

The property challenge



Before a facility can be managed, it must be chosen from the increasingly bewildering property marketplace. **Andrew Pegg**, managing director of Midas Corporate Consulting, gives his advice on selecting a building to fit a company's needs.

When it comes to taking a strategic view of how property is performing for a business, how well are FMs advised by their consultants? Do they receive truly objective professional advice? How can they be confident of achieving the best building for their company?

Any operational property strategy should dovetail with the overall strategy of the business in order to achieve an integrated, sustainable and beneficial solution.

Property is often considered only as an asset on the balance sheet, an overhead on the profit and loss account, or a factor in production rather than as a business tool.

In the absence of appropriate advice and expertise, FMs are often left trying to find an immediate solution rather than a building tailored to longer-term business needs.

The risk is therefore of a short-term compromise, entailing inefficiencies and unforeseen costs and difficulties that will ultimately consume management time and resources.

Alternatively, if no strategy exists, valuable opportunities may be missed.

The property market often seems to be driven by the hope of rising values or transferring risk to others, whereas industry needs cost stability and management of risk by those best placed to deal with it.

The changes sought by government to provide greater flexibility in the property leasing market are still largely unknown or disregarded by both the property industry and commerce alike.

Furthermore, the traditional remuneration structure employed by many property consultants and agents is geared to property value and not to the benefit of the client. This dynamic exacerbates the problem of focus within the market place.

An agent's remit is often simply to satisfy the occupier's perceived requirements, rather than to work with them to identify the long-term needs for the organisation.

However, business needs are becoming more complex in property terms and many forward-looking businesses are realising

that the property transaction is now only one part of the overall accommodation infrastructure and plant solution. They realise the importance of achieving the right solution – one that unlocks the value of the business potential, improves productivity, minimises risk and contains cost to an affordable level.

The challenge to FMs and their advisers is to consider property within the wider context of business drivers, HR considerations, evolution in IT and what these mean in terms of cost, future use of space and organisational culture.

Workplace changes demand a co-ordinated management response. With increasing competition in the market place, and more affordable and workable IT systems, the future workplace will continue to evolve and provide greater opportunities for businesses to manage their property needs effectively. This will demand a much greater crossover between the different management functions of operations, human resources, technology, finance and property.

This change demands that departmental silos be broken down and interests merged to consider the future of the workplace as an entirety. This will in turn require management to think laterally about how they can achieve better use and co-ordination of resources. This is where



Window of opportunity: FMs must be clear from the start what they want from a building

outsourced property advice can be advantageous in terms of releasing management time and resources and mitigating risk in the decision-making process.

Property outsourcing has certainly evolved following the experiences encountered under the first and second generation outsourcing contracts. We are now in a phase where businesses have become more intelligent and informed about their needs.

However, Total Property Outsourcing models need to evolve further if they are to be seen to be capable of matching buildings to business needs.

But the onus is not solely on the outsourced provider to develop their operating model. In any outsourcing arrangement, businesses need to be clear what they want, what risk they are prepared to transfer and at what cost. There is now a far better understanding of the risks involved and how to transfer that risk, if appropriate, particularly at the brief development and contract negotiation stages.

Not only do the present outsourcing providers need to rethink how they respond to the evolving market place, so do the traditional property advisers, whether in house or external.

New models and service platforms aligned to clearly defined business objectives are required. Establishing what can and will be provided, and equally what will not be provided, will provide clarity and focus to the outsourcing contract at all levels and allow it to withstand scrutiny in due course.

Each business will have its own unique set of performance drivers. Understanding the business and its objectives will be key if the right performance measures are to be established. This will require an early partnership based on confidentiality and teamwork, which requires trust to be established between the client business, the potential outsourcer and their respective advisers. This will, in turn, allow a focused, effective, long-term solution to be developed based on knowledge, risk and profit share. ■