



# Resourceful **thinking**

*Property strategies that take account of the business's current and future needs can make a real impact on profitability, says Andrew Pegg*

Property is a significant cost to a business, second only to people. If a company fails to take account of its business drivers in its approach to property management – including issues such as changes in customer needs, operating costs or new technology – it can easily become uncompetitive. Organisations may carry property they don't need, or be held back by inadequate and unsuitable premises. Many only address accommodation issues when they become major problems.

Some think that to simply buy a building will provide long-term security and investment. Others avoid the core issue of identifying the real needs of the organisation and defer the issue because it will be disruptive. Yet in many cases, there is an opportunity for the organisation to deliver more effective performance by developing a long-term property strategy. The benefit can be equivalent to a considerable increase in sustainable sales.

All organisations want to keep their overheads low, and where the organisation is financially stretched or not meeting targets, financial directors may feel pressured into taking property decisions. But in addition to cash in/cash out, FDs should look at wider



*The Biochemical Society has moved to offices that promote a more collaborative culture*

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issues, which have a knock-on effect on the impact and effectiveness.

Often FDs do not know the actual cash position of their business. They may be looking at quarterly calculations from an EBITDA (earnings before interest, taxes, depreciation and amortisation) point of view, but this does not show the peaks and troughs of their cash position, and that can lead to sudden or unforeseen difficulties. Yet if managed well, property can provide a long-term contribution to EBITDA. A change at business level often has an impact on the property requirements of the business, so a careful review should be undertaken to see whether property is an asset or a liability. Property is a drain on cash, so it is important to look at the debts, outgoings and usage to see where the effectiveness can be consolidated or reduced.

Property should be regularly reviewed against the business plan and future business needs. Too many companies approach their property requirements on a transactional or piecemeal basis, when an integrated resourcing strategy, taking into account issues such as flexibility in working practice and improvements in IT, can help solve resourcing issues. Renegotiating lease terms can be beneficial if approached in the right way with appropriate expertise.

Any review should examine the relevance of property to the strategic business requirements, and attempt to identify potential risks to the business. Mature companies, not-for-profit organisations and local authorities are often

weighed down by legacies of excessive infrastructure and associated costs arising from their past undertakings.

While the costs may be assessed and accounted for, the focus is generally on reducing costs. However, it may be more beneficial to develop a forward-thinking integrated resourcing strategy which may ultimately deliver greater competitive advantage than less forward-thinking competitors. Otherwise they may be at risk of becoming a target for investors seeking to extract latent value from their property.

### WAYS OF WORKING

Organisations still do not, by and large, look at how they could save money by changing the way they work. Take the situation of two charities. One has over 400 people travelling into its head office in central London each day. Yet under its disaster recovery plan, only 36 are actually required to be based in London to run the business for several months. The second has over 120 staff accommodated at head office. However, on any one day over half of these are out on business.

The first charity is facing the prospect of its £1m property costs more than doubling when its lease expires in a few years' time. The other is looking to build new offices and temporarily relocate based on a perceived need for a new London headquarters. In our view, neither of these costs needs to be incurred, or at least not in full, if the organisations start looking at their resource needs now.

*Space for socialising is a key element of the Biochemical Society's new workspace*

Although some costs of doing business will inevitably rise, an integrated resourcing strategy can help companies identify new opportunities to keep these increases to a minimum. Such a strategy could include taking advantage of lower-cost options, for example, and action to reduce total operating costs.

A holistic approach is vital. The Biochemical Society, a charity that promotes life sciences, needed to change offices. It consulted Midas, which helped it consider its organisational culture and the opportunities for positive change by moving to a different kind of space and location. A property in Holborn was chosen partly because its cost was lower than the alternatives, but also because its size and configuration matched the society's desire to develop a more collaborative culture.

With the introduction of mobile telephony

quality control and provide ancillary services to support their ways of working.

But because traditional ways of working are changing, many companies find that their need for space has changed. Now they may require meeting space, project space, touch-down and dedication space to complement home working, for example. They need to ask how much of this they need to occupy and hold themselves, and how much could be resourced in other ways.

A solution may be to seek fully flexible accommodation that reflects the operational needs, both in terms of current and future use, but also provides for alternative uses of space. Therefore there needs to be flexibility in the design and construction of the building and internal space to support a possible change in business needs, taking account of planning issues in the event of any future change of use or redevelopment.

Midas advocates that businesses and other organisations look at their use of individual resources to see if there are merits in developing an integrated resourcing strategy. The 'old model' was to look at resources employed as part of the 'on cost' of doing business. Now there is an opportunity to look at the full use of resources. An overall resources and objectives strategy includes:

- HR strategy
- Transport strategy
- Management strategy
- Quality support
- IT strategy
- Cultural strategy to support implementation
- Outsourcing strategy
- Disaster recovery and resilience
- Exit strategy.

Ultimately, this comes down to adopting a procurement and accommodation strategy as a strategic tool to help drive the business forward. By looking at these issues in the context of the business objectives, an organisation has the opportunity to transform its business performance and improve the quality of its working practices and its profitability. The strategy will enable change with minimum disruption, while helping the organisation improve its environmental footprint and meet its CSR goals.

Business needs are becoming more complex in property terms and organisations should take specialist advice to ensure that their property portfolio continues to be an asset rather than a liability **fmx**

#### Further information

Andrew Pegg is managing director of Midas Corporate Consulting, an independent commercial property consultancy dedicated to helping clients improve the performance of their business through better use of property assets.

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and improving IT technology and infrastructure, it is now possible for people to work in completely different ways compared to even three years ago. However, many corporate and not-for-profit organisations (and even some start-ups) still adopt old styles of working, often tied to a particular lease or location, often in the belief that it is too expensive and too much trouble to move, or too risky – that change will harm the business.

Many companies – from media through to professional services – have changed their use of resources but not integrated that change within the business. It is not uncommon for us to find organisations carrying between 25 and 50 per cent excess property.

Companies need accommodation for many different reasons, not simply as a place where their employees carry out their work. An office or building is needed to represent the organisation, store hard data, accommodate central functions, conduct brainstorming sessions and project review meetings, ensure