
Drill bits and holes

Recently I was reminded of one of my favorite analogies. The idea is that no one walks into a

hardware store because they need a drill bit. What they need is a hole and that drill bit is the best way they know to create it. If ever the nature of the hole changes or the arrival of something better than the drill bit becomes reality, then the drill bit maker is in trouble. Larger urban and suburban office asset owners and operators find themselves caught in this scenario, hovering somewhere between a fixation on tinkering with the same drill bit and a customer that is scrambling to understand the size and shape of the workspace hole they require. As has become the pattern, I have three observations from recent conversations and work.





Lead, don't lag, with operations: I used to joke with my family in my previous role that I was a full-time tour guide. In leading the operations team of a 9M SF office portfolio in Houston, I toured drill bit makers and hole seekers almost daily (think lenders, equity, tenants, prospective tenants, amenities, technology companies, etc.). In that capacity, we were positioned perfectly between all sides and able to identify and close gaps, keeping needs of the hole and capabilities of the drill bit from getting too far apart. Each is looking for solutions and I have discovered that if the operations team can collectively provide thought leadership, responsiveness, and a focused and energized team, we are able to serve and equip all groups to achieve independent and collective success. Even just a few weeks into the new year, I am consistently finding concern amongst office owners of all sizes that one of the big limitations to future investment opportunities will be the ability to train existing and/or bring on new operations teams with both the aptitude and attitude necessary to handle this new, dynamic world.



Adopt operational empathy: Empathy is a trait of which we all want to have more. We should remain anchored to our convictions but never quit truly seeking to know and understand those around us. I found that when I ran around listening and leading as described above, I was being corporately empathetic in facilitating true win-win-win strategies. No owner wants to hear about the need for endless check writing without a master plan that encapsulates maximizing value while applying spending discipline.





No tenant wants to feel like they are ultimately just a rent check and exit plan. And no amenity or technology platform wants to feel like they are just being used for a one-time tease in the transaction or latest marketing brochure. Operations stands in the middle of all of these and has the chance to truly engage and understand each element. Only then, from that place of understanding can an operator develop, recommend and deploy appropriate solutions.



Don't forget about Revenues: All good asset managers are conditioned and trained to chip away at expenses. It is a nice, clean, one-dimensional, spreadsheet-oriented exercise. You lay out the data, look for outliers relative to what you know and hammer away until they come back in line with the industry expectation. In tougher points in the cycle, where nothing else feels very controllable, this becomes the safest place to run to. It is what I refer to as “playing not to lose”. While this exercise in some form should always be part of a core skill set, what lifts us out of the unprecedented trough we are in is far more weighted in the direction of the less concrete, but very necessary process of unearthing new revenue streams. This is what I call “playing not to lose by playing to win”. After all, no amount of short-term savings in janitorial or security contracts will offset the alarming and immediate erosion of long-term lease revenue. You better have a plan to attack that and who better to help shape the strategy than a strategic-minded, people-centric operations team on the ground living and breathing the realities of the market and asset. In a sense, we run the risk in this moment of becoming fixated on how the drill bit connects to the drill rather than if the actual drill is creating the hole being asked for.



The process of rethinking and reshaping the way people think about the various work environments over the next five to ten years will be just that, a process. Potentially missed in Dror Poleg's very timely and prophetic Rethinking Real Estate is one of his biggest observations: the distinct need in the industry for new operators, like Workng, to emerge in order to best facilitate this complex process. The technological advancement Dror specifically focuses on can occur either in spite of or in conjunction with the operational team. By getting the right operational team and approach in right now, it will dramatically increase the speed to success, identify dead ends more efficiently and quickly, and ultimately set up the industry and workers alike for much better long-term success. The "new and improved" drill bit will still be the right tool to create the hole.



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