WHITE PAPER

BUILDING RESILIENCE IN THE BUILT ENVIRONMENT

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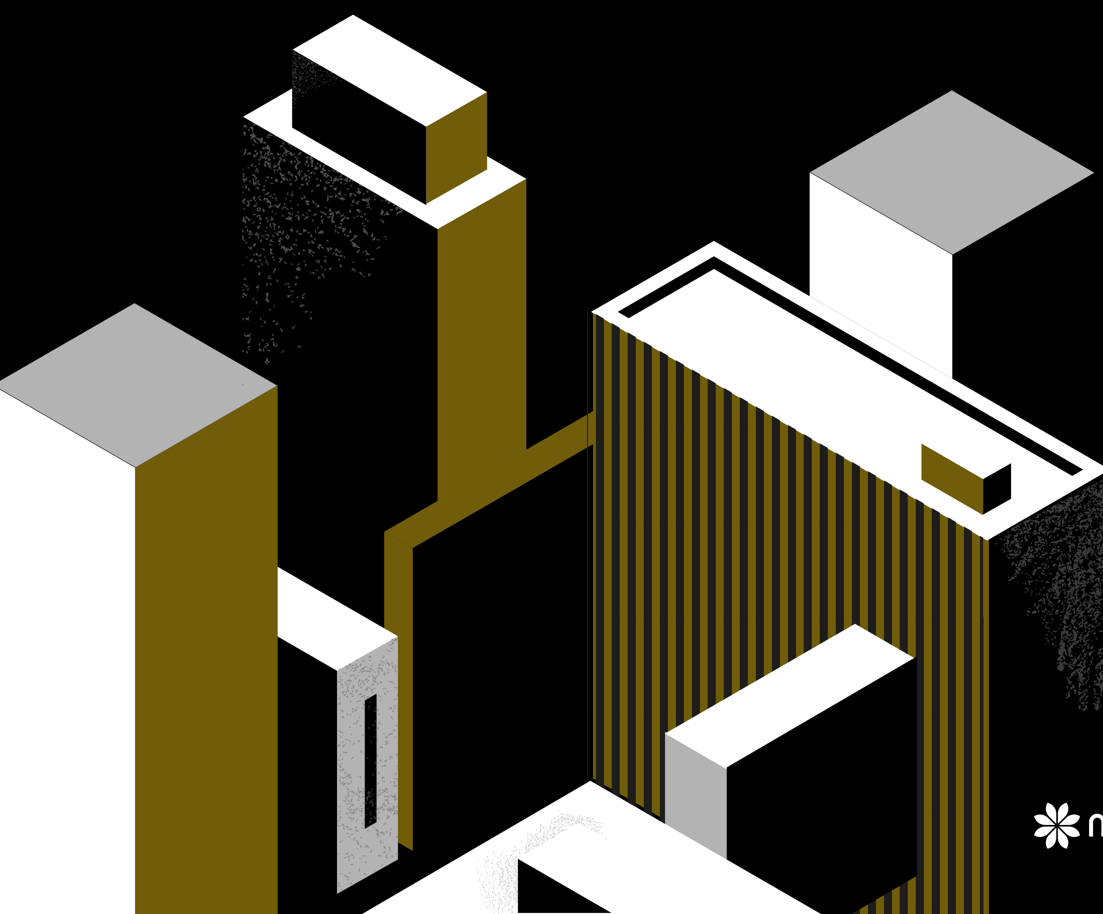

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INTRO

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There are enough reports out there to suggest the UK economy isn't in the best place at present. Take Aviva's 2023 Risk Insights Report 2023 as an example. Citing an onslaught of interconnected challenges, from labour shortages to supply chain disruption, it concludes that economic issues are now topping the list of boardroom concerns.

The headlines have us in a frenzy. One minute we're in recession, the next we're not. The following week we're worse off than Russia, the next we've performed better than the economists thought possible, albeit still way behind our European neighbours. Yet, however large or small (or unknown) the challenges might be, one thing is for certain: building resilience will be key to navigating our way out of the current economic quagmire.

It is only natural that businesses go into survival mode during times of economic uncertainty. And that's the reason Magenta spent the first quarter of 2023 interviewing 10 business leaders in the built environment to find out exactly how they plan to apply the key lessons learned during the last recession, in 2008, and the more recent pandemic period to navigate today's hardships.

This report features those interviews, and on page 34 we summarise the key takeaways.

ASK THE EXPERTS

Jeremy **Campbell**
Executive director, EMCOR UK

Lucy **Jeynes**
MD, Larch Consulting

Mark **Tyson**
Head of property operations, Legal and General Investment Management

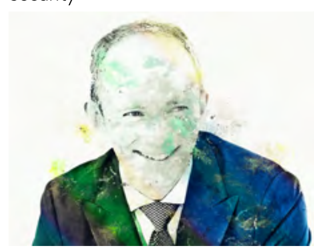
Rachel **Basha-Franklin**
Principal director, Basha-Franklin

Antony **Law**
Chief commercial officer, Churchill Group

Andy **Topp**
Sales & marketing director, Corps Security

Andrew **Wood**
CEO, DMA Group

William **Poole-Wilson**
Founder, Will+Partners



Alistair **Craig**
MD, Anabas

Rachel **Houghton**
MD, Business Moves Group

Simon **Murphy**
Non-executive director, DMA Group

2008 v 2023

Can you describe what happened to the built environment when the UK faced the last recession in 2008?

Jeremy Campbell, executive director, EMCOR UK: Let's remind ourselves why the last recession started. Our banking colleagues were not behaving themselves back in 2007 — or, rather, the banking sector was unregulated. They were lending money and basing loans on what eventually became known as toxic assets, which led to the collapse, or near collapse, of several banks and hedge funds — Lehman Brothers, Northern Rock, BNP Paribas. Cheap credit basically tanked our economy. Inflation soared. Unemployment spiked. Interest rates skyrocketed. People hadn't seen a recession like it since Black Wednesday in 1992. I don't think people or businesses were prepared for it. For the built environment, it meant a massive drive towards cost reduction. Customers wanted the same service for less money. The onus was on FM firms to cut costs or lose business. Some companies began decoupling with their nationwide service providers. Instead, they opted to drive value in local economies. Others decided to break out of regional deals and go for big, global contracts, with the idea they'd reap synergy benefits. That was the start of some big players in facilities taking advantage of the opportunities that came along with the recession. We saw a lot of M&A, and a move to total FM (TFM), integrated FM and different operating models based on driving more synergies through the supply chain to reduce supply chain tension. So, that's what I saw in 2008 and the years that followed. A challenging time and a lot of focus on cost.

Lucy Jeynes, MD, Larch Consulting: The FM sector had been proud of its period of growth before this point, but a lot of this was due to growth of the overall UK built estate (if our sector grows because there are lots of new buildings, we can't really claim any credit for that growth, it's automatic). In the recession, funding streams dried up, so capital investment in new buildings halted. This meant no more new buildings or big-scale refits, so no "new" FM business. For FM service providers to win a contract, they had to win it away from another provider. That creates a very different dynamic in the market. FM services had been focusing on adding value, delight, and extra services — and now it was all about cost reduction. A whole generation of people in the FM market had only worked during a period of growth and investment, so there were management and experience challenges.

THE FIRST DOWNTURN FORCED THE BIG GUYS TO DO PROPER PARTNERSHIPS THAT COULD STAND THE TEST OF TIME.

Mark Tyson, head of property operations, Legal and General Investment Management: Outsourcing boomed and that's when we saw a new cycle of TFM. The first downturn forced the big guys to do proper partnerships that could stand the test of time. It wasn't just procurement driving down costs, it was about the customer working with suppliers as part of a strategic partnership to deliver real value. There was no market for smaller businesses back then because higher investment was required for a longer-term return. The big players won.

Rachel Basha-Franklin, principal director, Basha-Franklin: From an architecture and design (A&D) perspective, it felt like the world fell off a cliff. London went quiet. Everything stopped. It was a pretty dramatic crash. There was no cash to do projects. If there was, those that had cash wanted to hold on to it. As such, there was a mounting sense of fear and I think that panic resulted in a much deeper recession than it needed to be. I knew of architects who were applying for jobs with more than 500 other applicants. Too many talented people were looking for work, wherever they could find it. Those that didn't lose their jobs just kept their heads down and got on with it. Architects had low expectations at that time. We were just grateful for work, so the projects weren't always that inspiring. A lot of A&D professionals who are leaders now were deeply affected by the 2008 crash. It took a long time to come out the other side. But, as with any crisis, it created opportunities, too. It was a very innovative time and a lot of architects who lost their jobs started their own practices, often from their kitchen tables. There was a boom in start-ups. This, in turn, gave rise to co-working I imagine because most creative people don't tend to like working from home on their own. Technology facilitated this start-up decade and enabled new businesses to flourish.

Antony Law, chief commercial officer, Churchill Group: FM works in cycles. Back then, TFM really came to the fore probably because the prerogative at that time was cost savings, and there was the assumption that consolidating services would save money. A lot of in-house delivery was shifted to an outsource model, so TFM outsourcing was the trend that followed the 2008 recession. In addition, investment in technology became a business priority. FM service providers were typically being asked to invest around 5 percent into a 5- to 10-year deal. The recession helped charge FM into investing into solutions that would, in turn, deliver more value over time. That's when the FM business model really came into its own. But the winners were the companies that could afford to take on an element of risk. In the process to drive down costs and dial up value, FM service providers had to weigh up the risk versus the rewards and not all players could join the game.

TFM OUTSOURCING WAS THE TREND THAT FOLLOWED THE 2008 RECESSION.

Andy Topp, sales & marketing director, Corps Security: There was a huge cost pressure on contracts and a real need to look at operations closely to identify where savings could be made with an existing portfolio. Winning new business became a race to the bottom in certain scenarios and the sector witnessed another level of commoditisation which didn't help improve the industry's reputation. Back in 2008, many considered the security industry to be unprofessional, and there were occasional whispers of underhand dealings with standards not being adhered to. Security Industry Authority licencing was introduced in 2006 and that helped to clean up the sector's image, but it still wasn't in the best shape when the market crashed 15 years ago. The need to drive down margins didn't improve its professional standing. The larger players capitalised in certain scenarios due to market conditions and the opportunities that came with it. That's perhaps why there was a flurry of acquisitions in the aftermath of the last recession — smaller players being taken over by bigger players — and that's when we began to see lots of different constructs of service delivery, and more amalgamation of services to drive cost efficiencies. Good security relies on specialists who are well informed, well trained, and who know how to respond in a crisis. Devaluing the discipline by bundling services together dilutes security's potential and value. And that's what happened back in 2008.

Andrew Wood, CEO, DMA Group: I was in construction at the time and, by the end of 2008, our pipeline had disappeared. The large projects we were working on at shopping centres, for example, all went. There was a large amount of debt on the balance sheet. We applied for more funding but couldn't get it despite having a compelling case. We tried to pivot, but we didn't have access to cash because we were a leverage vehicle. It was a harrowing time.

Rachel Houghton, MD, Business Moves Group: The first recession happened two weeks after I took over as MD at Business Moves Group. It was a steep learning curve! Looking back, though, it wasn't the recession that impacted the moves sector, it was the run up to it. We saw it last summer with the tumultuous political landscape and an unprecedented number of personnel changes at Number 10. Things slowed

DECISION PARALYSIS IS WHAT CAUSES THE MOST DAMAGE.

down. The same happened with Covid. Suddenly, projects were cancelled or postponed until there was clarity around lockdowns and organisations knew what we were dealing with. When there is an unknown, the private sector tends to hold off on committing to change projects. Once it's confirmed there's a lockdown, or a recession, and once we get some steer as to the time window involved, then businesses can start re-evaluating their workplace needs. Decision paralysis is what causes the most damage. Once decisions start being made, the world can start spinning again.

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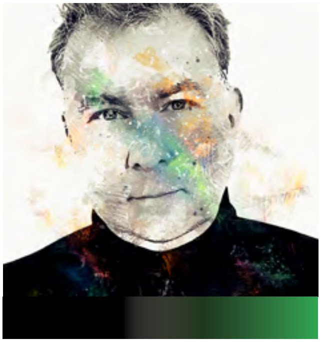


William Poole-Wilson, founder, Will+Partners: It was a challenging time with shared concerns. Fortunately, we managed to win a lot of work that helped us out of that period. One of our fears was that projects would simply become a matter of finance at the expense of important considerations such as sustainability and wellness. While these were not as big a topic in 2008 as they are today, architects and engineers were certainly talking about them back then. The good news is that genuine strategies around ESG have started to shine through since 2008, with developers, designers and landlords now on the same page.

NOW v THEN

Economists suggest a recession is likely in 2023. What do you think will happen to the sector this time around?

Alistair Craig, MD, Anabas: It's not until the tide goes out that you know who's wearing trunks — to pinch Warren Buffet's saying. Stress test the industry and you'll see who thrives and who doesn't. In many respects, survival will depend on the spread of the different types of client-based organisations an FM firm serves. The public sector doesn't have a huge amount of money, but it's not going anywhere fast, so it's a pretty reliable source of income if you can serve it well. Different pockets of the private sector will be hit in different ways, or simply untouched. I think the key to navigating the recession will be a bigger push to innovate to reduce costs and maintain quality. At long last technology is trickling into the industry, which should help FM to deliver higher standards for less. I think organisations will be able to really start to move the needle on that, as the proliferation of and buy in to technology continues building momentum.

Rachel Houghton, MD, Business Moves Group: Change projects are still in full swing following the return to the office. Organisations are investing in their environments to ensure they are offering best-in-class facilities. The introduction of ESG policies has further evolved with good furniture management being a top priority among our clients.

I imagine our part of the built environment will see some lulls in activity as the return-to-work projects are completed, a hive of activity as the economy grows and then a return to normal levels once the economy stabilises, and a lull as we start to climb out of recession, mirroring what happened last time. Although, unlike last time, most of our clients are still allowing and accommodating homeworking on a large scale. That will mix it up a bit. This ever-evolving landscape proves there's always a bigger picture to consider when a new crisis rears its head. The firms that survived the first financial crisis were the ones that could look at the big picture and offer a diversity of services designed to help their clients fulfil their vision and safely reach the destination of wherever it was they wanted and needed to go. That means being fluid and flexible.

Mark Tyson, head of property operations, LGIM: Many things have changed since the last recession. For example, the market dynamics are very different to 2008. They are much more sophisticated. The FM sector also has a different profile post-Covid. What used to be a hidden profession, only receiving attention when something went wrong, has now had a well-deserved taste of the limelight. Cleaners, security officers, engineers, facilities managers all had to keep the UK's critical infrastructure going during the pandemic. There's been a newfound respect for FM, so it will be difficult now to take a procurement-only view. In addition, there's more recognition that organisations must support the workforce from a health and wellness perspective, including financial wellbeing. FM firms in outsourced relationships are increasingly considered an extension of the brand rather than a means to an end, and today's focus is as much about working together to drive a shared ESG agenda than the services being procured. Finally, compared to 2008, there are more options. Whether that means there's less outsourcing and more insourcing, or a shift from TFM to single-service line models remains to be seen. But, unlike 2008, larger FM companies have lost their monopoly in the market. There's a fairer spread of opportunity.

Andrew Wood, CEO, DMA Group: The cost of FM services remains an important consideration for customers, but what we are seeing is that they really do want their businesses to be in good hands. My feeling is that the more uncertainty there is around, the more certainty customers will appreciate in terms of our support services.

Lucy Jeynes, MD, Larch Consulting: In office portfolios, organisations are looking carefully at their occupancy levels and mapping their lease break clauses. We would expect to see organisations reducing their overall space/property footprints, and reconfiguring what is there to focus more on collaboration spaces as people are tending to do their focused individual working at home now. There is a crisis in the rail network, with price increases, strikes and service failures (South East Railway being brought under Department for Transport control, Chiltern likely heading the same way). The daily commute is less attractive than ever, which also impacts on occupancy in cities. You'd think there would be more of a rise in neighbourhood co-working spaces (a common model in Europe). I work in a place like this myself, but we're not seeing it take off. In respect of consolidated portfolios, we'll see a flight to quality. I am not sure what will happen to poor quality, poor sustainability buildings. In good locations, they would be targets for redevelopment or refit. But in secondary locations who will want them now?

Andy Topp, sales director, Corps Security: The labour market right now is incredibly competitive. Reports suggest there will be an anticipated shortfall of 63,000 security personnel in the coming years. The Real Living Wage will not cut it in terms of attracting the right individuals into the profession. We must pay well over this level to acquire professional talent. We need to make the industry more attractive and bring down the barriers to entry. I think digitalisation will have a positive impact, because everybody is starting to transform from paper-based reporting to tech-led monitoring, which will make the industry more attractive to younger entrants who are looking for an exciting, modern career. But wages need to both lure in people of the correct calibre and reflect the value security officers bring to society. Security plays a pivotal role in making sure assets and properties are protected, but most importantly people are kept safe and that organisations can continue to trade through a crisis. There's more recognition of that following the pandemic, so I don't think this recession will necessarily trigger a similar race to the bottom. It'll be more a case of having to do things differently.

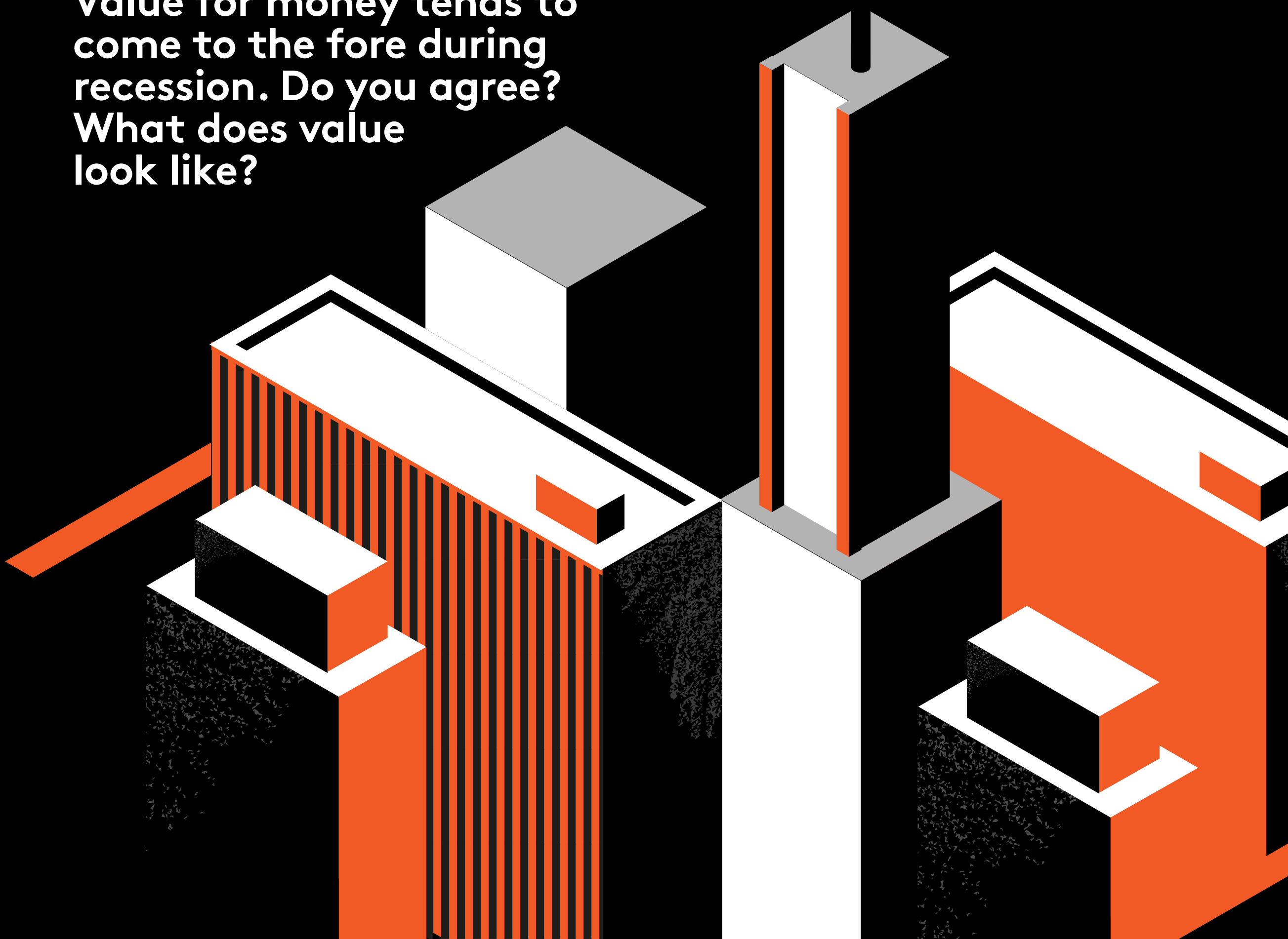
Rachel Basha-Franklin, principal director, Basha-Franklin: There's a sense of resilience today that wasn't as prevalent back in 2008. A&D feels like a rubber band that's been pulled back to such a point where it just needs to be released. We've just got back on track after Covid. Everyone's invigorated and ready for action. That's how it feels anyway. There are more interesting projects out there, a duty to deliver sustainable buildings and better environments to support human health and wellbeing. The whole conversation about the built environment accelerated in the right direction and it would be disappointing if we took steps backwards. I'm not sure the momentum will stop, or the hunger to just get on with it. The flight to quality is very strong to bring people back to the office.

Antony Law, chief commercial officer, Churchill Group: There's more choice than back in 2008, and a heightened focus on health, wellness, and experience, not to mention environmental sustainability, social value and a powerful sense of societal consciousness that demands business is used as a force for good. Perhaps that will result in more attention being placed on partnering with the providers that can deliver the tech, innovation, consultancy, expertise, and talent, all while supporting the ESG agenda and pushing for much-needed change. To that end, we may see more joint ventures between in-house teams and service providers — a close to 50/50 split, where there are lower returns for the FM service providers, but more stability with the long-term contracts that go with such ventures, some of which are up to 25 years. In addition, there may be a bigger push for a hub-and-spoke model. Whatever happens, it'll be service provider led, but customer driven.

A POWERFUL SENSE OF SOCIETAL CONSCIOUSNESS THAT DEMANDS BUSINESS IS USED AS A FORCE FOR GOOD

VALUE V COST

Value for money tends to come to the fore during recession. Do you agree? What does value look like?



Mark Tyson, head of property operations, LGIM: Yes, it's all about understanding why that pound is being spent and understanding how it all breaks down.

Antony Law, chief commercial officer, Churchill Group: There is more expectation from boards to understand what's being spent during a recession and the impact of that spend. That call for transparency is driving the value prerogative. More transparency can only be a good thing.

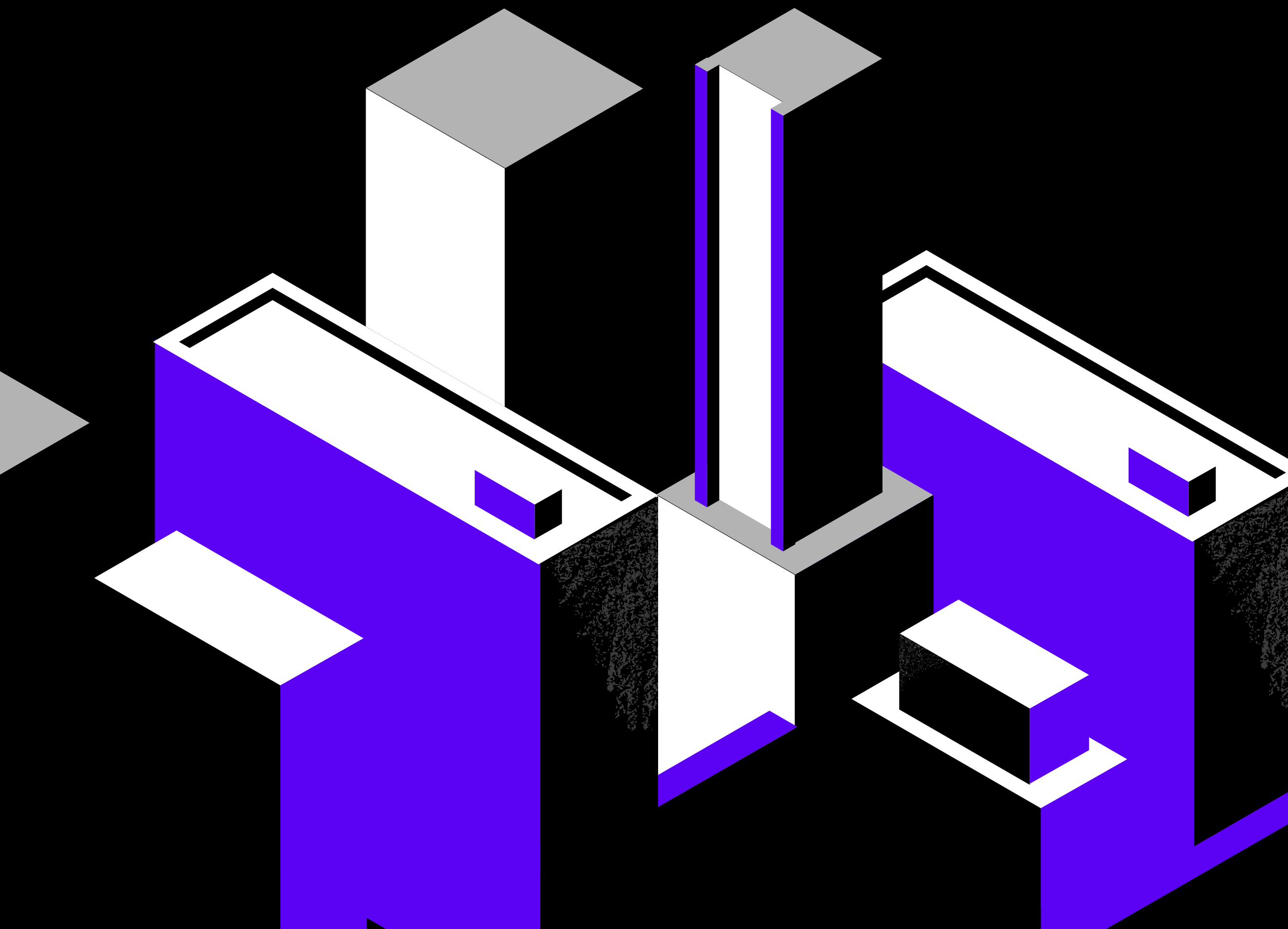
FACILITIES MANAGEMENT HAS THE POTENTIAL TO DELIVER SO MUCH MORE THAN IT IS TODAY

Jeremy Campbell, executive director, EMCOR UK: If we think about value as a combination of cost, quality service, customer experience, sustainability, people engagement and wellbeing, I think facilities [management] has the potential to deliver so much more than it is today. I think we're on the cusp of redefining what FM is all about, and what FM players can offer and deliver to the market. I think we'll see a shift away from pipes, wires and brushes, and more focus on supporting the superstars the industry employs, cultural change, carbon neutrality, nailing the basics, and going above and beyond to improve the experience. Technology will play a key part in this. It will make a positive difference if it's embraced and used to support people engagement and experience, whether those people are employees, customers, or the general public.

Alistair Craig, MD, Anabas: There is a base level of value that any FM company needs to provide. [At Anabas] we call that Brilliant Basics — that is the hygiene of a building, the effective maintenance of assets, a warm welcome at reception, ensuring people have a good day, that the temperature is set at the right level, that the AV works, and so on. Delivering the basics well is not a great differentiator in terms of that 'value for money' piece. An FM company is an FM company. That's what they're supposed to do. So value comes with what you layer on top of those basics. You know them when you see them. It's the intangible stuff. The vibe you can't put into words. It's the energy of a truly engaged team. It's the HR term that doesn't exist that describes a willingness to jump out of a bed and do a great day's work. It's how clients feel when they rock up to the office and notice that everything is working not just as it should, but better than it should. For example, one of our clients is an advertising firm. On the day of a big pitch, when a prospective customer of theirs is invited to their office, we will decorate the workplace with branded flowers, using the colours of the prospective customer's logo, bake and serve branded cupcakes, and basically do everything in our power to make that prospective client want to sign on the dotted line. That attitude, that commitment, that discretionary effort, that going above and beyond to make someone smile adds value, especially during recession when clients want to get bang for their buck.

Rachel Houghton, MD, Business Moves Group: Value comes from being agile and working as a tight-knit team to ensure there's a real understanding of industry challenges, not to mention a timely and emotionally intelligent level of responsiveness to clients. I think clients like the familiarity that comes with working with a partner that truly gets them, and cares. On top of all that, it's about adapting quickly, being innovative and having a can-do attitude. Ultimately, though, those firms with an eagerness and a willingness to change the shape of what good looks like — including how they look after their people — will be the ones to deliver more innovation and value.

BIG v SMALL



What can small firms offer than big firms can't? And vice versa?

Andy Topp, sales director, Corps Security: Smaller organisations tend to be more flexible as there's often less red tape and intense governance, though that can have a negative impact as well. In times of economic crisis, it's important to adapt. Smaller organisations can usually implement change more easily, depending on client needs and requirements as they answer to fewer customers and shareholders. Larger firms will argue that they can, too, but the speed depends on the infrastructure and whether the contract allows. From a service provider perspective, it's about being flexible and adapting to client requirements, but not to the point where it pulls you under.

SMALLER COMPANIES CAN BE QUICKER, MORE AGILE, AND BETTER ABLE TO MAKE FAST-PACED DECISIONS.

Jeremy Campbell, executive director, EMCOR UK: Smaller companies can be quicker, more agile, and better able to make fast-paced decisions. They generally give you a highly personalised experience and make you feel like you're the only customer in the world. They're usually cost effective, too, because they don't have the big corporate overheads that the larger firms carry. Conversely, though, they're not as able to support the ESG agenda because they're not necessarily going to be able to invest in delivering social value, or in solutions to support environmental sustainability. Smaller players usually can't operate internationally, either. They probably don't or can't sign up to global standards. They tend to churn people quicker as there aren't always as many progression pathways — again, depending on the growth trajectory of a given firm. And, although resilient, they are generally more vulnerable to economic changes. The big players might be a bit slower, with larger overheads, which will have a bearing on the fees they charge, but they're generally more financially robust. There might be more wiggle room to squeeze margins but, at the same time, they must listen to and accommodate shareholder demands, so profitability will always be a factor. With strong balance sheets comes more fiscal control, and with that customers can potentially enjoy more investment, knowledge, and access to talent. Bigger firms also tend to be better equipped and resourced to support the ESG and carbon neutrality agenda. But, as with anything, it depends on the company in question.

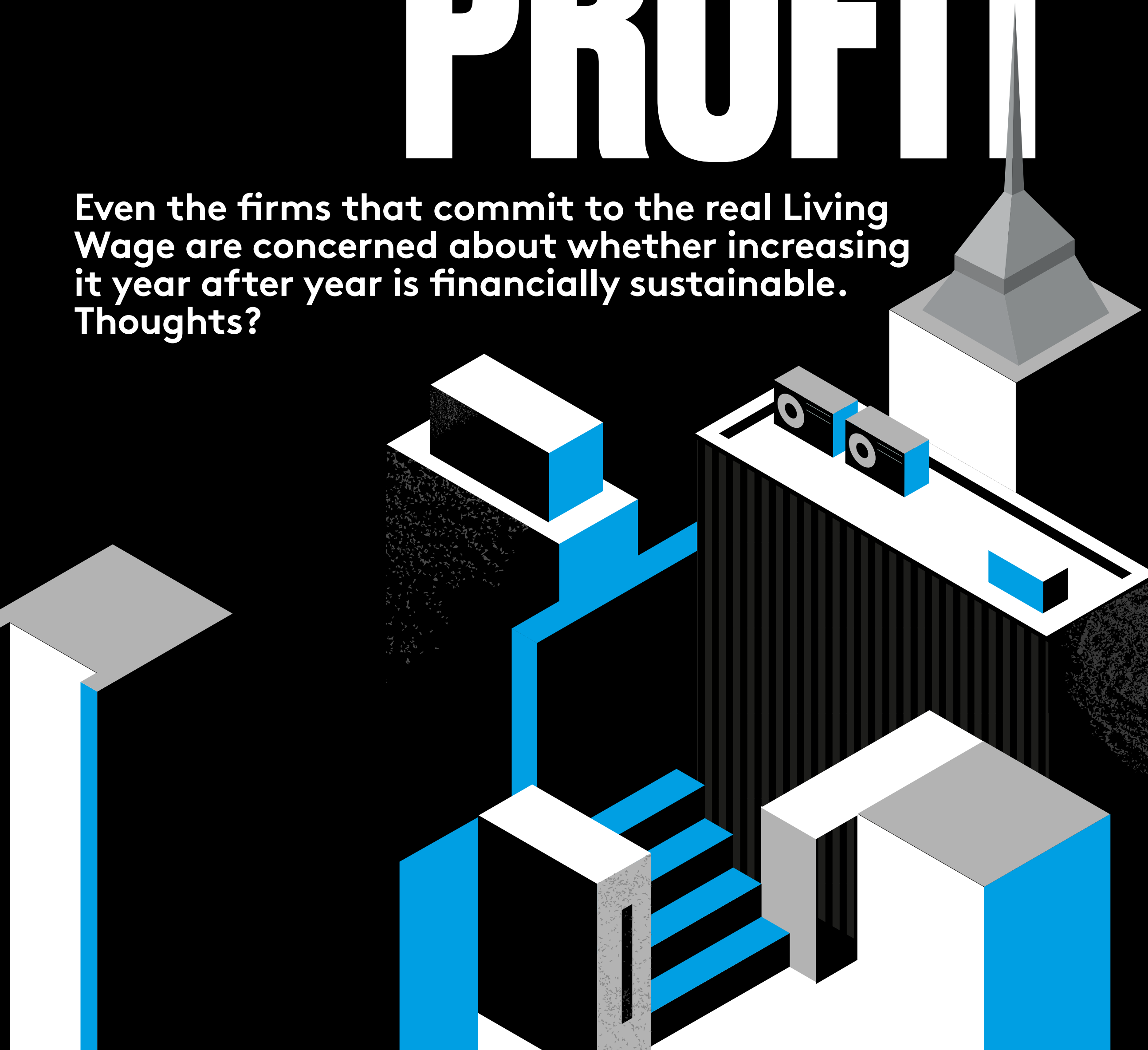
BIGGER FIRMS ALSO TEND TO BE BETTER EQUIPPED AND RESOURCED TO SUPPORT THE ESG AND CARBON NEUTRALITY AGENDA

Mark Tyson, head of property operations, LGIM: Smaller businesses can be nimbler by their very nature, but it's not so much about big versus small. It's about relationships, and the situations and structures that work for that organisation and that service provider at a particular moment in time. What may work for one won't necessarily work for another. It's like dating. The right place, the right time, the right 'click'. Are you important enough for each other at that point in the cycle? Is there the right amount of passion, not just at the beginning but a few months or years in?

Bigger firms also tend to be better equipped and resourced to support the ESG and carbon neutrality agenda

PEOPLE V PROFIT

Even the firms that commit to the real Living Wage are concerned about whether increasing it year after year is financially sustainable. Thoughts?



Lucy Jeynes, MD, Larch Consulting: This is about the end-client view, isn't it? If they are not prepared to pay the market value for their FM roles, the alternative is a reduction in service. Either by design, recognising that the decision will mean fewer hours for the same money, and reducing service levels to those than be met by a reduced workforce. Or by accident – because there will be churn, unfilled posts, trainees, so some things won't get done. In the current market, employees can easily leave for more money.

Simon Murphy, non-executive director, DMA Group: Inflation is high for reasons largely out of our control. From my perspective, the biggest issue to tackle is to get inflation down, and the one thing that will stop that is if we embed high wage increases in the system. We need to be pragmatic. Certain levels of social strata are struggling, but plenty aren't – I think it's right to be relatively cautious on wage increases, but there's no getting away from the tight labour market. You need to pay up for skilled engineers. It's a hard one for many businesses.

Andy Topp, sales director, Corps Security: If you don't pay a fair and sustainable wage, you will not have the employees with the right skill set to deliver the services. If you don't offer a competitive wage, you will not have a competitive advantage. It's as simple as that. Instead of worrying about National Wage increases, the focus needs

IF YOU DON'T OFFER A COMPETITIVE WAGE, YOU WILL NOT HAVE A COMPETITIVE ADVANTAGE to be on creating efficiencies through innovation, introducing technology and improving processes to achieve the desired outcome but with less labour. Given the labour shortage, it's more important than ever before to tick both these boxes. The trick is to stay ahead of labour market trends and forecasting to plan for the 'what next?'

Antony Law, chief commercial officer, Churchill: There are enough vacancies out there to pay a decent and fair wage and to deliver a good service all while remaining financially sound. But it's about understanding where and how labour is required. If you think about these multi-let buildings, with 30 or 40 floors, and 10 different service providers delivering something slightly different for each of those floors, that not only has a net zero implication but a labour and cost implication too. Let's think about the bigger picture and find a way to work smarter, particularly when it comes to allocating resource. If, for example, there's a way to re-apportion labour in one of the big, multi-let buildings that has multiple suppliers without jeopardising the service by moving to a more marketplace model, that means that wages can go up in a way that's not only sustainable but will attract and retain the best-in-class [talent]. Given the current labour shortage, this approach makes even more sense. Labour may be in the wrong places right now. We should always pay people a fair wage but, to make that financially viable each year the Living Wage goes up, propose ways to reshuffle that labour so ultimate value can be derived.

Mark Tyson, head of property operations, LGIM: If the National Living Wage goes up, service providers can pass this up to their customers. The issue on the customer side is: at what point does this become unaffordable? Yes, there may be a tipping point, but it's not so much the minimum wage that's a problem. It's what happens to the people in the middle. If everyone at the bottom is going up, what happens to the middle layer? If a supervisor is only earning a fraction more than the cleaners on their team, what's the incentive to stay on in the profession? It makes it harder to equalise. It's a challenge. But one thing's for sure: you have to pay well to compete. There are 3 million vacancies in the UK. Getting talent is hard because recruitment is hard, and that's because you have the likes of LIDL advertising guaranteed shifts and impressive benefits packages. This is not just about pay. It's about working conditions and benefits, too. People are the key fabric of a well-run building. I think this recession could be a massive opportunity for individuals in FM to break the cycle of the minimum wage, but only if there's a focus on value creation rather than a knee-jerk cost-cutting exercise.

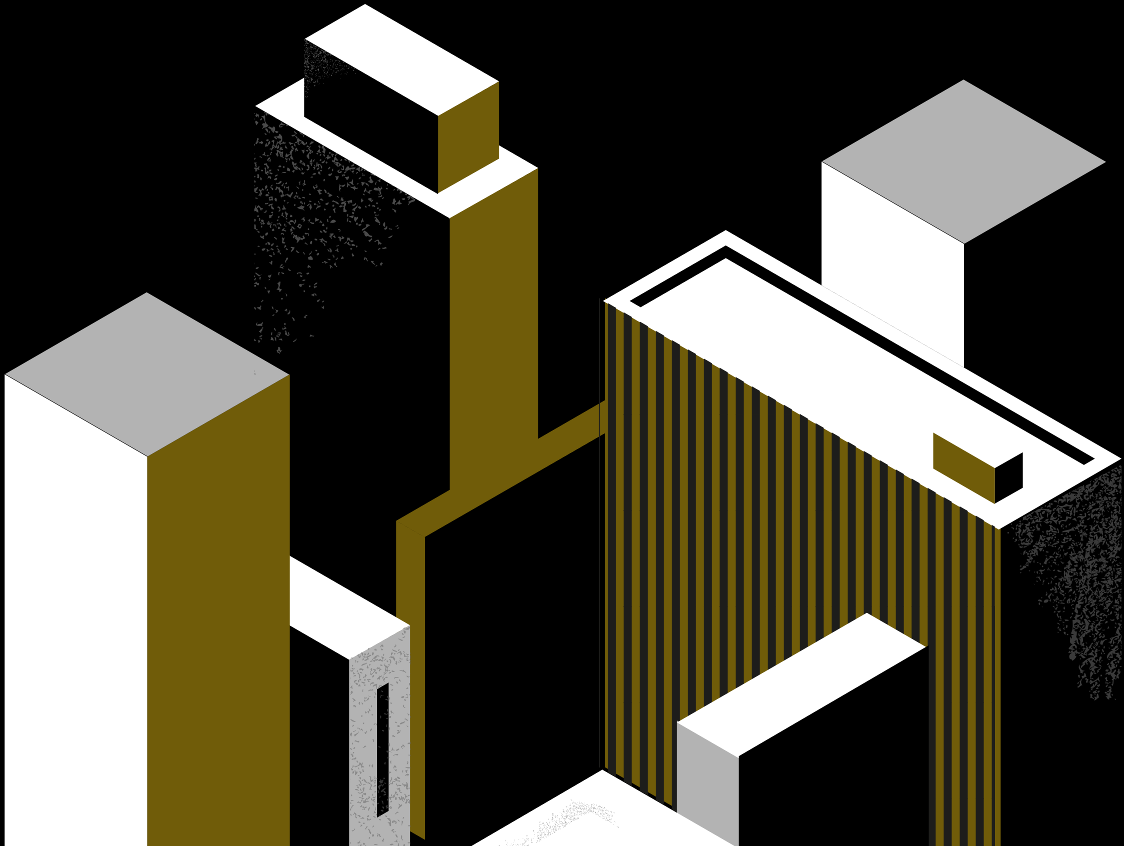
Jeremy Campbell, executive director, EMCOR UK: If you're an ethical business, with the right set up and the right desire to shape, support and change the world, you're going to pay the living wage. Even though we're in recession, companies will continue to do that. Because setting people free from a poverty trap is the right thing to do. Paying the living wage will also help stimulate the economy.

Rachel Houghton, MD, Business Moves Group: Most of the organisations we work with are big promoters of the real Living Wage and it's clearly important to a lot of businesses. The built environment is known for long-term framework agreements with fixed rates over a period of years. This gives a certain amount of clarity and allows for financial forecasting. What would be helpful is if the government could issue a calendar of forecasted National Living Wage increases, with information about when those increases will happen, and what those increases might look like in line with the budget as that will make it easier to plan and cost up contracts. I know it's not as easy as that, especially with all these unforeseen circumstances, but when they just increase the Living Wage with little warning it makes it very difficult, and it's hard to sustain that, especially in a climate like this one. That said, organisations must show they appreciate and value their employees, and that involves paying a fair wage, so they work to live, not the other way around. If you disregard the needs of your employees, they will leave. And it will cost you more to re-recruit. So, I guess the question is, can you afford not to offer competitive pay, benefits and working conditions?

IF YOU DISREGARD THE NEEDS OF YOUR EMPLOYEES, THEY WILL LEAVE. AND IT WILL COST YOU MORE TO RE-RECRUIT.

WORKPLACE V HOME

Workplace v. home. How do you think the recession will impact workplace strategies?



Rachel Houghton, MD, Business Moves Group: The last time we saw this level of change in workplace was in the 90s and 00s, back when we saw a move from nicotine-stained desk dividers to open plan and agile environments. The last recession prompted new ways of working. We saw the introduction of VoIP and shared filing systems. There was a proliferation of smart phones, and people could work in a more agile way. Now, 20 years on, we're seeing a similar evolution. The pace of transformation won't change anytime soon, although the end picture might. Then we have the talent gulf to consider.

William Poole-Wilson, founder, Will+Partners: Presenteeism appears to be dropping quite significantly in workplaces at the moment because more people are at home. We need to understand the impact this is having and why people are choosing to stay at home more. In terms of office design, my advice is to focus on getting the two basics right: quiet workspaces and collaborative workspaces. We need to be more diverse in our approaches, considering the different needs of different people. What's more, we need to incorporate flexibility in spaces so that they may be rearranged to suit varying use cases at different times. Stimulating the social senses is another important consideration. Offices are where strong relationships and lasting trust are built, and business leaders need spaces where their teams can grow and thrive together. This will help to improve productivity and performance.

Mark Tyson, head of property operations, LGIM: Rather than cutting square footage, the focus is being smart with space. I don't think that will change. Long-term leases are still being taken out and vacancies are low. Organisations still want space.

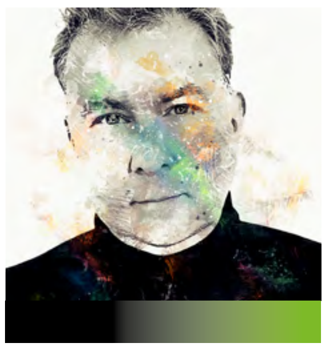
RATHER THAN CUTTING SQUARE FOOTAGE, THE FOCUS IS BEING SMART WITH SPACE.

Andy Topp, sales director, Corps Security: There are examples of employers expecting employees to be in the office three days a week, predominantly to justify the investment in real estate. My personal view is if you can do without it, why would you continue to bear those costs, especially when you'll still have two-thirds of the workforce working from home because they haven't been provided with a compelling enough reason to come into the office? Instead, why not invest in the hybrid infrastructure necessary to ensure they have everything they need with the understanding that there will be a requirement to come into the office but not to the level of the past. Throughout Covid, security was quite resilient because assets had to be protected regardless of footfall.
Few contracts had to be downsized because of the pandemic. Security needs remained. I think it will be the same this time around. ●

Offices are where strong relationships and lasting trust are built, and business leaders need spaces where their teams can grow and thrive together.

PLANET V EVERYTHING

Environmental sustainability is a hot topic. More firms in the built environment are committing to the cause. But 'green' can be costly. Investment is required and although ROI will be reaped in return, it takes time. Do you think the recession could curb or accelerate progress?



William Poole-Wilson, founder, Will+Partners: The current economic climate may undermine progress in sustainability if funding avenues are closed off. ESG is a highly specialised subject that demands deep rooted knowledge to understand all the various intricacies. There is no such thing as a silver bullet when it comes to sustainability and building design. Currently, it feels like the success of ESG hinges on the good nature of people willing to spend a fortune and invest enormous amounts of effort along the way.

Rachel Basha-Franklin, principal director, Basha-Franklin: I think that we are 100 percent moving forward with sustainability. We've made such headway and there's no going back. The trend has been established. It won't be long until you won't be able to buy anything out there that doesn't carry with it a legitimate and credible green agenda. If you don't commit to the cause, you'll risk your own survival. Sustainability shouldn't be more expensive anyway. It should be cost neutral. But what I think might lose standing is accreditations. There are so many accreditations that exist to prove an organisation is committing to environmental sustainability and wellness. I think many organisations are questioning their value. I would rather that we don't have so many private organisations creating new accreditation, but that these standards form part of building regulations. This will have far greater impact on the lives of many. And the focus should be on action, not words.

Mark Tyson, head of property operations, LGIM: The recession doesn't change much. There's been a massive realisation that the built environment has a huge impact on emissions, and too many organisations are committed to environmental sustainability for this to ever backtrack, recession or no recession.

Andy Topp, sales director, Corps Security: It could curb progress because investment in a recession is an incredibly difficult thing to execute, as is forecasting what's going to happen in the next three years, particularly when we're navigating such a challenging economic climate. That said, commitment to ESG only seems to be strengthening and it has been a primary focus for us for the last few years. It's increasingly being written into tenders and the companies that can prove they are contributing and improving social value and environmental sustainability at bid stage will do better than those that can't. Following the pandemic, the ESG focus shifted to the employee and social value. Businesses will need

FOLLOWING THE PANDEMIC, THE ESG FOCUS SHIFTED TO THE EMPLOYEE AND SOCIAL VALUE. BUSINESSES WILL NEED TO SHOW THEY UNDERSTAND THE NEEDS OF THEIR COLLEAGUES to show they understand the needs of their colleagues, with many needing to understand that the values of their employer match their personal views. They will need to prove they are focused on equity, diversity, and inclusivity and be vocal about their efforts to improve social issues. As a social enterprise, we have seen first-hand the benefits of this on retention and recruitment, but it hasn't been easy. Cost is cost at the end of the day.

Jeremy Campbell, executive director, EMCOR UK: FM will play a massive role in helping companies achieve carbon neutrality by 2050. The world has to cut greenhouse gas emissions before the end of this decade. It has to. We can't allow short-term economic stress to get in the way of the mission critical climate policy, or our transition to renewables.

Lucy Jeynes, MD, Larch Consulting: I guess a lot depends on the line taken by the government. If change is mandated, that pushes it further up the agenda. If it's supported with grants, funding and tax incentives, that will help too. If it remains a "nice to have" in some respects, organisations may decide not to have it. Institutional investors have an important role to play as they can also be drivers for change. However, over 50 percent of UK PLC is owned by overseas shareholders or institutions who may have different priorities. New buildings have sustainability designed in, but 80 percent of the 2050 building stock is already built today, so the development of more cost-effective approaches to retrofitting will be a deciding factor.

Sustainability shouldn't be more expensive anyway. It should be cost neutral.

WINNERS V LOSERS

What lessons did we learn back in 2008 that we can apply to 2023?

Lucy Jeynes, managing director, Larch Consulting: We are entering a period of significant change in the way we approach buildings due to sustainability challenges, new working patterns and a step-change in technology. This will inevitably lead to new approaches and ways of working in the FM/workplace industry. It's an exciting time for the profession, and with the large providers eating one another and becoming enormous, there is clear space under the mushroom-cloud of M&A for new ideas and offerings to come to the fore. We started Larch in the recession of the early 90s. Adversity sparks creativity and breeds innovation. The client market is ready for some fresh offers.

Andrew Wood, CEO, DMA Group: I think the winners will be those who manage to get tech into the heart of their business. But it's two-pronged, and you can't just present technology to your customers without the human touch. Human customer service is what clients want. Technology will help create margin efficiency that enables the more costly customer service to flourish.

Alistair Craig, MD, Anabas: I think the companies that commit to delivering value, really care about each and every one of their clients, strive to be the best, and know what they are about and what they stand for will thrive. Recession is just a technical phrase. You get up, you get to it, and you do a good job. You'll live or die by that. At Anabas, we know what we are, and we know what we're not. We have a laser-sharp focus and we will not lose sight of the destination as we continue our journey. Knowing what you're about is the single most important thing, I'd say.

William Poole-Wilson, founder, Will+Partners: The number one lesson is to adopt a mindset that pushes your business to thrive. Don't just try to survive. This means making sure your company reflects and actively pursues your clients' needs. While finding efficiencies and developing better processes is important, the best place to start is focusing on what your clients want. Identify where you have value and maximise that.

Rachel Basha-Franklin, principal director, Basha-Franklin: We learned how to be resilient. We're used to living in difficult times. That's the norm now. Expect a crisis, plan for the worst, strive for the best. Cash is king. You've got to be profitable. Put money away so you're ready when the highs turn into lows. Those that came out of the other side of Covid will be patting themselves on the back. They got through it. This recession will be a sneeze in comparison. We've got this. Bring it on.

KEY TAKEAWAYS

TAKEAWAY 1: BRIDGE THE TALENT GAP

Even in tough economic times, cost-cutting shouldn't undermine operational effectiveness. Businesses are not going to save their way to prosperity. Instead, they should look to realign spend to address their most pressing challenges. For many firms in the built environment, that means bridging the growing talent gap.

"Back in 2008, loads of people were out of work. Companies were up against the wall, and they had no choice but to shave headcount," Rachel Houghton, MD of Business Moves Group, explains. "Now it's the other way round. We can't find enough people to do the jobs that need to be filled. What we now need to see is more investment into UK innovation, engineering, and manufacturing, and a stronger focus on training and skills development. That will help plug the talent gap."

TAKEAWAY 2: BE SMARTER WITH SPACE

Recession or not, workplace leaders need to evolve their offering. It's about being more perceptive of client and employee needs, then building workplaces and workplace strategies that wrap around those needs. For A&D and property management teams, this is particularly significant. There is a line of thought that new working norms have transformed the purpose of the workplace, as Mark Tyson, head of property operations at LGIM, explains: "The office isn't dead, but expectations are changing. End users now want buildings that save energy, reduce cost and increase value. Those conversations never used to happen so, for me, it's a very exciting time."

"Demands have completely changed," adds William Poole-Wilson, founder of Will + Partners. "People now want the flexibility to rearrange spaces to suit their needs." Flexibility, freedom, choice, along with a commitment to improving health and wellbeing and environmental sustainability. That's what people want, so the way we view, use and interact with space should adapt accordingly. If employers want their employees to work harder and smarter, the workspaces on offer must, too.

TAKEAWAY 3: MINE FOR NEW OPPORTUNITIES

For Rachel Basha-Franklin, principal director of Basha-Franklin, inflationary pressures aren't all bad, highlighting that her business is paving the way for creative thinking and sustainable initiatives such as urban mining.

"Rather than sending materials abroad when buildings are stripped out – and increasing carbon emissions in the process – materials could be reused, reimagined, and recycled," she explains. "That will not only contribute to net zero targets, but it will reduce the associated costs too."

TAKEAWAY 4: IMPROVE THE FACTORS LINKED TO PRODUCTIVITY

Alongside creative thinking, productivity is a key issue that needs to be addressed, with the UK lagging significantly behind its G7 counterparts.

"In 2017, economist Duncan Weldon suggested that a 1 percent productivity gain could add £20 billion to UK national output," highlights Jeremy Campbell, executive director at EMCOR UK. "We've had this productivity problem for a long time, and I don't think the recession or the 'striking Britain' mentality will help. We must focus on productivity to get out of this mess."

While productivity is a complex beast, and an even trickier thing to measure, the onus is on workplace leaders to consider and assess the factors that impact employee sentiment. Are you offering your employees a good experience? If not, what chance is there that they'll give you the best of them?

TAKEAWAY 5: DO THE RIGHT THING

Lastly — and encouragingly — industry professionals don't appear to believe that the recession will affect efforts from firms to improve their ESG practices and, ultimately, do the right thing.

"I don't think recession will impact the desire of organisations to drive down their carbon footprint," Houghton says. "We're not seeing any signs of organisations asking us or expecting us to cut corners on that front — not that we would. Cutting corners to save money will have an adverse effect in the future."

Additionally, Tyson highlights that there's greater consideration of the need to support the workforce from a health and wellness perspective, including financial wellbeing. "That means paying a fair and decent wage," he explains. "Then there's a bigger push towards social value. Value for money tends to come to the fore during recession. It's all about understanding why that pound is being spent and how it all breaks down."

Final word

Between an ongoing evolution of working models, methods and priorities, growing sustainability drivers and ongoing economic pressures, we're clearly amid yet another round of change. Luckily, workplace leaders eat change for breakfast.

Magenta's conclusion from these conversations is that those who fail to align their strategies and adapt their offering in line with these new challenges, and the demand and expectations that go with it, will be left behind. The justification for proactive investment is more difficult in uncertain economic times, but those who take the time to evolve with market, client and employee needs will successfully build resilience and reap the rewards.

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