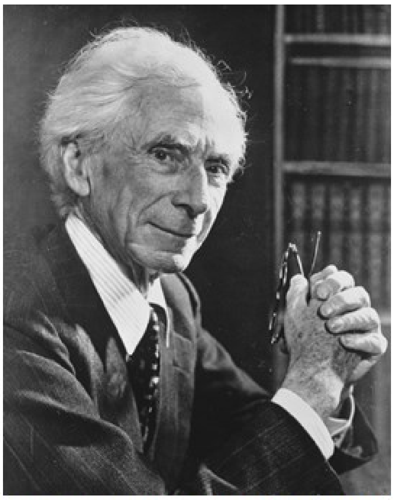
FUTURE WORKPLACE: WEIGHTLESS, NETWORKED, SERVICED AND RETAIL

Certainty is stupid

In 1951 Bertrand Russell published a small volume of work based on a series of broadcast lectures addressing methods for avoiding conflict. In the first chapter, *Current Perplexities*, Russell observed:

> *One of the painful things about our time is that those who feel certainty are stupid, and those with any imagination and understanding are filled with doubt and indecision.* [1]



Bertrand Russell (1872-1970)

Russell was exploring fear and irrationality brought about by rapid developments in science and technology in the aftermath of a devastating war that saw the use of nuclear technology as a weapon for the first time.

Whilst a very different time and context, the essence of Russell's observation has dogged public discourse on the impact of the pandemic on work. So many predictions, made with apparent certainty and beguiling simplicity, based on stereotypes of Dickensian managers; of totally dysfunctional office workplaces; of completely out-dated workstyles and of three-hour motorcar commutes. Management has failed; the workplace has failed; work has failed. Such tropes have been trotted out with mind-numbing frequency for the past two years and more to underpin predictions made with apparent certainty.

One of the problems is that the demands of social media thwart most attempts at providing context. And yet it is context, or evidence, that in Russell's terms, helps avoid 'stupidity' while reducing 'doubt and indecision'.

1991 was a defining year for the UK economy. For the first time more people going to an office each day than were going to a factory. And in the three decades that followed, office economy jobs doubled, from nearly 4.8m to 9.3m, while maker jobs halved from 5.7m to 3.2m. This has been described as the arrival of the 'knowledge' economy.

This fundamental switch lies at the heart of so much that we discuss today in the 'workplace debate' – being one end of a thread that links economy, business, buildings, workplace and the real estate industry. The thread has four links.

Link one: from tangible to weightless

It is widely anticipated that most future economic growth will derive from 'things' that have no weight: computer software is perhaps the most obvious example; branding is another of increasing importance. And accounting for the economy, or quantifying it, becomes more problematic, as eloquently described by Danny Quah

> *International trade becomes not a matter of shipping wine and textiles from one country to the next, but of bouncing bits off satellites. With economic value having no clear points of physical entry and exit, international trade statistics become that much murkier and ambiguous. Keeping track of trade is no longer just counting the bottles and bales that pile up on the loading docks in a port.* [2]

Haskell and Westlake described intangible investment in *Capitalism Without Capital*, noting along the way that intangible investment overtook tangible investment at the time of the global financial crisis in 2008.

> *Investment used to be mostly physical or tangible, that is, in machinery, vehicles and buildings and, in the case of government, in infrastructure. Now, much investment is intangible, that is, in knowledge-related products like software, R&D, design artistic originals, market research, training and new business processes.* [3]

This weightless economy sits uncomfortably with the 'heavy' real estate process. For most of the twentieth century, owner occupation and long leaseholds of offices were common, as buildings provided: financial meaning in the form of assets and security; operational meaning in the form of bespoke environments and symbolic meaning in the form of architecture.

As first the service economy and then the knowledge economy spread, the meanings of buildings as described above largely disappeared. Many 'weightless' firms do not benefit from controlling physical assets; their operational needs are generic, and they attach little symbolic meaning to the exterior of their building. Yet, they are looking out to a property supply process that weighs a great deal indeed.

Weightless firms in the knowledge economy have no more interest in the labyrinth of specialisms, costs and risks of property than the average car owner cares about what happens under the bonnet. They simply want to conduct their business, in a workplace that does not act as a drag on their business.

The evolution of the flexible space market is instructive in this sense because operators were suddenly offering everything the customers wanted: easy in-easy out, speed, flexibility and certainty, all in a service wrap with a focus on people rather than bricks and mortar. Real estate must adapt from a focus on physical assets to one on weightless service provision.

Link two: from monoliths to networks

In '*London's Global Office Economy: from Clerical factory to Digital Hub*', I traced the evolution of the modern office through five distinct 'ages' [4]. The precise start and end of each age is less important than the overall picture. The office has moved from market, to factory, to corporate to digital; and is now set on a course for 'network'. Curiously the key feature of both the first and final phases is knowledge.

The five ages of the modern office economy

Focus	Approx. era	Work & Place themes	Technology
Counting House	**1700 – 1830**	**Knowledge.** Coffee Houses. Counting Houses. Exchange. News. Social.	Adding machines. Copying. Ink pen. Ledgers. Paper. Stenography.
Clerical Factory	**1830 – 1920**	**Production.** Fixed. Manual. Mechanical. Production line. Repetitive.	Carbon paper. Electricity. Filing. Lifts. Paper clip. Telegraph. Telephone. Typewriter.
Corporate	**1920s – 1970s**	**Process.** Scale. Departments. Layers. Command & Control. Predictable. Processes. System furniture.	Action Office. Air conditioning. Biro. Calculator. Fax. Fluorescent lamp. Golf Ball typewriter. Mainframe. Photocopier. System furniture.
Digital	**1980s – 2020**	**Power.** Agile. Changing. Connectivity. Data. Flexible. Power. Processing. Speed. PC left the building.	Cloud. Email. Internet. Mobile. Laptop. PC. PDF. Social media.
Network	**2020 – onwards**	**Knowledge**. Commodity. Distributed. Exchange. Hubs. On demand. Service. Social. Weightless.	Artificial intelligence. Augmented reality. Automation. Robotics. Smart cities/buildings. Virtual reality.

The key point for the current debate is that we are evolving from the digital stage into the network stage. At the very least, this implies two things: new kinds of companies and new kinds of buildings.

The corporate era saw organisations became ever larger and more complex to meet the demands of the rapidly evolving, global trading environment, and the office economy emerged as a distinct facet of the city – no longer an ancillary function to industry, but an activity in its own right. This was the time when sprawling international organisations brought together thousands of sedentary, clerical workers into single headquarter buildings (Mumford's '*human filing cases'* for the '*circumspect care of paper'* [5]), where command-and-control management oversaw unchanging and predictable 'corporate islands' which planned ahead with a comparatively high degree of certainty, providing jobs for life.

The digital economy questioned traditional assumptions about the role of the firm. The critical nature of connectivity, changing structures, the priorities of knowledge workers and the reduced importance of the 'corporate island' in favour of more complex web of supply chain relationships and contingent workers, all altered the nature of the firm, with huge implications for the real estate industry.

Hierarchical, task-driven corporate islands are now yielding to networks of organisations, individuals and specialists, each bound together by a common sense of purpose and shared interest. Business ecosystems involve large and small companies working together, with contingent workers and specialists across extensive and collaborative relationships. Traditional notions of company structures and career paths are being swept away. Networks will be the defining feature of the office economy, underlining the need for the CBD to offer more than office blocks.

To match these trends, real estate will evolve from a focus on lease administration and become adept at accommodating, nurturing and managing fluid and ever-changing business communities.

Link three: from castles to condos

Weightless and networked firms do not benefit from controlling physical assets; their operational needs are generic, and they attach little symbolic meaning to the exterior of their building. Yet, they are looking out to a property supply process that weighs a great deal indeed.

This is most easily seen in a supply process that delivers large buildings – all of a very similar specification – with a view to letting them to single occupiers with strong covenants. Large, impermeable, single use buildings (castles).

But this is changing. The weightless, networked economy suggests that the asset-driven approach of real estate will become an historic novelty. Where once a building was seen as a castle, it is now coming to be used as a condominium. It exists to meet a customer need, and everything around its design, delivery and management is focused on that need. And there is greater provision of serviced space for occupiers looking for licences rather than leases, and there might even be serviced apartments for workers to occupy when they stay in town.

The challenge for real estate, in the face of these contextual changes, is to become an agent of change, not a barrier. And this means that old attitudes and perceptions must change. New skills and technologies will be required. And somewhere along this journey the feudal language of ‘landlord’ and ‘tenant’ will finally give way to business-to-business language – provider and customer, perhaps. And not only will the language change, but asset management will also yield to service provision.

Link four: from wholesale to retail

One of the key threads running through the wider societal changes taking place is personalisation. The economy is moving from mass production to mass customisation; business is evolving from large, faceless bureaucracies to networks of knowledge workers, and buildings are providing experiential workplaces for people rather than corporate bodies.

In this sense, the real estate supply process is faced with an inevitability: it must evolve from a wholesale to a retail business. What does this mean?

For the past eight decades, the real estate industry has created product which has been wholesaled either to client-side property teams or intermediaries representing the client body. In both cases the needs of individual workers were overlooked. Now, as in-house teams shrink and/or disappear, and as property itself is commoditised, the real estate supply process must 'retail' its products and services to the customers who use their workplaces.

The workplace experience and the manner in which it is curated will assume greater importance. Obviously design will continue to provide innovative solutions to emerging problems; but the real focus in the coming years will be a management issue. How workplaces are managed will assume critical importance, not only in an era of heightened health awareness, but also in an era when space is a commodity that customers turn on and off as their businesses require.

The real estate supply process will need to adapt to this reality with products and services more akin to consumer markets than corporate markets. Small firms are driving demand for flexible space; many are no longer satisfied with secondary space on secondary streets. They aspire to the quality of space that their corporate cousins occupy. And the flexible space market is providing that – along with intensively managed, commodity space which they can turn on and off as their business cycles demand.

Eventually, as the flexible market matures into mainstream the market will provide space that will be as easy to hire as an Airbnb stay: an office will be ordered, created and delivered via a credit card, in an 'Easy Office' version of 'Easy Hotel'. We will then cease to refer to flexible space as a 'sub-market' because it will be the norm. The same processes will transfer themselves to other property sectors, including shops, laboratories and light industrial premises.

Summary

The workplace is the outcome of wider contextual forces: it is in fact a *derived demand.* This term in economics refers to demand for a good or service that results from the demand for a different, or related, good or service. [6] In other words, the demand for offices arises from occupiers who are producing goods and services for their customers.

Future economic growth will be largely got from weightless services; from organisations in a networked economy where large and small compete and collaborated on equal terms. Real estate is becoming a commodity, to be turned off and on as demand requires, and the real estate supply process is becoming a retail activity rather than a wholesale one.

These are not forces that the real estate industry can choose to engage with or not. They are a collective reality, providing the context to more tactical decisions around, for example, placemaking, workplace management and investment strategy. The real estate process will have to adapt.

There is no certainty in the outcome. None of us knows what the future workplace will look like. But by recognising that the workplace is not an end in itself, and by understanding the contextual forces of change outlined here, we will at least be able to make better informed, more rounded decisions.

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References

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