

Move now on Games strategy

Relocation Businesses that will be displaced by the Olympics need to start planning, says Andrew Pegg

There is a great deal of focus and excitement regarding the development and construction opportunities of the 2012 Olympics. However, much less public attention is being directed towards the situation faced by businesses already in the Olympic area.

Land assembly for the Games will inevitably be a difficult, sensitive and time-consuming process – one-fifth of what is needed is yet to be acquired. Around 300 businesses need to be relocated, ranging from 300-400 person businesses down to one-man bands. Negotiations are ongoing but compulsory purchase orders are in place if negotiations prove unsuccessful.

Many of these businesses have been in the district for years. They have never had to face the pressures of a move, particularly when it is likely to be from a lower- to a higher-cost site, which could threaten the long-term viability of their company.

It is already recognised that there is a problem with finding suitable premises of the right type and cost and, as yet, relatively few alternative buildings and few new buildings are coming to the market in the local area. When they do, they are likely to be more expensive, with a consequent effect on the bottom line.

It is unlikely that statutory compensation will cover all relocation costs, particularly when the all time and effort is factored in.

Last-minute dangers

It is also unlikely that holding out or waiting for “someone else” to resolve the problems will make businesses any better off. Compensation is unlikely to be increased and businesses could be left with the problems and costs associated with last-minute decision-making, as well as a scarcity of options.

Key sites need to be vacated by 2007, others by 2009. Although this may seem a reasonable amount of time, in reality businesses need to start thinking now about the action they should take. They need to develop their strategies in relation to both the authorities and, more important, their own business development needs to maximise the opportunities of the move, in both the short and long term.

The businesses will need professional help. There will be some practical assistance from

the development authorities but, given the limited resources available and conflicting priorities, it will be difficult for them to provide the level of strategic understanding and advice that most companies will need.

Conflict of interest

Inevitably, the authorities’ main focus is on development and legacy. Their key objectives are to create the opportunities for this in the most straightforward way possible and with the lowest costs. This makes it difficult for them to act in the best interests of the businesses that are to be relocated because of a conflict of interest.

However, by working with independent property advisers, and through careful preparation and strategic planning, compulsory relocation can become a business opportunity for both the companies being relocated and the development agencies. Foresighted property firms are already working with businesses in the Olympic area and elsewhere to provide strategic and practical support throughout the whole process.

Business continuity and opportunity

Regrettably, there will be some marginal businesses where retention and continuity may not be viable. However, for others, relocation presents a real opportunity for businesses to realign their property strategy with their business strategy.

Firms that take a proactive approach will benefit the most, both in terms of the attention they receive and the outcome they achieve. The challenge for the businesses and their professional property advisers is to identify the best long-term business solution rather than just the immediate one.

To achieve this they need professional consultancy that goes beyond a transactional-based approach – an approach that takes into account not only the traditional location, cost, value and property issues but also the business challenge, the people, the new ways of working including outsourcing, new technology, and organisational and logistical issues.

This strategically based process can unlock the value of business potential which may, in turn, offset higher property costs. It may lead to a solution that does involve a higher-cost property location but a lower overall cost business solution. By aligning property strategy with business strategy in this way, relocation can be a means to improve future efficiency and profitably and thereby achieve the wider goals of the Olympic challenge.

Andrew Pegg is managing director of Midas Corporate Consulting

Key points

- Businesses need to think now about relocation and the action they must take
- Statutory compensation is unlikely to cover all relocation costs
- Firms having to move will need independent professional help with this

Few buildings are coming to the market in the local area. When they do, they are likely to be more expensive, with a consequent effect on the bottom line