

## Chapter 1

# **Requisite Knowledge for Effective Property Involvements in the Global Context**

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### **1.1 Introduction**

The requisite knowledge for making effective decisions concerning property involvements in the global context of the 21<sup>st</sup> century transcends the curriculum content of traditional real estate education. Traditional real estate education, biased towards and reflects a narrow, even restricted interpretation of the dimensions and domain of the discipline, often reflects a limited, culturally narrow, even parochial view of the world. Consequently, graduates of the prevailing programs of real estate study are unlikely to possess the required knowledge for effective property involvements in the global

context. The knowledge that is needed to be known for effective property involvements in the global context. is the subject of this paper.

The dynamic forces of change realigning the environments in which the real estate/property professional operates are similar to those occurring within society, the global economic system, and the financial services markets in particular. As a consequence of property having gained substantial acceptance by and recognition within the institutional community, there are more pressures for professionalism on the part of those delivering services and also the need to “bridge” the traditional world of property and the cultures of the new participants. Thus, those who would be effective in their property involvements must blend the traditional with the innovative, the entrepreneurial with the fiduciary, private sector initiative with public sector policy concerns, and the immediacy of specific project focus with the continuity of going concern enterprise and institutional time horizons.

## 1.2 The Changing Property Discipline

The property discipline today is subjected to extraordinary forces that redefine its attributes and introduce new expectations for those with property involvements. Among the considerations are:

- *Urban Form* — In the United States of American people rate *urban sprawl* and crime as the two greatest societal concerns;
- *Technology Advances* — Advances in telecommunications and information technologies dramatically transform the means and location of work, changing what activities happen in physical spaces and where those physical spaces are located;
- *Environmental Concern* — With more people placing greater emphasis on spirituality and environmental sustainability, considerations of property as a commodity are less and less accepted;
- *Globalization* — With business enterprise expanding the scope of its geographical concerns, drawing resources from distant markets and selling throughout the world, physical proximity no longer is the primary defining guideline or constraint to access labor and customers;
- *Strategic Resource* — Companies increasingly recognize that workplace environment and retail facilities influence their ability to achieve their strategic objectives;
- *Public-Private Concern* — The nature of major urban development, involving linking of public policy objectives and private sector motives, requires partnerships that blend the social and financial attributes of property.

There is need for a cohesive and coherent framework to enable participants to comprehend the overall collection of phenomena, forces and relationships that comprise the property discipline. Further, each player seeks a framework appropriate to their role and purpose in order to rationalize how they perceive and interact with places, spaces, properties, and real estate as well as other players.

Many approaches to the property discipline are overly narrow in focus and limited in scope, thereby being characterized by misplaced emphasis and insufficient attention to critical issues that should be considered. More specifically, too often the traditional approaches are virtually devoid of a strategic orientation, in that they:

- View property involvements primarily from an outmoded deal-making transaction approach, without sufficient consideration of the important policy and portfolio issues;
- Fail to address how large scale political and economic forces generally and capital flows specifically drive markets and therefore property values and returns;
- Ignore the profound implications of advances in information and communication technology concerning how society relates to space and place;
- Pay scant attention to corporate management issues associated with the second largest expense line item on the income statement.

Since strategy involves synthesis and integration, a strategic orientation can provide the unifying approach to the multiple considerations that represent and affect property.

The property industry has moved from a transaction orientation to a strategic orientation. Superior outcomes and rewards result from superior knowledge of the property process and the ability to act on that knowledge. No longer can strategy be an afterthought to a transaction, but rather strategy should be the overriding guide to business decision-making. Effective property involvements follow from comprehending the strategic map of the property industry, identifying key areas of knowledge and the linkages between areas of knowledge.

### **1.3 Multiple Place Contexts**

Fundamental to effective property involvements in the 21<sup>st</sup> century, then, is appreciation for the importance of the global context. Effective property involvements in the 21<sup>st</sup> century necessarily embrace multiple geographies and levels of concern, extending from the most intimate and immediate to

the most global and expansive. Juxtaposed to the importance of the global orientation is the imperative of sensitivity to and emphasis upon the inherent *localness* of property and real estate. Consequently, to be global but to omit sensitivity to the more localized perspectives can be as perilous as to be local yet innocent of the import of global forces.

The orientation of the majority of participants in property and real estate is predominantly parochial rather than global. Many in approaching property manifest a Ptolemaic orientation, viewing their involvement, function, and role vis-à-vis property as the veritable center of the universe (Roulac, 1998). Such an orientation is increasingly vulnerable to miscalculation, disappointment, financial reversal, if not overt failure, in a time of globalization in which local outcomes are largely influenced by far distant decisions and actions (Friedman, 2000). The Copernican perspective to property champions the perspective not of the property being the center of attention but rather the patterns of society's use of property being the focus of emphasis (Roulac, 1998).

The local-global duality is reconciled by considering that property embraces many discrete segments or levels of involvement, orientation and experience. Effective property involvements derive from consideration of the most macro to the most micro as well as the many intermediate concerns. While many schemes may be employed to describe the multiple levels of location, one framework that has proven useful is to consider that the scale and personalization of where you live can be thought of as comprising sixteen levels, ranging from the continent in which you live to the most meaningful and personal of personal spaces in which you live. An array of these sixteen levels of where you live appears in Exhibit 1. Every property involvement, then, can be considered to consist of these 16 attributes of place and space relationships. Effective property involvement is informed by knowledge of the forces that influence each of these 16 levels, and how each of these 16 levels influence specific property interests, functions, decisions and involvements.

Place embraces the 12 critical elements of continent, country, county, state/providence, region within the state/providence, metropolis, city, region, community, neighborhood, street, and site, which in aggregate are the attributes of *location*. Space embraces the five critical elements of site, building structure, interior design/floor plan, room and *personal space*, which collectively comprise the particulars of the built environment personally experienced. Place and Space intersect at and share site, and each is influenced by the attributes of the other. These key elements of PlaceSpace are visually depicted in Exhibit 1. While all places are defined in these 16 dimensions, the relative priorities that people assign to these different dimensions of

where they live can vary dramatically between individuals and, especially significantly, for the same individual between roles.

## 1.4 Property and Context

Comprehending the relationship of different perspectives of place—property—real estate—facilities is essential to determining what knowledge relates to what level. A curriculum oriented to preparing people to be knowledgeable about considerations relevant to a *facilities* orientation is very different than what would be relevant for a *property* orientation. In the last quarter of the 20<sup>th</sup> century there emerged a clear schism between the British and American perspectives to education concerning property and real estate. Whereas in earlier times the American approach to higher education embraced property level considerations, over the last couple of decades of the 20<sup>th</sup> century the emphasis narrowed, resulting in curriculums that championed real estate and a more restricted view of the discipline, its curriculum content and relevant pedagogy. By the end of the 20<sup>th</sup> century, a disproportionate number of American real estate academics placed a primary emphasis on finance in their approach to the subject, which emphasis is inconsistent with the consideration that the vast majority of real estate academics are either housed in or affiliated with the college of business department of finance (Webb and Albert, 1995). The English approaches continued to reflect a property primacy, with a broader view of the discipline. Whether the dominance of the finance perspective is the appropriate and preferred paradigm for property and real estate involvements has been challenged by a number of thought leaders including Graaskamp (1976), Diaz (1993) and Roulac (1996).

Those who aspire to an impactful professional career in property involvements must exercise self-leadership in designing their academic curriculum and professional training. Presently, where one chooses to pursue graduate study in the property and real estate disciplines will, to a very large degree, determine the education one receives.

If one pursues graduate study in the United States, one most likely will take courses from and study predominantly with professors housed or affiliated with the department of finance in the college of business. Such a curriculum can provide a comprehensive exposure to the multiple disciplines of business, which exposure is all very apropos, for each property is itself a business. Further, as the tenants of non-residential buildings are businesses, the more one knows about business, the more effectively one can interact with those tenants.

Such a business school course of study will, however, omit the learning that could be obtained through a United Kingdom School of the Built Envi-

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