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Compass: **There are Two Kinds of Companies – the Quick and the Dead**

By Jim Ware and Charlie Grantham

It's been 18 months since our book, [Corporate Agility](#), was published. We've been pleased at how well it's been received, but we've also been frustrated at how few organizations seem to "get" the message.

Now, six months into the current economic "crisis" it's more apparent than ever that agility isn't just a nice idea – it's an absolute survival skill. Pardon us, but maybe if we **shout it out one more time** someone will hear us.

We opened the book with this observation:

Those that survive will be the fleet of foot and the nimble, or those organizations that create not only new products but also new markets, and do so faster than their competitors ever imagined possible. . . In today's business climate, only the agile survive.

That, of course, is the heart of the issue: it's much easier to describe agility than it is to achieve it. We're fond of saying that one of the consequences of the relentless globalization of the economy is that organizations **must** drive their fixed costs down an absolute minimum.

Again, that's far easier said than done. And far easier ignored than accomplished. But as so many of you are experiencing right now, "fire sales" of buildings and equipment and lease buyouts are incredibly expensive – not only in the long term but especially in the midst of a downturn like this one.

How do you drive fixed costs towards zero? For starters, **sell every tangible asset you can find, and outsource everything you aren't world-class at doing.** We're not kidding. Sell the building, sell the furniture, sell the technology, renegotiate that lease. Hold on to your IP, your core business processes, and your irreplaceable talent, but get rid of everything else. And don't under any circumstances sign any leases longer than three years (less if you can get away with it).

We recently attended a workshop filled with property developers and corporate facilities managers. Once the group got past moaning about the horrific state of the economy, the conversation turned to the fact that there will unquestionably be plenty of excess office space on the market for the foreseeable future. As one broker put it, "This is a great time to buy property dirt cheap, or sign a very attractive long-term lease."

To which we replied, “No, **no**, **NO!**” How can you possibly know how much space you’re going to need five or ten years from now? Think about it: a ten-year lease for property that’s empty for the last three or four years isn’t cheap – it’s almost infinitely expensive.

We’ve been pointing all of our friends recently to a powerful article by Richard Florida that was just published in the March 2009 issue of *Atlantic Magazine* (“[How the Crash will Reshape America](#)”). It’s a very provocative look at how cities (and entire regions) grow and shrink over time as the basis of the economy shifts from one primary sector to another (think automobiles and Detroit, steel and Pittsburgh, oil and Houston, even financial services and New York City).

Deep within the article is Florida’s most profound insight – and no doubt his most controversial recommendation:

The housing bubble was the ultimate expression, and perhaps the last gasp, of an economic system some 80 years in the making . . . it created a workforce too often stuck in place, anchored by houses that cannot be profitably sold, at a time when flexibility and mobility are of great importance.

So how do we move past the bubble, the crash, and an aging, obsolescent model of economic life?

. . . . The solution begins with the removal of homeownership from its long-privileged place at the center of the U.S. economy. . . . If anything, our government policies should encourage renting, not buying.

Florida’s point is simply that given the dynamic nature of today’s economy, and the fact that most people move from one employer to another (and one work location to another) multiple times in the course of a modern career, owning a home just doesn’t make the same kind of sense it used to. The American dream was built on the assumption that each worker would have lifelong employment with a single employer; that dream is now officially dead (indeed, it actually died years ago).

Florida’s own father worked for the same company out of the same office for fifty years; it made sense for him to buy a home. And Jim’s background is essentially identical; his father retired from the company he started working for the day he graduated from college. And the family moved twice in those fifty-plus years – one block away the first time, and a whole four city blocks the second time. In contrast, Jim has lived in nine different cities over his career. Charlie’s experience is similar, but we both feel relatively stable. It’s our *communities* that give us stability, not geography. That’s a fundamental, if not widely recognized, shift.

We believe the exact same logic applies to commercial property; rent, don’t buy. If you’re not in the real estate business, what earthly reason is there for your company to own property? And even if you lease, why should you sign any agreement that extends beyond your business horizon of certainty? Which of course is getting shorter and shorter every day.

Yes, a short-term lease might cost you a few dollars a square foot more per year, but consider that the price of buying some insurance against an uncertain future.

And, of course, the best way to minimize your space costs is to promote workspace sharing, mobility, and alternative work programs. You just don't need to give each employee a dedicated space when most of them are out and about over half the time anyway.

Corporate agility means nothing more (and nothing less) than being nimble, fleet of foot, and able to turn on a dime as the economic winds shift. And you just can't be agile if you're carrying a big, heavy, complex balance sheet filled with tangible assets. We are calling for a very, very basic re-examination of all those business operating principles that have been developed since corporations first appeared on this planet – which, when you think about it, was less than 200-odd years ago.

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