Property in the Economy

Agile working

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www.rics.org/propertyintheeconomy

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Property in the Economy

Preface

This report was commissioned by RICS as part of its ongoing commitment to providing members and other property professionals with impartial, transparent and authoritative information and data in the field of corporate real estate, both in the private and public sectors.

This report forms part of a suite of corporate real estate research and information with the data and statistics report *Property in the Economy: A digest and review of key data and statistics* (RICS, 2008) forming the backbone.

Associated reports include *ICT in the workplace* (RICS, 2009), and *Workplace design and productivity* (RICS, 2008). Future reports on sustainability and managing against changing market conditions and perceptions will follow.

This report has been produced for RICS by Paul Winter of Corpra.

Linkage

For some, business agility sounds like something you do to fend off the taxman and the accountant during the credit crisis.

For others the concept of agile working is simply another phrase for flexitime.

It is not. It is, in a nutshell, the ability to think on your feet and use your property to enhance your business by getting the most out of the people in your office for the longest possible time.

The goal of this paper is to explore further the complex relationships and business drivers behind business agility.

We will look at areas where the property industry can connect to business and help contribute to its growth by understanding the dynamics.

Through a combination of research and reflection on professional practice, we can confidently assert that "the property industry has a direct role to play in supporting business growth and facilitating change".

We believe agility is the keystone in the bridge between property flexibility on the one hand and business change on the other.

Introduction and executive summary

Business agility and agile working play a key part in understanding the supporting role of property professionals in business success.

This recognises two entirely different concepts; the *physical concept* – the workplace and its environment, and the *business concept* based on human and social need.

In an ideal world property and workplaces anticipate business needs. To a large extent this has happened reasonably satisfactorily until the last twenty years.

But now the rate of organisational change required to remain competitive has accelerated ahead of the rate of change in the UK property industry. This is not entirely a surprise as there are hundreds of business sectors, thousands of sub-sectors, hundreds of thousands business types and millions of unique organisations. The property industry has its specialisms, types and unique operations but nothing like the customer base it serves.

Successful organisations have many admirable characteristics but the most consistent one is – *agility*. Agility is the ability to change routines without resistance. These routines are business routines, ways of working, adopting new processes, focusing on new markets etc. The bottom line is we need it to enhance profitability and growth. The competitive advantage that spells success for business is the challenge to the property industry.

Property and workplaces are not the same but have been forged together for thousands of years for instance in places of worship and at times of defence. Early man built shelters near his livestock, then to protect his livestock he built compounds around them. Then they added compounds to other people's compounds to form tribes, and then to differentiate the tribes they built churches in the compounds. Then they fortified their compounds and set about seizing other people's property and the workplace have evolved and are still evolving now.

At the same time we have moved from workplace authority – being told what to do and when to do it, to a work force with education, access to information and a range of options and alternatives.

No wonder business leaders flock to management conferences, courses and training to help influence and guide their workforce in the direction they want.

The employee of today has a list of human and workplace rights as well as many responsibilities.

It is the balancing of these, which is at the heart of good management and good management is the keystone for agile working.

Today the type of work we do is changing faster than the organisational and authority structures we work within.

We recognise that the post war British economy has seen many changes. An economy that was largely based on manufacturing and trade is now one of the leading service economies in the world. Even the manufacturing that remains has undergone many changes.

Many years ago we had a large manual labour force operating mechanically driven machines.

The buildings that this epoch required were large steam or water powered multi-storey mills. Then the next industrial phase saw the economy move from mechanics to robotics and electrical power.

Fewer people were needed to manage highly technical production lines in huge, often soul-less, single storey factories and warehouses required to produce and store vast amounts of goods.
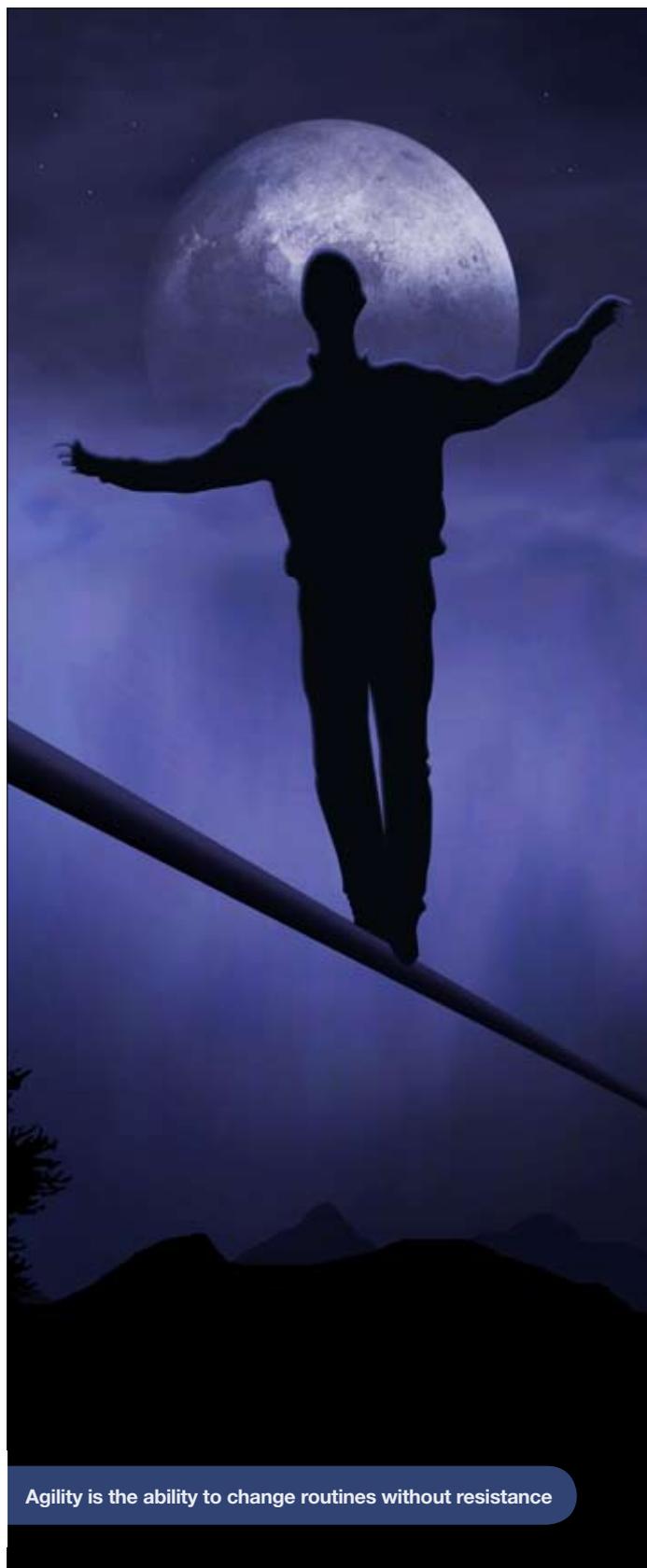
Agility is the ability to change routines without resistance

Introduction and executive summary

Good management is the keystone for agile working

And then the next phase was even more startling. I believe it was the tipping point of globalisation, the straw that broke the camels back of industry – information technology.

Computers, computer programmes, software, hardware, Ram and Mega Bytes, "just in time" delivery. This improved production speed and efficiency gave us the technology to fragment organisations.

This suddenly allowed us to question why we were producing goods and services in the locations previously used. The standard model of location economics was stretched by change! The simple two dimensional mathematical model of "shall I be closer to my markets or closer to my factors of production?" was thrown into confusion. Because of differential improvements in production methods and improvements in transport and technology, we were able to import coal cheaper than we could mine it. We could also build cars in Japan and finish them in Swindon (and still call them British-made).

So our new industrial age started, with large corporations with global reach desperately seeking constant improvement and innovation in the face of increasing competition from other global competitors, new and re-engineered small innovative businesses and substitute products and services. We can now build, service and deliver almost anything, almost anywhere.

But workforces cannot change as fast as technology.

Human beings still need a clear safe future with a balance between our social needs and our productive needs. We still want to be liked, have friends and progress. Recognising this basic insecurity and ambition is at the heart of agile working.

Too much agility too quickly and we lose our feeling of security, which in turn makes us focus inwards on personal needs. We need our workplaces to give us a focal point, a sense of community and a sense of purpose and the security of a team effort – in effect those secure compounds of our forefathers.

Those places need also to be symbolic of the ethics and ethos of organisations' unique values.

It follows that you should expect higher productivity from agile working than any other form of fixed work style.

And as long as the basic criteria for a good working environment are met, that sense of community and team purpose could be found whether working at home, in a cafe or in the local library.

David Mackie of Interiors Group says, *"I am not for a moment suggesting that we abandon everything that has gone before – there are many good reasons why things are as they are. However, I am suggesting that we should place more emphasis on the emotional needs of workplace occupants. How do they feel? Are they happy? Does their workplace have any meaning?"*

The Concise Oxford Thesaurus defines agility as simple, lithe, supple, nippy or alert, sharp, shrewd, perceptive, and quick witted. In fact the opposite of agility perhaps best defines what it shouldn't be: clumsy and stiff.

If we can avoid being clumsy and stiff and move between work styles without resistance we will prosper.

Or as Lizieri's research states, *"Changes in the business environment associated with globalisation, innovation in information and communication technologies and the drive towards more flexible production systems should be reflected in changes in occupational requirements for property."*

Recognising this basic insecurity and ambition is at the heart of agile working

Agile working does not suggest no place, no office; it suggests a solid, supporting and energising base.

Agile working does not do away with an office or a workspace; it suggests a solid, supporting and energising base.

This report draws upon the experiences and knowledge of a wide range of business managers, those in the property industry and major academic research projects.

Or as Winston Churchill said, *"First we shape our places and then our places shape us."*

01 The background to agility

1.1 The context

Over the last 20 years authors of management texts like Charles Handy *(The Empty Raincoat)* and commentators like Will Hutton of the Work Foundation have argued that due to the increasingly global economy, changes in society, the advance of new technology and the difference in approach to work from employees and business alike, the world of work would become more flexible and increasingly agile.

Being contracted for 'life' would be a thing of the past. But we are not there yet.

1.2 Evolution of agility

It would be a mistake to think agility started with the technological revolution. The possibility of allowing a dial up connection to a computer was not the dawn of the 'new age' in agility, although it helped and made broadband available to 90% of people in their front rooms.

That technology has helped is undeniably true, but it did not start the move to more agile working practices. That happened well before Alan Felstead stated, *"The workplace is changing rapidly currently, and where people are choosing to work has exploded outside the bounds of the office."* (Felstead, 2004).

Think back to the days before this level of access to technology.

Organisations had their employees delivering services to customers as close to the customer as they could and most manufacturing was carried out in historic locations where production first began.

In the early years of the textile industry, workers in their tied cottages worked from dawn to dusk spinning the yarn to be transported to the mill for the production of the cloth. The first home workers perhaps?

Then 'The man from the Pru' started going round door to door with his life insurance products, paper files and account books, on foot, by bicycle and eventually in the back of his company car.

He was mobile, worked from home much of the time and went back to the regional office to drop off completed application forms, expenses claim and files as a part of his job. His job was easily measurable because he was commission only and there was a willing market for the product he was selling.

The district nurse or midwife came to your home to support your health from birth to the grave, and some still do. They were mobile, close to the patient and worked from the multiple of GPs surgeries and small hospitals in every town and village in the country.

Just because the majority of office workers have worked from large, clock in/ clock out, 'my desk' office blocks for years, does not mean agility has not been with us before.

It is now just looked at in a different way, with the possibility of supporting it through technology and more modern management practices leading to more productivity and operational cost reduction.

In the mid 1990s the Government launched a raft of flexible working legislation.

This included giving parents of children under six (or eighteen if disabled) and carers of certain adults, a legal right to request flexible working, and their employers a duty to consider their requests seriously.

It bought in the 'right to request' different working patterns including working from home, compressed hours and job sharing.

Employees who do not have specific rights to request flexible working, can now ask their employers if they can work more flexibly.

According to the Government, many employers are willing to consider such requests on an informal basis.

It is also worth noting that since 2003 legislation has supported a more liberal approach to different ways of working. (See: **http://www.berr.gov.uk/employment/ employment-legislation/employment-guidance/ page35662.html**)

Now organisations are either compelled by legislation, the market or the ageing population to consider how they will support employees' agility and then turn that necessity into a virtue.

And in the process attract more talent as an 'enlightened' employer and reduce costs.

The background to agility

1.3 The early adopters

Interestingly it is the most high profile organisations like BT (see case study in appendices) that have implemented flexible working whilst reducing their own costs of property.

In fact BT led the first large scale property sale and lease-back in the UK in the 1990s for over £2bn. Some say, not the smartest deal ever done, but very necessary at the time and it broke the monolith.

However, this has not led to a totally virtual BT. It still has buildings where they engage with their workforce, support the brand and basically get the job done. But it still has inertia in the organisation because the notion of agility was not fully embraced, whilst work style was.

BT has also attempted to address the other pillars of support for the introduction of agile working:

• by the alignment of property strategy and other infrastructure support like ICT, with their organisational strategy – in essence to sell more technology solutions

• by changing the culture with more focus on providing services and putting people physically closer to customers and improving support for employees' physical dispersal

• moving to "online" services previously delivered by people; and

• reducing Carbon impact – BT has for the last few years trumpeted its green credentials (in retrospect) based on its move to new ways of working.

Rob Wright of Diverse Notion sees the workplace as a platform for capturing opportunities and reinforcing values.
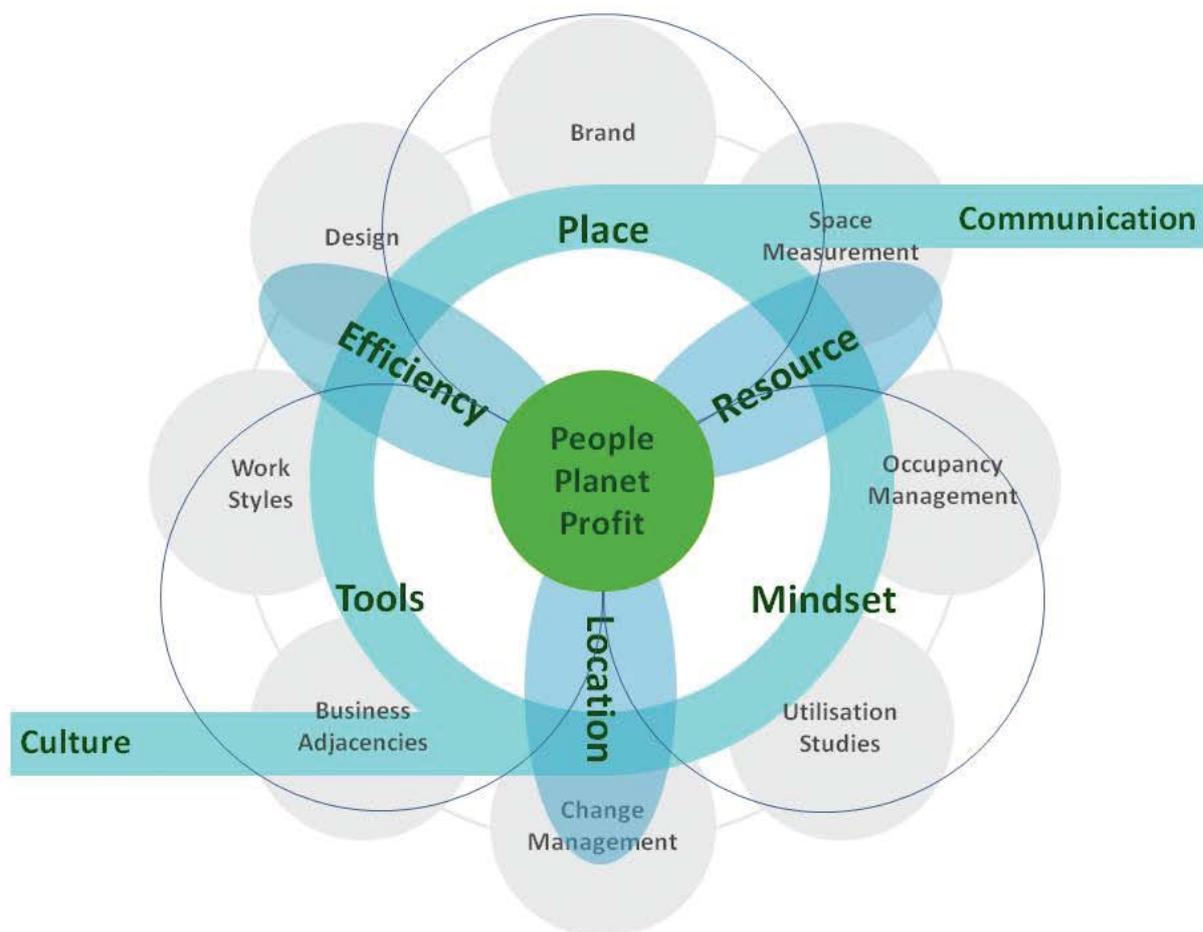
Source: reproduced with the kind permission of Diverse Notion

The background to agility

1.4 The drivers for agility

It is often difficult for senior managers to see the reasons to adopt new working practices and to deal with the impact they have on current infrastructure and organisational performance.

The mind set 'If it ain't broke don't fix it," exists in all of us, as does the fear that starting along the road to agility means looking critically at why the organisation and its people do what they do and how they do it.

Usually, it takes something new or unexpected to make us review the status quo.

Mackie also contends that, *"An environment that is too complex will not cohere. Too much complexity will destroy the 'repeat-pattern' quality necessary to achieve coherence. Similarly, too much coherence will restrict the opportunity to create complexity through variety."*

Those events might be tougher market conditions, such as we are experiencing now, or internal events like the appointment of a new CEO, a lease expiry of a HQ property, or a review of operational effectiveness of current processes.

It could even be the need to review HR policies due to the difficulty in recruiting and motivating the best talent.

All are crisis points which exert a greater force upon the organisation because it has not been agile enough – and focuses the mind on attaining more agile structures.

The BT story above is one of the few case studies which exemplifies nearly all the normal drivers towards agile working.

In short, the firm reassessed their needs and now have 70 000 people in their "Work-style project", saving the company £725 million p.a. in office space reduction.

Today 14 500 are home based workers, and up to 70% of the office based work force are what BT define as home-enabled – able to work from anywhere, including the whole office estate, from home or 'on the move'. This has delivered considerable savings, enhanced resilience (business continuity), improved staff retention and productivity, and addressed the company's green agenda.

And, as an interesting pointer, 99% of pregnant home working mothers return to BT after maternity leave, compared to a national average of 47 percent.

But this only came about because of:

• an acceptance of BT's previous misalignment of corporate real estate

• the re-alignment of property to support the organisation's strategies and revenue generation

• the reduction in the cost of buildings through relocation and number of people needed

• a desperate need to improve services

• the management of geographical dispersal; and

• the reduction in their carbon footprint.

The criticism of the BT result is normally "it had the money the people and the technology to do it".

This is undeniably true but it also had the vision and all of the drivers to start the journey, not least from City pressure to transform the business.
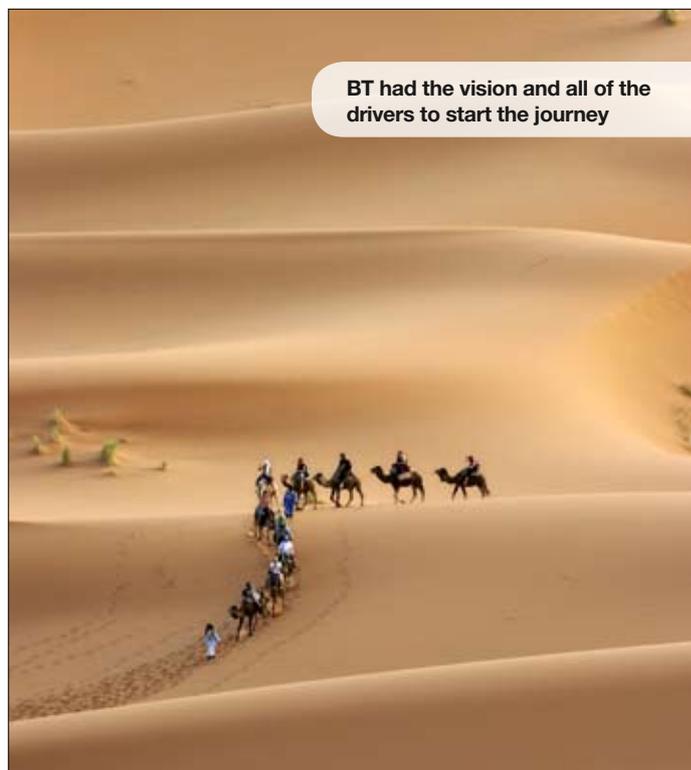
BT had the vision and all of the drivers to start the journey

1.5 Breadth of definitions and the problems of defining agility

One of the key challenges in even approaching the subject of 'agility' is that there are a host of suggestions around as to what agility actually is.

Some, especially in Human Resources departments, refer to it but mean "flexible working". There are many different forms of flexible working covering our working hours during the day, week or year.

Flexible working can describe the place we work, such as home working, or the kind of contract we are on, such as a temporary contract.

Common kinds of flexible working include:

• **Part-time working**. For example, an employee might start work later and finish early in order to take care of children after school.

• **Flexi-time**. Employees may be required to work within essential periods and cover 'core times' but they have the flexibility in how they work their hours.

• **Job-sharing**. Typically, two employees sharing the work normally done by one employee.

• **Working from home**. New technology makes communication with office and customers possible by telephone, fax and email from home, car or other remote locations.

• **Term-time working**. An employee on a permanent contract takes paid or unpaid leave during school holidays.

• **Staggered hours**. Employees in the same workplace have different start, finish and break times - often as a way of covering longer opening hours.

• **Annual hours**. This is a system which calculates the hours an employee works over a whole year. The annual hours are usually split into 'set shifts' and 'reserve shifts' which are worked as the demand dictates.

• **Compressed working hours**. Employees work their total agreed hours over fewer working days - for example, a five-day working week is compressed into four days.

• **Shift-working**. Shift-work is widespread in industries which must run on a 24-hour cycle, such as manufacturing, utilities and hospital and emergency services.

The range of flexible working options explained above, does not represent in itself agile working. They are very important facilitators for agile working.

But just doing the same work in the same way from different locations is not agility – it is merely flexible working.

(See the ACAS website for more details and a guide **http://www.acas.org.uk/index.aspx?articleid=803**)

In some respects it feels that everything that is not the stereotypical 9am-5pm, working in an office building, and at the same desk, for your whole working life, is now considered the 'exception', and therefore termed 'flexible working'.

We have moved from a workplace that needs to support the 'standard worker' to supporting most employees exceptional work-styles.

> Everything which is not the stereotypical 9am-5pm, working in an office building and at the same desk, for your whole working life, is now treated as an 'exception', and so is termed 'flexible working'

The background to agility

Whether, the variation in work practice for employees has changed in terms of time or place of work is actually immaterial. The opportunity is to harness this agility in work-style and to support through the built environment these new practices.

Whatever an organisation chooses to call new working practices or however it chooses to define it, they have changed and will continue to do so.

Through the intelligent use property, those changes provide more opportunities to add value to overall business objectives.

The problem is that property professionals can only deliver the physical embodiment of the change. They cannot make the human contribution to support a more agile and successful business.

Kevin Reader, Head of Workplace at Westwoodnine suggests, *"We have developed a flexible building but not flexible people to use it. What they all fail to see and in many cases don't want to see, is that unless you change imbedded work patterns, social structures and attitudes to work you will not redefine and transform the organisation."*

Employees do that by working in a more agile way, in an improved environment and by delivering products or services in a more agile way for the customer.

Agreeing this business change requires skill, leadership and agility.

Our places (property) must be tightly aligned with our corporate strategies, not the other way round as is often the case, and I do not mean some generic strategy.

Research has shown that measuring the impact of agility is probably the biggest challenge to management (Tranfield *et al.*).

But the fact remains that the routine of changing routines is a key element of competitive advantage.

It takes a long time to establish a new working routine; particularly one that is productive, profitable and easy to manage.

A great deal of effort, energy and commitment goes into embedding a new routine. A belief usually emerges that, if we do a routine even better, we will be more successful.

In the short term this is true but managing a deeply embedded routine can itself become another embedded routine. Then when markets shift and competitors advance, our well embedded routines manifest themselves as "inertia" and cause problems.

A slowness to change, a resistance to change and in some cases a refusal to change holds business back.

If the antithesis of inertia is agility, then it is clear that, in an agile organisation, we need to recruit and develop people who will enjoy an environment of constant change.

We all know this is the way the world is and it is comfortable to settle down to a new routine and make it an old one.

This is where the places people work become most influential. An agile company needs an agile workforce and agile place for them to operate from.

What should these agile work places look like? Where should they be? How big should they be? And how many should there be? There is no single answer. Each of us is unique. So are the organisations we work for.

Our places must be tightly aligned with our corporate strategies, not the other way round as is often the case, and I do not mean some generic strategy.

Organisational impact of agility on people, places, processes and infrastructure

Stuck in an old cheap building on a long lease with old IT with poorly rewarded and unsupported staff, is the most expensive way to run any enterprise.

Places need to reflect the symbolism, ethics and ethos of the organisation. Whether to be near your customers or near your factors of production is still a valid question.

The business processes developed will need more flexibility and better management. So this means processes designed with constant change in mind. This should lead to simpler processes with clearer proximities and key performance indicators managed by flexible managers and led by insightful clear thinking leaders.

This leads us to the infrastructure we provide and what agility means to this. What do we mean by infrastructure? Property, plant, HR policies and core processes, ICT systems, renovation policies, laptops, Blackberries and mobile phones.

All of these can be a drag anchor of inertia. If an infrastructure is light and streamlined it will support the 'doing' of work. If it's heavy and inflexible it slows you down. At worst you remain static.

Workforces need the right tools to work in the increasingly competitive world. Stuck in an old cheap building on a long lease with old IT with poorly rewarded and unsupported staff are the most expensive ways to run any enterprise.

If you are in the public sector, there will be a criticism, budget cuts, enquiries, reports, reviews and redundancies. If you are in the private sector it is simple, your competitors will take your customers and you will go out of business.

Providing a modern motivational flexible workplace for your people is a source of competitive advantage.

03 Benefits of being an agile organisation

The interesting thing about the benefit of agility is that it can support most organisations in achieving their objectives. But they have to look for the benefits. The situation is that it is not a one size fits all proposition.

Just as an organisation's objectives will change over time, so will the need and attractiveness of pursuing more agility in its operations. It is also important not to treat it as a panacea for all organisational ills or for an organisation to gain all the same benefits as the competition.

However, if we stick to the generic benefits attributed to agile working, we can establish the following.

3.1 Cost reduction

The savings on property cost from implementing an agile working programme and reducing the office space needed are significant. This is especially so in challenging market conditions for organisations where poor management of property produces inflexibility and prevents the organisation from changing its platform as quickly as it reacts to market conditions.

Property professionals are trained to assess the capital and running costs of bricks and mortar, not the opportunity costs of inflexible space unaligned to corporate strategies. An agile and flexible workforce simply needs less space and therefore less cost.

3.2 Effectiveness and efficiency

Most organisations have developed over time and so have their property portfolios.

This can lead to inertia and repetition of past mistakes and lack of communication of how things could be more effective in delivering the real business outcomes needed.

An example of this is where businesses have grown by acquisition or merger and then find they have an expanded portfolio over wide geographical areas.

Most do not move quickly to rationalise this so as to become more efficient or effective.

Still fewer have a plan to rationalise but simply attempt to use agility to retain their best people wherever they are based geographically.

The outcome is that the best people move on and so does the value they created in their pre-merger organisation. This then defeats one of the most common objectives of mergers – to create synergies and greater value.

The "noise" of organisations going about their businesses often hides the fact managers are not managing properly.

This mis-management ranges from not achieving appropriate adjacencies – who should sit where and next to whom in the best interests of the company – to how you use your desks in the office.

Both of these concepts ought to be a starting point in any conversation between property people and their operational colleagues.

This is how the first level of basic property management can enhance organisational performance.

Providing a modern motivational flexible workplace for your people is a source of competitive advantage. The processes and work performed in such environments will be organised, managed and measured.
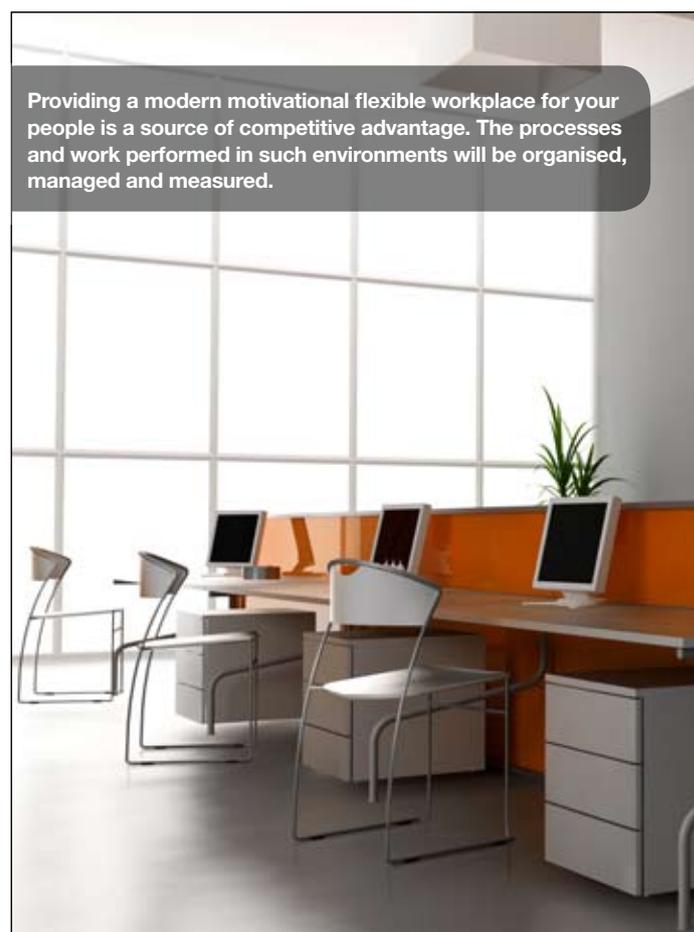
Benefits of being an agile organisation

3.3 The process of doing business

How often do we hear *"If you keep doing what you have always done, you will keep getting the results you have always achieved"* until, that is, the context changes, which it does every month.

Property in the UK and the way it is managed is slow to change and is framed within a legal context which inhibits new ways of operating.

Business Process Re-engineering has affected all types of businesses operating in a wide range of markets and has come a long way in a short time.

The questions are; how many property managers have kept up with this and really looked at how the provision of working environments effects how the organisation operates? What hurdles have they faced and how have they overcome them to change working environments to align with the changes in core processes?

The ultimate example of where this has worked is Her Majesty's Revenue & Customs.

During the re-planning of the Treasury Building, they actually fabricated a floor plate and replicated the processes for certain functions.

Using lean techniques, the time to process work was dramatically reduced.

Although the unions criticised the process saying that employees were being treated like robots, the outcome was that the Treasury was able to reduce floor space required for the pre-planned Departments.

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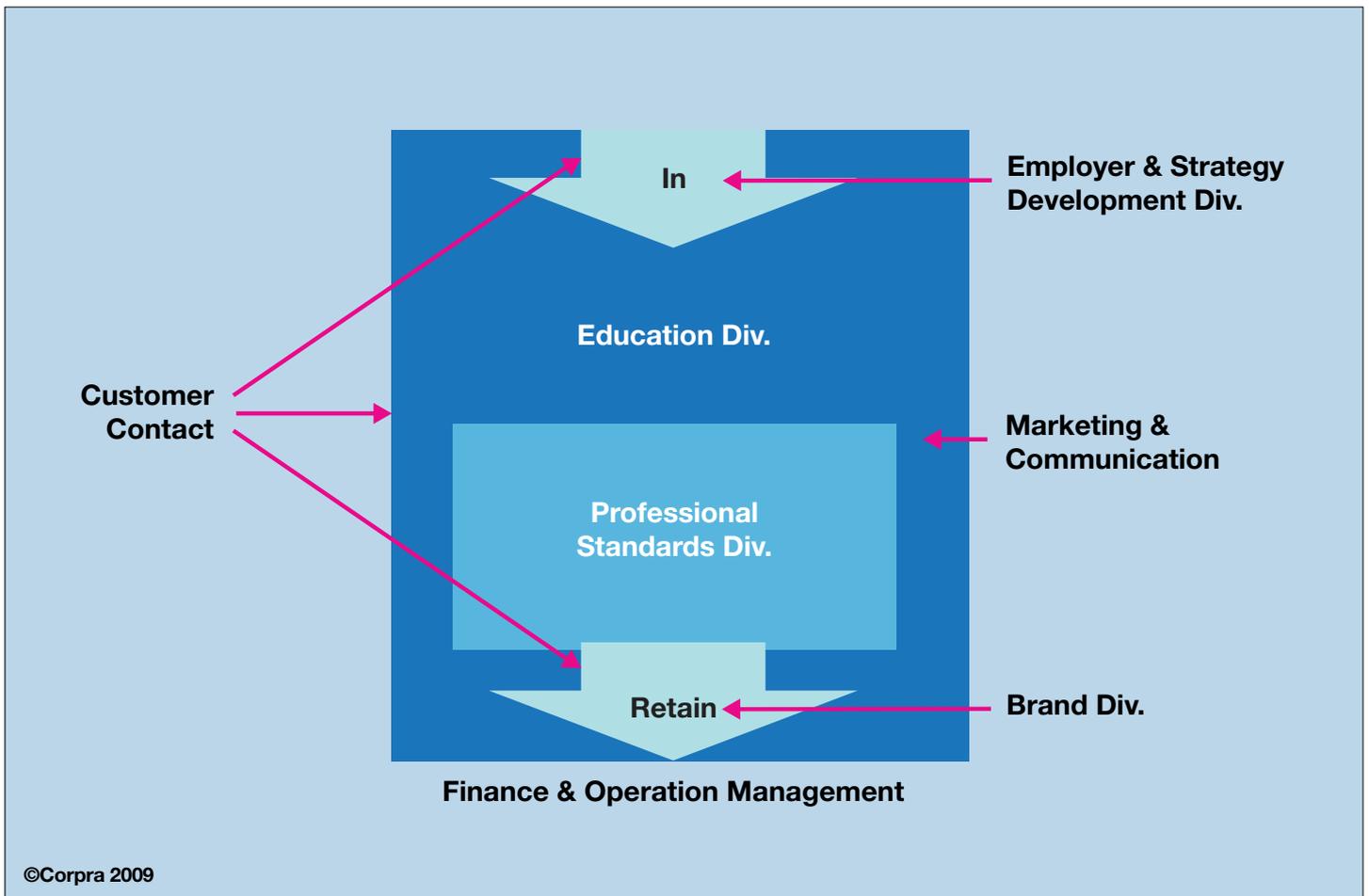
3.4 People as an asset

Let's hope we never get tired of the old Peter Drucker quote, *"People are our greatest asset."*

It is true, but few organisations support their people effectively enough to make this real and meaningful.

Property professionals managing buildings, but not managing and supporting employees to be as agile as they need to be, will make those employees less productive than they can be.

Just finding a space, fitting it out and providing desks that look good is taking a major risk in the reaction of the workforce.

Simply to provide for the functional needs and ignore group spirit introduces unnecessary risk and our belief is that a core space is needed even for a virtual organisation.

This should be a space to reflect the brand, the culture, and the achievements.

It is a valid proposition. But so is the need for property professionals to become partners of change, harnessing the organisational capability in HR, Finance, IT and property to support and inspire employees wherever they work.

The benefits for employees are clear:

- in work-life balance terms
- in the ability to recruit from a greater geographical spread of locations to get the right person
- in the ability to recruit at lower salaries away from the major conurbations
- reduced commuting time and cost for the employee; and
- sense of belonging to a team.

Carbon Profit a corpra company

Green & Profitable Business

How my workplace operates
Technical site assessment and audit, including carbon footprint measurement

My work environment
Workplace and Facilities Management strategy and design

The tools I use to work
Technology optimisation

Technical Expertise

Behavioural Expertise

How I work
Workstyle: collaboration, transaction, concentration

How I share with others
Knowledge, information and document management

Where & when I work
Flexible working

How I get to my workplace(s)
Travel optimisation including travel to work plans

3.5 Sustainability

Sustainability is a perfect opportunity to engage with employees and to encourage them to change their behaviour to achieve significant reductions in carbon emissions and energy costs.

This can be achieved in old buildings which are not able to be retro-fitted with the latest environmentally friendly gizmos, simply by engaging the workforce over environmental issues.

If there is no one in a building, then the carbon footprint is only represented by the materials of construction and the 'mothball' running costs.

The carbon footprint goes up when the workforce travels to work and uses the building. The building comes alive and the organisation is working.

Agile working based upon flexible working techniques, allows more people to have a base at the same building but to work remotely. This significantly reduces the carbon footprint per employee.

"Your biggest enemy is within" (Anon).

It is also within you, the leader, and it is within the strategy, people and infrastructure.

Essentially it is to do with history and outlook, often referred to by management writers as 'Path Dependency' or 'Bounded Rationality'.

This means there is an organisational drive to carry on as before. 'The road most travelled' if you like.

And some business sectors do not have the same competitive forces to punish mistakes. That in itself questions the need for, and benefits of, being agile.

The big problem is that customers are agile and well informed of the alternatives to your products and services.

The answer – do not accumulate too much inertia-inducing baggage!

The least flexible element of infrastructure is property. It is also the most community building, enthusing and exciting part of a firm but it can hold a company back.

Our research shows that in addition to long leases often being three to five times longer than any published business plan, property is frequently used as debt security or appeals to management pride.

The inflexibility of property in the UK makes us 'make-do' rather than react accurately and quickly to business challenges or threats. Hanging onto or getting rid of a property slowly is a hurdle to agility.

Why every organisation is not agile – the hurdles

One of the key inhibitors to any organisation change is who sits where and whether the power brokers will reduce their territory.

One of the benefits of agility in the office is to be able to move people easily and to remove the traditional trappings of status in organisations.

Like King Arthur and his round table, by removing a pecking order to hierarchy in the seating plans at Camelot, he reduced jealously among his knights.

Thus, saving their energy to slay dragons and rescue damsels in distress.

Like King Arthur, the trick is to identify key stakeholders and use them as champions and to keep up the pressure until you achieve the required change.

You will have saved millions in move costs and increased collaboration between departments before you know it.

Acquiring and managing smaller spaces with lots of flexibility will help the property professional be very popular with his or her customers.

We recently interviewed a sample of leading property advisors representing customers and suppliers in the office sector (tenants and landlords).

A common theme emerged around the unintentional acquisition of hurdles to agility by the customer (tenant).

The first is through 'back end pricing'. Longer rent free periods make the property project economics look better to the occupier. The initial cost of the project appears lower.

Then there is the choice of write down period for the fit out.

A ten year lease obviously allows the customer to write off the fit out and many other expenses over a longer period. Again making the economics look better.

This is commonplace and frequently considered a smart move.

But it creates hurdles when a five year business plan is changed at year three and you still have seven years left on a sumptuously fitted out building in the town where the CEO lived, an error compounded if that CEO moved or resigned after the first year, creating a hurdle to agility and meaning the company had to make-do.

There are of course many more hurdles to agile working presented by the supply side of the property industry.

Most of these can be overcome by developing a genuine and deep understanding of customers' overall business needs.

But research shows that 'change is muted and gradual'. In part, this reflects the resistance to the adoption of new working practices.

It also reflects the inertia of a traditional model of property procurement.

05 A road-map to achieving agility from a property perspective

However the resulting inertia is in the interests of the investor, often you and me, and our pensions! – Not the occupier.

The pyramids were built by the most powerful people in Egypt. Just for one occupier. And he was dead!

Research shows that achieving agility, for an occupier, from a property perspective is best done through good alignment with organisational objectives. The concept of alignment was perhaps best expressed by Labovitz & Robansky. Their work popularised alignment as a desirable state for all types of business with the focal point being their end customer.

But if you understand their value chain, you can help your customer better.

How to be agile and how to respond positively and with little or no collateral damage is a major challenge to any value chain.

This sounds like the words of a management consultant but there are some important and quite complex concepts that need understanding – such as alignment, value chain, stakeholder groups, receptors for customer feedback. The principles are simple but the detail is complex which is why property is so important.

Property plays a unique role in the alignment process for many reasons.

First, most property is built to last a very long time, is also expensive and takes a long time to take from concept to occupation.

Second, it is emotional! Property is symbolically very powerful at many levels. Owning flagship property is not just an investment; it is a statement of power and influence. People have committed and given their lives to get key buildings built over the centuries.

Look at the Pyramids! Look at Windsor Castle, the Vatican, the Coliseum! They are outward, obvious manifestations of their owner's power.

Third, buildings are an institutional investment and the UK has a huge insurance and pension fund allocation for property.

The key for these investors is the length and security of income flows and the upward only rent review process.

However the resulting inertia is in the interests only of the investor, often you and me, and our pensions! Not the occupier.

So because of its essential nature, property is not really a consumable.

Developers and investors can at best only make an informed guess at corporate demand through a maze of professionals and intermediaries with vested interests.

In that context, it is clearly not easy to create and facilitate agility in a corporate estate.

But it is possible. It requires a framework to connect an agile corporate strategy to an agile property strategy and vice versa. The Five Dimensions of Real Estate (© Winter 2004) is an example of a tool for achieving alignment.

A road-map to achieving agility from a property perspective

5.1 - The Five Dimensions of Real Estate (© Winter, 2004)

The model has its conceptual roots in alignment and has been discovered as a frequently occurring driving force from a substantial body of case studies and is now used by a number of world class organisations to check that each property is aligned to the corporate strategy.

A brief review of the forces that contribute to that alignment is useful at this stage, as shown below.

corpra

STRATEGY
INFRASTRUCTURE
PEOPLE
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Five Dimensions of Real Estate Analysis Tool

Symbolism
0

Cost **0** —————————— **10** —————————— **0** Value

0

Inertia / Flexibility

0

Technology

© Winter 2004
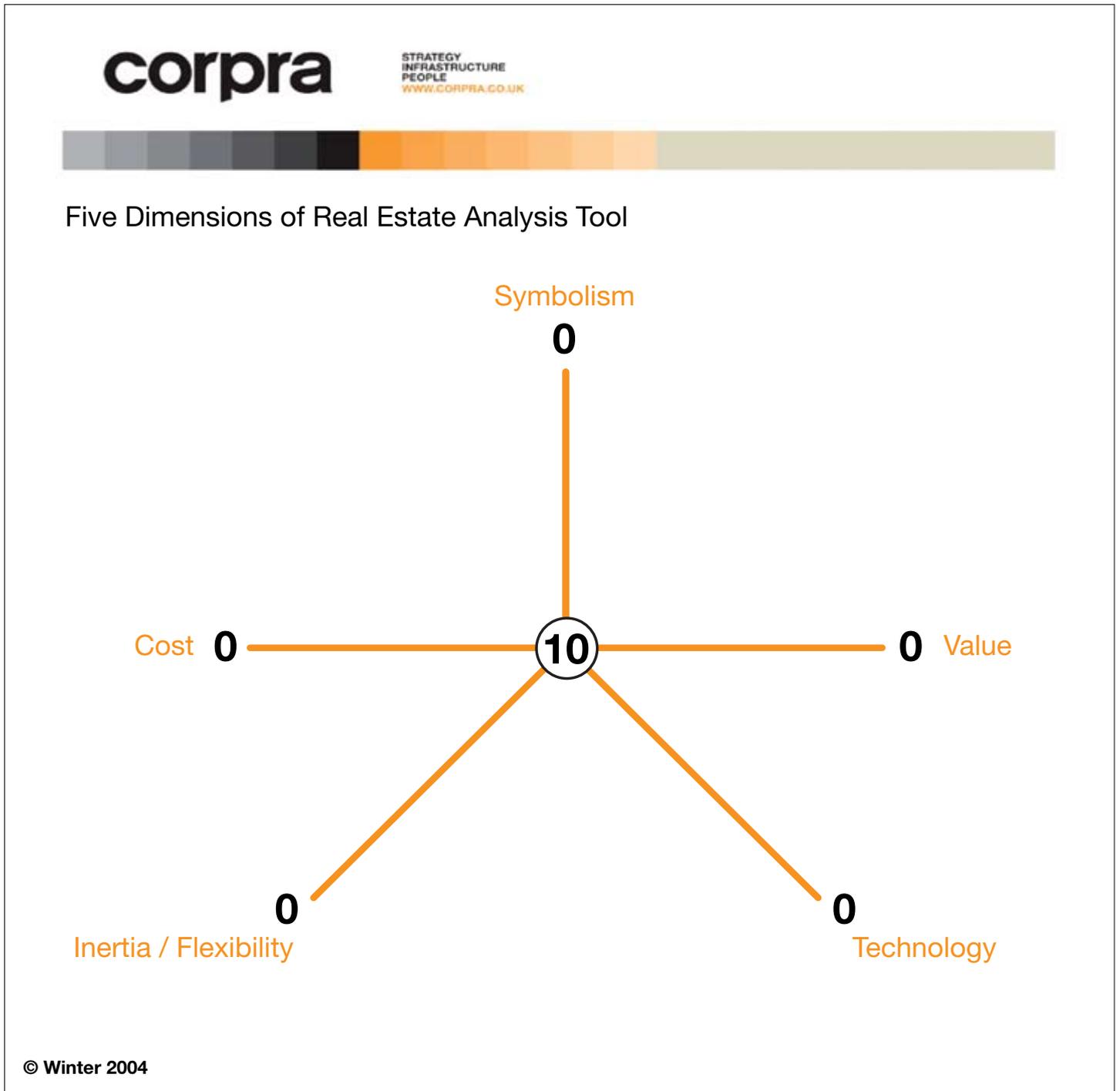
A road-map to achieving agility from a property perspective

A quick check would look at each dimension of the real estate under consideration and score it out of ten. The closer to the centre, the closer to the corporate strategy and the better aligned it is.

Symbolism: From the consumers view point this is very powerful and most evident in the retail sector.

If we go into a particular retail store and its imagery and feel does not match our values and aspirations, we will not shop in large numbers. In a more subtle but equally powerful way, the office, factory and warehouse, send out subtle messages.

It is the only asset class that we walk into and try to make our home or make our territory. We can symbolise our importance by where we sit, what we sit in and how much space we control.

It is in understanding how this symbolism works in organisations that we can measure its importance and alignment with corporate strategy.

Paradoxically, the soft part is the hard part and the part that adds most value. It draws out from employees, stakeholders, consumers, etc, the soft issues that help them connect and creates familiarity with the acceptance of constant change and the agility they seek.

This alignment is not created by the CEO's order or a designer's ambition; it can in fact seriously damage your business if misread and seriously help your business if aligned.
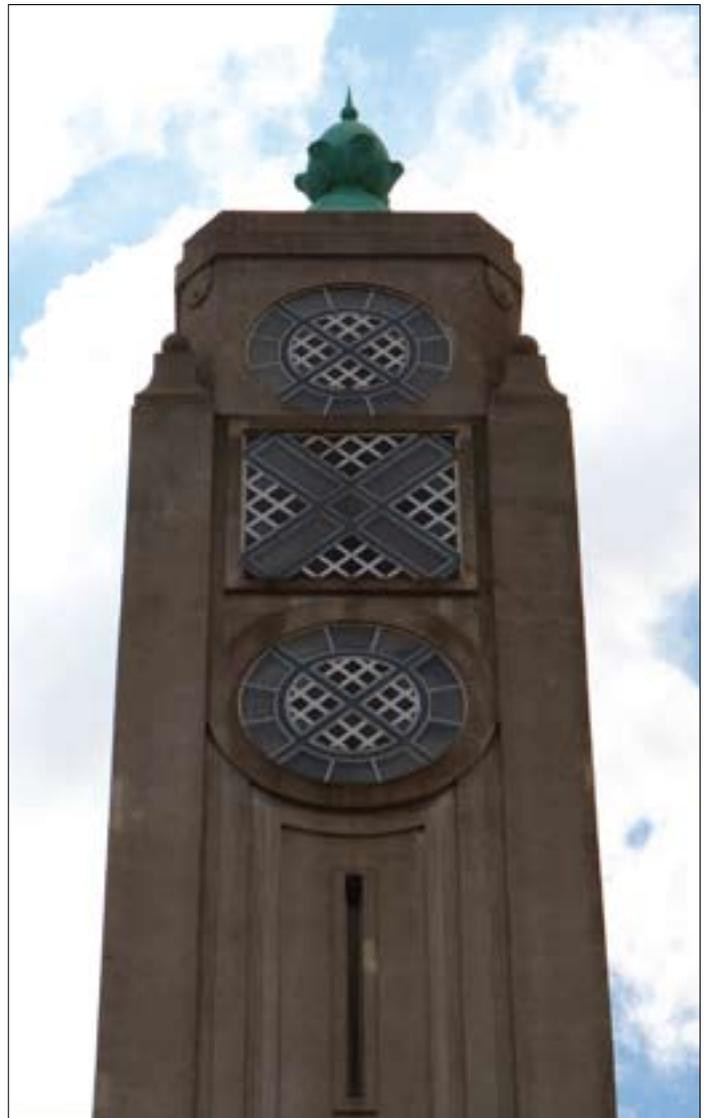
Picture reproduced by kind permission of Isabella Haigh

A road-map to achieving agility from a property perspective

Cost and Value: This is always in a constant tension and again it is about alignment to the business plan.

A low rent space in the poor part of town could cost millions in lost productivity, motivation, brand dilution and be impossible to re-let when you need the agility to move (Manning & Roulec).

Similarly high rent in an expensive part of town can also hold you back if it's only there to add prestige.

Workplaces can add value to organisations as well as have asset value. High cost and high value property can only by attained if it fits your symbolism and you have the work style agility to 'do more with less'.

There are many success stories of a flexible work-style giving the organisation the agility to operate from half the space, in a prime location for recruitment, at a lower cost.

Technology: This is the easiest one but often frequently ignored by those seeking lower cost space.

Regardless of the commercial sector, there is a need for modern and constantly evolving ICT systems in buildings, whether in the production, distribution, administration or retail sales, space must support the production processes not restrict it.

The building is a technology in its own right. Squeezing your processes into an odd shaped space destroys agility.

Inertia: The opposite of agility, the very subject of this report. Long lease length, too much space, restrictions on alterations, low demand locations and ownership inertia, all militate against agility.

Even small improvements in these Five Dimensions can improve competitiveness. But without the agility in the property infrastructure to move quickly, many businesses cannot respond to market trends. This puts those organisations at a disadvantage.

So where would you rather work?
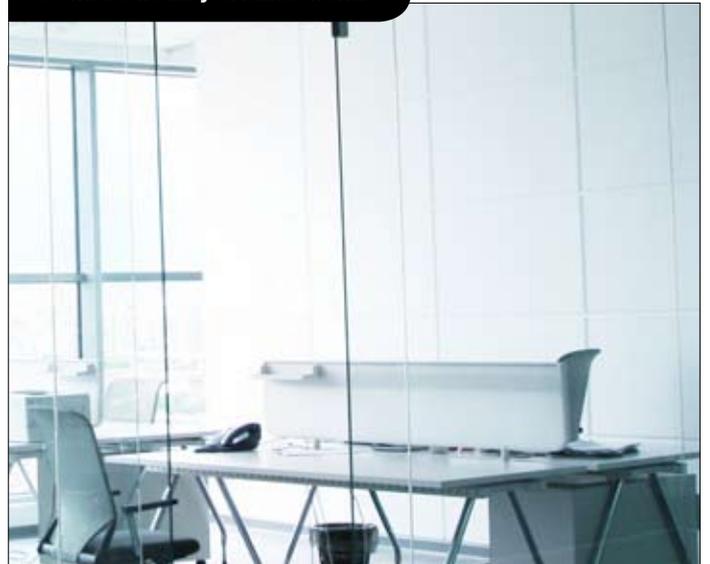
I hope they have a wireless system!

A road-map to achieving agility from a property perspective

Property is clearly much more than a simple factor of production. It is a place for 'people to lead people', inspire, motivate and make them feel part of something valuable.

This creates a sense of community and a sense of belonging. An agile organisation operates from an agile and aligned property base. It should be a sustainable competitive advantage.

Less property, less travel and more flexible working means a much smaller physical presence and a lower carbon foot-print.

At a strategic level, it is clear that a properly aligned property portfolio gives an organisation an advantage over those with misaligned portfolios.

The greater the advantage, the more the property strategy permits and encourages the agility that exists in the minds of many employees.

At a practical and tactical level, the corporate office usually accommodates the key messages and influencers on the organisation. And as such, the driving forces for change and the example for agility.

The property profession plays a major role in providing the platforms and incubators for British businesses.

Providing environments and places that clearly symbolise and facilitate an agile workforce is good for business and good for the workplace. To be part of the driving force of the competitive advantage is a role for the property professional.

The coordination and organisation of data and knowledge is said by many futurists and academics to be the key to success in the future.

Business cycles and product cycles will get shorter. Property should provide the flexible springboard that allows agility.
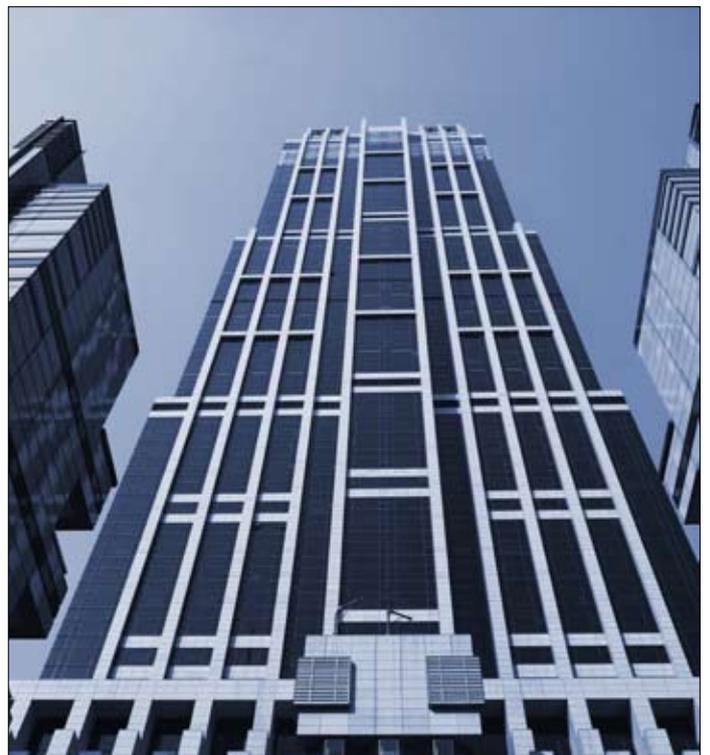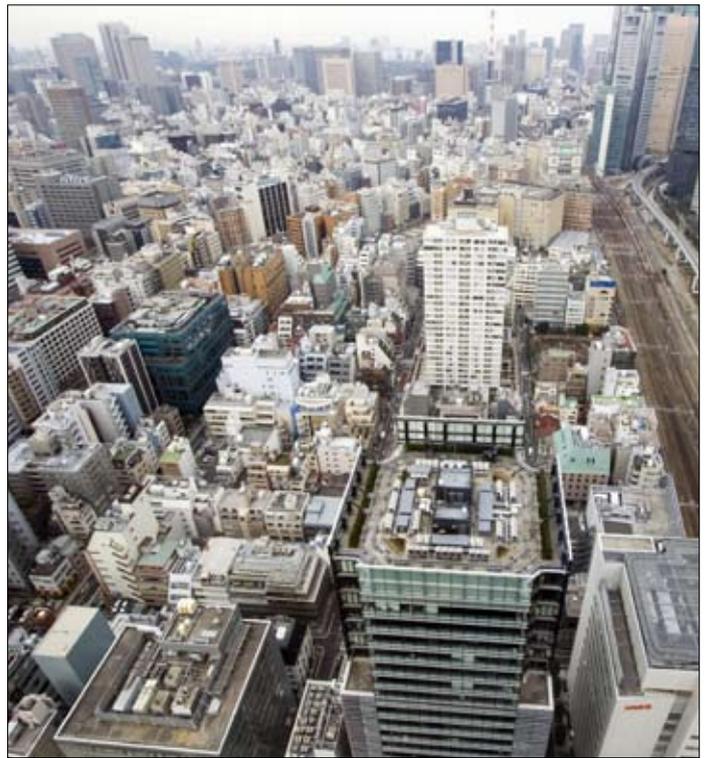
No one needs to be reminded of the pace and depth of change in the world economy. Nor do we need reminding of the globalisation of business, politics and social mobility.

Competition is a worldwide phenomenon and change is now a continual in international business.

Professions and Institutions are no longer immune to competition and change. For many years the UK property professions have had a global reach in creating investment opportunities, construction economics and world class design.

The challenge for those professional is that 'agility means continuously improving work and the infrastructure that enables it'.

An agile workplace is one that is continually transforming, adjusting and responding to organisational learning (Jorof *et al*., 2003).

We now need to look much closer at how the property professions can support the growth and development of an enterprise in this hyper-competitive global market place.

Much of our GDP comes through the management of business and services. In the office workplace, innovation is important but the flexibility to adapt constantly to market and customer changes is the key to competitive advantage.

To help improve the lives and opportunities for many workers, legislation has already been passed to support everything from the part - time working to full time, compressed hours to working from home and many states in between.

These are some of the many forms of flexible working. The challenge we now face is agile working.

The ability to move between different working practices and onto new ones.

The agility to respond to change quickly and efficiently requires a strong core base and a flexible and responsive platform.

The property industry provides the platforms for organisations and has done so for millennia.

It is now time to innovate again, look at our business models in the light of the opportunities ahead of us and use them to maximum advantage to make flexible property platforms become business spring boards.

Agile working needs better places and spaces and it needs the essence of the values of the organisation to re-motivate and energise a workforce into working flexibly.

This means better management and better work places to maximise agile working. *"Agility requires a dynamic relationship between work and the workplace and the tools of work. In that relationship, the workplace becomes an integral part of work itself"* (Jorof *et al*., 2003).

We agree with the philosophy of this approach but it fails to recognise the effort and energy required for management and the workforce to accept change universally as a positive continuum.

If businesses continue to change, the property supply chain must change. Sometimes but by no means always, the property supply side can bring leading edge change practices to its role.

As we said earlier, in the words of Winston Churchill, *"First we shape our places and then our places shape us"*.

The challenge for property professionals is to innovate and produce new business models to make flexible property platforms become business springboards.

Appendices

Metro article – 27th August 2008 – by Alan Radnedge

Britain is set to become the most populated European nation within 50 years because of high immigration and birth rates.

A Eurostat report published by the European Commission predicts that by 2060 Britain's population will have risen from today's figure of 61.2 million to 76.6 million, making it the most crowded nation of the European Union's 27 member states.

Immigration and birth rates are the main contributory factors to the changes predicted for the UK.

The numbers are almost equal - 7.7 million people are forecast to have migrated to the country by 2060, while a further increase of 7.69 million as a result of births and deaths will raise the population total by 15.4 million.

A Home Office spokeswoman said: "Projections such as these are proof that we are right to be carrying out the biggest shake-up to the immigration system for a generation.

But in 50 years only two people of working age will exist for every one over 65. At the moment the ratio is four to one.

The UK population has risen by 388,000 since or mid 2006 to hit 60.975million.

"Centre-stage is our new Australian-style Points Based System which means only those we need can come here to work or study."

Alasdair Murray, director of think tank CentreForum, said that the figures must be taken as a prediction and not as a certainty.

Germany is predicted the biggest population drop, down 11.4 million to a total of 70.7 million, a drop in birth rates cited as the main factor.

Figures also show that the total population of the EU will rise from 495.4 million in 2008 to 520.7 million in 2035, and will slowly decline to 505.7 million by early 2060.

It is also expected to be made up of older people. People aged 65 years or over are predicted to increase from 84.6 million to 151.5 million and those aged 80 years or over is projected to almost triple from 21.8 million to 61.4 million in 2060.

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Appendix II

AAT Case Study, from MCA awards 2008
Winner of the Best Small Firm and Change Management Category

BEST SMALL FIRM

Best Small Firm, and Change Management category winner

CORPRA

WITH THE ASSOCIATION OF ACCOUNTING TECHNICIANS (AAT)

Best Small Firm award sponsored by

Atos Consulting

The Corpra team helped CEO Jane Scott Paul and president Tim Light to bring a customer-centric ethos to the AAT

Walk into the Association of Accounting Technicians' shiny new premises, on Aldersgate Street in central London, and you'll be greeted by a wall plastered with pictures of every member of staff. But here's the fun part - each face is made of movable parts, so you can swap the CEO's forehead for the secretary's chin, or the PA's nose for the marketing manager's grin.

It's more than a bit of fun. It's a powerful symbol and leveller, giving every employee a face and personality, reminding them every morning that they are all important. This gives a small insight into the remarkable culture change that has taken place at the AAT, which only a couple of years ago was stuck in a rut, working in safe, staid old ways. It dotted the i's and crossed the t's, but struggled to see beyond ticking boxes.

The Association helps students who have not been to university or can't afford to train for accounting qualifications. But its membership was stagnating and thousands of potential candidates were missing out because they didn't know about the organisation. Meanwhile, its managers were pre-occupied with pleasing the AAT's ruling council rather than nurturing their staff.

Corpra was engaged to advise on the AAT's relocation and growth plans. The AAT's council thought more floor-space was needed to expand services, but Corpra saw the move as an opportunity for a more significant shift – a cultural change throughout AAT. So what began as a simple lift-and-shift job turned into a wholesale review of the way the organisation worked.

The consultants suggested that, rather than buy a big new freehold property, the AAT should move into smaller leasehold offices and release substantial capital by selling its old HQ. Staff would work better as a team in open-plan offices on a single floor.

Council members were wary, and when the £6m sale of the old building fell at the last hurdle – not once, but twice – they could have abandoned the idea. But they realised that pressing ahead would give its employees the chance to work differently. By introducing flexible working (welcomed by staff) the AAT was able to reduce its office needs from 22,000ft to 14,000ft. Corpra then clarified its *raison d'être* by setting out four key aims: acquiring students, deepening their knowledge, retaining members, and providing fulfilment through continuous learning and professional development.

The recruitment and development departments were brought together to provide better service to new and qualifying members. The marketing team was refreshed, giving the Association a far better chance of attracting new students from areas of the country that were under-represented. A leadership programme challenged managers to become more customer-centric. And a specialist agency (17/7) was brought in to improve the AAT's branding to the outside world.

Has it worked? The AAT now has a clear set of values, powerful branding, more money and more members – since the changes, the organisation has attracted another 16,000. And employees (the ones you first meet on the lobby wall) seem genuinely enthused about their jobs, working for a dynamic body that now stands to benefit generations of young people.

'Corpra opened us up into being more radical,' says CEO Jane Scott Paul. 'They made us more adventurous. They gave us the confidence to go for it.' ∎

Take-home tips

Languishing in unsuitable premises, the AAT had become bureaucratic and lost focus on helping its members. Advice from Corpra helped it achieve workspace economies, release capital and develop a stronger brand – all grist to the mill in better serving the membership (up by 16,000) and raising the morale of staff.

- **Open your mind.** An office move is an opportunity to do more than shift furniture.
- **Engage** every member of staff in the changes.
- **Use feedback** from employees to inform your actions and choices.
- **Let managers lead the process**, not consultants.

MCA MANAGEMENT AWARDS 2008 **5**

Appendix III

THE BT case study

Believed to be one of the largest flexible working projects in Europe, 70,000 BT employees are now involved in the BT Work-style Project. By 2005, BT was saving 725 million-plus per annum through reductions in its office estate alone. Within that figure, BT's 11,600 home workers save the company £104 million a year in accommodation costs, and are on average 20 per cent more productive than their office based colleagues. For customers this means that their issues are handled more immediately. Flexible working also allows BT people to be more project-based: teams across many disciplines can be pulled together quickly to solve a particular problem.

The starting point for the project was the recognition of a stark fact: in the digital networked economy true competitive advantage is conferred by the ability to anticipate and react quickly to change. BT saw that flexible working would be a key enabler of the required transformation. People-led and supported by the right technology platforms, enabling factors for the BT Work-style Project included clear policies and careful measurement, leadership from the top, cultural and behavioural change, and development of the right equipment and workspaces for people's jobs. A phased approach was taken, with focused projects followed by a broader rollout. Home working is just one of the work styles that BT has implemented in a spectrum that includes nomadic and in building flexible working around the world.

Happier BT people are enjoying a better work life balance. BT home workers are taking 63 per cent less sick leave than their office-based colleagues. The retention rate following maternity leave stands at 99 per cent compared with a UK average of 47 per cent, saving BT an additional £7.4 million a year. In terms of Corporate Social Responsibility (CSR) BT is avoiding the purchase of approximately 12 million litres of fuel per year, resulting in 54,000 tonnes less CO_2 being generated in the UK. Teleconferencing has eliminated the annual need for over 300,000 face-to-face meetings, leading to savings of over £38.6 million a year. This has also removed the need for over 1.5 million return journeys – saving BT people the equivalent of 1,800 years commuting – with further environmental benefits.

Lean principles – 'The Unipart Way'

"The Unipart Way" (based on learning from Honda, its own history and the Toyota Production system) is the name the company has given to its methodology. It involves a process of continuous measurement which is designed to lead to a reduction of wasteful activity, thereby ensuring the best deployment of time and resources.

The methodology is not without its critics. Most publicly, the work done at HMRC was censured by PCS general secretary, Mark Serwotka, who stated, "By reducing staff to nothing more than machines on the whim of consultants, the department is undermining the morale of staff who face imminent job cuts and office closures." This is the second time lean has been publicly criticised: previously "The HMRC's Lean programme, which aims to improve efficiency, has already resulted in a work-to-rule and overtime ban among 14,000 civil servants."

HMRC argue that Unipart's work has produced significant benefits for them. An HMRC spokesman said: "Lean is all about offering a better service to our customers and staff. It is a key element in HMRC's plan to provide improved service and meet efficiency targets. Staff are asked to organise their desks when shared with colleagues to avoid clutter and to make sure they have everything set up to do their job effectively. Any suggestion that staff are restricted to a pen and cup on their desk is simply not true. Rather than making work boring and repetitive, staff are being invited to work with their managers to improve the way tasks and systems are developed."

The independent NAO report of 6th July 2007 describes the purpose of Lean as "to streamline key work processes to eliminate duplication or reworking, improve accuracy, increase productivity, and reduce lead times in processing cases", and it predicts savings to the taxpayer of £440 million by 2011 "the majority of which will be achieved through implementing Lean."

(Source: www.en.wikipedia.org)

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Where to go for further information

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