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What Didn't Happen in 2007

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Each year about this time we force ourselves to review our prognostications and predictions from a year ago. We're fond of saying that the nice thing about being futurists is that no one can prove us wrong. But when you've been around as long as we have, your past has a way of sneaking up on you. Besides, we actually enjoy learning from our prior predictions and trying to get better next time.

So this month we'll reflect a bit on our expectations for 2007, admit to our mistakes, and lay a foundation for 2008. Look for a new set of our fearless future visions in the January issue, right when you're all in the middle of making your own New Year's Resolutions.

We're going to review the year along our three traditional dimensions of technology, real estate, and human resources. But before we begin, we feel compelled to comment on how as we get older (and it's hard not to) we're getting more and more conservative in our predictions and expectations. We may not have learned much over the years, but one thing stands out for us at this point: there are really only two kinds of change.

"Type A" changes are those unexpected, major events that seem come out of almost nowhere and catch all of us by surprise. Sometimes those surprises are genuine disasters (like Katrina, or the California wildfires, or the subprime mortgage crisis, or the more recent Bangladesh cyclones). Of course, in hindsight we can almost always figure out the underlying causes, and we always chastise ourselves for being so blind to what so quickly becomes obvious. Unfortunately, however, hindsight isn't really worth all that much. Sure, it's important to learn from experience, but when the stakes are big we'd much rather avoid surprises.

What we call "Type B" change is a whole lot more subtle. In fact, it's the kind of change that almost never makes the news. It's the slow, imperceptible kind of change that we find really, really hard to see. For example, until recently global warming and melting ice caps simply weren't visible to most of us, and so for all practical purposes didn't exist. Of course, we appear to have run right past the tipping point in that area.

Our point in highlighting slow, subtle change, is that most of us get so excited about new technologies, or new management practices, that we manage to convince ourselves that change is inevitable, and will happen as fast as we can think about it. After all, if we can see the possibilities, can't everyone else too?

Uh, no way Jose. The biggest fallacy futurists make is in expecting human institutions and human behavior to change quickly. It's not that Type A Change never happens, but that it's rare (and it's usually preceded by years of small Type B changes that are there if you look hard enough, even though most of us don't).

Thus, we approach this prediction/postdiction exercise a bit chastened and a bit “sadder but wiser” than we were a year or two ago.

So that's enough philosophizing. Here's the Big Question: What did we think was going to happen in 2007 but didn't? And How Come?

Again, we'll look at the world in three big buckets: IT, HR, and Real Estate.

Technology

We've been predicting for several years that WiFi would become ubiquitous, and Wi-Max would actually overtake WiFi in popularity.

Not yet. The most stunning examples are Chicago's decision to pull the plug (pardon the metaphor) on its WiFi network in August ([WiFi Networking News](#)). That was followed quickly by the same kind of action in Atlanta. The same thing is happening in Tempe, Arizona ([News.com: WiFi Lessons Learned in Tempe](#)). And San Francisco is also bogged down in funding issues and political conflict.

It's hard to tell exactly what's going on, but our take is that the financing model those cities were attempting to leverage just didn't work. The 2006 hype was all about “free access” for the masses. Well, businesses don't operate for free.

How come the model fell apart? Well, our vaunted 20-20 hindsight tells us the market didn't mature fast enough. Some of that may have been glitches and hiccups in WiMax product development, but we suspect it was more about resistance from existing cable and landline providers combined with a lack of political will and imagination. For those of you old enough to remember this feels like déjà vu all over again.

Remember those halcyon days of “municipal networks” promised by the cable TV industry when they wanted exclusive franchise rights in the late 80's? It's incredibly ironic (but, for us cynics, no surprise) that now that those firms are “insiders” they seem to be the ones blocking progress towards the next generation of technology.

We actually thought that municipal WiFi would be widely recognized as a 21st-century urban infrastructure that's just as critical to the common good as roads, bridges, street lights, sewers, and railroads have been for the past 200 years. And while we still believe that logic, apparently the realities of public investments in an anti-tax age kept the market growth well below what we expected. It takes a gutsy politician to invest public funds in building new technology infrastructure.

On the positive side, we've noticed more and more open and free WiFi systems in airports; on trains, planes, and even busses; in hotels; and in all those Internet café's and coffee shops.

So to be on the safe side, we're now planning on just watching this technology carefully. We still believe it's important, and we still believe it will eventually be the way millions of us access the Internet and make phone calls, but we think the general economic slowdown facing the United States in the near future will keep WiMax most definitely a Type B change for the time being.

Human Resources

The big story here is that most senior executives still don't have the faintest clue how critical the global talent shortage is becoming. This is not a new story. The Bureau of Labor Statistics (BLS) actually believes we passed the threshold for knowledge workers in 2007 – but that's hardly front-page news even though we know it should be.

What's going on? How are organizations and communities coping? We really don't know, but we suspect that the gradual cooling off of the economy (and the increasing probability of a serious recession in 2008) are masking the shortages. Historically low unemployment rates in most parts of the country make it seem like everything is just hunky-dory.

But we've also been suggesting for some time that traditional employment statistics are inaccurate, incomplete, and actively misleading. Employment patterns have shifted so far away from traditional Industrial-Age institutions and towards small businesses and free agents that BLS statistics just don't tell the whole story – or even the real story. Our own experience tells us that there are lots of struggling, unprofitable small businesses today, and many that are still just a gleam in some entrepreneur's eye or at best an unfunded business plan in a glossy binder rather than a living, breathing business.

A 2006 article in [The Economist](#) included this observation:

“All the same, structural changes are making talent ever more important. The deepest such change is the rise of intangible but talent-intensive assets. Baruch Lev, a professor of accounting at New York University, argues that “intangible assets”—ranging from a skilled workforce to patents to know-how—account for more than half of the market capitalisation of America's public companies. Accenture, a management consultancy, calculates that intangible assets have shot up from 20% of the value of companies in the S&P 500 in 1980 to around 70% today. (October 5, 2006)

And according to [Manpower Inc.'s 2007 Talent survey](#), 40% of companies surveyed worldwide report difficulties in finding the talent they need. And it's not just engineers. It's medical professionals, skilled trades, and sales representatives.

Real Estate

Here's where we naively expected major change in 2007. Corporate real estate portfolios have been underutilized for years; the whole profession knows there's at least 30% more commercial office space on the market than is needed (and that doesn't count corporate space that is empty even though it's still being paid for).

We genuinely believed there would be major realignments and rebalancing in 2007. But once again, we were incredibly overoptimistic.

What's happening? In part, we believe the entire real estate industry – brokers, developers, owners, lenders, facilities managers – evolved over time to support a far more stable, slower-changing world than the one we're now living in. Current lease structures actively discourage the actions almost any rational decision-maker would

take. And existing facilities are not only in the wrong places but they are built to support patterns of work that no longer exist.

What's preventing change? We nominate sunk cost, and major investments valued at cost, not at market. Unfortunately, most investors are unwilling to cut their losses and invest in change. They feel tied to their past investments and remain hopeful they'll be able to recover eventually.

Perhaps more importantly, portfolio managers are stuck in functional stovepipes. There isn't enough high-level, integrated, cross-functional thinking and problem-solving going on (we call that all-too-rare commodity "Collaborative Strategic Management" – and, forgive the plug, we actually wrote a book about it that you might have heard of: [Corporate Agility](#)).

But we actually believe the problem – and the opportunity for change – is far bigger and deeper than general organizational unwillingness to face up to real estate portfolio optimization. As we've said and written many times previously, the underlying challenge is the need to completely redesign the way people work, the places where they work, the ways they get to those places, and even the whole concept of work itself. And that, friends, is a Very Big Change that simply can't be – and won't be – accomplished overnight, or even over a small number of years.

We foresee continued margin pressure on almost every organization that owns, operates, or invests in real estate. We just haven't reached a critical mass, or a severe enough crisis, to force the really basic transformation that's needed in how real estate and workplaces are brought into being and utilized. There's a need for thinking much more broadly here – not just about architecture and design, or construction processes, but more fundamentally about where, how, and when people work, why they travel to commercial buildings at all, and what the total costs (economic, social, environmental) are of commuting to and using large downtown offices.

Our biases in this area, and our frustrations with the slow pace of change, are surely showing by now. A year ago we genuinely believed there would be several physical examples of our concept of Business Community Centers™ up and running by December 2007. But no, it turns out that we haven't had a big-enough "Type A" crisis yet to wake people up to the need for really radical – and Big – rethinking about the organization and management of work.

Most of the attention has been focused on the meltdown in residential real estate. What too many people are missing is the movement of commercial real estate dollars to non-US markets (see for example the well-written, comprehensive blog [Seeking Alpha: Housing Bubble and Real Estate Tracker](#), edited by Judy Weil).

While no one wants to speak publicly about it, we keep hearing that the real estate money doesn't know where to go, so they are sitting on piles of uninvested cash. But that money will sit for only so long, and then who knows what will happen?

We believe that this issue is sitting right at the intersection of community economic development and corporate cash. But the talent will have to move first to create the localized demand. Traditional corporate real estate investors unfortunately are terribly

strong on building in the path of growth. They tend to get on the last car of the train out of the station.

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

Future of Work is a global network of resources – practitioners, thought leaders, researchers, and senior consultants – who are committed to building and implementing physical, social, and technology-based work environments that are cost-effective, socially and environmentally responsible, and personally satisfying.

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