The first objective of anyone in business is to ensure the sustainability of the enterprise; without that there is no future. This can only be achieved by a company remaining profitable and profitability is the product of a business that is competitive. It follows that the competitive business is the one that adds value, continuously, to its customers and indeed to its business partners.

With the focus on business sustainability, it is interesting to consider trends for the future against the background of today’s property management industry.

TENANTS AS CUSTOMERS

The logic of valuing customers is as applicable to the property industry as to any other, but for reasons of history property owners have not, with few exceptions, recognized the need to run customer focused businesses. This has, in part, been due to the traditions of the industry and to the way the law has been used by both landlords and tenants to resolve disagreements. This route of legal recourse has been used extensively by the property industry, in a way that many other industries, seeking to build business partnerships, would find unattractive. Nevertheless, this combative approach is not one that is the exclusive reserve of property; it is a wider problem. The RSA Inquiry Tomorrow’s Company: The Role of Business in a Changing World noted that:

The climate in which companies operate should enhance not hinder their competitiveness. However the UK culture supports adversarial rivalry rather than genuine competitiveness. Our institutions, including the law and parliament, have historically been adversarial in character. In business terms, this adversarial heritage is a costly inefficiency: our appetite for confrontation and conflict is wasteful.1 (RSA, 1995)

The ability of any company to survive if it has costly, inefficient and wasteful practices is doubtful and in any event the likely trend is that tenants will increasingly be in a position to demand change in the relationship with their space suppliers. Tenant demands and economic necessity are likely to drive property owners to adopt a customer focused approach.
A significant number of corporate takeovers are completed each year. Yet small organizations are also flourishing in many sectors where the entry barriers are low and where knowledge and information, not capital investment, are the key. The change over the last couple of decades to fast moving markets with ever decreasing product cycles and increasing consumer demands calls for greater flexibility and to ‘be big but act small’. Alan White, the Director: Group Property of BT, commented:

Powerful technology also means that small ... businesses can join together as ‘virtual corporations’ to offer a complete menu of services, similar to large organisations. This is an important development which gives small operators considerable competitive advantage over larger corporations.2

(Alan D. White, extract from speech, KPMG Business seminar on Workplace and Workstyle Efficiency, 1996)

The property industry could therefore be faced with an increasing number of large organizations, with strong buying power, demanding more flexibility. There could also be a large number of smaller businesses with less certain futures demanding the same. Their needs, and hence the customer service theme of this book, will be paramount.

INTERNATIONAL COMPETITION

International competition breeds competitiveness, and particularly during the latter part of the 20th century companies have had an increased ability to operate across borders. By its very nature, the property industry has not been international; locations have not been transferable across national borders. This has produced somewhat insular property businesses in different countries, each one unfamiliar with international competition.

But industries are being forced to change and international competition is one of the drivers. National industries are no longer insulated from international competition. Trade barriers are being removed around the world and design in one country and manufacture in another is commonplace. This means that all organizations and their suppliers will have to find ways of meeting the challenges of remorseless global competition.

Studies indicate that those industries which have successfully integrated to achieve world-class performance are those which have been influenced strongly by international competitive pressure. For example, the automotive, aerospace, consumer durables and electronics industries have all made major improvements to products and in their delivery. This seems to be because the products can be manufactured and sold across borders and hence the opportunity for economies of scale become a primary drive for improvements. Those opportunities, because of the fixed nature of land, have not been open to property owners.

Property owners of tomorrow will need to become more international if they are to keep up with the strategies and aspirations of their customers.