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## Location, Location, Location

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This is the fourth part of a six-part series on Business Community Centers™ (or “BCC’s”—see [“Business Community Centers as Third Places”](#) for a detailed description of the concept and our basic business model).

In September we discussed the forces driving the economy towards less complex, smaller work organizations ([“Social Forces Driving a Simpler Way of Working”](#)). Then in October we took on the rules of industrial economics ([“The Dismal Science Dives into a Dismal Swamp”](#)), while last month we laid out the emerging “triple bottom line” approach to measuring performance ([“The Triple Bottom Line”](#)). We are baking all of these ideas into the DNA of these new work centers. Now we begin to dive down from 50,000 feet while doing our best to avoid corkscrewing into the ground.

Perhaps the oldest adage in the real estate business is that value derives directly from the location of the parcel. Being close to customers drives value; having access to transportation is worth money; and being surrounded by others similar to you is also valuable in the minds of property owners. But, what about a Business Community Center™? Where do you put it? How should you decide?

We’ve been wrestling with this basic question for many years. The approach we originally took was to collect a bunch of data on a number of “temporary alternative work centers” to determine if there was any pattern among those that seemed to work (i.e., they stayed open for several years) and those that failed and closed their doors. We had a total sample of about 4200 locations around the United States to choose from. But we took the opportunistic approach and sampled about 50 work centers that we have had close contact with over the past 15 years.

We included cases from metropolitan areas, suburbs, the rural hinterlands, and even several operations based in Europe. In addition, we pulled in both public and private examples from coast to coast. Admittedly, we do not have Asia/Pacific or South America in our database at present. But we’re working on that.

We won’t bother you with the wonky details of what multivariate discriminate function analysis (MFDA) is, but suffice to say that once we grouped the sample organizations into “worked/failed” categories we could sort through a whole number of characteristics to see which ones were associated (correlated) with each category. When we conducted this analysis we came up with two groups of variables that seemed to discriminate between the success and failure of local work centers. And these variables could also be tied to physical location.

Again, the variables fell into two broad categories that we named “Core Critical Success Factors” and “Operational Support Factors.” The logic of selecting a location for a BCC is simply to look for areas where there are relatively high scores for these two sets of factors.

We have even developed cut-off scores for each factor that we believe are predictive of business success. Space doesn't permit a case-by-case explanation of our findings here, but we would be happy to have that discussion with you if you are that interested.

The five variables we identified as Core Critical Success Factors are:

- Air pollution control;
- Transportation Congestion;
- Presence of knowledge workers;
- Digital telecommunications connectivity; and
- Corporate support for human resource development

The six Operational Support Factors are:

- Political support for economic development;
- Public utility interest in market growth;
- Agility of the local planning and zoning processes;
- Accessibility to community colleges;
- Availability of private sector economic development funds; and
- Ratio of new construction to rental rates on a square foot basis

As we assess a BCC opportunity we score each of these factors on a five-point scale and then calculate a summary metric. For example, an area with tough air pollution controls, heavy traffic congestion, and a high concentration of knowledge workers would rate higher in locational preference than one that had lower scores on those dimensions. Similarly, a location with high political support, the availability of private development funds, and a flexible planning process would score higher.

If a particular location passes these two hurdles (65<sup>th</sup> percentile and 75<sup>th</sup> percentile, respectively) we then proceed to a more discrete analysis. At this point we are probably down to making choices like the east side of a town versus the north side.

When we proceed to a site-specific analysis we then examine several other important sources of information such as:

- opinion survey of potential site occupants;
- key contact interviews with local corporate facilities managers and executives;
- focus groups with civic leaders;
- requests for proposals from tenant improvement contractors, technology providers, and local marketing firms;
- interviews and assessment of curricula from nearby community colleges; and
- analysis of transportation infrastructure development plans.

At this point we are then ready to build a formal business plan specifying a discrete location, market segment, and relevant cost factors. We have seen enough instances in which someone had an existing unused (or under-used) property and just went ahead and built out a work center,

presuming that “if we build it members will come.” Post-mortem analysis of instances like that quickly reveals the causes of failure—typically things like rent that is too high for the operation to afford, a market of potential members that is way too small, or little to no community support for the venture.

In the interest of full disclosure, this entire process, including the baseline benchmark data, is included in a business process patent application that we filed two years ago. as part of a broader description of how this concept can be brought to market.

Please also note that this analytical process can be extremely valuable to the potential investment community. BCC’s won’t work everywhere, and in the near future investment flows will have to be guided by a reliable analysis process. We believe we have created a highly viable model.

Our conclusion (based on extensive research) is that locating a Business Community Center™ must proceed from a logical analytic process, not just the availability of a building—or an over-eager developer.

Now that we have a described how to select a location and how to begin developing a business plan, what’s next? In January we’ll move inside a hypothetical center and discuss the interior design process. Our research has helped us develop several guiding principles of design, which we will include in our next installment.

[Please send your comments directly to us.](#) We look forward to learning from you.

### **About the Work Design Collaborative and *Future of Work Agenda***

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