

# **PII-Open 2002**

## **Better designed buildings: improving the valuation of intangibles**

### **Lead partner: Eclipse Research Consultants**

*DTI file reference STBF/04/22C*

### **Deliverable 3: Milestone 3: Workstep 3**

### **Workshop 1 Write-up**

#### **Executive Summary**

##### ***Background***

This report summarises the outcome of the first project Workshop. It was held at the offices of PriceWaterhouse Coopers in the morning of 2 March 2004. It was attended by 13 delegates, all of them core members of the Office Productivity Network. The aim of the workshop was to obtain from delegates their views about the need for new methods for valuing intangible benefits in buildings. Prior to the workshop a briefing paper – based on the literature search about intangibles (Deliverable 2) was circulated to all the delegates. A Delegates' Workbook was devised, which asked series of questions rather like an extended questionnaire, and this was handed to delegates at the start of the workshop. The workshop was run in four sessions:

- 1) General introduction to intangibles, and the contribution of buildings to business performance.
- 2) Whether well designed buildings command a premium.
- 3) The need for new methods to put a value on better designed buildings.
- 4) Promoting the new methods – what actions are needed, by whom, and what are the barriers.

Each session began with a 10-minute introduction, based partly on the findings of the literature search, and this was followed by a found-table discussion/brainstorming session lasting about 20-30 minutes. After each discussion, delegates were asked to record their own opinions in their workbooks – typically they were allowed 5 minutes for this. This write-up is based on the delegate's replies as recorded in their workbooks.

##### ***Findings***

All the delegates report that their buildings have the potential to contribute to a wide range of business process issues. The most frequently cited are:

- teamwork and improved collaboration and communication within groups, across groups and across departments,
- brand image and reinforcement of corporate values to staff, customers and potential recruits, and
- staff motivation, creativity and satisfaction.

These are achieved by various features, but the most frequently cited are:

- open planning
- provision of a variety of types of space for individual and group working with technologies available at a variety of different specifications
- bright, light and inviting interiors
- facilities such as kitchens, cafés, bicycle racks and staff showers.

Buildings can have negative effects on creativity and concentration, as reported by one delegate.

The contributions to business process most successfully met in buildings are reported as:

- Teamwork, communication and collaboration, and
- Motivation and pride through quality and choice of the working environment

When asked about the contributions to business performance that are least successfully delivered, delegates identified several issues. The potential for teamwork can be frustrated by the layout of a building - subdivision into departments on different floors can reduce communication, information-sharing and cross-fertilisation of ideas. Motivation can be reduced by lack of ownership of space through diluting personalisation, lack of privacy, and lack of control over physical variables. High density and excessive bustle can reduce concentration and creativity. A gloomy, uninspiring, or noisy working environment affects business performance. And the possibility of using unstructured or collaborative space intended for informal meetings can be frustrated by the traditional work pattern which involves only two options – at a workstation or in a formal cellular meeting room.

All ten delegates agreed that better building design leads to premises that deliver intangible benefits. The reasons they gave may be summarised as:

- Impact on communication, satisfaction, effectiveness and productivity:
- Flexibility and adaptability to changing or temporary needs
- ‘Look and feel’: loyalty and retention for both occupants and visitors

When asked whether buildings that provide intangible benefits command a market premium, delegates’ replies were mixed. Three said yes, three said maybe and four said no. Although their replies differed, half the delegates identified that the benefits were likely to be client-specific or business-specific, arising from how the space is used – and may not transfer to a second user. As one said, the lowest common denominator allows greater flexibility. Three also identified that the market is driven by the real estate profession and investors/landlords to a degree, and not only do the market makers seek to protect their own interests but also the traditional property market approach to valuation is based on an agreed specification for a particular building type.

When delegates were asked whether lack of appropriate methods to value intangibles holds back investment in the built environment, their replies were mixed – five said yes, four said maybe, one said no. Whether replying yes or maybe, there was consensus in the reasons given. Several delegates reported the difficulty of demonstrating, proving and quantifying the added value obtained by better buildings so as to convince a board to make the necessary investment – as a result costs rather than value were dominant, and decision-making was conservative based on the cheapest ‘do nothing’ option. As one delegate put it: ‘To date there is no commercially accepted scoring system to include in accommodation business cases to justify investment.’ One delegate noted that intangibles are user-specific and do not influence external building value. Finally, one delegate noted that there was a need to identify the intangibles that measurement/valuation might help to influence.

Delegates identified several actions by building owners needed to introduce new methods, which may be summarised as:

- Greater awareness and recognition of the added value of their property provided by intangibles.

- Evidence and measurement of the business benefits and operational returns arising from improved functionality and raised productivity, leading to better marketability, better returns and lower tenant turnover.

There was good agreement among the delegates' replies about the actions by building managers needed to introduce new methods. When drawn together, these actions centre around:

- Being proactive in getting closer to occupying business units to look at outputs and outcomes and linking these to building management decisions.
- Recognising the trends and aspects that add value.
- Gathering data from end users, and developing in-house benchmarking and valuation tools that identify and report on the intangible benefits.
- Sharing data with others externally to contribute towards a common method of evaluation.

There was good agreement among the delegates' replies about the actions by building designers needed to introduce new methods. When drawn together, these actions centre around:

- Recognition that design can add value to the occupiers' business processes and must reflect business needs.
- Better understanding of the use of the building and the functionality required.
- Investigation of the components that contribute to intangible benefits.
- Design to suit people and processes or at least to be flexible enough to accommodate a range of processes and different organisations.

There was also good agreement among the delegates' replies about the actions by surveyors and valuers needed to introduce new methods. When drawn together, these actions are:

- Greater awareness and understanding of how buildings affect productivity and business performance
- Recognition that intangibles can have an impact on value and saleability of a property
- Setting criteria to differentiate the bad from the good
- Developing measures to identify and rate intangible benefits
- Translating improved understanding into a standard format and set of rating criteria.

Delegates proposed various actions by others parties to introduce new methods. These included:

- A need to raise the profile of intangibles and their potential benefits
- A need to raise the awareness of Chief Executives to make them more demanding of quantification of property decisions based on output not just cost
- A need by building owners and users to contribute feedback about their premises
- A need for a standard methodology to be developed by the key professional bodies
- A need by Facilities Managers to recognise that such a method would be a valuable tool to aid decision making – and to convince decision makers
- A need to look outside the property field for methodologies.

When asked what actions were needed to introduce the new methods into mainstream practice, delegates reported a number of them:

- New methods need simplicity, clarity and to offer demonstrable benefits
- Provision of evidence that the methods are valid so as to convince decision makers they can be used reliably in practice, are a useful aid to taking decisions, and will impact on the bottom line
- Their endorsement by the professional institutes as a standard, and their widespread adoption in practice by the property professions
- Occupiers need to become more aware, smart and intelligent

When asked about the barriers to take-up of new methods, delegates identified many barriers, which may be summarised as:

- Current perceptions by occupants that property is an overhead or liability, lack of connection between property decisions and operational requirements, and a desire to minimise cost rather than raise value
- Uncertainty (among finance and operational directors) about the validity, value and business benefits of new methods; that there may be an effort required to overcome ignorance, apathy and scepticism; and that they may be thought of as ‘not relevant here’
- Property is investor-led rather than end-user driven, and there is discontinuity between the investment community which drives design, and the needs of occupiers and users
- Also, as one delegate pointed out - intangibles are business-specific

When asked about possible means to overcome the barriers to take-up, delegates identified the following:

- Customers becoming more discerning in choosing the best over the mediocre – helping to raise awareness among property investors
- Through the compilation and collation of data sets and case studies, which will demand both time and resources
- Through the development of a consistent, robust and market-recognised method (that is generic, not property specific) for valuing the benefits of accommodation that will aid the selection process and that is transparent to operational management.
- Through publicity and promotion of the new methods and the creation of a high profile through conferences and workshops, to help ensure they are perceived as relevant

Regarding measurable success factors, delegates proposed the following:

- The establishment of an agreed and common terminology for intangible assets
- Extent of take-up of new methods, and their demonstrable value and market-recognition
- Increased budgets for facilities and attention given at board level to the effect of property issues on core business
- Increased productivity of occupiers in good environments and greater awareness of the benefits
- More discerning property selection and differences in property rates based on evaluation of business performance

In response to a question about non-measurable success factors, delegates offered the following:

- A change of attitude in the construction industry, leading to better building designs that provide improved environments for occupiers
- Greater recognition as evidenced by conferences and workshops, and press coverage
- Increased economic growth and wealth creation.

As one delegated pointed out, if the success factors are not measurable, the arguments for action will be weakened.

Two further suggestions were made by delegates. First that there was a need for sponsorship for the emerging Office Productivity Network Index to develop and promote it more widely as a step towards better understanding of the impact of buildings on productivity. Second, that the valuing of brands as intangible assets could suggest possible approaches to apply to facilities.

## 1 Workshop overview

The first workshop for this project was held in conjunction with the Office Productivity Network and with the aim of eliciting views from their core members. It was held in the morning of 2 March 2004 at the offices of PricewaterhouseCoopers, 1 Embankment Place, London WC2N 6RH, as part of an OPN Core Members Seminar (with the afternoon session being given over to the development and application of the OPN Index). 13 delegates attended.

The literature review on intangibles was circulated in advance to the delegates as a briefing paper about the subject. With the delegates' approval, the whole workshop was tape-recorded. However this was intended only as a back-up, since delegates were issued at the event with a Delegates' Workbook which they were asked to use to respond to a series of questions. A copy of the Workbook is given in Appendix A. Although 13 delegates attended, only 10 sets of responses were handed in at the end.

The workshop was run in four sessions. Each session comprised a short introductory presentation of about 10 minutes by Sebastian Macmillan about some aspect of intangibles, followed by a round table discussion lasting about 20-30 minutes, and concluding with each delegate recording their own opinions in their own Workbooks taking about 5 minutes. The session lasted from 10.45 to 13.00.

The four sessions were:

- 5) General introduction to intangibles, and the contribution of buildings to business performance.
- 6) Whether well designed buildings command a premium.
- 7) The need for new methods to put a value on better designed buildings.
- 8) Promoting the new methods – what actions are needed, by whom, and what are the barriers.

## 2 Results

This section of the report presents an analysis of the delegate's replies.

### ***2.1 Do well designed buildings contribute to your organisation's business processes. If so, how?***

All 10 delegates agreed that well designed buildings do contribute to business processes, but not all said they were in well-designed buildings.

Each delegate listed up to ten areas where their buildings contributed to business process. Across the ten responses, 48 items were mentioned. These have been classified as follows:

Issue	No. of mentions	Average rank	Description
Teamwork	16	2.7	Teamwork, communication and collaboration within groups, across groups, and across departments – and achieved by: open planning, visibility (see who’s in, who’s out) good spatial interaction of elements,
Brand	11	4.7	Reinforcement of brand/corporate values to staff, customers and other users, to influence their perception, attract customer visits, reflect the company’s values, act as a landmark, provide good conference facilities when host meetings.
Motivation	9	5.9	Increase staff motivation, creativity and satisfaction.
Spaces	5	4.8	Provision of variety of spaces for meetings – ‘breakout’ meetings, internal, external, formal, informal, bookable, non-bookable. Functional meeting rooms with technology required at different specs.
Facilities	5	5.2	Facilities (such as manned information areas, kitchens, restaurant, internet café, vending areas, as well as bike racks, showers,) that give a ‘collegiate’ feel, encourage accidental interaction, and engender a community spirit.
IT	5	5	Quality of computer hardware, including data management, to allow choice of workspace and flexibility in individual work style.
Flexibility	4	3.3	Flexibility and adaptability – ease of accommodating new project teams, speed and ease of churn.
Interior environment	4	6.5	Good clear, light, bright and inviting environment including making the most of daylight, good artificial lighting, and availability of robust services.
Location	4	2.75	Location and availability of transport infrastructure for staff and clients/customers
Support systems	3	6	Importance of support systems, such as well informed receptionist, storage and retrieval efficiency.
Recruitment	2	6	Improved recruitment and staff retention.
Cost	2	5	Low property costs
Entrance	1	5	Importance of office entrance – as a hub through which information and interaction is promoted.
Maintenance	1	10	Cleanability and maintainability
Workstation	1	6	Adequacy of size of individual workstation.

**Table 1 Contributions of buildings to business processes and performance**

### Analysis

As table 1 shows, delegates report that their buildings have the potential to contribute to a wide range of business process issues. The most frequently cited are:

- teamwork and improved collaboration and communication within groups, across groups and across departments,
- brand image and reinforcement of corporate values to staff, customers and potential recruits, and
- staff motivation, creativity and satisfaction.

These are achieved by various features, but the most frequently cited are:

- open planning
- provision of a variety of types of space for individual and group working with technologies available at a variety of different specifications
- bright, light and inviting interiors
- facilities such as kitchens, cafés, bicycle racks and staff showers.

Buildings can have negative effects on creativity and concentration, as reported by one delegate.

## 2.2 Which are delivered most successfully?

Table 2 summarises the aspects of business process which were considered most successfully met by Workshop delegates in their own building stock.

Issue	Detail	Explanation
Teamwork	In general – team communication, inter-departmental communication, flexibility/churn, faster task processing	Open plan and design priority to increase face to face interchange.
	Teamwork facilitation.	A lot of business processes centre around short-term project teams meeting regular deadlines, putting stress on morale and requiring constant interaction.
	Reaction to client needs and values through better communication and increased knowledge.	Large open plan environment. All departments together. Encourage internal and external employees to
	Communication within groups Ad-hoc interaction	Open plan, street café, technology in meeting rooms
Work environment	Working environment – choice of work-settings and business adjacencies	Creation of a dynamic space which users are proud of
	Environment – clear, light, bright.	reflects a lot of work/study/discussion during design stage and refurbishment.
Support areas	Support areas that facilitate a collegiate feel.	meets the needs/expectations of an increasingly youthful organisation.
	Facilities areas – shared services, kitchens, manned information areas, and formal structured space – functional meeting rooms incl technology required at different specs.	Traditional approach to office design means these spaces are easily identified and easily managed. Cultural norm is to have a meeting (any kind) in a cellular space.
Brand image	Landmark building in prominent central London location	Strong image with excellent public transport connections.
Cost efficiency/ management		Cost efficiency is vital – high proportion of overhead
Security/safety		business continuity increasingly important factor and therefore commands focus.

**Table 2 Contributions to business processes that are most successfully delivered**

### Analysis

The contributions to business process most successfully met in buildings are reported as:

Teamwork, communication and collaboration

Motivation and pride through quality and choice of the working environment

## 2.3 Which are delivered less successfully

Table 3 summarises the delegates' replies about which are delivered less successfully.

Functionality	Functionality,	Being split across four floors means that the company does not work well together as a whole – information does not percolate between departments.
	Cross fertilisation of ideas between groups	Large building, separate building masses for different groups
	Collaborative space, breakout, information meeting. Formal unstructured space, non-bookable, cellular.	Cultural discipline required to use these types of spaces, which are few and far between, is not in place. Workstyle is more aligned with the traditional workstation to formal meeting and back to workstation culture.
	Lack of breakout space. Attitude to mobile working	Traditional culture of the firm.
Motivation	Motivation – lack of ownership of space, lack of control of physical variables, lack of privacy.	Increased densities, new ways of working – dilute personalisation.
	Storage/retrieval efficiency	Insufficient priority given to it.
Environment	Creativity and concentration – too much hustle and bustle. Need to review externally.	Space and daylight – building restrictions.
	Daylight – on unrefurbished floors, lack of daylight contributed to a gloomy uninspiring work environment.	Trapped daylight, high partitions, cluttered floors.
	Poor infrastructure	(ventilation) noise, services are poor.
Flexibility	Flexibility	No common desktop
Branding	Image – because of the varying age of the estate – resource priorities etc.	

**Table 3 Contributions to business processes that are least successfully delivered**

### Analysis

When asked about the contributions to business performance that are least successfully delivered, delegates identified several issues. The potential for teamwork can be frustrated by the layout of a building - the subdivision into departments on different floors can reduce communication, information-sharing and cross-fertilisation of ideas. Motivation can be reduced by lack of ownership of space through diluting personalisation, lack of privacy, and lack of control over physical variables. High density and excessive bustle can reduce concentration and creativity. A gloomy, uninspiring, or noisy working environment affects business performance. And the possibility of using unstructured or collaborative space for informal meetings can be frustrated by a traditional work pattern based at either workstation or formal cellular meeting room.

## **2.4 Can better building design lead to premises that deliver intangible benefits?**

All ten delegates answered 'yes' to this. The reasons they gave were as follows:

### ***Impact on communication, satisfaction, effectiveness and productivity:***

- Better design can increase the output of the business operations it houses.
- Feel-good factor – improved communication between groups.
- Supply the business process leading to enhanced user satisfaction.
- Increased satisfaction and productivity – effectiveness.
- By impacting on business processes and therefore the productivity – efficiency – of the organisation, e.g. by changing a cellular/monastic culture to one that is more open.

### ***Flexibility and adaptability***

- By providing flexibility and adaptability to enable it to be tuned to the intangible benefit needed at the time.
- By providing a simple 'blank canvas' that can be easily, cheaply and quickly changed.
- Intangible benefits such as knowledge creation (through greater interaction) and a reduction of inhibitors, such as downtime (e.g.) through poor layout or environmental) can be provided/supported by better building design.
- By providing flexible space that can be temporarily (life of occupancy) adjusted to reflect the business requirement of that occupier.

### ***Look and feel: loyalty and retention***

- Look and feel factors will impact on occupants and visitors and influence perceptions – productivity possibly. However, large part of intangibles flows from interior design and other non-premises attributes.
- Better brand image and shared value - expression
- More staff loyalty – better retention.

### **Analysis**

All ten delegates agreed that better building design leads to premises that deliver intangible benefits. The reasons they gave may be summarised as:

- Impact on communication, satisfaction, effectiveness and productivity:
- Flexibility and adaptability to changing or temporary needs
- Look and feel: loyalty and retention for both occupants and visitors

## **2.5 Do buildings that provide intangible benefits command a market premium?**

Delegates' responses were mixed here.

Three said *yes*:

- Yes – if truly flexible more attractive to tenant.
- Yes, but the intangible might be business-specific.
- Yes, but not sure how to measure, plus client-specific.

Three said *maybe*:

- I suspect this applies where 'prestige' matters but will be governed by location and availability.
- Could do. The 'market premium' may be leasability/saleability led.
- In open rented market, probably not at present. However, internal buildings choice may reflect premium.

Four said *no*:

- Not currently, although floor-space on a single floor (as opposed to several smaller ones) may do.
- No – intangible benefits are user-specific.
- I doubt it.
- No.

Reasons given by those who said they doubted it were as follows:

- Three delegates identified that intangible benefits may be specific to one user and arise from how the space is used, and may not be transferable to a second user. As one said, the lowest common denominator allows greater flexibility.
- Three delegates identified that the market is driven by the real estate profession and investors/landlords to a degree, and not only do the market makers seek to protect their own interests but also the traditional property market approach to valuation is based on an agreed specification for a particular building type.

### **Analysis**

When asked whether buildings that provide intangible benefits command a market premium, delegates' replies were mixed. Three said yes, three said maybe and four said no. Although their replies differed, half the delegates identified that the benefits were likely to be client-specific or business-specific, arising from how the space is used – and may not transfer to a second user. As one said, the lowest common denominator allows greater flexibility. Three also identified that the market is driven by the real estate profession and investors/landlords to a degree, and not only do the market makers seek to protect their own interests but also the traditional property market approach to valuation is based on an agreed specification for a particular building type.

## **2.6 How is any premium from intangible benefits assessed and calculated?**

Delegates replies were as follows:

- On an ad hoc basis – there is no common platform.
- Premium comes from fit-out / to own specification. Usually driven by non-quantified issue / variable set by strategic management.
- Fit out cost and on-going maintenance cost to create and maintain the benefit.
- Could be based on building appraisal which includes intangibles.
- By subjective evaluation of the characteristics that satisfy end-user demands.
- Market comparisons, supply/demand, uniqueness? Fashion?

### **Analysis**

Delegates recognise there is no common basis on which to assess any premium from intangible benefits. However, the responses show organisations are aware of the benefits and that there are that there are subjective, ad hoc and/or non quantified methods in use implicit within fit-out specifications and maintenance budgets.

## **2.7 Does a lack of appropriate methods to value intangibles hold back investment in the built environment?**

Five delegates said *yes*, four said *maybe*, and one said *no*.

Those who said *yes* gave the following reasons:

- Proof of value to support business case.

- Current situation leads to sub-optimisation of building quality. Overall the economy would create new added value if the benefits of better design/building management were quantified and thus part of the regular decision making process.
- We see falling facilities budgets in the occupier market. Partly this is due to the inability of the facilities team to demonstrate the value added by better buildings. The case needs to be made to the board and investment championed.
- it's all down to cost rather than value.
- The 'do nothing' option will generally be the cheapest unless the RoI of intangibles can be harnessed in the cost/benefit equation.

Those who said *maybe* gave the following reasons:

- No – intangibles are user specific and do not influence external building value. Or Yes, ? user is evaluating potential new premises. How will we fit? For how long and at what cost?
- I agree that the lack of understanding of how space and design can contribute to the productivity of a business leads to conservative decision making when it comes to accommodation projects. To date there is no commercially accepted scoring system to include in accommodation business cases to justify investment.
- I don't think we can answer this until we have (better) methods of valuing intangibles – a good start would be to identify the intangibles that measurement/valuation might help influence.

The delegate who said *no*, gave the following reasons:

- I don't see any lack of investment at the moment, but this might change!

### **Analysis**

When delegates were asked whether lack of appropriate methods to value intangibles holds back investment in the built environment, their replies were mixed –five said yes, four said maybe, one said no. Whether replying yes or maybe, there was consensus in the reasons given. Several delegates reported the difficulty of demonstrating, proving and quantifying the added value obtained by better buildings so as to convince a board to make the necessary investment – as a result costs rather than value were dominant, and decision-making was conservative based on the cheapest 'do nothing' option. As one delegate put it: 'To date there is no commercially accepted scoring system to include in accommodation business cases to justify investment.' One delegated noted that intangibles are user-specific and do not influence external building value. Finally, one delegated noted that there was a need to identify the intangibles that measurement/valuation might help to influence.

## **2.8 Actions needed to devise these new methods – by building owners**

Delegates offered the following actions as needed to devise the new methods:

- Realisation that an intangible asset has a positive value.
- Seek link between better building and business parlance. Creating visible feedback between building investment and business performance.
- Measurement of tenant satisfaction, focusing on production/functionality aspects. Prove a financial link between better returns/marketability, lower tenant turnover.
- Benchmark criteria for use of building: upkeep maintenance cost of building. Evidence the benefit is real.
- An understanding that value of their property is as much determined by potential intangible benefits as the cost-of-goods of the structure?
- Recognition that it will add to the value of their property.
- Sharing commercial investment and operational productivity measures to be able to value accommodation investment and shown an operational return.
- Institutions – RoI is sole interest?

## Analysis

Delegates identified several actions by building owners needed to introduce new methods, which may be summarised as:

- Greater awareness and recognition of the added value of their property provided by intangibles.
- Evidence and measurement of the business benefits and operational returns arising from improved functionality and raised productivity, leading to better marketability, better returns and lower tenant turnover.

## **2.9 Actions needed by building managers**

The following actions by building owners were identified as being needed:

- Recognition of trends/areas that appear to add value and feedback in to a common method of evaluation.
- Being responsive to accepted needs. Forging links with operational business performance measures and building measures. Being proactive in seeking out occupier performance.
- Getting closer to occupying business units to look at outputs and outcomes, and linking them to building management decisions.
- Purpose and cost of the building to house the business process. Benchmark data – before and after.
- Evaluate the response of the end-users to aspects of design or changes to them.
- Willingness to share data/engage in debate/participate in studies and trials
- Identification of intangibles within own organisation – share with others – development of valuation tool(s) in own organisation – collaboration with others.

## Analysis

There was good agreement among the delegates' replies about the actions by building managers needed to introduce new methods. When drawn together, these actions centre around:

- Being proactive in getting closer to occupying business units to look at outputs and outcomes and linking these to building management decisions.
- Recognising the trends and aspects that add value.
- Gathering data from end users, and developing in-house benchmarking and valuation tools that identify and report on the intangible benefits.
- Sharing data with others externally to contribute towards a common method of evaluation.

## **2.10 Actions needed by building designers**

The following actions by building designers were identified as being needed:

- Recognition that design must reflect need and that design can affect value.
- By focusing on occupier processes not design externals.
- Look at functional quality (even in spec buildings) as much as environmental (BREEAM) or design quality.
- Understanding of the use of the building they are designing. What and why ...
- Performance criteria for old ??? and ???
- Investigate and qualify the components of design that contribute to intangible benefits. Connect productivity measures to design.
- Willingness to recognise the need for valuation and the impact it might have on their ability to provide designs in future that are fit for the purpose.
- People and processes should be the basis of design or at least flexible enough to accommodate a range of processes and different organisations.
- Lead R&D effort?

## **Analysis**

There was good agreement among the delegates' replies about the actions by building designers needed to introduce new methods. When drawn together, these actions centre around:

- Recognition that design can add value to the occupiers' business processes and must reflect business needs.
- Better understanding of the use of the building and the functionality required.
- Investigation of the components that contribute to intangible benefits.
- Design to suit people and processes or at least to be flexible enough to accommodate a range of processes and different organisations.

## **2.11 Actions needed by surveyors and valuers**

The following actions by surveyors and valuers were identified as being needed:

- Standard format/rating criteria and output.
- By setting criteria for differentiation of bad from good.
- Greater awareness/understanding of implication of building productivity/functionality – this will be driven by landlords!
- Performance criteria: reasonable results
- Develop measures for intangible benefit design factors.
- Recognition that intangibles can have an impact on value/saleability of property.
- Greater integration / knowledge sharing with market. Understanding business needs – translation into understanding 'common' intangibles.

## **Analysis**

There was good agreement among the delegates' replies about the actions by surveyors and valuers needed to introduce new methods. When drawn together, these actions centre around:

- Greater awareness and understanding of how buildings affect productivity and business performance
- Recognition that intangibles can have an impact on value and saleability of a property
- Setting criteria to differentiate the bad from the good
- Developing measures to identify and rate intangible benefits
- Translating improved understanding into a standard format and set of rating criteria.

## **2.12 Actions by others – who?**

The following actions were identified as being needed:

- Business owners/users: feedback and space evaluation
- Chief Executives in being more demanding of quantification of property decisions on output not just cost.
- Looking outside the property field for methodologies. Raising the awareness of CEO's – as ultimately this case will lead to the greatest change.
- Need to raise the profile of 'intangible' benefits and present these separate to the tangible ones. Calculate a notional cost/saving by implementing or by keeping the status quo.
- A standard methodology needs to be developed and sponsored by CABE, BCO, RIBA, BIFM, CIBSE, etc - i.e. professional bodies who advise their members – architects, FM, engineers, etc.
- Previous work with developers to create unique selling point.
- Business managers – clearly expressed productivity measures that relate to individuals.
- Facilities Managers – be prepared to recognise that this would be a valuable tool to aid decision making and then convincing the decisions makers of that.
- Occupants.

## **Analysis**

Delegates proposed various actions by others parties to introduce new methods. These included:

- A need to raise the profile of intangibles and their potential benefits
- A need to raise the awareness of Chief Executives to make them more demanding of quantification of property decisions based on output not just cost
- A need by building owners and users to contribute feedback about their premises
- A need for a standard methodology to be developed by the key professional bodies
- A need by Facilities Managers to recognise that such a method would be a valuable tool to aid decision making – and to convince decision makers
- A need to look outside the property field for methodologies.

### **2.13 What actions are needed to introduce the new methods into mainstream practice?**

Delegates proposed the following actions for introducing the new methods into mainstream practice:

- Simplicity, commonality, clear £ value demonstration / proposition.
- Adoption by professional institutes
- More intelligent/smart occupiers
- Publicised outside of the property industry.
- Evidence they work
- Awareness to understanding the benefits, through professional organisations.
- See above.
- Take up by property profession as having real value and useful in determining returns for investment.
- Convince decision makers that the measures are reliable / aid to taking decisions.
- Engage professional bodies with the aim of adoption as a standard.
- Show businesses that it can impact on bottom line.
- They need to be commercially viable therefore sold as financial benefits. Ideally, a recognised ‘benchmark’ to be used across the industry.
- Awareness raising.
- Demonstration of benefits.
- Endorsement by professions.

## **Analysis**

When asked what actions were needed to introduce the new methods into mainstream practice, delegates reported a number of them:

- New methods need simplicity, clarity and to offer demonstrable benefits
- Provision of evidence that the methods are valid so as to convince decision makers they can be used reliably in practice, are a useful aid to taking decisions, and will impact on the bottom line
- Their endorsement by the professional institutes as a standard, and their widespread adoption in practice by the property professions
- Occupiers need to become more aware, smart and intelligent

### **2.14 What are the barriers to take-up?**

Delegates identified the following barriers to take up:

- Cost, and lack of clear business value.
- Discontinuity between investment community which drives design and needs of occupiers and users.
- The appetite of landlords and company boards to listen to the message and a weight of evidence.

- Property being seen as a liability, inflexible asset intangibles are business specific, not common across different markets.
- Lack of trust, belief, track record.
- Focus on cost.
- Effort
- Lack of ownership – who should champion it?
- Property is investor-led, rather than end-user [driven]
- Ignorance
- Lack of information
- Apathy
- Scepticism of finance and operational directors.
- Lack of connection between property decisions and operational requirements.
- The fact that property is seen as an overhead only.
- ‘Not relevant here’

### **Analysis**

When asked about the barriers to take-up of new methods, delegates identified many barriers, which may be summarised as:

- Current perceptions by occupants that property is an overhead or liability, lack of connection between property decisions and operational requirements, and a desire to minimise cost rather than raise value
- Uncertainty (among finance and operational directors) about the validity, value and business benefits of new methods; that there may be an effort required to overcome ignorance, apathy and scepticism; and that they may be thought of as ‘not relevant here’
- Property is investor-led rather than end-user driven, and there is discontinuity between the investment community which drives design, and the needs of occupiers and users
- Also, as one delegate pointed out - intangibles are business-specific

### **2.15 How can the barriers be overcome?**

Delegates identified the following means to overcome the barriers:

- By customers justifying choosing the best over the mediocre. Get appetite in investors for raising awareness.
- Time, standard methods to build data-sets.
- Through hard graft and publicity, conferences, workshops.
- Occupiers take-up the sponsorship of developing measures of intangible benefits.
- Raise awareness
- Develop case studies
- Create a high profile
- Introduction of a consistent, market recognised method (not property specific) of valuing benefit of the accommodation decision process that is transparent to operational management.
- Greater perception of their relevance.

## **Analysis**

When asked about possible means to overcome the barriers to take-up, delegates identified the following:

- Customers becoming more discerning in choosing the best over the mediocre – helping to raise awareness among property investors
- Through the compilation and collation of data sets and case studies, which will demand both time and resources
- Through the development of a consistent, robust and market-recognised method (that is generic, not property specific) for valuing the benefits of accommodation that will aid the selection process and that is transparent to operational management.
- Through publicity and promotion of the new methods and the creation of a high profile through conferences and workshops, to help ensure they are perceived as relevant

## **2.16 Measurable success factors**

Delegates identified the following as measurable success factors:

- Adoption/take up
- More productive businesses
- Increasing facilities budgets
- Recognition that the business benefits are a mix of tangible and intangible.
- Take-up - ???, number of evaluations
- Agreed terminology for intangible benefits and common language in use.
- Amount of take up
- Increased productivity of occupiers at the micro level.
- Demonstration of value
- Better offices selling/renting quicker than lowest common denominators.
- Time that property issues command at board meetings.
- Sponsorship
- Recognition in market place
- Increased awareness of the new environment's benefits.
- Press (national) column inches.
- Differences in property rents based on evaluation / measured output.
- Contribution to revenue (or business's core measure of success)

## **Analysis**

When asked about measurable success factors, delegates proposed the following:

- The establishment of an agreed and common terminology for intangible assets
- Extent of take-up of new methods, and their demonstrable value and market-recognition
- Increased budgets for facilities and attention given at board level to the effect of property issues on core business
- Increased productivity of occupiers in good environments and greater awareness of the benefits
- More discerning property selection and differences in property rates based on evaluation of business performance

## **2.17 Non-measurable success factors**

Delegates identified the following as non-measurable success factors:

- Increased economic growth and wealth creation.
- (Probably some of the above)
- Change in attitude of construction industry.
- Better building design

- Press coverage.
- Improved environment for occupiers.
- Agenda items at conferences, workshops

But as one delegate added:

- If the success factors are not measurable then that subjectivity will weaken the argument for doing them.

### **Analysis**

In response to a question about non-measurable success factors, delegates offered the following:

- A change of attitude in the construction industry, leading to better building designs that provide improved environments for occupiers
- Greater recognition as evidenced by conferences and workshops, and press coverage
- Increased economic growth and wealth creation.

As one delegate pointed out, if the success factors are not measurable, the arguments for action will be weakened.

### **2.18 Additional suggestions:**

- We need CABE/BCO sponsorship for the OPN Index.
- Look at valuing of brands for analogues.

### **Analysis**

Two further suggestions were made by delegates. First that there was a need for sponsorship for the emerging Office Productivity Network Index to develop and promote it more widely as a step towards better understanding of the impact of buildings on productivity. Second, that the valuing of brands as intangible assets could suggest possible approaches to apply to facilities.

Sebastian Macmillan, 20 April 2004