

**Contemporary Practice in Real Estate Service Provision: Some
Evidence from The United Kingdom**

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Abstract

This paper focuses on recent research carried out by the 'Futures' research team into contemporary practices in real estate services in the United Kingdom. In particular, it examines how the sector has responded to the significant changes, which have taken place in its competitive environment in recent years. Based on an extensive questionnaire survey of the sector the key dynamics of change are identified. The results reveal a sector that is reactive not proactive to change, critically lacking in strategic thinking, experiencing increasing problematic client relationships and failing to capitalize on changes in the wider business environment. The paper concludes by assessing the implications of the findings for the future of both the sector itself and its professional body.

Keywords: *Real Estate Service Markets; Service Provider Characteristics.*

1. Introduction

In recent years the industrial organization of the professional real estate services (RES) sector has undergone a very significant period of change driven by factors such as changing client requirements, changes in the business environment and in particular by the desire of the largest firms in the sector to create global delivery platforms. This paper examines the impacts of such changes on contemporary practice in real estate service provision in the UK. The paper reports the results of a questionnaire survey of real estate service providers conducted in the UK with the objective of providing a factual base from which to explore the changing nature of real estate service provision.

The paper is structured as follows. Section two provides a review of the key observable components of change in real estate services in the UK and elsewhere. In section three the arguments and hypotheses raised in the previous section are empirically tested through a questionnaire survey of real estate service providers in the UK, the principal results from which are reported. The paper concludes with a strategic assessment of contemporary practice in real estate service provision in the UK and in particular an assessment of the sectors ability to cope with change.

2. The context of Change in Real Estate Services

In the broadest sense real estate services (RES) can be defined as those services relating to the marketing, management and valuation/appraisal of real estate, together with the provision of professional advice regarding real estate use, investment or development. In common with types of professional business service (PBS) firms, there is a range of professional skills involved. Some RESs are relatively low level and routine, as for example in the case of straightforward property agency, property management or appraisal services. Others involve high levels of professional skill, as in the provision of strategic management or investment advice customised to meet the needs of specific clients.

In the very general terms, there are three principal categories of RES provider in the market:

- *Specialized providers*, who supply a limited range of services, which can be routine or highly specialized. These firms are typically very small and dependent on the skills of a few individuals. The majority of RES providers in any market fall into this category and provide the sectors very fragmented industrial structure. In the main these firms provide routine low value added services such as agency and valuation. Many of their competitive advantages stem from extensive local market knowledge and professional expertise applied in the context of a specific location. The category also includes an increasing number of specialised or boutique firms providing very specific, limited range high valued added service to both a national and international client base.
- *National and International “one-stop-shop” RES firms*, offering a wide range of real estate related services both routine and specialised. The emerging importance of this category in recent years reflects significant institutional changes and shifts in competitive advantage in the sector. The categories formation has also been heavily influenced by changes in client demand. Firms in the category range from national providers to global players. Competitive advantages stem from the breath of service provision combined with the presence of significant economies of scale and scope.

- General PBS providers. These are typically global professional service firms who offer the whole range of PBS activities, where real estate related services form only a small proportion. Their movement into RES in recent years has almost exclusively been at the higher value added end of the provision spectrum. Their competitive advantages stem from existing global market presence and extensive networks of client relationships.

In the RES sector, the fee base of the leading national and international RES firms is shifting away from traditional agency and valuation functions towards more specialised consultancy. This changing balance implies a greater emphasis on higher level and higher value-added functions. However, this also involves a move away from the traditional skills of the RES professional. As a result, RES firms are increasingly seeking RES professionals with a broader range of business and finance competencies, or alternatively looking to employ other professionals to work alongside their RES specialists.

The leading UK based firms themselves through their publicly available statements of corporate culture and business purpose provide evidence of at least intent to support these trends. Examples of this genre include statements such as: “fuse real estate and financial capability”; “seeing beyond the bricks and mortar of each transaction”; “focus on high-value clients and markets”; “challenging accepted notions of what a real estate services company ought to be”; “management consultancy with the accountability of the professional adviser” and “extract maximum value added”.

The shifting balance in RES activity towards higher value-added strategic advisory roles implies that client-provider relationships are becoming of greater importance to the sector, at least to the large scale vertically integrated practices or the increasingly prevalent small specialist boutique operators engaged in this type of work. Evidence from published sources again underpins this with expressions such as “apply insight, innovation, and integrity to advance customers core business objectives”; “redefine the experience for clients”; “we determine our success by the value we produce for our clients” and “place client interests first”.

Traditionally, RES firms have provided specialist but routine services, demanded by clients on the grounds of professional independence (for example, asset valuations for balance sheet or insurance purposes), or of occasional need (for example, acquisition or disposal of property, negotiation of leases or rent reviews, etc). The decision between alternative service providers is made on a case-by-case basis maybe among a group of selected RES companies. In such circumstances it is a fairly straightforward matter for both RES firm and client to assess the proficiency of services, and for clients to switch provider readily in response to fee or quality differences. References to client disloyalty in the RES sector suggest this does in fact occur.

Increasingly, however, clients are outsourcing a wider range of RES requirement and involving RES specialists in a variety of strategic advisory roles. Quite often high-level real estate related management functions are being outsourced resulting in a deeper longer-term form of client-provider relationship. The rapidly growing area of corporate real estate (CRE) services provides a striking example. Until fairly recently, the management of operational property was given a low priority by occupational users. Basic management functions were either provided internally or contracted out to maintenance firms, but the strategic significance of property holdings was generally not recognised and responsibility for these functions tended to command low status in the corporate or bureaucratic hierarchy. However, CRE has increasingly come to be seen as a significant strategic asset, to be managed in conjunction with the core activity of the organisation to maximise the overall return on capital employed. Two effects seem to have arisen. First, many organisations have established dedicated in-house management teams with professional real estate expertise, and have elevated the estate management function to board level status. Second, and frequently in conjunction with the creation of in-house teams, many firms have outsourced elements of the strategic responsibility for CRE to RES firms. The CRE phenomenon illustrates a number of things relevant to RESs in general. Changing perceptions of the significance of real estate are leading to the creation of new RES products, new relationships between client and service provider, and new skill requirements. At the same time, however, this process is demystifying some aspects of RESs, resulting in clients who are better informed and more demanding, and a reduction in the value, which they attach to some of the more commonplace aspects of professional service.

As a result of the requirements of such involvements, the client provider relationship increasingly necessitates significant depth, with widespread evidence of secondment and joint venture arrangements in the sector supporting this trend. The ‘problem’ to be solved will evolve through dialogue and joint working, and both parties will accrue substantial sunk costs associated with the relationship. The RES firm has to invest in understanding the wider non-property business goals of the client. Depth and the investment it implies also act as a temptation to maintain the relationship in an attempt to secure an adequate return on the investment. As these forms of relationship increase it becomes increasingly difficult for the client to assess the relative quality or the end value of the service, which is being provided, especially as they are themselves implicated in the success or failure of the business strategy.

Entry requirements and regulations for the provision of RESs are far from uniform. In the UK, entry is largely restricted to accredited professionals who have undertaken an extensive programme of education approved by the core professional body (the Royal Institution of Chartered Surveyors). The professional status of the providers is well established, although RES professionals increasingly have to compete with finance and management professionals, even in the provision of RESs. From an international perspective, entry regulations for RES provision are highly country specific. Even within the relatively developed real estate markets of Europe, RESs are not well established as an area of formal professional recognition.

These differences are reflected in the widely varying requirements for professional training and entry, with RES practitioners commonly coming from a mix of academic and professional backgrounds such as law, economics, engineering or architecture. These differences highlight two distinct models of professionalism in the RES sector observable across countries: one is based on the existence of a ‘core profession’ and the other is based on ‘professional mix’. Both of these professional approaches to RES provision have strengths and weaknesses. The dominance of a core professional institution provides a clear source of professional guidelines and standards, but can result in an excessive orthodoxy of approach, the adoption of anti-competitive practices and a failure to embrace the ‘new’ even in the face of compelling market evidence. On the other hand, the involvement of a mix of professions introduces

greater scope for flexibility and adaptation, but may be weaker in terms of quality control.

In those real estate markets where professional identity derives from a core profession, there has been a long-standing identification between RES firms and their main professional body. In the UK for example, where firms have traditionally described themselves as ‘chartered surveyors’, and many still do, a close historic correspondence between the objectives of the firms and of the profession is apparent. However, the increasing breadth of services offered to clients by the larger RES firms the greater involvement of smaller niche specialists, and the new professional skills necessary to support these services, suggests that the common interest between firms and the core profession is under some degree of threat. In markets where the professional base of RESs is more open-ended and grounded in ‘professionalism’ rather than formal professional membership such as the United States, it is arguable that the changing nature of the RES product places less strain on both the service providers and the professional bodies.

The published evidence from the leading players supports these contentions. No leading UK based firm continues to use the term ‘chartered surveyor’ in their public statements of business purpose. Moreover, such statements increasingly place emphasis on value of all the firms’ human recourses and in particular issues such as breathe of experience and teamwork. Examples of such statements include: “People not property”; “Our strength lies in our people”; “Our people foster our entrepreneurial culture” and “Our employees are our most valuable resource”. Such statements also provide evidence of an increasing perception in the sector of effective human resources management being a key source of competitive advantage.

Like other PBSs, reputation is of paramount importance to RES firms. This principal applies across the sector irrespective of firm size or diversity of service provision. This introduces issues relating to the specific source of good reputation within the RES sector, which may be associated with the reputation of the RES firm, the individual professionals within it, the reputation of the relevant professional institution, or some mix of all. Arguably, as RESs increasingly involve high-level advisory activities, which are characterised by a substantial degree of client-provider

interaction, a sustainable reputation in RES provision is something, which is constructed and maintained through the joint actions of provider and client. Clients are likely to influence strongly the bundle of real estate services offered by the provider over time. As these depart further from the traditional forms of RES activity, it seems probable that reputation will increasingly be embodied in the identity and corporate culture of the firm, its individual professionals and the credibility of its client list, rather than in its association with any particular professional body. Again the published evidence from the leading firms back up these contentions, with statements of corporate culture in particular embodying strongly worded codes of ethics.

In common with other PBS sectors the RES sector has undergone a rapid process of internationalization, led initially by UK-based RES firms. In the course of this expansion, a small number of leading RES firms originating in the UK became quasi global in character, and many more purported to offer global coverage by means of networks and referral arrangements with partner firms overseas. Post 1997 the industrial organization of the professional real estate services (RES) sector has undergone a further very significant period of change driven largely by the desire of the largest firms in the sector to create vertically integrated global delivery platforms. In contrast to the previous expansion, RES firms originating in the US have led this process. This has resulted in the emergence of up to ten potential global players embodying diverse traditions of service provision from a variety of business cultures. This emergence of the first truly global firms in the sector reflects a significant shift in competitive advantage in RES. While currently these firms represent at best 15 per cent of the global marketplace in RES it is not inconceivable that in five years if current trends continue this figure may have doubled.

3. Survey Evidence

The previous section constructed a profile of change in the RES sector based on observed trends, perceptions and published sources. This section examines the empirical base for the issues and contentions raised by reporting the results of an

extensive questionnaire survey of contemporary practice in real estate service provision conducted in the UK.

3.1 Survey and Respondent Characteristics

The survey was administered in 2002 to one hundred and eight real estate service providers identified on the RICS database as having the majority of their activities in real estate services as defined in the previous section. Firms whose principal activities focused on quantity surveying and construction related services were excluded from the sample. However, a number of the surveyed firms contain such activities as minority business segments. The research team and RICS were satisfied that the one hundred and eight surveyed were a close proxy for the total population of RES providers in the UK.

In total forty-six completed responses were received, a response rate of 42.6 per cent. Not every question was completed by all respondents largely due to the non-applicability of the information sought to that particular circumstance of some firms. Therefore the sample size varies marginally for some questions.

The firms were surveyed under five topic headings, corporate ownership/governance, human resource strategy, market strategy, client relationships and business strategy/competitive position. The respondent characteristics indicate a relatively even mix of small, medium and large firms in the sector with over ninety percent of the sample exclusively domestic firms. As a result the sample is biased against firms with an international presence, which possibly reflects difficulties in identifying quickly the information required by the survey in a very large firm context and thus contributed to an under response by this group. However, this bias was compensated for by the detailed focus placed on these firms in a later phase of the study.

3.3 Corporate Ownership Governance and Human Resource Strategy

The results obtained confirm that the sector is still dominated by partnerships with over two thirds of the respondents in this category and the remainder in private limited companies. As a result the management structure of the majority of firms in the sector will be strongly 'person- (rather than task) oriented' and hierarchical. The corporate 'heroes' of such a structure would be predominantly those in senior partnership

positions with seniority associated with age and length of service. Partnership modes tend to be highly paternal and conform closely to a 'family' model of corporate culture. This embodies respect for hierarchy and status and distaste for aggressive business and managerial practices. Hiring strategies would strongly reflect the social, educational and professional homogeneity of professional/managerial staff. It might also be expected that the education standards and other requirements for training prescribed by the professional institution, would largely overlap those of the firm. In fact it would be reasonable to expect no real tension between the values and practices of RES provision as seen by such firms and the profession.

While some of the larger firms in the sample conform to a partnership structure in general the larger the firm the more likely that they were a private limited company. As a result their management style could be expected to be more task-oriented (and less person-oriented) and consequently less hierarchical and less paternal with a greater emphasis on the principles of scientific management applied to professional and product diversity. In effect a movement from a 'professional' to a 'managerial' culture with a reward structure based on merit. Such firms are more likely to be able to assimilate a social, educational and professional heterogeneity and might reasonable be expected to have tensions with the values and practices of RES provision as seen by a single professional body.

This sketch of corporate ownership and governance in the sector and its likely structural and behavioral implications is useful in that many of the contentions made can be verified by reference to the survey results in a number of areas which in turn should deepen our understanding of the sector's structure, its contemporary practices and potential future directions. Due to the sample bias discussed earlier, the absence of public limited companies and strongly internationalized firms (albeit a minority in the sector as a whole) does not permit the testing at this stage of the structural and behavioural implications that these forms of corporate ownership and governance imply. However, this will be rectified in the context of the analysis contained in chapter five.

On the specific issue of creating or maintaining a distinctive 'corporate culture' over half the respondent firms said they were engaged in such activities with

unsurprisingly, the large and medium sized non-partnership firms disproportionately represented in this group. This provides evidence for the contention implied previously that strong identification with the values of a professional body removes the need for the firm to invest in developing its own distinctive corporate culture. In the predominately 'professional' culture most associated with partnership modes corporate culture is synonymous with that of the professional body. However, of those that provided examples of how they were creating 'corporate culture' there was an unexpected diversity of responses. These include various ways of engaging staff from annual meetings for key groups, annual days out, and circulating information on the firms 'success' to very developed motivation based human resource strategies. A minority of the respondents identified the development of corporate culture as being synonymous with the firms PR function. This diversity of approach and confusion about what the concept of corporate culture implies is a cause for concern in that it provides an indicator of a lack of understanding and application of the principles of contemporary scientific management practice in the sector.

Examining the professional composition of respondent firms, chartered surveyors not surprisingly dominated, accounting for up to seventy percent of staff in some firms. In particular in over two thirds of the partnership firms chartered surveyors were the only professional group represented which provides support for the remarks made previously concerning professional heterogeneity. On the issue of changing employment proportions in general the respondents indicated a fall in the proportion of chartered surveyors and support staff employed with a rise in both accredited and non-accredited professionals. This latter trend was particularly evident in the non-partnership firms and very large partnership firms, which possibly provides evidence of a more 'managerial' business culture being better able to assimilate professional heterogeneity.

Focusing on the issue of training provision in the firms, over seventy percent of respondents provided training in business skills with the proportion of such training increasing in absolute terms for all. Not surprisingly eighty percent of firms provided property skills training but this element was regarded as declining proportionally in absolute terms. Only forty percent of firms provided training in research skills but of those who did the majority regarded it as an area of increasing provision. Provision of

business and property skills training was uniform irrespective of the form of corporate governance however, the non-partnership and very large partnership firms were the principal providers of training in research skills again reflecting issues of professional heterogeneity and the application of scientific management principals.

On graduate employment non-cognate postgraduates were the least attractive group for all respondents. Overall the respondents indicated that the proportion of cognate graduates employed would fall with the proportions of non-cognate graduates and cognate postgraduates rising. Smaller firms were strongly biased against employing both cognate and non-cognate postgraduates with some remarking that postgraduates would be over-qualified for their 'requirements'. Twenty percent of firms claimed not to employ any graduates at all. These were almost exclusively very small partnerships. In general partnership firms most favored cognate graduates with the non-partnerships and very large partnerships favoring the non-cognates and cognate postgraduates again a reflection of possible preferences for either professional homogeneity or heterogeneity.

Considering the role of the RICS in the training process while seventy percent of firms agreed that competencies prescribed as part of the *assessment of professional competence* (APC) process influenced their training provision over sixty percent regarded these competencies as insufficient to train a modern real estate professional. Smaller partnership firms were most happy with the APC process and large firms least happy. This reflects the existence of no real tension between the values and practices of RES provision as seen by the smaller partnership firms and the profession. It also provides further evidence to support the point made about the corporate culture of such firms. More generally of course these differences in satisfaction with the APC process may simply reflect difference in the range of services provided and in the client mix of firms. Of the criticisms made of the APC competencies the vast majority centred on the absence of an emphasis on 'practical' business and property skills. Comments such as the need for "greater emphasis on business skills and practical innovation is required" are representative of core concerns. Such comments were a particular feature of the responses from the professionally heterogeneous firms but not exclusively so.

3.3 Market Strategy

Further evidence of the 'traditional' nature and professional homogeneity of the majority of the firms in the sample is provided by the fact that only ten percent were involved in non-equity strategic alliance and/or referral arrangements in the UK with twenty four percent engaged in such arrangements outside the UK. The profile of the sample by sector of activity as measured by turnover reveals a dominance in commercial and industrial property with minority interests in residential and in the case of one respondent agriculture. The vast majority of firms expected no significant change in turnover by sector of activity. This bias in favour of commercial and industrial property suggests that the sample is well placed to provide evidence on how the sector has changed in order to meet the challenges of the very significant changes that have taken place in the wider business environment over the last two decades.

Examining turnover by area of business activity there is clear evidence of a shift towards higher value added activities in the majority of firms. While agency and contract negotiation represented the mainstay of turnover the majority of firms expected falls in its share along with those of property management, valuation and rating, with rises in the relative importance of finance and investment, corporate real estate, market analysis, project management and strategic business advice. A majority of firms had up to thirty percent of turnover in other services in particular, quantity surveying, building consultancy, rent reviews and dispute resolution. This shift in activity is interesting from a number of perspectives. Firstly, the shift in favour of finance and investment in particular is not confined to the larger firms but is almost uniform across the sector yet this is not reflected in the human resources strategies of the smaller and partnership firms. Secondly what might be regarded as core professional competencies within the confines of the APC process and indeed in much of the property education world, such as property management, valuation and rating are declining in relative importance again almost uniformly across the sector. Finally, there is a growth in areas of business activity the very nature of which require greater professional heterogeneity or at the very least property graduates with a well-defined business and finance background.

3.4 Client Relationships

The composition of turnover by client category across the respondent firms was surprisingly similar with financial institutions, property companies, other private sector companies and private individuals dominant. About half the firms had government and the public sector as clients but only in a minority capacity. Financial institutions and other private sector companies were perceived as the most likely source of increasing turnover in future years irrespective of firm size. This indicates that future growth in service demand will come from what is potentially the most sophisticated and demanding client base with consequent quality implications.

Examining the characteristics of client relationships all the firms indicated that they acted as agents for their clients with eighty five percent also indicating that they acted as adviser to their clients. The vast majority indicated a decline in the agent role of their relationship and an increase in their advisory role, which is evidence of a shift in traditional relationship roles in the sector resulting in more embedded and potentially more demanding client relationships. Less than twenty five percent of firms, exclusively the larger firms in the sample, had what might be described as well embedded client relationships in the form of both collaborative and joint venture relationships. In both these categories the firms involved expected their significance to increase in the future. Which there is evidence of a shift towards more embedded forms of client relationship in the sector for the majority of firms their relationships are vulnerable to changes in client requirements.

On the issue of changes in the mode of delivering client services eight five percent claimed to have changed how they delivered services. In the vast majority of cases the advent of electronic communication through increased use of e-mail and real time reporting were cited as examples. In effect the changes that have taken place in the wider business environment affecting all firms in all sectors. A minority of firms cited the increasing use of secondment arrangements and attempting to understand the wider business goals of the client as important in changing service delivery. This may also be a further indicator of an absence of strategic thinking and application of best practice management principals in the sector. Firms were also asked as to their opinion on whether or not clients were becoming more demanding and/or better informed regarding their service requirements and the service product. Seventy six

percent agreed with this citing reasons including electronic communications, higher analytical requirements, unwillingness to accept even valuations at face value, greater availability of specialised information and specialists within client firms, shorter time frames for delivery and the oversupply of surveyors allowing clients to be more cost sensitive. Such responses are a clear indicator of anxiety in the sector about existing and future client relationships and provide further evidence of significant vulnerability in the sector to changing client requirements. The majority of firms do not regard a more informed and demanding client as a positive factor, which is a strong indicator of a reactive rather than proactive approach to change in the sector.

3.5 Business strategy and competitive position

In the final section the firms were required to express opinions about a range of somewhat intangible business strategy issues as a means of identifying their perspectives on the competitive environment in the market for real estate services. Firms were required to rank in order their top three competitive strengths. This as might be expected produced a considerable variety of responses however, some significant common trends were identifiable. The most prevalent strength ranked first focused on knowledge expressed as local, regional, specialist or expert. Other strengths identified by a significant number of respondents include factors such as partner participation, personal contact, friendliness, independence and integrity or reputation. Only in a very small minority of firms were factors such as quality of employees, size, client services or innovation cited as competitive strengths.

This set of responses is very revealing. Knowledge is important as might be expected given the nature of the basic characteristics of any service product, thus confirming the role ascribed to it in chapter one. However, outside of this we get responses centered on factors such as partner participation, personal contact, and friendliness. All of these latter responses provide clear evidence to support the structural and behavioral implications outlined previously in the sketch of the sector based on partnership forms of corporate governance. The firms are person-orientated, with the partners as the corporate hero's, embodying a hierarchical respect for status and all the essential elements of a 'professional' business culture. It is interesting that only in a minority of firms and predominately the non-partnerships do we see competitive strengths cited which are more task orientated, reflect the application of contemporary

management practices and embody an all inclusive approach to the competitive strength of the firms human resources. The latter is an obvious reflection of a flat management structure and a more 'managerial' business culture. The absences of client related factors in most cases reflect the type of problems in the client relationship identified previously.

A number of key determinants of change in the sector were listed and firms were asked to rank them as either competitive threats or opportunity to their company on a scale ranging from -5 (extreme threat) 0 (neutral) to + 5 (extreme opportunity). The most cited factor viewed as a competitive threat by the vast majority of firms in the sample was the availability of skilled personnel. This is interesting given the results obtained on human resources suggesting a reticence to employ both graduates and postgraduates. At a wider level, partnership modes with their strongly hierarchal structures may simply put off skilled personnel who may be looking for a workplace environment driven by merit where everyone's skills partner or not, are seen as competitive strengths. Also this result may reflect the wider debate in recent years about the real estate sector not being able to attract the 'brightest and the best'. The results presented here may go some way to providing another reference point for this debate.

Other perceived threats identified included in order of importance, consolidation of rival producers, changes in client requirements and new entrants to the sector. The inclusion of clients as a competitive threat is no surprise given the results already reported. Also the other two factors cited are not surprising given the consolidation trends in the domestic sector in recent years combined with new entry in very specialised service categories and by the more generalist professional business service firms. The majority of firms regarded the effects of the internationalization of service provision as neutral a reflection of the samples overwhelming domestic bias. In terms of factors perceived as opportunities developments in IT were ranked as most positive followed by new modes of product delivery and new or changing service product. However, the results reported thus far suggest that such perceptions have not successfully translated into actions in the majority of cases. Some firms viewed changes in client requirements and new or changing service product as both extreme

threat and opportunity simultaneously again a reflection of uncertainty and vulnerability in the sector about its wider business environment.

On the issue of the introduction of new service products over the last five years nearly sixty percent of respondent firms claimed that they had introduced new products. However, the many examples cited could not in the main be described as evidence of innovation in the sector but rather attempts to exploit perceived business opportunities such as opening an additional office or moving into residential or property management. For many respondents that fact that they were providing information via the web counted as a new service product. In a minority of cases the examples cited were closer to innovation in that the firm had created a product specifically tailored to meet the needs of a very specialized segment of its client base. These responses provide further evidence that the perceptions of competitive opportunity identified previously have not in general translated into firm actions. The vast majority of the respondents now operate an Internet site, but only slightly over half believed that it would play a significant role in their future business development strategy. These developments are a reflection of changes in the wider business environment rather than sector specific effects.

Firms were asked their opinion as to whether or not the RICS has a role to play in developing their business strategy. Eighty percent of firms responded no and provided a number of comments to justify this standpoint. Example of typical concerns include “The RICS seems to be more interested in promoting itself over its members” – “Needs to promote greater public and client awareness of our sector” – “How can it promote business development when it does not understand the business skill needs of our sector?” These responses transcended issues of firm size and corporate governance and reflect a possible general dissatisfaction with the professional body in terms of helping firms in the sector to deal better with the pressures of the very competitive environment they find themselves in. In the case of the smaller firms while little tension exists with the professional bodies values and practices in the area training the same cannot be said in the context of business development. Of the twenty percent who viewed the RICS as having a role to play in business development comments made included “continuing to advise at national/governmental level on real property issues and the effects on the economy

and real estate investment” – “research and information on the attitude of companies and the markets”. This is a clear indication of the usefulness of RICS sponsored research and information provision to the business development of some firms in the sector.

4. Contemporary Practice in Real Estate Service Provision in The United Kingdom – A Strategic Assessment

The results of the survey provide a number of important points for consideration about the further development of the sector. Starting on a very general level one picture that emerges is of a very traditional sector, certain of its core business values being forced to react as best it can to a combination of significant changes in the wider business environment for professional services many of which are driven by changing client requirements. There is also a perception that the sector is not being well supported by its professional body particularly with regard to equipping it with the necessary business skills to survive. In effect the sector as represented by the respondent sample can be characterised as reactive in its business development strategy, rather than proactive. There is an overall absence of strategic thinking, and as a result the direction it is taking as revealed in the survey is more by accident rather than design. However it is important to make some caveats to this, the respondent sample is very biased in favour of firms which are almost exclusively domestic, in particular small and medium sized firms and a good 30 percent of the sample albeit the larger sized and very specialised firms can be characterised as proactive and have a clear idea of where they are attempting to go with their business development strategy.

The problems of the sector in dealing with its competitive environment are by no means easily explained purely in terms of the structural and behavioral implications of particular forms of corporate governance. While many of the results flows from the form of corporate governance, the sample includes non-partnership firms that have not developed a ‘managerial’ business culture and provide little evidence of the implementation of best management principles or strategic thinking. Likewise there are partnership based firms especially the large national firms in the sample who have successfully made the transition from a predominately ‘professional’ business culture

to a 'managerial' based one, capable of assimilating a variety of professional backgrounds and implementing the appropriate managerial and strategic thinking necessary to compete in the current business environment. It may be interesting to speculate why this has happened, maybe it simply reflects issues of size, or alternatively it may have to do with the acceptance of professional heterogeneity within the partnership as prerequisite for growth. Also to what extent such firms have retained the positive person orientated 'family' aspects of partnership and used them, as a competitive advantage would be a useful area to explore.

Moving on to consider more specific issues, there is clear evidence of a shift towards higher value added activities in the majority of firms, in particular based on the decomposition of turnover by business activity, the changing professional mix of employment and the perceptions of more demanding client requirements. For many firms this maybe a sub-conscious process. Client relationships for many firms in the sample are clearly sources of some anxiety and potential future vulnerability. The evidence for this is based on the perception of changing client requirements as a competitive threat, the view that clients are more demanding and increasingly sophisticated and the fact that client relationships for the majority of firms lack depth given the relative absence of collaborative and joint venture roles reported by the sample. While firms are very willing to embrace IT developments as a competitive opportunity very few have capitalized on these and translated them into tangible product innovations or service improvements. Even Internet presence reflects more of an attitude of our competitor has it, so we must rather than an expectation that it might be a useful tool of business development. Also one interesting trend to emerge is that the smaller firms in the sector and to some extent the very specialized providers do not regard the process of consolidation and internationalization in the sector as competitive threats even citing their independence as a key competitive strength.

Considering the issues of human resources and skills, there is evidence to suggest a somewhat paradoxical situation in the sectors attitude combined with a significant difference between large and small firms. On the one hand the most significant competitive threat cited was the availability of skilled personnel while at the same time there was a reluctance to recruit postgraduates and in some cases any type of graduate. Such recruitment strategies might address the anxieties expressed by some

about the use of specialists within client firms and the need for wider business skills in the sector. Some firms may be addressing these issues through a specific policy of recruiting more non-cognate graduates. However, as suggested the partnership form of corporate governance and in particular its structural and behavioral implications may impede the recruitment of skilled personnel in certain circumstances. Most firms are directly addressing the business skills issue through the provision of some form of in-house training. Existing APC competences are best suited towards the smaller firms in the sector who are in the main satisfied with them reflecting the lack of tensions this area with the values and practices of the professional body. However for larger firms with a wider range of service products and a more diverse client base, they fail to deliver practical business skills. Moreover some of the core skills they stress are increasingly in areas of declining turnover for the majority of firms. These issues need to be addressed if APC competences are to have any value-added in the training process outside the smallest firms in the sector.

Finally on the role of the professional body it is clear that the vast majority of firms in the sample perceive that it has little to offer in terms of their business development strategy. Partly this may simply reflect a problem of communication, however, there is a perception especially amongst the larger firms that the RICS is out of touch with the business skill requirements and competitive environment of the sector. The one area where the RICS is perceived to have made a positive contribution to business development is in terms of its sector focused research function. Yet given the remarks made earlier concerning the reactive nature of the sector and the absence of strategic thinking, a professional body could play a very important enabling role in the sector. In the same way in which the RICS was instrumental in creating the traditional core business values of the sector and its 'professional' business culture which served its development very well it could play an equally important role in removing the potential straightjackets of business culture inherited from tradition by fostering a more proactive strategically focused 'managerial' business culture which is better equipped to deal with the demands of the competitive environment that firms in the sector find themselves in. The experience of the large national partnership firms, which appear to have made this transition successfully, could provide vital practical insights into the type of approach the RICS could reasonably adopt.

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