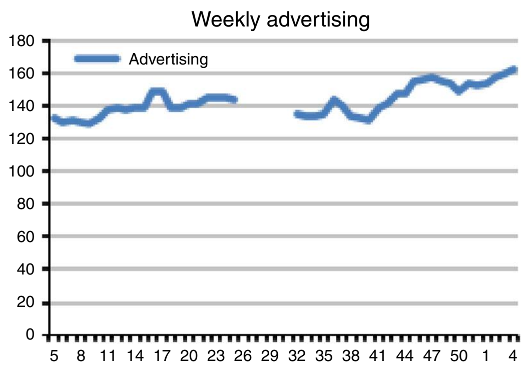

Figure 1.
Weekly advertising February 2013 to January 2014

or not and one concerning if the company had been to court more than once the past two years. Vertical integration is defined in this study as the company has a real estate management organisation of their own. It does not necessarily include that all the technical services being covered in-house because of the highly technical specialisation today, but it does include the customer relations being handled by the company itself.

Table I displays a total of 44 companies in the study. All 44 companies are domestic companies. Of them, 29 have a local presence, ten have benefits of scale, 18 are vertically integrated and 13 have been in the special court for rents and real estate. From Table I, we can conclude most of the companies are privately owned – either family owned or owned by private investors (34 out of 44 companies). We can also see these companies are more often smaller, especially the family owned. This is because all the listed companies and half of the institutional and the REIT-owned companies have benefit of scale. Figure 2 shows the material consists primarily of smaller companies with $< 15{,}000$ square metres.

As displayed in the histogram, the mean for owned square metres in the area is 11,115 square metres, while the largest possession is 77,760 square metres and the smallest is 353 square metres.

Testing the lemon model

As discussed above, the hypothesis is that the internet marketplace for commercial premises contains an overabundance of lemons. If the lemon model is correct, the probability of a bad experience should be higher for premises owned by real estate firms that either signal bad quality or do not signal quality.

The quality factors of the manager's organisation together with cases in court were tested with advertising frequency of office premises on the internet marketplace. This enabled an analysis on whether owner quality signalling affects the advertising frequency of their premises.

To analyse how the quality signalling affects and correlates with advertising on the internet marketplace, a multiple regression analysis was constructed. We let the frequency of advertising on the internet marketplace be the dependent variable. The appearance in court and the quality signals were the independent variables. To ensure the statistical programme used (SPSS 22) took in account the categorical nature of the quality signalling variables, the "categorical button" was checked and the four quality signals were all included in the "categorical covariates" list. This resulted in the generation of appropriate dummy variables in the analysis.

In Table II, the frequency of the signalling variables is displayed. These dummy variables display how often an office is advertised with the different quality signals.

From Table II, we can see companies with a vertically integrated organisation manage 40.9 per cent of the advertised offices. Out of the 2,024 cases advertised,

Ownership	Total sq. m.	Local presence	Scale	Vertical integration	Court	Total
Listed	174,309	3	3	3	2	3
Private	113,922	12	3	5	5	20
Institutional	141,238	4	3	3	2	6
REIT	24,382	0	1	0	1	1
Family	35,236	10	0	7	3	14
Total	489,087	29	10	18	13	44

Table I. A classification scenario for the quality signalling the companies give

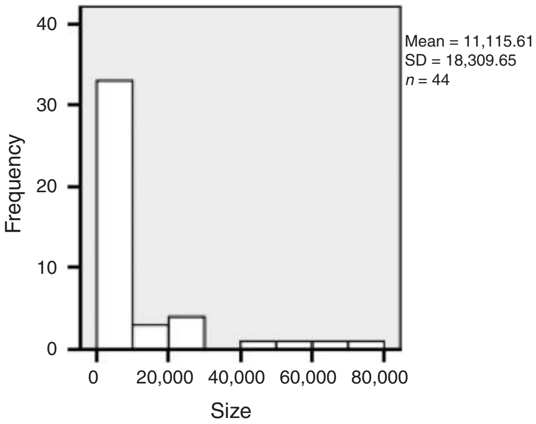

Figure 2.
Histogram showing square metres owned by companies in the area

companies with a local presence own 65.9 per cent of the offices advertised. Only 22.7 per cent of the offices advertised are owned by a company that has a benefit of scale in the area. Finally, companies that have been to court own 29.5 per cent of the advertised offices.

In Appendix, we can in the "Model summary" see the regression model has a 47.8 per cent fit. This tells us the model has a rather weak correlation between the observed signalling and the frequency of advertising. We can also see the individual correlation between the different variables. These correlations are summarised in Table III.

The results in the correlation table tell us there are no strong correlations between any of the individual variables. The strongest correlation is between local presence and vertical integration. The score of 0.598 indicates that if you have your own management organisation, there is a correlation of 60 per cent that you also have a local presence in terms of a office; this is logical because if you have your own management organisation, you also would likely have an office in town. Nevertheless, there are exceptions; some companies have their own management organisation but have their office in a nearby city.

Table II.
Categorical variables

	Advertising			
	Yes		No	
Local presence	1,334	65.9%	690	34.1%
Scale	460	22.7%	1,564	77.3%
Vertical integration	828	40.9%	1,196	59.1%
Court appearance	598	29.5%	1,426	70.5%

Table III.
Correlation table

	Local presence	Scale	Vertical integration	Court
Local presence	1	0.276	0.598	0.15
Scale	0.276	1	0.431	0.481
Vertical integration	0.598	0.431	1	0.272
Court	0.15	0.481	0.272	1

Continuing the analysis, regarding the coefficients' significance and the impact of the model, the *B*-score and significance result for the regression is displayed in Table IV. The method used was to let SPSS conduct a stepwise entering of the variables. Using this method allows SPSS to include the variables one by one regarding their impact in the model. SPSS then stops entering variables when they stop being significant.

From Table IV, we can see scale is the factor with the highest impact; it has a *B*-value of 6.746 and has an explanation of the regression of 35 per cent. Model III is the model with the highest explanation (47.8 per cent); in this model, scale, vertical integration and appearance in court are included, but local presence is not since it tested not significant, with a value of 0.544.

Breaking the model down, we can see the size of the company (in this case represented by scale) has the highest impact in the model. This is logical: if you have more square metres to let, it should be expected that you have a higher advertisement frequency.

The quality factor of having an in-house management (in this case represented by vertical integration) has the second highest impact in the model. However, this quality factor does not reduce the probability of advertising; the *B*-value being positive indicates that if you have your own management organisation you also have a higher frequency of advertisement. This contradicts earlier findings (see, e.g. Hardin *et al.*, 2009; or Benjamin *et al.*, 2006). However, it could be argued that if there are external management companies that care about their reputation, then using an external company may be a signal of high quality instead of a signal of low quality. The idea that there is a general relation between quality of management and outsourcing of management can, accordingly, be questioned.

The last factor that tested significant is whether or not the company has appeared in court. If so, the probability of advertising will increase since the *B*-value is positive. This means the hypothesis presented above is supported since appearing in court is a negative signal.

Considering the local presence coefficient, we can see it has not tested significant (with a significance of 0.544).

6. Conclusion

The research question of the paper concerned whether or not the internet marketplace for office premises in Malmö CBD is a market for lemons. The hypothesis was if the online marketplace for offices contains an overabundance of lemons consisting of

	Model I	Model II	Model III	Model IV
Scale	*B*: 6.746 SE: 0.203 Sig: 0.000	B: 4.869 SE: 0.203 Sig: 0.000	B: 4.483 SE: 0.222 Sig: 0.000	B: 4.479 SE: 0.223 Sig: 0.000
Vertical integration		B: 3.710 SE: 0.173 Sig: 0.000	B: 3.652 SE: 0.173 Sig: 0.000	B: 3.582 SE: 0.207 Sig: 0.000
Appearance in court			B: 0.793 SE: 0.191 Sig: 0.000	B: 0.796 SE: 0.192 Sig: 0.000
Local presence				B: 0.122 SE: 0.201 Sig: 0.544
Adj. R^2	0.354	0.473	0.478	0.477

Table IV.
Regression analysis

offices managed by managers not signalling quality. The hypothesis tested if the probability for advertising on the internet marketplace was the same whether you signal quality by benefiting from a vertical-integrated organisation, having local presence and having not appeared in court.

When interpreting the regression analysis, it is found a positive correlation between having been to court and frequency of advertising; that is, those sued in court more frequently advertise office premises. One of the quality signals, vertical integration, also tested significant but did show on a reverse relationship towards advertising frequency; that is, the frequency of advertising increases if management has been organised in-house. However, it can be questioned whether or not in-house management is a quality signal, because you still can run your management in a poor manner.

In sum, the hypothesis that the market for advertisement of office properties is a lemon market cannot be rejected. The result that owners who have appeared in court more than once in the past two years being more inclined to advertise supports this. This finding adds to Benjamin *et al.*'s (2006) research regarding quality signalling as a parameter signalling quality that customers consider on the real estate market.

7. Implications for further research

The result of the study raises several questions, particularly regarding both what influences time on the market for the premises and what attributes managers and premises have. Furthermore, it also raises the question of what research the tenants do before signing the contract. Is location everything, or does the future tenant do any relevant research? If so, what research do tenants undertake?

References

Akerlof, G.A. (1970), "The market for 'lemons': quality uncertainty and the market mechanism", *The Quarterly Journal of Economics*, Vol. 84 No. 3, pp. 488-500.

An, H., Hardin, W. III and Wu, Z. (2010), "Information asymmetry and corporate liquidity management: evidence from real estate investment trusts", *Journal of Real Estate Finance and Economics*, Vol 45 No. 3, pp. 678-704.

Benjamin, J.D., Chinloy, P. and Hardin, W.G. III (2006), "Local presence, scale and vertical integration: brands as signals", *Journal of Real Estate Finance and Economics*, Vol. 33 No. 4, pp. 389-403.

Benjamin, J.D., Chinloy, P. and Hardin, W.G. III (2007), "Institutional – grade properties: performance and ownership", *The Journal of Real Estate Research*, Vol 29 No. 3, pp. 219-240.

Bond, E.W. (1982), "A direct test of the 'lemons' model: the market for used pickup trucks", *The American Economic Review*, Vol. 72 No. 4, pp. 863-840.

Bond, E.W. (1984), "Test of the lemons model: reply", *The American Economic Review*, Vol. 74 No. 4, pp. 801-804.

Bröchner, J. (2010), "Construction contractors as service innovators", *Building Research & Information*, Vol. 38 No. 3, pp. 235-246.

Colwell, P.F. and Trefzger, J.W. (1992), "Impact of regulation on appraisal quality", *The Appraisal Journal*, Vol. 60 No. 3, pp. 428-429.

Cooper, M.D., David, H. and Patterson, G.A. (2000), "Asymmetric information and the predictability of real estate returns", *Journal of Real Estate Finance and Economics*, Vol. 20 No. 2, pp. 225-244.

Datscha.se (2014), , available at: www.Datscha.se (accessed 20 May 2014).

Dermisi, S.V. and McDonald, J.F. (2010), "Selling prices/sq. ft. of office buildings in downtown Chicago – how much is it worth to be an old but class a building?", *The Journal of Real Estate Research*, Vol 32 No. 1, pp. 1-21.

Downs, D.H. and Güner, N.Z. (2012), "Information producers and valuation: evidence from real estate markets", *The Journal of Real Estate Finance and Economics*, Vol. 44 No. 2, pp. 167-183.

Downs, D.H. and Slade, B. (1999), "Characteristics of a full-disclosure, transaction-based index of commercial real estate", *Journal of Real Estate Portfolio Management*, Vol. 5 No. 1, pp. 95-104.

Fisher, J., Geltner, D. and Pollakowski, H. (2007), "A quarterly transactions-based index of institutional real estate investment performance and movements in supply and demand", *Journal of Real Estate Finance and Economics*, Vol. 34 No. 1, pp. 5-33.

Garmaise, M. and Moskowitz, T.J. (2004), "Confronting information asymmetries: evidence from real estate markets", *Review of Financial Studies*, Vol. 17 No. 2, pp. 405-437.

Hansen, H., Sasmuelsen, B.M. and Silseth, P.R. (2008), "Cstomer perceived value in B-t-B service relationships: investigating the importance of corporate reputation", *Industrial Marketing Management*, Vol. 37 No. 2, pp. 206-217.

Hardin, W.G. III, Hill, M.D. and Hopper, J.J. (2009), "Ownership structure, property performance, multifamily properties, and REITs", *The Journal of Real Estate Research*, Vol. 31 No. 3, pp. 285-306.

Hendel, I. and Lizzeri, A. (1999), "Adverse selection in durable goods markets", *American Economic Review*, Vol. 89 No. 5, pp. 1097-1115.

Kadefors, A. and Bröchner, J. (2004), "Building users, owners and service providers: new relations and their effects", *Facilities*, Vol. 22 Nos 11/12, pp. 278-283.

Kim, J.-C. (1985), "The market for lemons reconsidered: a model of the used car market with asymmetric information", *American Economic Review*, Vol. 75 No. 3, pp. 836-843.

Leland, H.E. (1979), "Quacks, lemons, and licensing: a theory of minimum quality standards", *Journal of Political Economy*, Vol. 87 No. 6, pp. 1328-1346.

Lützkendorf, T. and Speer, T.M. (2005), "Alleviating asymmetric information in property markets: building performance and product quality as signals for consumers", *Building research & Information*, Vol. 33 No. 2, pp. 182-195.

McCartney, J. (2008), "An empirical analysis of development cycles in the Dublin office market 1976-2007", *Quarterly Economic Commentary*, No. 4, pp. 68-92.

McDonald, J.F. (2002), "A survey of econometric models of office markets", *Journal of Real Estate Literature*, Vol. 10 No. 2, pp. 223-242.

Milgrom, P. and Roberts, J. (1986), "Price and advertising signals of product quality", *Journal of Political Economy*, Vol. 94 No. 4, pp. 796-821.

NAI Svefa (2014), *Svensk Fasighetsmarknad –Fokus 24 orter Våren 2014*, Svefa Holding, Stockholm.

Newsec (2013), *Newsec Property Outlook Autumn 2013*, Newsec, Stockholm.

Öhman, P., Söderberg, B. and Uhlin, O. (2012), "Accuracy of Swedish property appraisers' forecast of net operating income", *Journal of Property Research*, Vol. 29 No. 2, pp. 103-122.

Pratt, M.D. and Hoffer, G.E. (1984), "Test of the lemons model: comment", *The American Economic Review*, Vol. 74 No. 4, pp. 798-800.

Riley, J.G. (2001), "Silver signals: twenty five years of screening and signalling", *Journal of Economic Literature*, Vol. 39 No. 2, pp. 432-478.

Rudolph, P.M. (1998), "Will mandatory licensing and standards raise the quality of real estate appraisals? Some insights from agency theory", *Journal of Housing Economics*, Vol. 7 No. 7, pp. 165-179.

Rundquist, B. (2013), "Ortsanalys malmö", *Fastighetsvärlden*, Vol. 28 No. 9, pp. 16-20.

Springer, T.M. (1996), "Single-family housing transactions: seller motivations, price and marketing time", *The Journal of Real Estate Finance and Economics*, Vol. 13 No. 3, pp. 237-254.

Stiglitz, J.E. (2000), "The contributions of the economics of information to twentieth century economics", *The Quarterly Journal of Economics*, Vol. 115 No. 4, pp. 1441-1478.

Sultan, A. (2010), "A model of the used car market with lemons and leasing", *Applied Economics*, Vol. 42 No. 28, pp. 3691-3627.

Wheaton, W.C., Torto, R.G. and Evans, P. (1997), "The cyclic behavior of the greater London office market", *Journal of Real Estate Finance and Economics*, Vol. 15 No. 1, pp. 77-92.

Further reading

Datscha.se 130920 (a database consisting of all properties and property owners in Sweden).

Gwin, C.R. and Ong, S.-E. (2001), "Overcoming adverse selection in buying an existing home", *Journal of Property Investment & Finance*, Vol. 19 No. 3, pp. 283-295.

Milgrom, P. and Roberts, J. (1992), *Economics, Organization and Management*, Vol. 2, Prentice Hall, Upper Saddle River, NJ, pp. 293-315.

Appendix. Regression analysis

	Mean	SD	*n*
Advertising frequency	3.24	4.752	2,024
Scale	0.23	0.419	2,024
Vertical integration	0.41	0.492	2,024
Court	0.30	0.456	2,024
Local presence	0.66	0.474	2,024

Table AI.
Descriptive statistics

		Advertising frequency	Scale	Vertical integration	Court	Local presence
Pearson correlation	Advertising frequency	1.000	0.595	0.569	0.369	0.354
	Scale	0.595	1.000	0.431	0.481	0.276
	Vertical integration	0.569	0.431	1.000	0.272	0.598
	Court	0.369	0.481	0.272	1.000	0.150
	Local presence	0.354	0.276	0.598	0.150	1.000
Sig. (one-tailed)	Advertising frequency		0.000	0.000	0.000	0.000
	Scale	0.000		0.000	0.000	0.000
	Vertical integration	0.000	0.000		0.000	0.000
	Court	0.000	0.000	0.000		0.000
	Local presence	0.000	0.000	0.000	0.000	
n	Advertising frequency	2,024	2,024	2,024	2,024	2,024
	Scale	2,024	2,024	2,024	2,024	2,024
	Vertical integration	2,024	2,024	2,024	2,024	2,024
	Court	2,024	2,024	2,024	2,024	2,024
	Local presence	2,024	2,024	2,024	2,024	2,024

Table AII.
Correlations

Table AIII. Variables entered/removed[a]

Model	Variables entered	Variables removed	Method
1	Scale		Stepwise (criteria: probability-of-F-to-enter $\leqslant$ 0.050, probability-of-F-to-remove $\geqslant$ 0.100)
2	Vertical integration[b]		Enter
3	Court[b]		Enter
4	Local presence[b]		Enter

Notes: [a]Dependent variable: advertising frequency; [b]all requested variables entered

Table AIV. Model summary

Model	R	R^2	Adjusted R^2	SE of the estimate
1	0.595[a]	0.354	0.354	3.821
2	0.688[b]	0.474	0.473	3.449
3	0.692[c]	0.478	0.478	3.435
4	0.692[d]	0.478	0.477	3.435

Notes: [a]Predictors: (constant), scale; [b]predictors: (constant), scale, vertical integration; [c]predictors: (constant), scale, vertical integration, court; [d]predictors: (constant), scale, vertical integration, court, local presence

Table AV. ANOVA[a]

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	16,174.541	1	16,174.541	1,108.031	0.000[b]
	Residual	29,516.241	2.022	14.598		
	Total	45,690.782	2.023			
2	Regression	21,656.011	2	10,828.005	910.489	0.000[c]
	Residual	24,034.771	2.021	11.893		
	Total	45,690.782	2.023			
3	Regression	21,858.092	3	7,286.031	617.546	0.000[d]
	Residual	23,832.691	2.020	11.798		
	Total	45,690.782	2.023			
4	Regression	21,862.428	4	5,465.607	463.106	0.000[e]
	Residual	23,828.354	2.019	11.802		
	Total	45,690.782	2.023			

Notes: [a]Dependent variable: advertising frequency; [b]predictors: (constant), scale; [c]predictors: (constant), scale, vertical integration; [d]predictors: (constant), scale, vertical integration, court; [e]predictors: (constant), scale, vertical integration, court, local presence

Table AVI.
Coefficients[a]

Model		Unstandardised coefficients B	SE	Standardised coefficients β	t	Sig.	95.0% confidence interval for B Lower bound	Upper bound
1	(Constant)	1.707	0.097		17.664	0.000	1.517	1.896
	Scale	6.746	0.203	0.595	33.287	0.000	6.348	7.143
2	(Constant)	0.615	0.101		6.098	0.000	0.417	0.813
	Scale	4.869	0.203	0.429	24.017	0.000	4.471	5.267
	Vertical integration	3.710	0.173	0.384	21.469	0.000	3.371	4.049
3	(Constant)	0.493	0.105		4.701	0.000	0.287	0.698
	Scale	4.483	0.222	0.395	20.162	0.000	4.047	4.920
	Vertical integration	3.652	0.173	0.378	21.146	0.000	3.313	3.990
	Court	0.793	0.191	0.076	4.139	0.000	0.417	1.168
4	(Constant)	0.441	0.135		3.257	0.001	0.175	0.706
	Scale	4.479	0.223	0.395	20.127	0.000	4.042	4.915
	Vertical integration	3.582	0.207	0.371	17.278	0.000	3.175	3.989
	Court	0.796	0.192	0.076	4.154	0.000	0.420	1.172
	Local presence	0.122	0.201	0.012	0.606	0.544	−0.273	0.517

Note: [a]Dependent variable: advertising frequency

Table AVII.
Excluded variables[a]

Model		β in	t	Sig.	Partial correlation	Collinearity statistics Tolerance
1	Vertical integration	0.384[b]	21.469	0.000	0.431	0.814
	Court	0.108[b]	5.321	0.000	0.118	0.769
	Local presence	0.206[b]	11.430	0.000	0.246	0.924
2	Court	0.076[c]	4.139	0.000	0.092	0.764
	Local presence	0.010[c]	0.486	0.627	0.011	0.642
3	Local presence	0.012[d]	0.606	0.544	0.013	0.641

Notes: [a]Dependent variable: advertising frequency; [b]predictors in the model: (constant), scale; [c]predictors in the model: (constant), scale, vertical integration; [d]predictors in the model: (constant), scale, vertical integration, court

Model			Scale	Vertical integration	Court	Local presence
1	Correlations	Scale	1.000			
	Covariances	Scale	0.041			
2	Correlations	Scale	1.000	−0.431		
		Vertical integration	−0.431	1.000		
	Covariances	Scale	0.041	−0.015		
		Vertical integration	−0.015	0.030		
3	Correlations	Scale	1.000	−0.356	−0.419	
		Vertical integration	−0.356	1.000	−0.081	
		Court	−0.419	−0.081	1.000	
	Covariances	Scale	0.049	−0.014	−0.018	
		Vertical integration	−0.014	0.030	−0.003	
		Court	−0.018	−0.003	0.037	
4	Correlations	Scale	1.000	−0.278	−0.419	−0.034
		Vertical integration	−0.278	1.000	−0.084	−0.553
		Court	−0.419	−0.084	1.000	0.029
		Local presence	−0.034	−0.553	0.029	1.000
	Covariances	Scale	0.050	−0.013	−0.018	−0.002
		Vertical integration	−0.013	0.043	−0.003	−0.023
		Court	−0.018	−0.003	0.037	0.001
		Local presence	−0.002	−0.023	0.001	0.040

Note: [a]Dependent variable: advertising frequency

Table AVIII. Coefficient correlations[a]

Corresponding author
Peter Palm can be contacted at: peter.palm@mah.se

Real Estate Management:
Incentives for effort

Peter Palm
Department of Urban Studies, Faculty of Culture and Society
Malmö University
SE-205 06 Malmo
peter.palm@mah.se

Abstract

Purpose – The aim is to examine how the real estate owner (decisionmaker) can ensure that the preferred tasks are prioritised. In particular, the incentives to ensure motivation to perform in order to accomplish the strategic goals of the decisionmaker are investigated.
Design/methodology/approach – This research is based on an interview study of nineteen firm representatives, six decisionmakers and thirteen management representatives, all from the Swedish commercial real estate sector.
Findings – The study conclude that the real estate management organisation in the outsourced management setting is govern by the contract, in detail constituting work tasks, and in the in-house management setting there are a freedom with responsibilities instead of regulations.
Research limitations/implications – The research in this paper is limited to Swedish commercial real estate sector
Practical implications – The insight in the paper regarding how decisionmakers creates incentives for the real estate management organisation in the different organisational settings can provide inspiration to design incentives for effort.
Originality/value – It provides an insight regarding how the industry, depending on organisation setting, prioritise different work tasks and how incentives are created to enable effort.
Keywords – Real Estate Management, Incentives, Decision making, Commercial Real Estate,
Paper type Research paper

1. Introduction

Real estate management is of great interest because large values are being managed. However, we know little about how these values are being managed. The most central question in real estate is management, if we look at the cost of building and managing real estate, in perspective of the expected life-expectancy of the real estate. In addition, there are questions regarding who should conduct the management, what is the most efficient organisational structure and how should that structure be set to work.

To begin with, a real estate owner has the strategic choice of whether to perform the management by his/herself or to outsource it. No matter the strategic choice, costs still arise, and the only question is if these costs should be internal or external (Klingberg and Brown, 2006). The framework of these costs is known as the principal-agent problem. The problem arises when a service is provided by an employee or by an outside entity (service partner). In this context, the classical problem of finding an incentive to ensure motivation to effort arises, as elaborated by Milgrom and Roberts (1992).

This article examines, the question related to the problem of how a real-estate owner (decisionmaker) who must rely on one or more interested parties, in-house management team or outside service team, can ensure that the preferred tasks are prioritised. In particular, the incentives to ensure motivation to perform in order to accomplish the strategic goals of the decisionmaker are investigated.

The article presents the results of an interview study with six commercial real-estate owning companies and their management organisations in Sweden. The purpose is to identify factors for analysing incentives for motivating effort in real estate management organisation. The study aims at contributing to the body of knowledge on strategic real estate management with a focus on factors regarding incentives for performance

When considering the case the real estate industry in Sweden, we can see that a variety of strategic organisations have coexisted for many years. The conclusion must be that no type of organisational form be it in-house or outsourced real estate management is superior to the other. In reality, there are only two different ways of organising the real estate management. Rather, the question of success is how to make the owner’s the strategic goals, carried out within the chosen organizational structure chosen, work. Consequently, it is of interest to investigate how the organisation is functional in the sense of how the real estate owners are ensured that the management does the right things, no matter how the real estate management is organized.

2. Theoretical background

This section of the article consists of two parts. In the first, the incentive perspective is outlined; thereafter, incentive in the context of real estate management is outlined.

2.1 The incentive perspective

Decision making in organisations requires both the allocation of responsibilities and organisational routines together with well-designed contracts that relegate these questions (Milgrom and Roberts, 1986). Motivation to perform is probably the classical principal-agent model. In this model, the principal cannot perfectly monitor the agent who might behave in an opportunistic manner at the expense of the principal (see for example Eisenhardt, 1989a; or

Williamson, 1975). This can be outlined by the following model of action and output as described by Prendercast (1999). An agency work is considered as action *a*, that produces output *y*. If the production function is linear, it will be $y=a+\varepsilon$, where ε is the noise term. The action performed by the agent is unobservable, and to perform it she is paid a wage *w*. To insure that the agent will perform, a bonus, b, is tied to the output, beside the salary *s*. The wage contract is in the model also considered linear, $w=s+by$. The payoff for the principal is $y\text{-}w$, output minus wage. The agent's payoff are $w\text{-}c(a)$: the wage minus the disutility of action. From the model, we can conclude that a higher bonus rate, b, should create stronger incentives for the agent to perform the unobservable action, creating a higher output for the principal.

However, Gibbons (1998) states that it is not always possible, or desirable, to design the incentive contract on only a number of produced units. Instead, Gibbons (1998) introduces an alternative performance measure: *p*. Still, the same linear model can be used where *p* replaces *y*, $w=s+bp$. As in the first model, the larger b-value, the stronger the incentive to perform *p*. This model can also be completed with taking into account different kinds of actions that the agent can take, for example, a_1 and a_2. In the setting of the contract model, $w=s+bp$ the actions $a1$ and a_2 affect the performance measured *p*. But it does not say how the agent's actions affect the contribution to firm value, *y*. You could imagine that *p* is the sum of a_1 and a_2 but that *y* is the sum of a_1 and twice a_2.

Baker (1992) concludes that no contract can match the marginal benefits of the agent´s different actions. However, Holmström and Milgrom (1991) display different models concerning settings with multiple actions. For example, they developed a model where action a_1 contributes both to performance measure *p* and to the output *y*, but with an action a_2 only contributing to *p*, and not to *y*. This was something that Lazeer (1989) also highlights in order to include restriction on activities. This when the two actions compete for the agent´s attention. If the agent where to perform one action, then she would have to give up the other action. In particular, if the contractual incentive for the first action, which adds to both *y* and *p*, has to compete with the private benefit of conduction of the second action, we will face an incentive problem. But as Gibbons (1998) concludes, if the principal could define the work in a way that it would exclude, or minimize, a_2 from the activities allowed, then the agent´s incentive to perform a1 would depend on the bonus rate *b* just as in the original way. The study of Cockburn et al (1999) on pharmaceutical firms' need of both immediate useful output and investment in knowledge in a long-term perspective is a classic example of how incentives will influence actions taken. They conclude that the pharmaceutical firm must create strong incentives for both actions, but not necessarily the same kind of incentives.

Baker et al. (1994) add one more dimension to the incentive paradigm: when the agent's contribution is observable, but not verifiable. They conclude that to be able to make the incentive plan to work, an on-going relationship is required, one where the principal concern of their reputation will come into play to live up to the relational contract. An example would be Shapiro and Stiglitz's (1994) study regarding how firing could be considered as an action of discipline in the relational contract setting. Baker et al. (1994) introduce the possibility to use both contracts based on objective performance *p* and relational contracts based on subjective assessments. The relational contract can reduce the distortionary incentives that can be created by the formal contract, considering only objective performance. At the same time, the formal contract can reduce the relational-contract bonus that the principal would have to offer if only using a relational contract.

The key benefit of all the above-mentioned models is that they are applicable both within and between firms for a given incentive problem

2.2 Incentives in real estate management context

In the real estate manger's everyday duties, the real estate owner has monitoring problems at the same time as the individual manager is responsible for large values (Sirmans et al., 1999). There are risks of opportunistic behaviour in the sense that tasks that cannot be observed are neglected in favour of observable or quantitative tasks. The real estate owner stands before the same kind of setting as the pharmaceutical firms (see Cockburn et al., 1999), where the employer wants the employee to perform tasks that are both beneficial in the long-term perspective for the firm but also tasks that are beneficial in the short term.. In real estate management, tasks such as customer relations and maintenance ought to be beneficial, for the owner, in a long-term perspective, whereas tasks as renewing contracts and new leases should be considered as tasks beneficial in the short perspective (see, for example, Abdullah et al., 2011; Blomé, 2010; Lindholm and Nenonen, 2006; and Lützkendorf and Speer, 2005, for long and short perspective). For example, it might be more rational for the individual real estate manager (agent) to prioritise a new lease before conducting a service meeting with a current customer. This is because the owner (principal) cannot observe the quality time with the customer. However, a new lease is directly quantified through less vacancies and higher rental income. This behaviour can, to some extent, be regulated through different incentive schemes or contracts (Williamson, 1975), depending on what the real estate owner (principal) wants the manger (agent) to prioritise. Sudsvik (2006) adds another circumstance regarding Swedish FM-contracts and that is fixed prices. He concludes that almost all contracts are fixed (32 out of 33); in other words, there are no bonuses tied to the contracts for the service provider. But as Azasu (2011 and 2009) states, the real estate manager's work is multidimensional, and it consists of tasks that are both measurable as well as non measurable, but the later ones are still as important. This leaves us with either an incomplete contract or an incentive scheme.

Gibler and Black (2004) add another circumstance to the incentive problem in the case when the real estate management service is outsourced. The firm hiring an outside service provider often has less knowledge regarding the service required. In this case, the service provider is the one with specialist knowledge, and a case of information asymmetry regarding the real estate manager's (agents) tasks arises as well. Considering the Swedish case, we can also see a tradition of using standard contracts "Avtal för fastighetsförvaltning" (Contract for real estate management" sprung from the construction sector (Kadefors, 2008)

3. Research design and methodology

The base of this article is an interview study conducted in 2014. The concern of the study was to identify how the decisionmakers have created incentives to have the real estate management organisation to prioritise the right tasks. This has been realised by interviewing both the decisiomaker representatives and the management teams. By investigating the top-management's view regarding what information they prioritise and consider important and, at the same time, investigating the management teams' work and perception of incentives to perform different tasks, an understanding of possible risks of post-contract transaction costs has been pinpointed.

3.1 Data collection

A selection of six real estate owning companies was made, where three have an in-house management and three have an outsourced management. The selection was supplemented with the service partners (three different companies) for the three real estate owning companies with an outsourced management. In total, nine companies were included. Six decision makers, all from different real estate owning companies, and 13 persons from the real estate management organizations (six from in-house management and seven from outsourced management) were interviewed. In total, 19 respondents were interviewed for the study. This selection was made, as defined by Patton (2002) and Eisenhardts (1989b), through a stratified purposeful sampling. Therefore, the use of stratified, purposeful sampling was the natural choice as to ensure a suitable representation of companies. All companies included in the study are larger companies with the ability to have an in-house real estate management organisation. This choice was deliberately made to ensure the same basic conditions regarding the ability to organise the management. Furthermore, a limitation on what real estate the companies own was also made. All the companies have their focus on the commercial real estate market, which ensures that all companies work in a competitive market without the kind of regulation that occurs in the housing market.

The three companies with in-house management are two domestic, institutionally owned companies with regional offices in Malmö and head office in Stockholm, and one listed company with head office in Malmö. They are all large companies in the region with a clear, outspoken focus on office premises. The three companies with outsourced management are two domestic, institutionally owned companies with their real estate divisions based in Stockholm, and one international, institutionally owned company with the regional office in Malmö. They are all large companies in the region, also with a clear, outspoken focus on office premises. The three service-providing companies are all large companies: two have international ownership and one is Swedish. Two of the companies have contract-negotiating authority at the regional office in Malmö, and the third has it centralised in Stockholm.

With every real estate-owning company, the decisionmakers were identified and chosen for the companies with an in-house management organisation and the head of management together with the manager/managers within the organisation. The same procedure was applied for the service partner companies, but with the added criteria that the management team members should all work with the same partner and thereby be under the same contract. This was to ensure that the study would describe the requesting and reporting of information within the same organisational and/or contractual setting.

Before the interview study was conducted a test study was initiated with one real estate-owning company and one service partner company. This was done to be able to test the questioner and evaluate the structure of the interview study and get a feeling of the field before conducting the interview study. In the end, the real estate owning company was excluded from the study due to internal reorganisation within the company.

Table I. Included respondents

	Decisionmakers	Managers	
In-house	3	6	9
Outsourced	3	7	10
	6	13	19

The interviews with the nineteen firm representatives (six decisionmakers and thirteen management representatives) were conducted during the spring and summer of 2014. The design of the interview process was structured as semi-structured interviews (Kvale, 1995). The interviews with the decisionmakers from the real estate owners had, as their starting point, the choice made regarding whether or not to structure the real estate management in-house or to outsource it. As for the interviews with the individuals from the real estate management teams, the starting point was a more comprehensive question regarding work tasks and the representatives' placement in the organisation, in order to become familiar with the representatives' authorities.

Further, the design of the topics of the interviews were greatly influenced by Bonner and Sprinkles' (2002) outline of categorized variables that are designed to influence performance. Even though Bonner and Sprinkles' (2002) paper does not have a focus on the real estate profession, these variables are of a more general character and were of great help designing the interview study. Moreover, the structure of Fisher's et al. (2003) study influenced the interview study, although their study is of the quantitative nature. Even so, it gave valuable insight because the study concerns budget based incentives and performance, particularly in combination with Azasu´s (2009) statement that the incentive plans in the Swedish real estate sector is accounted based and related to the company budget. This gave valuable understanding and perspective before the interviews.

3.2 Data analysis

To enable sorting, interpreting, classifying and coding of the material, all interviews were taped, and the interviewer transcribed all the material. This is a time-consuming working procedure, but enables a better overall understanding and feeling for the nuances of the material. Also, it helps secure the process and ensure the respondents are correctly quoted. Taping and transcribing are also working procedures that are considered essential when working with interviews (see for example Riessman, 1993).

To enable analysis, each real estate owner and management team pairs were considered as a separate case before clustering the three with in-house management as one and the three with outsourced management as another. This enabled what Eisenhardt (1989b) labels 'cross-case patterns'. From there, structures and similarities were crystallised as well as making it possible to highlight differences within the material. The findings are not generalizable because of the limited number of cases. However, jointly they do build a platform that enables the possibility to discuss the principals of how decision makers build incentives for performance in larger commercial real estate companies.

4. Findings

This section is divided in three parts where the role and function is first outlined before the budget process is displayed. Third, the incentives for effort is outlined. Each of the three subheading are divided into two: findings within the in-house management setting is displayed before the findings within the outsourced management setting.

4.1 Role and function

From the literature (Abdullah et al., 2011 in special, and Blomé 2010 in general), we can learn what tasks that are to be performed in real estate management. But what level of mandate does the individual real estate manager have to perform these tasks? And in what way does that differ if you work in-house or in a service providing company?

In-house management

All companies have rules governing purchase. The rules constitute certain amounts for what the individuals, within the organization, have for authority to make purchase or customer promises. The three different companies also gave a somewhat similar picture.

This coherent picture, regarding rules of purchase, stipulates a large mandate for the real estate managers and a smooth process. Generally, the individual real estate manager has a mandate for purchase up to 35,000 euro before having to ask her superiors for more. When considering larger amounts, there seems to be a rather flexible process for investment decisions, where the managing director, in a rather informal way, is informed regarding the premises, what is to be considered to be done in it, and an approximation of the costs. None of the included companies has any formal documents to be filled out nor any guidelines for what kind of information that is to be reported or how. The managing director of one of the companies stated that standardised guidelines has been a question and that the co-workers have requested some kind of guidance, but that he preferred this kind of more open handling. The interesting thing is that all parties refer to investment decisions and how the organisation deals with them as on-going processes where a great deal of trust and informal decision paths are permanented. One individual real estate manager displays this flexibility and informality of the process as follows:

> We have a delegation list where I have the right to sign up to 35keuro. After that, I have to take it with my regional manger. Anyhow, I usually knock about investment decisions with him since we sit directly opposite of each other and since we have such a small organisation and such a tight organization. So we knock about these kinds of questions over the desk, and then he trusts me, and I will run the case all the way to the finish line.
> (Real estate manager, owning and managing company)

This demonstrates that the individual real estate manger has the full economic responsibility for both the income and the cost side. They have the full responsibility for the customers and the technology. Regarding the mandate for the individual real estate manger they do seem to have rather large mandates. Also the decision-making process seems to be smooth with a quick check-up even when dealing with rather large sums.

The investment process is by the respondents described as rather informal and simple, where the decision maker seem to put a great deal of trust in the management organisation.

Outsourced management

In the case of outsourced management the tasks and mandates for the service partner firm is regulated in the contract between the two partners. It stipulates that you must go to the contract to know what to prioritise. The respondents from the service providing companies all gave a similar picture regarding the contract as a governing document that you as an individual are forced to relate to and if working in different contracts, for different real estate owners, you are forced to bare in mind what contract this customer belongs to so that you treat the and promise in according to the right contract. Because as one head of real estate in one of the service partner companies concluded that you as a consultant are not allowed to invest time or money in a project where the client are not willing to pay for it even if you can see that the owner would gain on it in the long run

Another concern that were highlighted by all respondents, in one way or another, is the complexity of working in a service providing company where you are perceived as delivering service from both your principal (real estate owner) and the end customer (tenant) but at the same time have to be loyal to your employer. It can be hard determining whose party to take, the tenants, real estate owners or the company you work for. One real estate manager elaborate this complexity:

> It is quite special do to what we as service partners have two customers, where the way to satisfy them are often completely different. It is kind of tricky but on the other hand, in my case I have more or less always worked in this kind of setting. But I know colleagues in the company where there has been some trouble, when individuals think that they do great deals. But you can do great deals for the real estate owner but our company will not come out so well and maybe not the tenant either. So that can be a bit tricky to know what hat you are wearing. But as I said I have worked with it for quite a while so for me it works ok.
> (Real estate manager, Service partner company)

The citation above give that it is the contract, which constitutes what you as a real estate manager in a service partner company have for mandate, and should prioritise. As mentioned the contract stipulate the mandate of the service company and the individual real estate manager. In practice the individual real estate managers mandate are handled through the invoice system. There are specific levels within the invoice system securing the ability for the real estate owner to have a sound cash-flow management. Furthermore there are, within the contract, clearly outspoken limits for what you as service partner are allowed to do. One head of real estate, from one of the service partner companies, explains it as:

> We have a limit on 3,000 Euro without asking. Above that we have to ask the client. Consequently if we have someone who is interested to move in but we need to invest 10´euro first, then we will calculate and set up the calculation. We prepare the decision, we prepare the economic decision making errand and make sure to get to a positive result based on the clients way to calculate or our way to calculate if the real estate owner has agreed on it. If we get a green light then we can start the actual process.
> (Head of real estate, Service partner company)

The citation above regarding the limit of the individuals mandate pinpoints that the individuals are rather governed without possibility to make any promises to tenants. At the same time all respondents whiteness on the fact that there s a clarity regarding how things are to be dealt with and what they are allowed to do and not to do.

The citations above show on a rigid process before investment and that most decisions lie on the real estate owner to make. The real estate managers and the service partner organisation act more or less as a preparatory instance before the decision and executer after decision.

4.2 The budget process

As Azasu (2009) concludes, most Swedish real estate companies are budget driven, this question were central to investigate to be able to understand how the different organisations structure their work.

In-house management

The budget process in the in-house management organizations all follows the same procedure. It is the individual real estate manager´s task to produce a budget for respectively real estate she is responsible for. She is responsible for both income and expenses. They describe the budget process as an on-going process for the whole first part of the autumn. It all starts with the senior management lies down certain parameters as prognoses of inflation, fees for electricity and that kind of parameters for input in the budget. To this company goals also come into play. It is then up to the individual real estate manager to develop a budget house for house. These different house budgets are then aggregated up in each region and the region manager takes oven the process developing a regional budget that is delivered to the managing director. In this process all respondents witness on that these include a negotiation between the one that has compiled the budget and the senior management. However this negotiation is described more s a conversation where you are to motivate the numbers and give a status update and not a situation where you are told to cut back on expenses, instead there are a focus on how to improve on the income side. The regional manager in the company describes this working procedure below.

> My role is, what can I say; more comprehensive and I put some frameworks and so. Actually the main framework coms from the finance side but we can govern them somewhat anyhow. But every real estate managers do her own budget for each and every real estate and then I will go through them. Mainly I go through the key performance indicator and compare them with previous years. So it is both to be a discussant and to be questioning and challenging. Because the basic of all this is that our real estate managers should handle this property as it were their own. That is the key.
> (Regional manager, Owning and managing company)

The process is characterised by a low degree of govern from the decisionmaker although this seem to be the only formally written document from the real estate manager. It also pinpoints the importance of the budget but at the same time indicates that the managing director leaves much of the budget decisions to the real estate manager. Instead the managing director acts more as a discussant partner than an authority.

The budget process is interpreted in the in-house management setting as a task where the individual real estate manager has the whole responsibility and can influence the future work to a high degree. The managing director only delivers the framework, mostly regarding external factors. After that the senior management, managing director. and regional manager more or less leaves the process to the real estate managers and only remains as discussion partners and support.

Outsourced management

The budget process in the outsourced management organisation all follows the same procedure. The real estate owning company will provide a framework. Within that framework the individual real estate manager from the service partner company constructs a budget for her properties. Besides the provided framework, prognosis of inflation together with preferred yield and level of investment, a strategic document for each real estate are also provided by the real estate owner. This strategic document is a kind of evaluation and a plan for the real estate from the owner side stating the long-term objectives for the property. This strategic document, together with the provided framework, act as a basis for the real estate manager while conducting the budget for every single house. Together with the technicians input regarding technical standard the real estate manager creates both a one-year and a three-year budget. In some contracts sometime also a five-year budget is developed but it is always the one year budget that is the most influential one for the real estate manger since it, together with the strategy document, lies the field for the forthcoming everyday work. These budgets then is aggregated up by the head of property and controller at the service partner company, After handing it over to the real estate owner the budget proposal is kneaded back and forward a couple of times before getting a final approval. This leads to a budget per real estate and on account level. One real estate manager, from a service partner, describes as this working procedure:

> We start to work on that in September and it is finalised from our side in October. Then it goes up to Stockholm to be compiled and after that it goes to the real estate owner who then looks at it and say that we want a higher yield than we have presented and then it is returned to us. At that stage it is almost impossible to do anything to the income side. Only if you have signed a new lease meanwhile but normally you only get to look at the expenses and then you in principle have to postpone maintenance. (…) It all comes down to being able to motivate what you want to do. Basically it comes down to be able to motivate and argue so that you get as large piece of the cake to maintain your real estate as possible. But it can go either way. I have noticed that some year they have cut the expenses 10% all over. But describing it as some kind of bargaining situation, even if you are the weaker part, is probably the best description of the budget process.
> (Real estate manager, service partner company)

The description above indicates a rather controlled process from the real estate owners side. At the same time the budget process in the outsourced setting seems to be characterised as a bargaining process where the owner want as high yield as possible and the real estate manager want as high maintenance budget as possible.

4.3 Incentives for effort

Research (see for example Ellingsen and Johannesson, 2008) state that we are motivated by both monetary and non-monetary incentives to perform. It can be by a bonus for reaching a goal or the possibility to get a promotion when performing well.

In-house management

On company level none of the companies have any bonuses on neither individual nor group level. On the other hand they have collective bonuses tied to how the company as a wholes perform. These company bonuses are in all three cases tied to two different parameters. The firs parameter is the economical outcome of the company. Either the company set a monetary (often a certain yield) or, as in two of the cases, set a goal that they are to generate 1% more than SFI (Swedish real estate index). The other parameter is customer satisfaction and linkage to some kind of satisfied customer index where the company are to perform better than last year. As everything is measured on company level the individual employee cannot fully link her performance to the possibility to reach the goal and earn the bonus.

Considering non-monetary incentives, one can be the possibility of promotion. All three companies in the study has a policy for promotion. But the fact that the organisation in the Swedish real estate industry is non-hierarchic prevents promotions and one of the real estate managers stated:

> The company has a very flat organisation. It´s only two persons between the managing director and me. Of course there are a possibility to keep at performing and become head of real estate by time, its like that. Or maybe you want to work with leasing or some of the other coordination functions. We had a small reorganisation earlier this year. Now we have two new head of real estate. Those were requited internally and that's very positive.
> (Real estate manager, Real estate owning and managing company)

The policy by the decisionmaker to, when possible, requite internally seems to be considered as an incentive to perform by the individual real estate managers even if there want be promotions every year. But as they are aware of the non-hieratic organisation in the industry they thereby have patience regarding promotions. One contributing factor to that can be that they would not get a higher position in any other real estate company as these companies as well has a non-hieratic organisation, and possibly a promotion policy.

Outsourced management

In the outsourced management setting bonuses work in two levels. First it´s between the real estate owning company and the service providing company (business-to-business level) where there can be a bonus for the service partner company in the contract. Second it´s within the service providing company, between the company and its employees, where the employees can have the possibility for bonus.

On the business-to-business level all of the contractual settings had bonus linked to new rentals. Every empty space that they managed to lease generates a bonus. In general it is a percentage of the first years rent that is paid in bonus. A second bonus on the business-to-business level is a bonus that, by the involved parties, is described as a subjective bonus. The real estate owner decides this subjective bonus, it can not be calculated, since it is not tied to any goals. Instead it is based on soft values and up to the real estate owner company to decide upon if it should be paid or not. One service partner representative describe the possibility for bonus as follows:

> We have a kind of subjective bonus in the contract, we do. It can fall out but there are no clear criteria to reach these no goals or anything that state that how you get that bonus. But there is a possibility to get a subjective bonus.

(Head of property, Service partner company)

On the business-to-business level there are two types of possibilities to earn a bonus. One that are directly tied to new leases, 100% predictable, and one subjective that are impossible to calculate and is dependent on the owner's conception of the service partners delivery. The second kind of arrangement for bonuses in the contractual setting where the service partner company cannot link her performance to the bonus must be characterised as a week incentive.

On company level within the service partner company the possibility to earn bonus are small. None of the service partner companies have any bonuses for their employees regarding monetary bonuses. Furthermore no company, of the service partner companies, see the question of bonus for their employees as a motivation factor. Only one respondent consider it as a possibility, or need, to be able to recruit new young employees.

Considering non-monetary incentives the service partner companies has the same flat organizations as the real estate owning companies preventing promotions. There is also a similarity regarding promotion policies. One of the service partner companies even had an outspoken promotion strategy where every middle and senior manager are to assign what co-worker that are to take her place if something happens.

Schematic you can illustrate incentives for effort in the two organisational settings by what mandate the individuals have and what incentives there are in the organisation.

Table II. Incentives in different organisational settings

	In-house management	Outsourced management
Mandate	35,000 Euro (rather large)	3,000 Euro (rather low)
Monetary incentives	Bonus based on company level, equally for all employees.	No bonuses on manager level
Non monetary incentives	Freedom with responsibility. Internal promotion/recruitment policy	Internal promotion/recruitment policy

From Table II we can see that the management organisations are motivated in both organisational settings but in different manner.

5. Discussions

In the in-house setting the decisionmakers seem to delegate most of the authority to the real estate managers, giving them large mandates and control over the budget process. Together with the statement by one of the managing directors "We want them to act as they are the owner of the real estate" indicates a large portion of trust. Trust that results in a freedom with responsibilities. However there is a lack of bonuses on individual level. There are only bonuses available on aggregated level which risk to mitigate the incentive a bonus otherwise could be.

In the outsourced setting the contracts regulate reporting of leases and yields and that's what the service partner company is evaluated by. Azasu (2011) conclude that to be able to motivate the real estate manager to perform in all of her tasks, quantifiable and non-quantifiable, incentive schemes need to be developed. Otherwise an incomplete contract is at hand. In our case there are no incentive schemes tied to the contracts, so we have an incomplete contract. The service partner company does not have any incentive to prioritise customer relations, or other non-quantifiable tasks, in the short run. They do on the other hand in the long run, since they are measured by the yield of the properties. The yield is tied to the rents and low vacancies drive higher yields so they do have an incentive, in the long run to work with customer relations. But if we look at the contractual settings we can see that the contracts between the real estate owner and service partner firms are shorter than the leasing contracts for the tenants. This could work in the opposite direction, not motivating the service partner company to work with customer relations. Further more the study support Sundsvik (2006) conclusion regarding the lack of bonuses tied to theses kind of contracts, as none of the included cases has bonuses in their contracts.

Then what motivates the individual real estate manager to perform in the complexity of tasks as described by Abdullah et al. (2011)? One of the real estate managers stated above that for him as a consultant he needed to outperform every day so that the real estate owner did not want to change service partner. In some sense it can be seen as performance under fear of loosing your job rather than a positive incentive to perform. At best one could interpret it as a pride in his work to show that the real estate owner chooses to buy the services rather than manage it in-house. This occurrence can also be seen in Ellingsen and Johannessons (2008) experimental game-theoretic model, where pride works as incentive for effort.

6. Conclusion

As discussed above there are advantages as well as disadvantages with the two different ways to organise the real estate management. These are summarised in Table III:

Table III. Advantages and Disadvantages

	Advantages	Disadvantages
In-house	• Freedom with responsibilities • Within company promotions • Large influence in the budget process • Large mandate	• No direct possibility to influence bonus • One eyed budget
Outsourced	• Within company promotion • Clear regulations of mandate • Clear regulation of work tasks • Organisational flexibility	• No bonuses available • Small mandate

In the in-house setting one of the regional managers stated that they wanted their managers to act, as they were owners of the houses that they managed. Together with the fact that these real estate managers do have large mandates, in terms of coverage rights, and a more informal decision environment stipulates a great deal of trust from the decisionmakers side. You could say that this trust acts as an incentive for effort where responsibility begets accountability.

Still concerning the in-house setting there are a risk in the budget process since no outside part checks the budget there are no incentive for the individual real estate manager to push the boundaries and outperform. Together with the fact that there are no bonuses tied to individual performance there are definitely a low degree of incentive for effort in the in-house setting

Considering the outsourced setting there are clear incentives for the real estate manager to prioritise leasing questions. At the same time there are an inherent risk for opportunistic behaviour in the sense that the individual manager has more than one party to serve. As one of the respondents stated “individuals that think that they do great deals, but you can do great deals for the real estate owner but our company will not come out so well and maybe not the tenant either.” Implicitly he states that the individual should not have done that, instead she should have acted for the benefit of her company. At the same time another real estate manager states, “you as a consultant are forced to outperform every day, otherwise they will change service partner.” These two citations together with low degree of influence of the budget process and that leases are promoted gives a risk for opportunistic behaviour in sense of the real estate manager to neglect the current tenants and focus on new leases. That can in the long run leave the real estate owner company with high tenant turn around.

All in all we can conclude that there are differences between how the real estate manager function is motivated to perform whether it is organised in-house or is outsourced. Both ways of organising the real estate management has its pros as well as cons. Organising with in-house management may render shorter decision paths and less administration. But it will leave the decisionmaker in a weaker position governing and ability to be flexible concerning service in real estate management. Organising with outsourced management on the other hand gives larger overhead costs and more administration. But it will give the decisionmaker greater possibility to manage, govern and the flexibility if not satisfied with service provided.

Reconnecting to the previous research of incentives in the Swedish real estate industry we can conclude that we as Azasu (2011 and 2009) state are left with incomplete contracts. But Azasu furthermore conclude that this imply measurable incentive schemes, something that is not found in this study. Furthermore given the information above one could for the commercial real estate industry argue for the same need as Too and Too (2010) identify in the infrastructure asset management: A strategic approach to enhance performance. Aligning with the resource-based view, firms must identify their core capabilities and from those derive the key process, and carefully designing an incentive scheme. It is not until then the choice between in-house or outsourced management can become successful in terms of better performance.

7. Implication for further research

The result of the study raises the question regarding how the customer and tenant experience the different management forms. Do they consider the real estate manager in the in-house setting to have mandate to carry out tasks and act as she is the owner of the building? At the same time do the customer and tenant in the outsourced setting experience that the individual real estate manager is just a middleman that have to gain approval for every question before making decision?

References

Abdullah, Shardy, Arman, Abdul, Razak, and Abd, Hamid, Kadir, Pakir. (2011), The characteristics of real estate assets management practice in the Malaysian Federal Government, *Journal of Corporate Real Estate*, Vol. 13 No. 1, pp. 16-35.

Azasu, Samuel. (2009), OwnRewards and Performance of Swedish Real Estate Firms, *Compensation & Benefits Review,* Vol. 41, No. 4, pp. 19-28.

Azasu, Samuel. (2011), Ownership and Size as Predictors of Incentive Plans within Swedish Real Estate Firms, *Property Management*, Vol. 29, No. 5, pp. 454-467.

Baker, George, Gibbons, Robert, and Murphy, Kevin, J. (1994) Subjective Performance Measures in Optimal Incentive Contracts, *Quarterly Journal of Economics*, Vol. 109, pp. 1125-1156.

Baker, George. (1992), Incentive contracts and performance measurement, *Journal of Political economy*, Vol. 100, No. 3, pp. 598-614.

Blomé, Gunnar. (2010), Local housing administrative models for large housing estates, *Property management,* Vol. 28 No. 5, pp. 320-338.

Bonner, Sarah, E., and Sprinkle, Geoffrey, B. (2002). The effects of monetary incentives on effort and task performance: theories, evidence, and a framework for research, *Accounting, Organizations and Society,* Vol. 27,pp- 303-345.

Cockburn, Iain, Hendersson Rebecca, and Stern Scott. (1998), Balancing Incentives: The Tension Between Basic and Applied Research, *Working paper 6882, National Bureau of Economic Research*.

Eisenhardt, Kathleen. (1989a), Agency Theory: An Assessment and Review, *The Academy of Management Review*, Vol. 14, No.1, pp. 57-74

Eisenhardts, Kathleen. (1989b), Building theories from case study research. *Academy of management review*, Vol. 14. No 4, pp. 532-550.

Ellingsen, Tore, and Johannesson, Magnus. (2008), Pride and Prejudice: The Human Side of Incentive Theory, *American Economic Review*, Vol. 98, No. 3, pp. 990-1008.

Fisher, Joseph G., Peffer, Sean, A., and Sprinkle, Geoffrey, B. (2003), Budget-Based Contracts, Budget Levels, and Group Performance, *Journal of Management Accounting Research*, Vol. 15, pp. 71-94.

Gibler, Karen, M., Black, Roy, T. (2004), Agency risks in Outsourcing Corporate Real Estate Functions, *The journal of Real Estate Research*, Vol. 26, No. 2, pp. 137-160.

Gibbons, Robert. (1998), Incentives in Organizations, *The Journal of Economic Perspectives*, Vol. 12, No. 4, pp. 115-132.

Holmström, Bengt, and Milgrom, Paul. (1991), Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design, *Journal of Law, Economics, and Organization,* Vol. 7, pp. 24-52

Kadefors, Anna. (2008), Contracting in FM: collaboration, coordination and control, *Journal of Facilities Management*, Vol. 6, No. 3, pp. 178-188.

Klingberg, Beate, and Brown, Roger, J. (2006), Optimization of residential property management, *Property Management*, Vol. 24, No. 4, pp. 397-414.

Kvale, Steinar. (1995), *Den kvalitative forskningsintervjun*. Studentlitteratur, Lund
Vol. 97, pp. 561-580.

Lazear, Edward. (1989), Pay Equality and Industrial Politics, *Journal of Political Economy,*

Lindholm, Anna-Liisa, and Nenonen, Suvi. (2006), A conceptual framework of CREM performance measurement tools, *Journal of Corporate Real Estate*, Vol. 8, No. 3, pp. 108-119.

Lützkendorf, Thomas, and Speer, Thorsten M. (2005), Alleviating asymmetric information in property markets: building performance and product quality as signals for consumers, *Building research & Information*, Vol. 33, Iss. 2, pp. 182-195
Milgrom, Paul, and Robers, John. (1992), *Economics, Organisation and Management*, Prentice Hall, Upper Saddle River, New Jersey.
Milgrom, Paul, and Roberts, John. (1986), Relying on the information of interested parties, *The RAND Journal of Economics,* Vol. 17 No. 1, pp. 18-32.
Patton, Michael, Quinn. (2002), *Qualitative research & Evaluation methods* 3ed. Sage Thousand Oaks
Prendercast, Canice. (1999), The Provision of Incentives in Firms, *Journal of Economic Literature,* Vol. 37, No. 1, pp. 7-63.
Riessman, Catherine, Kohler. (1993), Narrative analysis. *Qualitative research methods series 30* SAGE University paper.
Shapiro, Carl, and Stiglitz, Joseph, E. (1984), Equilibrium Unemployment as a Worker Discipline Device, *American Economic Review*, Vol. 74, No. 3, pp. 433-444.
Sirmans, Stacy G., Sirmans, C. F., and Turnbull, Geoffrey K. (1999), Prices, incentives and choice of management forms, *Regional Science and Urban Economics*, Vol. 29, pp. 173-195.
Sundsvik, Leif. (2006), *Erfarenheter av driftentreprenad, Diskussionsunderlag i upphandlingsprocessen*, UFOS, Stockholm.
Too, Eric G., and Too, Linda. (2010). Strategic infrastructure asset management: a conceptual framework to identify capabilities, *Journal of Corporate Real Estate*, Vol. 12, Iss. 3, pp. 196-208.
Williamson, Oliver E. (1975), *Markets and Hierarchies Analysis and Antitrust Implications*. Free Press cop. New York.

Information for Decision-making in In-house and Outsourced Real Estate Management Organisations

Peter Palm
Depatment of Urban Studies, Faculty of Culture and Society
Malmö University
SE-205 06 Malmo
peter.palm@mah.se

Abstract

Purpose – The aim is to examine how the real estate owner (decisionmaker) ensures being able to make informed decisions and how they differs according to organisational form.
Design/methodology/approach – This research is based on an interview study of nineteen firm representatives, six decisionmakers and thirteen management representatives, all from Swedish commercial real estate sector.
Findings – The study conclude that, regardless of organisational setting, the industry have a plan regarding handling information. The decisionmakers have all secured themselves access to required/desired information. How this is done and what kind of information it is however differ if the real estate management is in-house or outsourced. Furthermore a clear focus on financial and contractual information is evident in both organisational settings.
Research limitations/implications – The research in this paper is limited to Swedish commercial real estate sector
Practical implications – The insight the paper provides regarding required information can shed light on how information systems are built and how to improve your information sharing.
Originality/value – It provides an insight regarding how the industry, depending on organisation setting, prioritise different information and how the decisionmaker secures access to it.
Keywords – Real Estate Management, Information, Decision making, Commercial Real Estate,
Paper type Research paper

1. Introduction

In recent years a growing question regarding the gathering of information in organisations has been evolving. Agerwal and Hauswald (2010) argue that one of the fastest-growing problems in organisations is lack of essential information to make informed strategic decisions. This closely relates to the arguments of Milgrom and Roberts (1986) who state that a common problem decisionmakers face is the need to rely on information provided by individuals who are affected by their decisions. McCarty et al. (2006) also concluded this in their study "Transforming CRE value through relationship management" wherein they consider information to be a critical success factor in real estate management.

Current research within the real estate industry indicates poorly developed strategies for knowledge and information sharing. For example, Fong and Lee (2009) conclude that no formal strategies in firms regarding knowledge sharing and information gathering currently exist; a conclusion that is supported by Pemsel and Blomé (2011). This lack of strategies should be seen in the light of Choo et al.'s (2008) conclusion that knowledge and information, which contributes to the firm's core business, should be treated just as any other irreplaceable asset. Choo et al. (2008) have shown this in research involving three cases and how they can be applied to other industries.

When considering the real estate industry, what information should contribute to their core business? From the standard academic textbooks by Ling and Archer (2010) and Larsen, (2003) to the current research literature (see for example Blomé, 2010; or Abdullah et al., 2011), we know that requested information relates both to the buildings and the tenants, and that both are essential for the core business of the real estate companies.

In this article, the question of how the decisionmaker working for commercial real estate companies keeps informed when relying on one or more interested parties to provide information for making an informed decision is examined. In particular, the question of what information is requested from top-management and how it is reported is studied. The aim of the article is to examine how the decisionmakers ensure being able to make informed decisions and how they differ according to type of organisation, as the real estate industry in Sweden organises their real estate management in two basic forms. The first form is in-house management where the decisionmaker primarily deals with information reported within the company. The second form is with an outsourced management company where the decisionmaker deals with information reported from an outside party.

This article presents the result of an interview study consisting of six real estate owning companies (three with in-house management and three with outsourced management) and their management organisations in Sweden. The purpose of this article is to investigate and identify what kinds of information are requested and what information is reported to the decisionmakers in real estate owning firms, depending on organisational structures. The main contribution is how decisionmakers in real estate owning companies has regulated and built incentives to secure information for decision-making and how this varies depending on in-house or outsourced real estate management.

2. Theoretical background

This section consists of three parts which outline areas of interest for this paper: business-to-business information, information in the context of real estate management, and the concept of incentives for information sharing.

2.1 Information in business-to-business relationships

Information regarding customers in a business-to-business relationship is the most complex type of information for an organisation to gather and evaluate (Davenport et al., 2001). The complexity is because customer information is derived from multiple sources within and outside of the customer's company, and its conditions can change instantly. (Mithas et al., 2005). One additional factor which makes customer information complex is that within the business-to-business context, the term 'customer' includes both a company and the people within the company. This implies that it comes from numerous sources and from different levels within the company's organisation (Rollins et al., 2012).

Managing profitable business-to-business relationships requires a stream of information from a specific customer. This stream of collected information includes both quantitative and qualitative customer information (Rollins et al., 2012). *Quantitative customer information* refers to numeric information (also called 'hard' information). Examples of quantitative information can be sales histories, revenue, number of employees, etc. *Qualitative customer information* refers to information that is difficult or impossible to quantify (also called 'soft' or 'private' information). An example of qualitative information can be a manager's expectation of the customer's behaviour based on her experience with that customer.

Several researchers (see for example Rollins et al., 2012; Hertzberg et al., 2010 Berger et al., 2005; or Stein, 2002;) all acknowledge the importance of qualitative information because rigid insight of your customer cannot be maintained by numbers alone; the numbers simply help you to validate your insights based on qualitative information.

2.2 Information in real estate management

Within the real estate industry, required information is often qualitative information regarding the tenants. Aside from being hard to quantify and difficult to compare, this information is also subject to interpretation by the individual manager (Stein, 2002). Together with the increased specialisation within the real estate industry, the question of how to structure the real estate management function is raised. As a result, the real estate owners can choose to organise their real estate management function in two ways: they can choose to have the entire management in-house and build a real estate management division of their own or they can choose to outsource the real estate management (Usher, 2004). As the owner of real estate, it is your decision to make how to organise and coordinate the real estate management function to be able to make informed decisions.

An agency problem may arise in communicating information regarding the customers. The individual manager will have non-verifiable information regarding the customers; information obtained through day-to-day contact with the customer. This qualitative information includes opinions that cannot easily be transmitted to a third party. Petersen (2004) concludes that this type of information must be collected in person to be fully understood/interpreted, and it is difficult to compare with other information. Several empirical studies regarding qualitative information have been undertaken, especially within the banking industry (see for example Hertzberg et al., 2010 or Berger et al., 2005;). In fact, the real estate manager has several similarities with the loan officer in a bank. Just as the loan officer is responsible for managing the relationship with the customer in order to maintain high repayment prospects, so too must the real estate manager be responsible for managing the relationship with the firm to maintain them as customers with consistent lease payments. Also, the loan officer is responsible for obtaining and reporting information about repayment prospects of the firm, and the real estate manager is responsible for reporting the customers' prospect of future lease agreements.

The similarities go even further as both professions by authority have the power of making financial decisions, which tie their principals to long-term commitments. When we consider the officer in a bank, she acts as the agent for the bank (principal) when approving or refinancing a loan for a client (in the client situation, she is the principal and the client the agent). In the bank–bank officer relationship, the bank officer has private, sometimes tacit, knowledge of the client and is able to make decisions that in turn have long-term effects for the bank. The same goes for the real estate manager in the leasing situation. In her relationship with the owner/landlord, she is the agent and possesses private, also sometimes tacit, knowledge of the tenant or the future tenant. Also, the decisions the real estate manager makes has long-term consequences for the firm she works for. Taking everything into consideration, both parties have long, extensive rights in the decision-making process, and many of their decisions are made from private, or even tacit, knowledge that is hard or almost impossible to quantify or transfer to a third party; in these scenarios, they are the bank or the real estate owner.

The questions regarding the decisions dealt with by the decisionmaker relates to what Abdullah et al. (2011) categorise as long-term objectives. It is, more or less, the objectives of long-term strategic decisions to optimise property value, and decide to invest, purchase or sell a property. Other decisions that relate more to the daily care of the property and its customers are handled on the real estate management level instead (Blomé 2010 and Lindholm and Nenonen 2006).

2.3 Incentives for information sharing

The most popular model of incentive contracting which attempts to explain how individuals are motivated to perform and/or share information is probably the classic principal–agent model. In this model, the principal cannot perfectly monitor the agent who might behave in an opportunistic manner at the expense of the principal (see for example Eisenhardt, 1989a or Williamson, 1975;). This opportunistic behaviour is described as the 'moral hazard problem'. In the real estate manger's everyday work, the real estate owner has monitoring problems at the same time as the individual manager is responsible for large values. There are risks of opportunistic behaviour in the sense that information that cannot be quantified are neglected in favour of observable or quantitative information.

Several experimental studies within the field of incentives and information have been conducted. The main focus has been on effort choices in terms of how to enforce co-workers to perform (see for example Coletti et al., 2005 or Towry, 2003). Also, incentives for production tasks (see for example Guthrie and Hollensbe, 2004 or Fisher et al., 2003) have been studied to a larger extent, but there has been less attention on the information exchange process for decision-making. On the other hand, Kelly (2010) did an experimental study where information sharing for decision-making was studied in the situation of either individual or group incentives or flat-wage compensation. The conclusion from the Kelly (2010) study was that a flat wage gives the best incentive for information exchange and better quality of decisions in turn. However, individual incentives did outperform those with group incentives. However, the experiment did not take trust or reputation into account, nor was it a repeated game. This could influence the result in a way that, given the knowledge of your reputation and/or that you will continue to do business together, may influence you to make different decisions.

Gibler and Black (2004) adds another circumstance to the incentive problem: when real estate management service is outsourced. The firm hiring an outside service provider often has little knowledge regarding the service required. In that case, the service provider is the one with specialist knowledge and a case of information asymmetry regarding the real estate managers (agents) tasks arises as well. This gives us the situation for communication as displayed in Figure I.

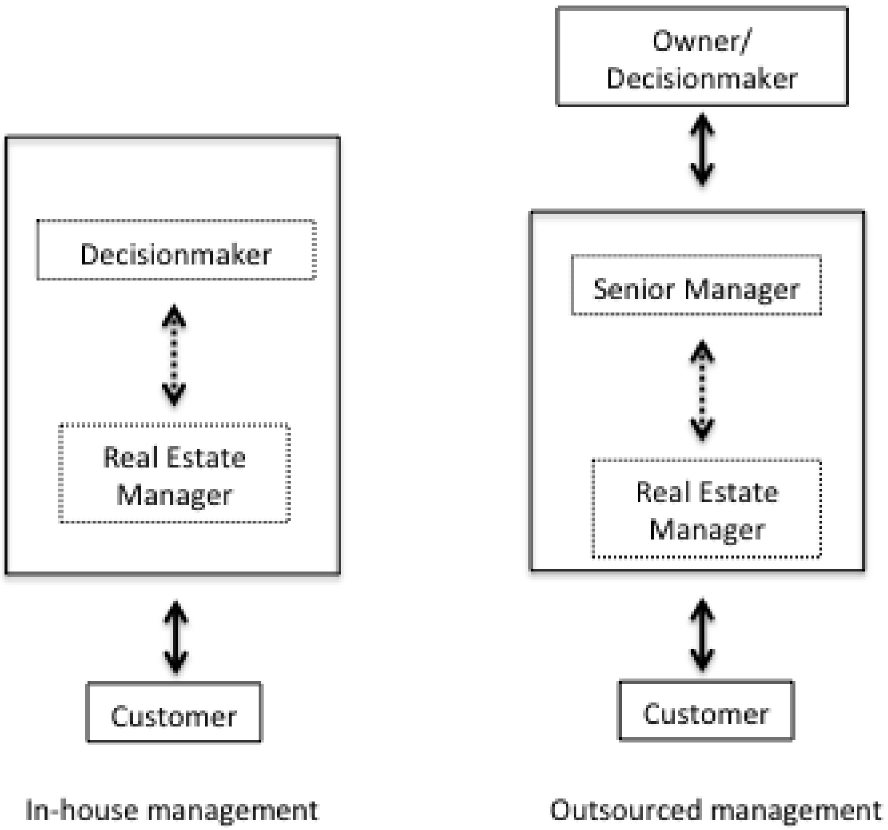

Figure I. Information exchange related to property management organisational structure

In Figure I we can see that there are a clear distinction between information exchange in the case where the organisation is structured with in-house management and when the management is outsourced. It adds one more link in the information exchange where information must be transported between different organisations. As Gibler and Black (2004) state, this is just one more dimension of the principal and agent complex of problems.

3. Research design and methodology

The basis of this article is an interview study conducted in 2014. The concern of the study was to identify how decisionmakers have insured the process to get crucial information to make informed decisions. This has been studied by interviewing both real estate owner representatives and the management teams. By examining the decisonmakers view regarding the information they prioritise and consider important for decision making while, at the same time, investigating the management teams' perception of the decisionmakers requirements and the management teams' incentives to share information.

3.1 Data collection

A selection of six real estate owning companies (three with in-house management and three with outsourced management) was selected for the study. This selection of real estate-owning companies was completed with three companies acting as service partners for the three companies with outsourced management. A total of nine companies were selected. This selection was made, as defined by Patton (2002) and Eisenhardts (1989b), through a stratified purposeful sampling. Therefore, the use of stratified, purposeful sampling was the natural choice as to ensure a suitable representation of companies. All companies included in the study are larger companies with the ability to have an in-house real estate management organisation. This choice was deliberately made to ensure the same basic conditions regarding the ability to organise the management. Furthermore, a limitation on what real estate the companies own was also made. All the companies have their focus on the commercial real estate market, which ensures that all companies work in a competitive market without the kind of regulation that occurs in the housing market.

The three companies with in-house management are two domestic, institutionally owned companies with regional offices in Malmö and head office in Stockholm, and one listed company with head office in Malmö. They are all large companies in the region with a clear, outspoken focus on office premises. The three companies with outsourced management are two domestic, institutionally owned companies with their real estate divisions based in Stockholm, and one international, institutionally owned company with the regional office in Malmö. They are all large companies in the region, also with a clear, outspoken focus on office premises. The three service-providing companies are all large companies: two have international ownership and one is Swedish. Two of the companies have contract-negotiating authority at the regional office in Malmö, and the third has it centralised in Stockholm.

With every real estate-owning company, the decisionmakers were identified and chosen for the companies with an in-house management organisation and the head of management together with the manager/managers within the organisation. The same procedure was applied for the service partner companies, but with the added criteria that the management team members should all work with the same partner and thereby be under the same contract. This was to ensure that the study would describe the requesting and reporting of information within the same organisational and/or contractual setting.

Before the interview study was conducted a test study was initiated with one real estate-owning company and one service partner company. This was done to be able to test the questioner and evaluate the structure of the interview study and get a feeling of the field before conducting the interview study. In the end, the real estate owning company was excluded from the study due to internal reorganisation within the company.

Table I. Included respondents

	Decisionmakers	Managers	
In-house	3	6	9
Outsourced	3	7	10
	6	13	19

The interviews with the nineteen firm representatives (six decisionmakers and thirteen management representatives) were conducted during the spring and summer of 2014. The design of the interview process was structured as semi-structured interviews (Kvale, 1995). The interviews with the decisionmakers from the real estate owners had, as their starting point, the choice made regarding whether or not to structure the real estate management in-house or to outsource it. As for the interviews with the individuals from the real estate management teams, the starting point was a more comprehensive question regarding work tasks and the representatives' placement in the organisation, in order to become familiar with the representatives' authorities.

The next theme form the interviews were information sharing. How is it reported (what are automate, in written, documented from meetings) and how is it documented and shared in the organisation. When interviewing decisionmakers focus were on the purpose and use while during interviews with the management organisation focus instead were on reporting and documenting procedure in it self.

The third theme regarded regulations of information sharing. How is it stipulated and how and why is it or is it not regulated through contracts and/or assignments? The last theme was more open where the respondents were asked to elaborate regarding experience of information sharing in the organisation.

3.2 Data analysis
To enable the sorting, interpreting, classifying and coding of the material, all interviews were taped, and the interviewer transcribed all of the material. This is a time-consuming working procedure, but enables a better overall understanding and feeling for the nuances of the material. Also, it helps secure the process and ensure the respondents are correctly quoted. Taping and transcribing are also working procedures that are considered essential when working with interviews (see for example Riessman, 1993).

To enable analysis, each real estate owner and management team pairs were considered as a separate case before clustering the three with in-house management as one and the three with outsourced management as another. This enabled what Eisenhardt (1989b) labels 'cross-case patterns'. From there, structures and similarities were crystallised as well as making it possible to highlight differences within the material. Using the framework of transaction costs for analysing the interview context in relation to incentives.

4. Findings

This section is divided into three parts where the decisionmakers request for information is first displayed before what information the management reports is outlined. Third, the regulations for information sharing are outlined. Each of the three subheading are divided into two: findings within the in-house management setting is displayed before the findings within the outsourced management setting.

4.1 The Decisionmaker perspective
What kind of information do the decisionmakers request? And do decision makers with in-house management request different information than the decisionmakers with outsourced management? This section is divided in two sections where, firstly, information required in the in-house situation is outlined before information required in the outsourced situation is outlined.

In-house management
The decisionmakers with in-house management gave a somewhat comprehensive picture of what information they require from the management organisation. Generally, the

decisionmaker requests three types of information regarding daily business. First, it is about the contractual status: what leases are expiring and what new leases have been signed? This information can be obtained electronically in a CRM system where all customers are logged with full contract information and so on. The second type of information is about accountancy. Every quarter is reported, and the decisionmaker is able to both monitor and follow-up the budget electronically. However, all respondents state that both these questions of contractual status and accountancy are also a matter of follow-up in person. The third type is market information: what is going on out there and how does it affect our customers and us? These are questions that are discussed in person on a regular basis and reported/discussed with the decisionmaker during follow-up meetings. These follow-up meetings, where all three types of information are discussed, are held both as scheduled meetings and spontaneously. However, one common factor, regardless of whether or not the meeting is scheduled, is that they are more informal with no documentation. One managing director states the following:

> We have special electronically obtained reports for those two areas (leases and finances, my comment) but then we have at least a couple of occasions a week when I talk to them to get to know what is going on. It can be politics, or it can be anything that concerns the market and may be relevant for what we are doing. But that is spoken information. So there are no written reports or anything on this. They just talk about what is going on right now, and I met this or that person, and they might need to expand a bit, and I have considered doing it like this and so on. I do this regularly, maybe a couple of times every week mostly by phone. Then, I phone them (regional managers, my comment) or him in Malmö, and we will sit down in a room and talk it through. Then we have a regularly scheduled meeting every six weeks where we sit down and go through the different problems. What shall we now do? We have real estate that is empty and has been for quite a long time now. Can't we address it in a particular way? And then we discuss this issue, and you seek influences this way.
> (Managing Director, Owning and managing company)

The quotation above pinpoints the request of contractual and financial information together with market information. This indicates a rigid interest for the contractual status. It also shows that the system allows the decisionmaker to keep informed in this matter electronically though their business system. The information obtained orally indicates informal information sharing where the managing director seems to have a non-authoritarian relationship with the employees. For example, scheduled meetings are seldom arranged; instead, the managing director does it over the phone.

To complete the picture regarding requested information from the decisionmaker is a matter of information before investment. None of the three companies have any standardised forms or guidelines regarding information for investment decisions. One of the managing directors states that the question regarding guidelines has been raised before, but he prefers a more open procedure, telling his co-workers to give him all information that they themselves would have wanted in that particular case, knowing this might change on case by case basis. This statement from the managing director indicates a somewhat informal process with a great deal of trust for the individual real estate manager.

Outsourced management

There was a clear view of what information that the real estate owning companies requested. They all have a strategic document for each real estate where the real estate-owning company have outlined the long-term aims of the real estate. That document constitutes the plan for the individual real estate and is closely tied to the budget, which also is on individual real estate level. This document, along with the budget, is followed-up every month and then more in-depth each quarter. Before every monthly follow-up, the real estate manager from the service partner company creates a written report, manager report, where the budget is closely checked in accordance with outcome and diversions from the budget is commented on. During the follow-up meetings, this document is then discussed to enable a better picture from the decisionmaker to make new decisions. A written report is made after the follow-up meeting. This package of reports and meeting structure is, in all three cases, set in the contract.

All in all, the information process indicates a rigid process where instructions, as well as information sharing, is in writing. It also states that they have scheduled meetings complementary to the written reports. This also indicates that there is a well thought through process of how the information sharing should be done to make informed decisions. Much focus lies within contractual and financial information. Information that is reported in writing every month with a scheduled meeting and also in a more extensive manner every quarter.

The six decisionmakers from both in-house and outsourced settings all gave a comprehensive picture regarding what information they require. They all request information regarding the contractual settings, with a focus on leases, and follow-up on the financials. However, it is only in the in-house setting that the decisionmaker requests market information from the management. The next question is regarding what the management organisation reports.

4.2 The management organisation perspective

What kinds of information are reported by the management organisation? And does in-house management report different information than outsourced management? This section is divided in two sections where, first, information reported in the in-house situation is outlined before information reported in the outsourced situation is outlined.

In-house management

In the in-house setting, there is a relatively open dialogue within the organisation regarding what is going on; for example, scheduled meetings focus on contractual issues, budget follow-ups and market information. However, even if meetings are scheduled, no formal protocols are made. One real estate manager stated that she takes notes during the meetings, but only for her own personal reference. This confirms the information request (as described previously by the decision maker) as a rather informal process.

Outsourced management

From the outsourcing setting, one of the heads of real estate describes the process as follows:

> Most of the information we report is numbers. It is yields that we shall deliver and those are numbers. We have standardised documents that we use with information regarding vacancies and, foremost, a complete follow-up, down to the level of each separate account for every property and how the finances are doing. This we deliver monthly. Then we also make comments in the reports regarding what has happened in the different properties…. Most of these reports

> are standardised and the focus is on the financial outcome for that month and the vacancies.
> (Head of Real Estate, Service partner company)

The quotation above confirms the request of written monthly financial reports from the real estate-owning company. The respondents from the service partner company both confirm the information reporting system and emphasise that the focus lies on numbers in terms of budget follow-up. From the statement of the real estate manager, it is clear that this is a strict process, and that the information reported is to be related to the budget and commented on according to that.

From the different management settings, the individual real estate managers show a distinction between in-house and outsourced management regarding the reported information. In the in-house setting, more information sharing is conducted verbally and in a more informal process, while in the outsourced setting, it is in writing and the process is formalised.

4.3 Regulations for information sharing

How do the different parties see the information sharing process and what kinds of regulation are there in these two organisational settings?

In-house management

From the interviews, a genuine interest in the managers everyday work from the decisionmakers side is observed. All of the decisionmakers interviewed display an interest not only in the outcome from the management in terms of leases and revenue, but also they want to be updated regarding everyday work no matter how large or small. Only one of the three included companies has monthly scheduled meetings where all the co-workers are expected to participate. The purpose of these large monthly meetings is information sharing so that everyone within the organisation has the same company information. The other two companies do not hold these kinds of meetings, but instead, they relay company information by e-mail.

Furthermore, none of the included companies have any formalised information sharing from the real estate management except for the economy system and leasing system. Instead, the decisionmaker keeps informed by being present among the real estate managers and co-workers. Interesting to note is that two out of the three included companies has an open office arrangement where the decisionmaker is seated next to the real estate managers. This definitely streamlines the information sharing because, although they are three of the larger real estate companies in Sweden, the number of co-workers is rather small. Further, none of the included companies have any forum for good examples, where the real estate managers can share their experiences between each other.

Outsourced management

In the outsourced setting, one of the heads of real estate from one of the service partner companies summarised what all of the respondents in this kind of setting have exposed:

> Much of the information that we are to deliver is stipulated in the contracts. It is back to what the customer wants. And that is the challenge when you work with different customers instead of in a real estate-owning company where you all want the same thing. That is not always the question here. We have to read what the customer wants. And the contract, with its appendix, tells us about the level

> of ambition they have and how much effort you should put into it. Do they want to be market leader? Or, what do they want?…How much money are they willing to spend? That pretty much sets the agenda. But reporting is standardised, and it is foremost the financial outcome and how the leasing looks this month or quarter that they want to be informed about.
> (Head of Real Estate, Service partner company)

This quotation highlights that the information sharing is already stipulated in the contracts between the firms and that the focus lies on numbers regarding financial outcome and leases.

One can show information sharing in the two organisational settings by what information has been gathered, how (procedure) it is reported, and what regulations exist.

Table II. Information sharing in the different organisational settings

	In-house management	Outsourced management
Information reported	Finance Leases Customers Market	Finance Leases
Procedure	Electronically Meetings (formal and informal)	Electronically Written reports Formal meetings
Regulations	Freedom with responsibility	Contractual regulations

In Table II, we can see that decisionmakers in both organisational settings ensure they have the information reported regarding finances and leases. In these cases, there are no differences regarding the organisational setting, but in the in-house setting, there is also information reported regarding customers and the surrounding market.

Information can be shared in three ways: electronically, in written reports and orally. We can see from Table I that decisionmakers in the in-house setting keep informed by taking in information electronically through their systems and also spoken in meetings, whether they be formal (scheduled) or informal (by the coffee machine). In the outsourced setting, the decisionmaker also relies on electronic information and formal meetings, but also written reports. In the outsourced setting, no informal meetings provide information for the decision maker given that the decisionmaker and the management organisation providing her with information are not located in the same premises, and perhaps not even in the same part of the country.

The regulation of the information sharing is by freedom with responsibility in the in-house setting and through special sections in the contract in the outsourced setting.

5. Discussions

The literature in real estate management portrays two ways of organising your real estate management: in-house or outsourced. Palm (2013) concludes that both seem to work satisfactorily for all parties concerned; it is simply a case of two different ways to organise. However, these two ways of organising both have implications. One of them is how the decisionmaker secures the information flow to enable informed decisions. In the in-house setting, the decisionmaker relies on information from interested parties, but from her own organisation. In contrast, in the outsourced setting, the decisionmaker not only relies on information reported from an interested party, the informant is also from a third party with its own agenda. The question is how the decisionmaker in the two organisational settings ensure the ability to make informed decisions.

The in-house setting

In the in-house organisational setting, the decisionmaker primarily requests tenant and market information. The economic information is automatically generated, and he can easily access it. The information flow is concentrated on market information and how the company can act to optimise and meet the tenants' expectations. Much information is available electronically as budgets, financial reports, lists of contracts and contractual information and so on; in this, the decisionmakers ensure they are up to date regarding complementary information by informal meetings or get-togethers. The fact that the decisionmaker wants the real estate manager to act as if it is their own real estate and trusts the individual by stating "you should report all the facts you think is relevant for the case" indicates a large portion of trust. This freedom with responsibility must act as an incentive for information sharing.

The outsourced setting

The focus on the outsourced setting lies on reporting information that is to be regarded as quantitative: the numbers of yields, leases and new contracts. Although researchers such as Rolling et al., (2012) and Hintzberger et al., (2010) all conclude that to be able to succeed with a customer, you need both quantitative and qualitative information, you simply cannot rely on numbers alone. However, this quantitative information focus is in written reports and electronically atomised reports. It is during the monthly formal monthly meetings that the reports are drawn upon to get the facts behind the numbers. The real estate-owning company representative should have read the report in advance and be ready to discuss the reality behind the numbers.

This fairly rigid information process has advantages on all levels because everything is documented in writing. For the individual real estate manager, this gives the benefit of never feeling "on her own"; she will always know what is expected of her because the regular meetings are documented in writing. This formal structure also gives the service partner company security; for example, in case of illness or an employee resigning, the new employee taking over the assignments will have a smoother transition period when taking over the role. This also goes for the real estate owner; they will be able to change service partner without too much hassle. Furthermore, this ability to change service partner is made more easy by the real estate-owning company keeping knowledge in-house and thereby mitigating the plausible information asymmetry as proposed by Gibler and Black (2004). However, disadvantages to this method do exist. Due to the rigorous information process, the real estate manager must spend more time writing reports and in formal meetings; time that she otherwise could have spent on leasing or customer service.

All in all this imply that the two organisational settings can learn from each other to minimize risks. Risks in terms of opportunistic behaviour from the management organisation. In the in-house management situation a more rigid information documentation could minimize risks of opportunistic behaviour in terms making your self irreplaceable due to specialist knowledge that is not shared. You then risk to end up in a circumstance of information asymmetry as discussed by Gibler and Black (2004) also with an in-house management. This risk is also related to the result of Kelly (2010) where incentives are tied to information haring, which is not the case in the in-house setting. In the outsourced setting there are also no individual incentives for information sharing. Instead this is regulated in the contracts what information that are supposed to be reported, but this is not the case in the in-house setting. However by, in the outsourced setting, add trust and a larger degree of freedom under responsibility for the service partner firma and, its real estate managers, a collaboration close to a strategic alliance.

6. Conclusions

As discussed previously, advantages and disadvantages regarding both ways of organising can be found for the decisionmaker to make informed decisions. These are summarised below:

Table III Advantages and disadvantages

	Advantages	Disadvantages
In-house	• Informal process • Short decision paths • Focus on both hard and soft information	• Not that well documented • No guidelines
Outsourced	• Rigid process • Well documented	• Long decision paths • Administration heavy

In the outsourced setting, it is without question focused on hard information in terms of finances and leases. Moreover, information reporting is formal with reports in writing and in formal meetings. In the in-house setting, the decisionmaker also requires hard information in terms of finances and leases, but they also request soft information, such as customer and market information. The reporting is not as formal as the outsourced setting; instead of reports in writing, information sharing is conducted at the coffee machine. This implies shorter decision paths in the in-house setting, as the real estate manager tends to talk to the head of real estate to get the go-ahead instead of being forced to write a report before given a decision from the real estate owner representative.

Another conclusion regarding required information is that, aside from information of tenants and financials (as stated by Ling and Archer, 2010, Blomé 2010), the decisionmaker also requires market information. In fact, information about the buildings is not as prioritised by the decisionmakers which is in sharp contrast to existing literature, especially the standard academic textbooks.

Given that the decisionmaker in the outsourced setting appears to focus on hard data, in contradiction to the in-house setting where the decisionmaker focuses both on hard data and soft information, this should give the decisionmaker in the in-house setting a more nuanced picture before making decisions. However, the informal reporting in the in-house setting can render shorter decision paths, yet at the same time, it gives the organisation vulnerability. Given that much of the information is not written, the organisation faces a risk if someone in the organisation becomes ill or decides to quit. In contrast, the outsourced organisation does not face the same risk, as all the information is available in written reports.

A comprehensive conclusion is that the reporting of information in the two organisational settings can be improved to ensure the decisionmaker to make informed decisions. The decisionmaker in the outsourced setting can choose to develop a more relational collaboration with the service providing company building alliance based on mutual trust. The decisionmaker in the in-house setting on the other hand would need to develop more rigid routines mitigating opportunistic behaviour from the management organisation. But this most be done without intruding on the managers perception of freedom under responsibilities that seems to be a driving force behind the performance in the in-house setting.

However, regardless of organisational setting, all the companies included in the study have a plan regarding information sharing. The decisionmakers have all secured themselves access to required/desired information. This is in contrast to both Fong and Lee's (2009), and Pemsel and Blomé's, (2011) conclusion that companies do not have strategies for information gathering. On the contrary, it is clear that the companies do treat financial and tenant information as an irreplaceable asset, as proposed by Choo et al. (2008).

7. Implications for further research

The result of the study raises the question regarding how the customer and tenant experience the decision-making process. Do they consider in-house decision making to be more flexible and with shorter decision paths than in outsourced settings? Or do the customer and tenant perceive the decision-making process in the outsourced setting as more rigour and well documented and thereby preferable? It would in this context be interesting to make a case study with tenants that have experiences from organisational settings, maybe where the real estate has been sold and the management has been altered.

References

Abdullah, S., Arman, A.R., and Abd Hamid, K.P. (2011), The characteristics of real estate assets management practice in the Malaysian Federal Government, *Journal of Corporate Real Estate*, Vol. 13 No. 1, pp. 16-35.

Agerwal, S., and Hauswald, R. (2010), Distance and Private Information in Lending, *Review of Financial Studies* Vol. 23, No. 7, pp. 27757-2788.

Berger, A.N., Miller, N.H., Petersen, M.A., Rajan, R.G. and Stein, J.C. (2005), Does function follow organizational form? Evidence from the lending practices of large and small banks, *Journal of Financial Economics*, No. 76, pp. 237-269.

Blomé, G. (2010), Local housing administrative models for large housing estates, *Property management*, Vol. 28 No. 5, pp. 320-338.

Choo, C., Wei, Bergeron, P., Detlor, B., and Heton, L. (2008), Information Culture and Information Use: An exploratory Study of three organizations, *Journal of the American Society For Information Science and Technology*, Vol. 59, Iss. 5, pp. 1-13.

Coletti, A.L., Sedatole, K.L., and Towry, K.L. (2005), The effect of Control Systems on Trust and Cooperation in Collaborative Environments, *The Accounting Review*, Vol. 80, No. 2, pp. 477-500.

Davenport, T., Harris, J., Kohli, A. (2001), How do they know their customers so well, *Sloan Management Review*, Vol. 42, Iss. 2, pp. 63-73.

Eisenhardt, K. (1989a), Agency Theory: An Assessment and Review, *The Academy of Management Review*, Vol. 14, No.1, pp. 57-74.

Eisenhardts, K. (1989b), Building theories from case study research. *Academy of management review*, Vol. 14. No 4, pp. 532-550.

Fisher, J.G., Peffer, S.A., and Sprinkle, G.B. (2003), Budget-Based Contracts, Budget Levels, and Group Performance, *Journal of management accounting research*, Vol. 15, pp. 71-94.

Fong, P.S.W., and Lee, H.F. (2009), Acquisition, reuse and sharing of knowledge in property management firms, *Facilities*, Vol. 27, No. 7/8, pp. 291-314.

Gibler, K.M., Black, R.T. (2004), Agency risks in Outsourcing Corporate Real Estate Functions, *The journal of Real Estate Research*, Vol. 26, No. 2, pp. 137-160.

Guthrie, J.P., and Hollensbe, E.C. (2004), Group incentives and Performance: A Study of Spontaneous Goal Setting, Goal Choice and Commitment, *Journal of Management*, Vol. 30, No. 2, pp. 263-284.

Hertzberg, A., Liberti, J.M., and Paravisini, D. (2010), Information and incentives inside the firm: Evidence from loan officer rotation, *The journal of finance*, Vol. 65, Iss. 3, pp. 795-828.

Kelly, K., (2010), The Effects on Incentives on Information Exchange and Decision Quality in Groups, *Behavioral Research in Accounting*, Vol. 22, Nop. 1, pp. 43-65.

Kvale, S.. (1995), *Den kvalitative forskningsintervjun*. Studentlitteratur, Lund.

Larsen, James, E. (2003), *Core Concepts of Real Estate Principles and Practices*, Wiley & sons Inc., New York.

Lindholm, A.L., and Nenonen, S. (2006), A conceptual framework of CREM performance measurement tools, *Journal of Corporate Real Estate*, Vol. 8, No. 3, pp. 108-119.

Ling, D.C. and Archer, W.R. (2010), *Real estate principles: a value approach*, 3 ed., Boston , McGraw-Hill Irwing.

McCarty, T.D., Hunt, R., and Truhan, J.E. (2006), Transforming CRE value through relationship management, *Journal of Corporate Real Estate*, Vol. 8, Iss. 1, pp. 4-18.

Milgrom, P., Roberts, J. (1986), Relying on the information of interested parties, *Rand Journal of Economics*, Vol. 17, No. 1, pp. 18-32.

Mithas, S., Krishnan, M.S., and Fornell, C. (2005), Why do customer relationship management applications affect customer satisfaction, *Journal of Marketing*, Vol. 69, No. 4, pp. 201-209.
Palm, P. (2013), Strategies in real estate management: two strategic pathways, *Property Management*, Vol. 31, No. 4, pp. 311-325.
Patton, M.Q. (2002), *Qualitative research & Evaluation methods* 3ed. Sage Thousand Oaks.
Pemsel, S., and Blomé, G. (2011), Knowledge as a source of power in real esate organizations, *CFM Nordic Conference 22-23 August 2011*, Technical University of Denmark.
Petersen, M.A. (2004), *Information: Hard and Soft*, Working paper, Northwestern University.
Riessman, C.K. (1993), Narrative analysis. *Qualitative research methods series 30* SAGE University paper.
Rollins, M., Bellenger, D.N., and Johnston, W.J. (2012), Customer information utilization in business-to-business markets: Muddling through process?, *Journal of Business Research* No. 65, pp. 758-764.
Stein, J.C. (2002), Information Production and Capital Allocation: Decentralized versus Hierarchical Firms, *Journal of Finance*, Vol. 57, No. 5, pp. 1891-1921.
Towry, K.L. (2003), Control in a Teamwork Environment – The Impact of Social Ties on the Effectiveness of Mutual Monitoring Contracts, *The Accounting Review*, Vol. 78, No. 4, pp. 1069-1095.
Usher, N. (2004), Outsource or in-house facilities management: The pros and cons, *Journal of Facilities Management,* Vol. 2, No. 4, pp. 351-359.
Williamson, O.E. (1975), *Markets and Hierarchies Analysis and Antitrust Implications*. Free Press cop. New York.