



## THE AUTHOR:

Stuart Knight was formerly a partner in the Manchester office of Drivers Jonas working as a strategic consultant and head of local government. In 2010 King Sturge appointed him as head of local government in its consultancy team.

King Sturge is a leading supplier of property services to owners and occupiers in the UK industrial, office, retail, hotels & leisure, healthcare and residential sectors. Their services include agency, asset management, building consultancy, business recovery, corporate real estate services, investment, lease consultancy, planning, valuations and plant and machinery. They are experts in residential land and mixed-use developments and also offer a complete range of financial services to the property sector.

Stuart Knight was appointed to enable King Sturge to secure more work from local authorities, as they look to rationalise their property portfolios to cope with public sector spending cuts. Stuart said: "King Sturge has a great track record of delivering solutions to public sector bodies, and I will be combining this with my skills in the local government arena to provide cost saving and value generating solutions for councils."



## THE AUTHOR:

Paul Smith formed Affinity Consultancy earlier this year. He was previously head of Property Business Services at Hertfordshire County Council, and before that held positions as Proprietor of Facilities Solutions, Regional Account Manager at Procord, Senior Design and Construction Project Manager for IBM UK Ltd and Principle Architect for Lancashire County Council.

His current position relates to the provision of strategic and operational, property related services such as portfolio rightsizing, organizational restructuring, process re-engineering, project management, moves management, design procurement, contract management, interim management and FM advice.

# BEYOND ASSET MANAGEMENT

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ACES Presidential Conference  
Newquay, September 2010

ACES Paper No 10.09/7 by

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## BACKGROUND

Stuart Knight was formerly a Chief Officer and Head of Property at Bolton MBC. In 2010 following a period with Drivers Jonas he was appointed as Head of Local Government at King Sturge with the objective of working with local authorities on Asset Management and PPPs as they look to rationalise and improve their property portfolios.

Paul Smith has extensive private sector experience with, for example, IBM in the UK Corporate Property Department and ASDA during their great period of change in Archie Norman's tenure. Having moved over to the public sector he was Principle Architect for Lancashire County Council before becoming Head of Property Business Services with Hertfordshire County Council. Paul formed Affinity Consultancy Services in 2010.

## Agenda

The purpose of this paper is to look beyond asset management and we intend to focus on 3 main areas.

Property today, including current local authority asset management best practice, and an office accommodation case study for Hertfordshire County Council

Demographics including generations, people, young people and cultural change and the next working population

Property tomorrow, and the implications for local authority property



You will all be familiar with the RICS asset management guidance and this model. There is a lot of best practice advice, from the RICS, from CIPFA, from private sector organisations, all telling you how to do asset management. It is all similar

and a bit uninspiring, starting with strategy, leading to AMPs, delivery and then cyclical review. However, there are some jewels that are often ignored yet important. We want to focus on the heart of this particular model where it talks about "leadership and culture". We want to go right to the business drivers. Asset Management is not really about property, it is about business, and for local government it is actually about delivering services for the community.

## Office Management Strategy

What is our standard asset management model? Generally speaking we expect to see, in asset management terms, assessment ratings of condition, suitability, sufficiency, financial issues, probably environmental factors and other things that lead managers of property to decide the most efficient use of the budget to support services. We would also expect the standard office accommodation model to have some sort of space standards dealing with people space, i.e. square metres per person, as well as for storage and support areas. This would lead on to a space utilisation analysis enabling the property manager to decide if there is excessive space which could, of course, lead to portfolio rationalisation, reductions and down sizing. This process has been going on since the beginning of the eighties and in the public sector we have seen 2 important publications by OGC and DEGW called Working Without Walls, in 2004, and Working Beyond Walls, in 2008. The first one deals with the technical aspects of property management and the second deals far more with people and how people can be used to make our functions effective.

## The Hertfordshire County Council Case Study

That process of evolution can be seen in the Hertfordshire County Council case study. It is one that Paul was personally involved with although it is not the only one of its type; there are many others. Hertfordshire's project started its life as a space rationalisation programme and throughout there was also talk of other property opportunities such as portfolio outsourcing, sale and leaseback and the like.

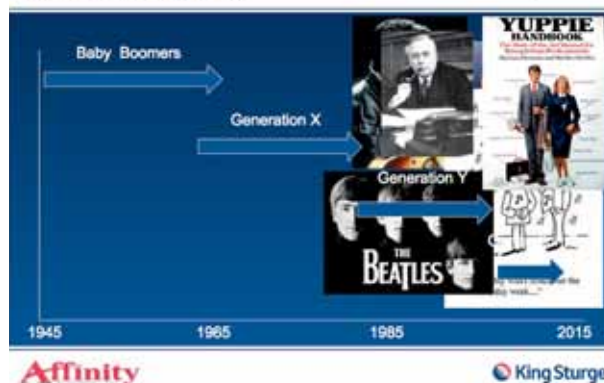
The outcome was to reduce 50 buildings down to 3 and achieve a 30% space reduction. Culturally the programme moved from cellular office space use to open plan and vastly reduced storage to allow that to happen. Multi-functional spaces were used far more efficiently, so too restaurants and cafeterias were used for impromptu meetings and designated meeting rooms were bookable to improve utilisation and track non-attendees. Further cultural change introduced staff mobility and inevitable changes to management styles and techniques. There is invariably resistance to change. We are dealing with human beings, and the resulting staff resistance has to be managed very carefully. It is absolutely essential that communication processes are open, honest, transparent and continuous, and management support from the top team is essential.

As well as the property technical issues the second aspect of the Hertfordshire project was people engagement, why

should they do it? One encouragement is mobile technology. Previously at Hertfordshire County Council Blackberries were allocated on the basis of seniority. Now they are allocated on the basis of need, as now are laptops and electronic writing pads. For social workers this allowed them to write up case notes while they were with the client and to download them there and then, without going back to base. So the staff gain more time in front of the customer.

Flexible working helps the organisation and helps staff to feel empowered and to start to make decisions. They have life style options, they work when they need to, not necessarily on a 9 to 5 basis. And so management styles have to change. It does not matter where you work, or how you work, the important thing is output; work is no longer directive lead. Relationship management becomes far more important. It is not about whether you see a member of staff sitting in front of you at a desk so you know they are present but it is the quality of what is produced; outcomes not inputs. The one intangible and unquantifiable outcome is the motivational benefit. People really did feel empowered and tended to work more and at times that were more beneficial to the customer and not necessarily between the 9 to 5 stereotypical work hours.

### Demographic Change



Now let's move away from property and think about demographics. This slide illustrates the various generations who are likely to come into the workplace.

**Baby Boomers** were born between 1946 and 1964 and were, for example, children at the time of Elvis Presley and The Beatles. This generation were born after the war, when there was a big increase in the number of births, and there was an expectation for improvement in life. The social demographers tell us this generation regarded themselves as special and they are special. They own 80% of the wealth in the UK; they generate 80% of the leisure and travel industries budgets and own 80% of the high marquee cars in this country. This generation is already retiring and will be out of the work place by 2020.

**Generation X** are those born between 1964 and 1981. This generation is regarded as the high educational achievers generation, and probably because of this that you suddenly start to see a bit more mobility, slightly less family influence,

slightly less parental influence, the roots are starting to be broken, and people are starting to move away from their place of birth. Also throughout the sixties era there was a lot of cultural change going on as a sort of reaction to the war period. This is a period of more freedom, "the swinging sixties."

Generation Y, also called the Millennials, it is the term used for those born after 1981 and up to about 2000, born too young to know what a yuppie is but born during the yuppie self-rewarding, self-centred era. This is an interesting generation in terms of ICT. We are starting to see technology influencing their lives. They are a generation born of baby boomers and are becoming a very difficult generation to manage as they are starting to develop their own identity. What is important to Generation Y are groups and group behaviour, teams and environmental awareness.

Generation Z is the next generation, those that are being born since 2000. We intend to focus on this generation as this is the next generation that is going to come into the work place that we are shaping today. What are they like and who are they? The interesting thing about these generation groupings are their differing perspectives, attitudes, beliefs and behaviours that are influenced, when they are young, by their parents and their peers. And this greatly influences how they will work.

But back to Generation Z, the real technology generation. They are the generation who were born when there was technology, so they know no different. This Generation, unlike earlier ones, care less about groups and teams and are much more individualistic. The reason for this is a lot of these youngsters were not sent to nursery, but were raised by parents, parents who were starting to work part time and less reliant or in need of a 9 to 5 career. Therefore we are starting to see a change as there is a much greater parental impact on these youngsters and that means that they become much more independent and less reliant on individuals around them. But the most striking thing about this particular cohort is how they use technology. Those who have children in this generation will know that they carry the Internet around in their pocket. When they meet with their friends they will talk to them but at the same time they will be texting another group of friends. Everything that they do is portable, everything that they do is done anywhere, and everything they do is instant and wireless.

What does that mean in terms of work? It will mean that they are going to redefine what work is. Work is not somewhere you go, work is an activity, a different mind set. Generation Z will use and rely on technology. We go to offices and buildings to work. They will not do that; they use technology and will have a complete new way of accessing the work environment.

## Generation Z – "The Net Generation"

- Digital natives
- Internet in their pocket
- Self directed
- People of the world
- Avoid real people
- Low attention span
- Impatient and Instant minded
- Individualistic, lack team orientation
- Lack career ambition of previous generations

"Use technology not space"  
"Work is an activity not a place"

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This sums up Generation Z and it is important to us as property managers. If you are building buildings today, are you building for: -

- Generation Z?
- Or for older people who are going to retire?
- Or the future retirees of Generation X and Generation Y?

## Are you ready for cultural change?

- Conducive environment
  - Change drivers
  - Large budget reductions
  - Threat to job security
  - Demographic shift
- "Cultural change is key to successful service transformation"
- Top team lead initiatives
  - Creation of "survival anxiety"
  - Opportunity to create "psychological safety"

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Psychologists tell us that cultural change is the key to successful service transformation, or improvement. The two key drivers in the public sector today are budget reduction and service improvement, or at least, in the current financial environment, maintaining services. We think the current environment is conducive to driving cultural change. Are you going to do something with your property portfolio in the next 5 years, or plan something in for the next 5 to 10 year period or do you intend to sit back and do nothing? Of course, you are being proactive; the change drivers are all there. We need to make large budget reductions. There is already a threat to job security. There is a demographic shift happening. Most senior and middle-aged staff will be retiring soon. The generations following are coming through as decision makers and leaders. They will be the ones taking the initiative, but there is going to be a maelstrom in the attitudes

and the requirements of the generations coming through. All the models clearly say that if you intend to carry out cultural change it has to be top team led, and have a major sponsor or sponsoring organisation to have any chance of success. The top team also needs to take along with it its middle management.

The psychologists talk about the creation of "survival anxiety". It sounds terrible, but the creation of that survival anxiety is important so that middle management can go in and talk to staff, talk to the people engage them, consult with them, ask them to be part of the decision making process, the suggestion process which comes forward with solutions. At that stage the psychologists tell us we will reach "psychological safety" where you have an opportunity to go through that process of engaging whilst at the same time managing the conflicting elements. Excitement on one side and fear on the other as its balancing factor, with elements of courage, frustration, judgement and curiosity going on all the time has to be managed very, very carefully.

## A New Paradigm

Paradigm change happens; I think we may already be in a new paradigm. We may misguidedly think that the job is done if we achieve what we saw earlier on as the standard office accommodation model; if we can achieve space reductions then we think that is it. Not now it isn't, it is only part way along the road to change. Cultural change is happening around us, we do not always recognise it because it happens bit by bit, it is insidious then all of a sudden it creeps up on us. Look at some recent headlines, "We must use the skills of Generation Y" and "Why lecturers should put on a good show, Teaching needs to keep up with the class" and "Staff demand control." News of cultural change is starting to infiltrate the press and starting to be discussed. Lecturers are being told that students do not want the old-fashioned classroom lectures. Your staff will demand control. OK staff are demanding, but the point is being made that in the future much more flexibility in work and to work is required, and different and innovative ways of managing staff are required. The language of the past is starting to disappear; "HQ" is already regarded as being an anachronism and is disappearing from the language. Blue chip companies are concerned and have launched training programmes on how to manage the differences in the generations, how will Generation Z and Generation Y get along with Generation X. Cultural change is real. Some major brand names are already suffering because of the cultural differences of the generations coming through.

## Property Vision

Now let's come back to property. As property managers your business strategy has to address this shift. Asset management is not about finances, the property strategy needs to look at what the organisation needs to allow it to function over the coming 5 to 10 years. What sort of office environment will be needed? So far we have considered asset management processes and looked at a good case study at Hertfordshire showing how you can rationalise and deliver efficiency. But the challenge is to think about the new generation of workers and how to respond to their particular needs. Does

this highlight the need to have a different property vision, or a different way of delivering a property vision?

Let's talk about music. When I was a teenager and a new album came out it was a big event. You would go down to a shop and buy the album and then read it from cover to cover, they had covers, a gatefold sleeve. You would bring this record home and you play it through and through. Then CDs came along, new technology for a new generation. Between technology and the new generation they have redefined the music industry and Generation Y and Generation Z talk about iTunes and file sharing. They have forced the music industry to change fundamentally how they now deliver music. In fact now music is increasingly free and the pop industry makes its money from merchandise and concerts. The whole thing has turned on its head so the music industry has responded to the changes forced on them by the Generations.

How does this sort of fundamental change translate into the property sphere? The theme of these papers is "Property; a driver for change". We say that property can be used to drive business strategy and corporate objectives. These are important to your elected Members. This is not about buildings, it is not about property, it is about communities, and it is about localism; that is what your Members are interested in. They do not care about the buildings. This affects what we do as property managers.

Our suggestion for a vision. We say that we should focus on what we describe as fixed community assets. The community needs leisure centres and swimming pools; they are not mobile and serve a particular community. Similarly schools are absolutely in the heart of community as are doctor's surgeries, libraries and that kind of thing. Clearly it could be helpful to talk about bringing some of these activities together, that is all about community and community focus.

Now let us think about the next generation of workers. Office accommodation strategies talk about satellites and hubs but the next generation does not need to work in the same way, as they are far more mobile and are far more aware of technology. They will redefine what it means to come to work. We will no longer talk about hub and spoke but will talk about work places as "constellations" and about office environments being placed in those fixed community assets. This does not mean more buildings. It means fewer buildings as you can incorporate within the library or the leisure centre a base for people to drop in and work. The technology is already available and will become even more sophisticated over the next 5 to 10 years as has happened over the last 5 to 10 years. So we will see new meeting spaces. It will not be necessary to take your officers out of those communities, they can actually meet the Ward Councillors at a community level, there is therefore effectively a community representation of office staff. The outcome is that in getting rid of traditional office space you are bringing about a greater intensification of the use of fixed community assets. WiFi, WiMax, "Cloud technology", facilitate the ability to access the Internet from these enhanced community assets. Staff will have the ability to access their files and any electronic data. There will be less need to link up to hard-wired servers; "collaboration software" is now available to allow two people to work in different locations on the same programme.

In considering how we now could work differently by creating a hub of activity around fixed community assets then the possibility begins to emerge to bring in commercial users to help provide revenue streams for these assets. All too frequently a lot of local authorities I work with think they need to rationalise their portfolios, as they are too big and they ask how do we start? Usually they start with the office estate as this is in their control, but what we are saying is that you are starting at the wrong end. Start at the operational end and dovetail and slide in your office portfolio into that. That, we suggest to you, is a property strategy, a property vision to do something a little bit differently but is it deliverable?

## Funding

Can it be funded? Funding is changing; there are many existing sources

- Capital build
- Invest to save
- Prudential borrowing
- Sale and lease back
- PFI

We find at King Sturge that, because of the credit crunch, a lot of these sources are now being challenged and new ways are being sought to deliver funding solutions more suited to the current financial climate. These are dealt with elsewhere in other papers, although for operational property investment partnerships, income strips and risk and reward joint ventures are new models and ideal to deliver fixed community assets.

## Conclusions

We believe a new property vision and appropriate modern methods of funding means that property can and will deliver service improvement to communities, because we are now able to concentrate on community assets. That is what elected Members want, and what the community is really interested in, as well as of course service improvement. We will also make efficiency savings as we are getting greater intensification of those community assets, so we are starting to address the deficit reduction as well. And the focus is on localism, as we are right there in the community, on message and delivering the localism agenda.

The crux of this paper is cultural change. We are responding to the next generation of workers and the technology that is increasingly going to be available to them.

Property is addressing and helping support the cultural change that is coming. After all paradigm shift happens.

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