

# London Office Fit-out Market Conditions: Forecasting & Managing Change

By

Michael Petsas

This thesis is submitted in partial fulfilment of the requirements for the degree of Master of Science in Built Environment from the University of London.

Bartlett School of Graduate Studies.

University College London

September 2008

## ABSTRACT

---

The success and survival of an organisation depends on its interaction and response to the market in which it operates in. Past downturns in the fit-out market have resulted in the demise of a number of large fit-out contractors; impacted in the main by a decrease in demand for fit-out work. The current conditions of the London office fit-out market suggest further hardships for fit-out contractors, as a result of economic turmoil within the UK. This therefore raises the issue as to how existing fit-out contractors will survive the current downturn. Theory suggests that firms who can forecast future demand and manage change effectively will be better placed to survive a downturn than those who cannot. Results from three group interviews attempt to understand the extent to which fit-out contractors forecast future demand and manage change within the London office market and whether there are significant differences in their abilities to do so. Research findings show that existing fit-out contractors are actively forecasting future demand through a variety of methods but larger fit-out contractors remain more effective at managing change. Given the difficulties encountered by smaller fit-out contractors, future research should concentrate on their ability to successfully transform their business.

Word count: 9,983

Keywords: change, forecasting, office, fit-out, demand.

UMI Number: U593633

All rights reserved

INFORMATION TO ALL USERS

The quality of this reproduction is dependent upon the quality of the copy submitted.

In the unlikely event that the author did not send a complete manuscript and there are missing pages, these will be noted. Also, if material had to be removed, a note will indicate the deletion.



UMI U593633

Published by ProQuest LLC 2013. Copyright in the Dissertation held by the Author.  
Microform Edition © ProQuest LLC.

All rights reserved. This work is protected against  
unauthorized copying under Title 17, United States Code.



ProQuest LLC  
789 East Eisenhower Parkway  
P.O. Box 1346  
Ann Arbor, MI 48106-1346

# CONTENTS

---

<b>CH. 1 INTRODUCTION.....</b>	<b>1</b>
1.1 INTRODUCTION.....	1
1.2 OBJECTIVES OF THESIS.....	2
1.3 CONTENTS OF THESIS.....	2
1.4 CONCLUSIONS.....	3
<b>CH. 2 CONTEXT: NATURE OF MARKETS.....</b>	<b>4</b>
2.1 INTRODUCTION.....	4
2.2 THE LONDON OFFICE MARKET.....	5
2.3 THE LONDON OFFICE FIT-OUT MARKET.....	6-7
2.4 CURRENT MARKET CONDITIONS.....	8-9
2.5 CONCLUSIONS.....	9
<b>CH. 3 THEORETICAL FRAMEWORK: FORECASTING &amp; MANAGING MARKET CHANGE.....</b>	<b>10</b>
3.1 INTRODUCTION.....	10
3.2 IMPORTANCE OF FORECASTING.....	10-11
3.3 FORECASTING LONDON OFFICE FIT-OUT DEMAND.....	11-12
3.3.1 OUTPUT.....	12-13
3.3.2 EMPLOYMENT.....	14-15
3.4 IMPORTANCE OF MANAGING CHANGE.....	15-16
3.5 STRATEGIC CHOICES.....	16-18
3.6 CONCLUSIONS.....	18

<b>CH.4 RESEARCH METHODS.....</b>	<b>19</b>
4.1 INTRODUCTION.....	19
4.2 RESEARCH PURPOSE.....	19
4.3 RESEARCH PROCEDURE.....	19-20
4.4 COMPANY OVERVIEWS.....	21
4.4.1 COMPANY X OVERVIEW.....	21
4.4.2 COMPANY Y OVERVIEW.....	22
4.4.3 COMPANY Z OVERVIEW.....	22
4.5 ANALYSIS OF DATA.....	23
4.6 POTENTIAL SOURCES OF ERROR.....	23
4.7 CONCLUSIONS.....	23
<b>CH.5 RESEARCH FINDINGS.....</b>	<b>24</b>
5.1 INTRODUCTION.....	24
5.2 RESULTS.....	24
5.2.1 PAST & PRESENT FORECASTING & CHANGE MANAGEMENT PRACTICES.....	24-26
5.2.2 FUTURE FORECASTING & CHANGE MANAGMENT PRACTICES.....	27-28
5.3 ANALYSIS.....	28
5.3.1 FORECASTING MARKET CONDITIONS.....	28-29
5.3.2 MANAGING MARKET CHANGES.....	29-31
5.3.3 PREDICTING FUTURE WORKLOAD.....	31
<b>CH. 6 CONCLUSIONS.....</b>	<b>32-36</b>
<b>REFERENCES.....</b>	<b>37-41</b>

# CH. 1 INTRODUCTION

---

## 1.1 INTRODUCTION

The fit-out sector, estimated to be worth in excess of £7 billion, plays an integral role in both the construction industry and economy as a whole (AMA Research, 2008). The business activity of a fit-out contractor is primarily concerned with enabling an owner or occupier of a constructed building to fully utilise its existing space. Within London, the most prominent occupier of such space is the office market, which accounts for the majority of fit-out contractors output (AMA Research, 2008).

Recent turmoil within the wider economy of the UK indicates a downturn within the London office fit-out market, signified by a decline in construction output and relocation of firms to existing premises (RICS, 2007).

Past periods of downturn have shown that a lack of an appropriate response by fit-out contractors to changes in demand can be detrimental. Fit-out contractors such as Churchfield, Spectrum Projects and Curzon have all suffered from the rapid decline in London's commercial market in recent years. These firms were impacted in the main by the collapse of the London fit-out market in 2002/3, during which private commercial orders dropped by one-third (Clark, 2004).

An awareness of future demand for goods and services is a prerequisite for the creation of affective business strategies. For this reason, fit-out contractors need some knowledge of probable variations in demand for their services and the extent to which this will affect their workload (Akintoye et al, 1994). This emphasises the notion that the earlier a contractor knows of likely changes in demand, the better he is placed to take appropriate action (Akintoye et al, 1994).

## **1.2 OBJECTIVES OF THESIS**

The research will attempt to highlight the importance of fit-out contractors understanding that informed speculation about the future is a crucial factor in determining the management of change within a declining market. This will therefore help fit-out contractors avoid similar downfalls others have faced in the past. Research was undertaken to review the current market conditions of the fit-out sector, identify key drivers affecting demand for fit-out work and examine the options open to fit-contractors. We then aim to discover how those market changes are forecast and managed by fit-out contractors within the London office fit-out market and offer recommendation for further improvements.

## **1.3 CONTENTS OF THESIS**

Chapter 1 provides a brief overview of the nature of the research, outlining key objectives. Chapter 2 explores the nature of the London office and fit-out market and gives an insight into issues concerning changing current conditions of the markets in question. This chapter offers a contextual background for which the research is focused on. Chapter 3 begins the theoretical framework which the research is based on; examining key drivers influencing demand changes within the fit-out market along with the importance of forecasting future fit-out market conditions. The theoretical framework is then developed further by investigating concepts related to the management of change and the strategic choices available to fit-out contractors in response to changing market conditions. Chapter 4 outlines procedures concerned with the research methods of the thesis, including a rationale for the choice of research method used and limitations with adopting such approach. Chapter 5 displays findings, focusing on forecasting and change management practices in London office fit-out contractors, as well as expert suggestions for improving the prediction of future workload. Chapter 6 concludes the thesis by offering an in-depth discussion of the research findings and provides recommendations for further study.

## 1.4 CONCLUSIONS

By gathering and analysing today's information on how the wider economic environment can impact the fit-out market, sound predictions can be made for the expected future workload of those firms involved. This is especially vital for fit-out contractors, because their profitability and success depends on making reasonable estimates of how key drivers of office space demand can dictate otherwise highly uncertain futures. The information on changing market conditions can further aid this process by influencing appropriate strategic choices in response to variations in demand levels.

# CH. 2 CONTEXT: THE NATURE OF MARKETS

---

## 2.1 INTRODUCTION

The level of demand for specific categories of building types vary over time, making the nature of construction demand very much cyclical. Different categories of work, such as private commercial construction can therefore see trends either towards a growth or a decline in construction output or a stagnant trend during certain periods (Ive, 2001).

Many components make up the commercial sector, but activity in the sector as a whole largely depends on the relative performance of the three largest sub-sectors; offices, retail and leisure, which in 2006 accounted for 73% of the sector's output (BERR, 2007).

Office, retail, and leisure construction is driven in the main by the wider the economic environment, corporate profitability and levels of consumer confidence and spending (RICS, 2007). According to the Business Enterprise & Regulatory Reform (2007), the office sub-sector currently dominates private commercial construction, accounting for 34% of work done.

With the UK economy now experiencing its weakest growth for 15 years, there are significant concerns that the commercial property market will suffer a decline. Data already suggests that prices have fallen significantly from their peak and the ongoing 'credit crunch' within the banking system suggests that further declines are possible (RICS, 2007). Property developers have already responded to weaker demand by cancelling or postponing projects. Therefore, in order to avoid a repeat experience of 2002/2003, fit-out contractors will need to proactively manage an increasingly weak environment.



## 2.2 THE LONDON OFFICE MARKET

The London office market plays a crucial role within the UK economy, accounting for nearly 30% of national office employment and accommodating nearly 40% of the national commercial floor space (Barras, 1984). The emergence of City of London offices during the late nineteenth century has resulted in London's most advanced commercial property market. The increase in office space began by satisfying the needs of businesses that required close proximity to the key centres of commercial activity and information. The supply of such office space was created from both the adaption of existing residential buildings and later with the development of speculative office blocks (Scott, 1996).

The current dominance of office activity within London can be seen to be a result of the capital's evolving economic structure. The growth of firms through diversification and takeovers has accelerated the take-up of offices, with many leading companies having set up headquarters within London (Barras, 1984). The prominence of national and international services fuelling the Central London economy has resulted in a high proportion of office based employment especially within the areas of financial, business and professional services (Barras, 1984). The City of London is dominated by the service industry, seeing a massive change in employment structure through tertiarisation within the last five decades and accounting for over 50% of occupied office floor space in the central area (Scott, 1996).

The dominance of office activity within London has also been attributed to the many international companies having established offices in London, especially financial institutions and business services attracted by the City of London's position as the preeminent financial centre in Europe. Although office rents in Central London are higher than those in any other European city, labour costs are much lower, with the result that London can still offer a cost advantage for international companies (Barras, 1984).

## 2.3 LONDON OFFICE FIT-OUT MARKET

Together with refurbishment, the fit-out sector is estimated to be worth £7.8bn at main contractors prices in 2007 (AMA Research, 2008).

The sector is both complex and fragmented in nature, split broadly between general and specialist fit-out contractors. There is a high degree of polarisation, with approximately 50 larger companies at one end of the spectrum, able to operate nationwide or at large regional levels, typically undertaking larger contracts for clients with multiple site operations and/or with prestigious buildings. At the other end of the spectrum, there is a multitude of smaller companies working at a local level, usually undertaking contracts for local businesses (AMA Research, 2006).

Like most sectors of the construction industry, the economy of the office fit-out sector is cyclical. The office sector is by far the most important area of demand for fit-out, estimated to account for 30-40% of main contractors output (AMA Research, 2008)

Towards the end of the 1990s, The London office fit-out market experienced an upturn in workload, argued to be a result of changing IT requirements and the desire of blue-chip companies to relocate to large, high-specification and flexible buildings (McCrow, 2005). However, between the years of 2000 and 2005, both office fit-out sector and commercial development activity has declined in London. This resulted in the demise of several large fit-out contractors such as Curzon and Spectrum Projects due to depressed demand in fit-out work. Curzon's downfall stemmed primarily from clients fearing an economic downturn, thus causing them to postpone plans to fit-out their offices. The company claimed their downfall was due to unpredictable events occurring although it is reported that the lack of profitability the company experienced was due to poor management (Leftly, 2006).

Spectrum Projects also suffered fatally during the fall in the fit-out market. This was said to be due to the company taking no measure to cutback staff or overheads as well as leaving it too late to secure new work (Hay, 2004).

Since the recovery of the office market in 2005, fuelled by a large increase in demand for financial services, contractors output in the fit-out sector has shown a steady underlying increase. The strong recovery experienced during 2006-7 was largely underpinned by the subsequent recovery in an increase in speculative and pre-let office construction demand in Central London (McCrow, 2005).

The demand for London office fit-out work is generated by clients who tend to be end-users and from a range of organisations, all operating in different ways with differing fit-out requirements. Consequently there are several types of fit-out often depending on the whether the client is a developer or tenant. This is illustrated in Fig.1 below.

Fig.1 Type of fit-out

TYPE OF FIT-OUT	DESCRIPTION
<b>Shell-and-core</b>	Includes fully finished landlord areas. The office floor areas are left as a shell ready for Category A fit-out.
<b>Category A</b>	Comprises what the developer provides as part of the rentable office space.
<b>Shell-and-core completion</b>	Occurs when a large tenant moves into a new building and would require a very specialist category A fit-out.
<b>Category B</b>	Completes the fit-out to the occupier's specific requirements.
<b>Turnkey</b>	When the developer/tenant fits out the building to a standard ready for occupation.

Source: McCrow (2005).

## 2.4 CURRENT MARKET CONDITIONS

Demand for commercial space and the fit-out of such space is thus a derived demand, relating to current economic conditions and expectations of future activity. This can also mean that both the amount and type of space demanded vary as patterns of economic activity change by city or region (Ball, 1998).

Recent market analysis has shown that new commercial orders have seen a significant growth in output, primarily due to increases in activity in London (BERR, 2007). The London office market has benefitted from strong demand from occupiers in the Finance, Investment, Business and Property services sector, a major occupier of London office space. Healthy growth in the financial and business services sector, assisted by London's position as a pre-eminent global financial centre, has maintained strong levels of occupier interest.

However more recent research conducted by RICS (2007) found that tenant demand for commercial property fell back further in the fourth quarter of 2007 and at the fastest pace since Q1 2003. Turmoil in financial markets since July 2007 has taken its toll on office market activity, with the Central London office market in particular, at the forefront of a retreat in demand. Also, within Central London, weaker employment growth in financial and business services coupled with a decline in service sector output has further fuelled a decrease in demand for business space (CBI, 2008).

The decline in service sector output and employment within the City of London has already begun to impact the office market with take-up of office space slowing sharply as would-be tenants delay decisions amid financial market volatility (Co Star Group, 2007). This decline in take-up rates could therefore present severe implications for fit-out contractors in the near future.

The current economic instability has led some office clients to postpone larger schemes which have resulted in new orders in the office fit-out market declining.

This has been attributed to the lack of confidence among speculative developers following the US sub-prime lending crisis and the advent of the credit crunch (Gardiner & Theobald, 2008).

The decrease in the demand for office space within London is unlikely to have an immediate impact on fit-out contractors as their workload would still be relatively high from the strong demand of the past two years. However, if the credit crunch is sustained, a substantial slowing in the fit-out market could be experienced by 2009-10, and could potentially turn into a severe downturn if confidence in speculative office construction is undermined and projects are cancelled (AMA Research, 2008).

## **2.5 CONCLUSIONS**

The London office and fit-out market is highly volatile in nature and is evident during certain periods. The decline in demand for fit-out work can be attributed to the economic shocks the market has experienced as a result of a downturn in the UK economy. This has not only impeded the development of new office space but has also restricted firms relocating to existing space; areas of which fit-out work is reliant on.

Past downturns in the fit-out market have led to the demise of several contractors, indicating a lack of foresight into future market conditions and ways of managing possible changes. Beyond 2008, it is expected that demand for fit-out work will decline, as supply and demand for office space become more balanced (AMA Research, 2008). This will consequently lead to implications for fit-out contractors who are heavily involved with and reliant on London office fit-out work.

Therefore, the issue of most importance is what can be done by fit-out contractors to avoid such rapid declines others have faced as a result of the nature of the fit-out market.

# **CH. 3 THEORETICAL FRAMEWORK: FORECASTING & MANAGING CHANGE**

---

## **3.1 INTRODUCTION**

The previous chapter has outlined three fundamental problems occurring within the fit-out sector. First, the fit-out market is highly volatile, bringing about frequent variations in demand for fit-out work. Second, certain fit-out contractors in the past have struggled to survive in declining market conditions. Third, current market conditions appear to suggest further hardships for fit-out contractors in the near future.

The standard theory of the firm assumes that all firms are profit maximising entities (Sloman et al, 2007). However, the history of the fit-out industry suggests that they are more susceptible to external shocks than other comparative industries. The issue therefore arises as to how fit-out contractors are able to profit maximise given the uncertainty of their current workload and vulnerability to external shocks.

This highlights the necessity for fit-out contractors to be able to both reduce the level of uncertainty brought about by the volatile nature of the market and more importantly to have the ability to adapt to these changes in the appropriate way. More specifically, it is the ability to forecast change in demand for fit-out work, allowing the generation of different work streams and better resource allocation to protect from the negative effects of a downturn.

## **3.2 IMPORTANCE OF FORECASTING CHANGE**

The aim of forecasting is to predict future changes in market activity and to inform decisions makers on the optimum strategic action to take. The importance of forecasting is based on the notion that greater returns may be derived from a superior knowledge of future market activity, especially concerning demand patterns for a specific sector or industry (Morrison, 1997).

This provides a solid foundation for the creation of effective strategies in response to changes in the market place by allowing the generation of different work streams and/or more efficient resource allocation. The effectiveness of predicting future market conditions is argued to be dependent upon the quality and availability of data inputs and an understanding of the nature of the key drivers being examined (Morrison, 1997).

### 3.3 FORECASTING LONDON OFFICE FIT-OUT DEMAND

The forecasting of user demand in the short to medium term is notoriously difficult, made so by rapidly changing and uncertain market conditions. This is made increasingly difficult for forecasting London office fit-out demand due to its lag structure, illustrated in Fig. 2 below.

Fig.2 Lag Structure



Despite this, several models have been adopted to understand the short run dynamics of the relation between the commercial property market and the wider economy (Ball, 1998). Two recurrent key drivers emerge within these forecasting models, namely employment levels and output when forecasting demand for office space within the end-user market.

The availability and price of property are argued not to directly influence demand but rather the occupier requirement for property is depended on the expected levels of output of firms and hence a derived demand (Key et al, 1994).

As well as output, it is argued that employment levels significantly influence office space demand; making both the levels of output and employment of firms using commercial space key drivers of user demand (Key et al, 1994). At a firm level, fit-out contractors are able to have some influence on which buildings are occupied and by whom, usually a result of close relationships and past dealings with knowledgeable landlords.

The theory of output and employment levels influencing demand for commercial space is further supported by numerous studies including that of Akintoye et al, (1994), showing that unemployment is negatively correlated with, and a good leading indicator of commercial construction demand, with output being positively correlated with commercial construction demand. Therefore, a change in office space demand is a result of economic shocks or changes within the economic or business environment. The two primary key drivers for office space demand; output and employment levels are examined in more detail below and within respect of the London office fit-out market.

### **3.3.1 OUTPUT**

Office construction is driven by the current and expected requirements for office space, with demand being positively related to the activity of the industries and firms using office space (Ball et al, 1998). London office activities are often represented by the output of service industries and should provide an accurate measure of the trends in office-based economic activities (Tsolacos et al, 1999).

The degree of utilisation of the existing building stock, the output or employment floor space ratio and the firms' expectations about the duration and strength of any expected changes in output will determine adjustments in the demand for new office space (Tsolacos et al, 1999).



At times, when an increase in output occurs and the existing building stock is not fully utilised, new demand can be satisfied by the existing available space (Ball et al, 1996). Therefore new demand can be measured by net absorption i.e. new take up of office space less space vacated.

In a systems approach to property markets, Elliott et al (1997) represent total floor space demand as being influenced by sales and profit through a positive feedback loop i.e. if production in any sense is booming then the requirement for floor space is likely to increase. This is argued to be influenced by the exogenous variables tax, interest rates and overall economic activity (Elliott et al, 1997). This notion is further supported by GVA Grimley's (2007) survey of property trends, which found that one of the most important drivers for change in business premises was business expansion, as a result of increased levels of output. The demand for London office space can therefore be attributed to the need for businesses to be able to dispose of the space that is no longer able to accommodate the changing business activities of industry.

It is important to emphasise that a time lag exists between the signals provided by the changing trends in the output of the service industry and the decisions made by firms about their prospective property holdings. When output increases, this period of time respects the firms' need to assess the resilience of the output growth, decide on the amount of additional space they require and implement building investment decisions (Tsolacos et al, 1999).

It is also importance to note that at the very minimum, 18 months would usually be required to fully complete any reasonably large office development, representing a further time lag between the onset of office space construction and fit-out service requirements (Stevenson et al, 2003). These time lags consequently provide additional volatility to the already temperamental fit-out market and emphasises the importance of accurate forecasting of future demand levels.

### 3.3.2 EMPLOYMENT

Along with output, considerable literature indicates that another primary instrument driving office space demand is employment levels within selected sectors of an economy. This variable has been incorporated in a number of forecasting models to determine the demand in the user markets for office space. For example, Ball et al (1996) argue that demand for commercial office space in a certain area at a particular time can be determined by using a simple market equilibrium model for which the following factors are determined: the number of office employees, the amount of commercial office space available and the amount occupied, and the assumed market equilibrium occupancy level.

Morrison (1997) also found that changes in the level of employment were an important factor in influencing floor space demand. An increase in economic activity was assumed to generate changes in employment and hence changes in demand for floor space. Although this was found to be the case, Morrison (1997) concluded that future demand for new floor space, especially at the local level, depends not only on employment levels and instead suggests that changes in employment are important as a link into the analysis of floor space requirements via floor space/employment ratio modelling. This therefore implies that a more complex form of modelling which takes into account a combination of variables may be required to assess more accurate levels of office space demand.

The demand for fit-out work is therefore not only a function of commercial construction demand but also the desire of firms to relocate to existing buildings; driven in the main by economic forces influencing demand levels. It is argued that rational office users should be indifferent between new and existing buildings when requiring office space (Ball, 1996).

This highlights the complexity of the fit-out market in terms of how market conditions are shaped and emphasises the importance of understanding the key drivers of office space demand holistically rather than focusing on one single indicator, such as office construction output, when forecasting the demand for office space. More specifically it is important for fit-out contractors to understand how key drivers of office space demand interact with and influence fit-out workload. It is the influence of these key drivers that bring about changes in the London office fit-out market that so many contractors have failed to predict in the past. By closely examining key drivers affecting market changes, forecasting in respect of likely variations in demand levels can be achieved, and hence permit the appropriate anticipatory responses from fit-out contractors.

Forecasting therefore enables firms involved in fit-out work to formulate a strategic response as soon as future demand levels have been predicted. Empirical evidence to demonstrate whether or how these market changes in demand level are managed by fit-out contractors is sparse. The main reason for this scarcity of data is that most research is focused on the long term planning of larger companies engaged in construction and building works. This has essentially ignored firms involved in other aspects of the construction industry, namely those involved in commercial fit-outs. It also ignores the ability of firms to switch work streams in the wake of a downturn. Fit-out contractors do not only need to predict variations in demand, but also need to adapt to external shocks by changing their existing work practices.

### **3.4 IMPORTANCE OF MANAGING CHANGE**

The importance of managing change has been stipulated to the ability of firms to adapt to variations in demand levels of a given environment (Langford et al, 2001). Horne et al (1992) highlights the lack of recognition that effective strategic management in construction firms can have beneficial effects on their survival in the marketplace.

Horne et al (1992) emphasise that a critical role for decision makers is to develop a strategy that both exploits the strengths of the business and satisfies its external environment. It is argued that responding to the business environment in which the firm operates in is subject to owner/manager adopting a holistic perception of the enterprise and its external environment (Horne et al, 1992).

McClelland (1994) further supports this notion by stating that management development should be incorporated as an integral part of the strategy formulation process. Applying strategic thinking to the process of management development creates a mindset focusing on anticipatory learning thus avoiding the crisis learning syndrome most commonly practiced by organisations (Weston, 1996). This implies that fit-out contractors should be taking a proactive rather than reactive stance when attempting to manage changes within the user markets. The concept of proactive management is argued to be an accumulation of several processes, including the identification of opportunities or threats and then creating more favourable conditions through further strategic actions (Crant, 2000).

### **3.5 STRATEGIC CHOICES**

The ability of firms to respond to changing market conditions is achieved through the optimum choice and implementation of certain strategies. Numerous management literatures offer various strategic measures firms use when adapting to future trends and changes in the market place.

One prominent strategic choice evident within the construction industry is that of diversification, often in response to saturated or declining current markets, with the intention of moving into new growth markets and products or services, (Johnson et al, 2006). Many building contractors have moved into property investment, for example, as a mechanism for forward integration, hence developing into activities concerned with the company's output (Langford et al, 2001).

Contractors have also sought to move backwards into product manufacture in order to stabilise the environment in which they work, concentrating on activities concerned with the inputs of the company's current business to better control costs (Langford et al, 2001). There is also a trend for larger contractors to diversify outside of the UK by setting up overseas operations.

Other forms of diversification include that of acquisition and mergers, often adopted when firms are required to keep up with changing environments, allowing the company to enter new products or market areas quickly. This can be beneficial to certain contractors because market conditions can change very rapidly and acquisition becomes the only way of successfully entering the market due to the slow nature of internal development (Johnson et al, 2006). This form of diversification was especially popular during the 1970s-1980s with larger construction contractors who were intending to increase market share and enter types of construction works that had not be impacted by changes in demand levels (Langford et al, 2001).

The recent change in market conditions, fuelled by the unstable economic climate has led to several strategic moves by major fit-out contractors. Fit-out specialists such as Ibex Interiors and ISG are increasingly competing for work against rivals at the sub-£2m end of the market as the credit crunch continues. The rationale in focusing on small contracts is that they are able to provide a greater churn of work, important not only because of a more crowded marketplace with jobs tougher to win, but also because of the economic turmoil reducing the level of demand for fit-out work (Hamilton, 2008).

Ibex Interiors, which is a subsidiary of the John Doyle Group, reported that the company has relatively protected itself from the credit crunch because 70% of its business was from sub-£2m jobs with firms at that level still taking new leases and needing fit-out work (Anon, 2008). It is however unclear whether this approach allows fit-out contractors to retain core employees.

Therefore, there is some indication of fit-out contractors beginning to respond to changes within the London office market, by focusing on smaller more simple projects. Other forms of response have included movement towards single-stage competitive pricing with the intention of reducing the level of risk and cost for the contractor (Gardiner & Theobald, 2008).

### **3.6 CONCLUSIONS**

The requirement for fit-out work is a derived demand. This demand is shaped by the economic cycle in which output and employment levels influence. This in turn impacts the construction cycle dictating the level of new build output as well as the relocation cycle of firms moving to existing buildings. This coupled with construction and relocation time lags contribute to the high complexity and volatility of the fit-out market, emphasising the importance of accurate forecasting and change management. These defensive measures are argued to ensure fit-out contractors are able to adapt to market changes, especially during a downturn period.

Fit-out contractors like various other contractors within the construction industry are beginning to show signs of adapting to changing market conditions. However the extent to which London office fit-out contractors proactively forecast and manage such change is unclear. With no empirical evidence to demonstrate the extent to which fit-out contractors proactively forecast and manage market change coupled with the demise of major fit contractors, it is hypothesised that London office fit-out contractors do not take the necessary measures to forecast and manage market. The importance of this research is therefore to determine whether or not fit-out contractors have the necessary measures in place to protect against downfalls others have experienced in the past. It is argued that a proactive approach enables early recognition of the need to adapt to external shocks, thus increasing the probability of successfully managed change and survival within an ever evolving marketplace.

# CH. 4 RESEARCH METHODS

---

## 4.1 INTRODUCTION

The previous chapter of the thesis has built a theoretical framework for which the following research is based on. The framework identifies a primary problem with the current state of the fit-out sector; that being the failure of certain fit-out contractors to survive during times of depressed demand. These market changes are argued to be a result a result of key economic drivers affecting demand levels within the fit-out market. The theoretical framework suggests that by forecasting and managing changing market conditions appropriately, fit-out contractors may well be able to avoid downfalls others have experienced in the past.

## 4.2 RESEARCH PURPOSE

The rationale for performing this specific research is that changing market conditions should be both proactively forecast and managed effectively by fit-out contractors, offering a protective mechanism against any negative impacts of variations in demand levels.

The research methods of this thesis are tailored to provide a feasible approach to this solution by identify the extent to which London office fit-out contractors proactively forecast and manage change, allowing for improvements and further research in this field to be achieved.

## 4.3 RESEARCH PROCEDURE

Three group interviews were conducted to investigate the extent to which fit-out contractors forecast and manage change. Perspectives were gained from one small and two large fit-out contractors operating within the London office fit-out market.

Interviewees included a range of key organisational actors who were predominantly responsible for developing and implementing the strategic plan of the organisation. The research was initially developed from a series of structured interviews with a managing director present for each organisation as a prerequisite.

The purpose of selecting a group interview approach was to gain a rich plethora of responses which could be developed and clarified further (Bell, 2005). The intention was also to allow for interviewees to be able to interact with each other and raise issues or points other interviewees had missed. Intervention during the interview process was kept to an absolute minimum to avoid interviewer bias. Each question adopted a structured open-ended question format allowing a range of possible responses.

The use of closed ended questions was rejected as this approach would have restricted the choice of responses and would not have allowed the benefits achieved from a group interview. As the purpose of the research was to discover qualitative rather than quantitative data, the use of questionnaires would not have allowed interactions between group members and may have restricted the number and quality of responses.

Interviewees were initially asked to outline their current responsibilities within the organisation along with the duration of their employment. This was to gain some indication as to whether the duration of service within the fit-out sector played any importance in the knowledge of forecasting and change management. Questions were then asked about the company's forecasting techniques and change management practices, both past and present, as well as future plans, from a total of 8 structured interview questions. This was to discover how the firm responded to changing market conditions, and the degree to which the companies proactively forecast variations in fit-out demand.



## **4.4 COMPANY OVERVIEWS**

The selection criteria of the participating organisations were dependent on the share of the London office fit-out market, allowing data to be obtained from a representative sample. Company X and Y were selected on their similarity of market share within the fit-out sector ensuring that findings had some form of reliability and could therefore be compared to other companies in the fit-out sector with similar attributes. Company Z had a much smaller market share to that of Company X and Y, allowing for comparisons to be made between differentially sized organisations. The names of the following organisations and employees participating in the research were presented anonymously for confidentiality purposes.

### **4.4.1 COMPANY X – OVERVIEW**

Company X is one of the largest fit-out contractors within London, with a substantial percentage of the market share. Established in the late 1980s, the company specialises in fit-out services within the UK, Europe and Asia. The organisation experiences turnover of over £500 million has in excess of 500 employees and works across a variety of sectors, locations and project values. The major projects division of the company which operates in London specialises in fit-out works ranging from £8m to £150m. Interviewees participating in the research included the Divisional Managing Director for Major Projects, Group PR and Communications Manager and the Business Development Manager for Major Projects. The Divisional Managing Director has been with the company for a total of 8 years and the main responsibilities of this employee include the management of major fit-out projects and overall profitability of the division. The Group PR has been with the company for 1 year and is primarily responsible for the internal and external communications of the organisation. The Business Development Manager has been with the company for a total of 18 months and is responsible for creating new business and tracking market intelligence.

#### **4.4.2 COMPANY Y - OVERVIEW**

Company Y offers a range of fit-out services and is a subsidiary of another company operating within the construction industry. The company has an annual turnover in excess of £80 million with 100 employees. Company Y is also one of the largest fit-out contractors operating within London with a substantial share of the fit-out market. Interviewees participating in this research included the Managing Director and Construction Director of the company. The Managing Director has been with the company for a total of 3.5 years and has 30 years experience within the fit-out sector. The primary responsibility of this employee is to ensure the growth and development of the company. The Construction Director has been with the company for a total of 4 years. The responsibilities of this employee are to ensure consistency in the company's delivery performance across all projects and continuous improvement initiative.

#### **4.4.3 COMPANY Z - OVERVIEW**

Company Z is a small privately owned fit-out contractor operating within the City and Greater London. The company is primarily involved with the fit-out of commercial office space with the design and construction being undertaken by specialist consultants and sub-contractors. The organisation currently consists of 13 full time staff, 4 of which are project managers with an annual turnover of £10 million. The interviewees taking part in this research included the Managing Director and Director of the company. The Managing Director is a qualified architect and involved in global architecture and construction projects before founding the company in the early 1990s. Key responsibilities of this employee include the development of new business and overall performance of the company. The Director has been with the company for 16 years and is one of the co-founders along with Interviewee 1. Responsibilities of this employee include project and engineering management. Interviewee 2 is also responsible for developing the companies 'Business, Environment, Solution' concept.

#### **4.5 ANALYSIS OF DATA**

Due to the qualitative nature of the interview approach, the data gathered from the research was analysed and interpreted manually with no aid of computer data analysis. However, each interview was transcribed during and after the interview to aid the analysis process by improving the accuracy of the responses given. The interviews were recorded and lasted between 15 and 20 minutes with the prior consent of all interviewees to further aid the analysis process.

#### **4.6 POTENTIAL SOURCES OF ERROR**

Due to the time constraints of the research, no piloting of the research questions was conducted. This therefore may have led to ambiguity and nonsensicality within the interview questions which may have affected interviewees understanding of what was being asked of them. Also, all interviewee responses were recorded and may have inhibited honest responses due to the confidential nature of the information being divulged. Due to the qualitative nature of open ended interview questions, the relatability of these findings to other companies within the fit-out sector could be limited. This may be further impeded by the difficulty in obtaining a greater sample size.

#### **4.7 CONCLUSIONS**

The research method adopted for this investigation allowed for interviews to be carried out systematically and critically, ensuring as much relatability and reliability as possible. This was achieved by the choosing a group interview approach with an open ended question format, selecting a representative sample of appropriate companies involved with London office fit-outs and taking into account both the advantages and disadvantages of adopting such approach.

# CH. 5 RESEARCH FINDINGS

---

## 5.1 INTRODUCTION

The following research findings demonstrate the extent to which forecasting and managing change takes place within London office fit-out contractors. The following discussions present a description of the category, the responses obtained from the interviews, and a final analysis of the overall findings.

## 5.2 RESULTS

To present the interview findings, the results are divided into two main categories; past and present forecasting and change management practices of the organisation and future forecasting and change management techniques.

### 5.2.1 PAST & PRESENT FORECASTING & CHANGE MANAGEMENT PRACTICES (Q1 -Q5)

The first category of interest for the interview effort was aimed at discovering the extent to which fit-out contractors have forecast and managed market changes in the past as well as any current practices they are undertaking to facilitate this process.

**Question 1 and 2** of the interview was aimed at discovering the extent of workload undertaken within the London office market of the organisation and how the workload specific to that market has differed to that of previous years. These questions were primarily designed to extract fit-out contractors general awareness of market conditions within which their organisation operates in. Company X, with 80% of their fit-out work carried out within the London office market, reported that they had seen no change in the current workload compared to that of previous years with workload remaining relatively consistent.

However Company Y, with 90% of their fit out work carried out within the London office market; found that their workload had increased with more repeat business and larger projects, as well as an increase in private sector work. Company Z too found that their workload had increased to that of previous years, with 95% of their fit out work being within the London office market.

Question 3, 4 and 5 of the interview were designed to demonstrate the extent to which fit-out contractors proactively forecast and manage market changes.

**Question 3** was aimed at discovering ways in which the organisation protects itself against changing market conditions in terms of variations in the demand for fit-out work. Company X's main mechanism for protecting against market changes was through movement towards diverse markets. This primarily involved fit-out for premises other than offices, including transport hubs such as railway stations and airports. Fit-out work was also directed to towards public sector funded projects and other authority opportunities. The type of fit-out was also varied, focusing on Category A fit-out only. Company Y primarily focused on varying the form of contract in response to changing market conditions. The company reported that when the demand for fit-out work was high, the contractor would ideally seek to utilise a form of contract which transferred more risk to the client and vice versa. For this reason, more emphasis by the company was placed on risk management during times of changing market conditions. Company Z's main mechanism for protecting against changes in the level of fit-out demand work was to diversify its range of services it offered. This included for example, refurbishment work for private residential clients.

**Question 4** was designed to identify specific factors fit-out contractors proactively examine when forecasting office fit-out demand. Company X focused on two main factors when forecasting office space demand; quantity of space under development and take-up rates. Information regarding these factors was derived from industry publications and market intelligence, utilising industry professionals such as architects.

Agents were also utilised when forecasting office fit-out demand to gather information on new signed leases. Company Z concentrated on the level of fit-out work available to them through a 'pipeline' system whereby knowledge of potential contracts were held. Factors examined whilst forecasting office fit-out demand included recent acquisitions and mergers of companies often gathered from industry publications. Knowledge regarding fit-out demand was also obtained from press, agents and the company's parent company by which greater information on the 'internal market place' was obtained from. Great importance was placed on 'networking' to obtain information on the market from key industry players. Company Z focused their attention on the number of companies wanting to relocate or find new office space when forecasting office fit-out demand. Specifically, Company Z concentrated on examining the number of expanding companies, using profitability as a key indicator when forecasting office fit-out demand. Company Z also used industry magazines and contacts in the industry to gather this information as well as an annual subscription database containing information on companies relocating or requiring new office space within London.

**Question 5** was used to determine how proactive fit-out contractors have been in the past in regards to dealing with changing market conditions. Company X reported changes in the form of contract and allocation of staff resources to different departments when experiencing changing market conditions. More recent changes within the company included restructuring of departments in regards to the scale of projects and the type of project. Company Y also varied the form of contract, adjusting the level of risk depending on the levels of demand for fit-out work. Company Z dealt with changing market conditions by diversifying their range of services and the type of work offered to clients. This had included offering fit-out services for private commercial clients as well as fit-out work for private residential clients.

## **5.2.2 FUTURE FORECASTING & CHANGE MANAGEMENT PRACTICES (Q6-Q8)**

The second category of interest for the interview effort was aimed at discovering the extent to which fit-out contractors are proactively planning to forecast and manage market changes in the future.

**Question 6** was designed to determine how proactive fit-out contractors are planning to be in the future in regards to dealing with changing market conditions. Company X were planning to continue analysing the market and if market changes were seen to be taking place then various strategic moves would be made, such as reuniting fit-out divisions and merging with the European fit-out divisions of the company.

Company Y planned to remain flexible in terms of the type of contract they could use for specific projects. For example depending on the level of fit-out demand, the company could efficiently and effectively switch from a single stage to a two-stage form of contract, varying the level of input and costs incurred to the company. Company Z, did not have any immediate plans to change its operational procedures however were hoping to expand by entering overseas markets once finance had become available to them.

**Question 7** was aimed at discovering ways in which fit-out contractors planned to forecast and manage change in the future. Company X was content with operating in the same way as past and present to forecast and manage change, utilising current resources and strategies. Company Y also had no future plans and felt that as fit-out were so market led there was little else they could do except to heavily rely on industry players such as property agencies who were selling commercial space and who had information on the levels of availability for example. Company Z was contemplating employing a business development manager to oversee the forecasting of market changes but had no plans to proactively manage the change other than using existing practices.

**Question 8** was used to extract various ways fit-out contractors could predict future work load, based on the knowledge and experience of those participating in the interview. Company X suggested focusing on new build work which was being carried out and placed importance on remaining flexible, allowing for quick responses to be made regarding structural changes. Company Y placed importance on maintaining close relationships with professionals, especially those representing potential clients, networking with various clients in London, and utilising publications and industry websites. Company Z also emphasised the importance of monitoring market changes through published industry literature, and key contacts within the industry.

### **5.3 ANALYSIS**

The results of the interviews conducted provide a basis for analysis in the following areas: (1) forecasting techniques used by fit-out contractors to predict future market condition changes; (2) change management practices fit-out contractors use to react to such changes; (3) suggested ways of predicting future workload for contractors operating within the commercial fit-out sector.

#### **5.3.1 FORECASTING MARKET CONDITIONS**

The results from the interview questions concerned with forecasting techniques display a good general awareness of market conditions in terms of changing workload. This was supported by all firms reporting that the general workload of their organisation had either remained constant or increased to that of previous years. The strong performance of these companies can be attributed to the healthy demand for fit-out work within the last 2 years, brought about by lags in the fit-out process and an adequate ability to forecast such market changes. This is supported by the findings showing that fit-out contractors proactively forecast market changes, with all companies reporting various ways and factors in which to predict variations in demand for fit-out work.



Rather than focusing on key economic drivers of demand, such as employment and output levels of specific sectors, fit-out contractors appeared to be more reliant on cruder forms of information gathering, mainly including industry publications, with a strong emphasis on networking. These sources were able to provide the fit-out contractors with sufficient information on take-up rates and new occupier leases, for example, which were then used to predict the level of workload they could expect in the future. This was evident amongst all fit-out contractors interviewed and contrary to the original hypothesis that fit-out contractors were not proactive in their approach to forecasting market changes. In terms of future forecasting techniques, all companies interviewed were content in using the same techniques currently adopted, demonstrating some form of effectiveness within their current practices.

### **5.3.2 MANAGING MARKET CHANGES**

The results from the interview questions concerned with how fit-out contractors manage changes in market conditions showed a proactive ability of all companies to successfully implement various strategic choices appropriate for market changes.

The prominent method of dealing with market changes included some form of diversification, often involving related diversification beyond current services and markets but within the capabilities or value network of the company. This was evident amongst both a large fit-out and small fit-out company interviewed; however the larger fit-out contractor was able to diversify to a much greater extent, exploiting the greater capabilities or value network of the company.

The service differentiation in which the fit-out contractors reported is primarily a result of the pressures placed by client's diverse requirements through new forms of services and dependant on the adequacy of the company's market intelligence network i.e. the ability to assess the state of the conditions of the end-user market.

Developing into complex niche markets such as airports by one of the larger fit-out contractors appears to be a secure way of avoiding construction cycles and particular clients and markets when market conditions appear to be diminishing. This was also evident with larger fit-out contractors having the capabilities and resources to diversify geographically, expanding its geographic operating boundaries and moving from operating in a purely domestic business environment to operating in an international one.

Another dominant approach in managing changing market conditions was to vary the form of contract dependant on the level of demand for office fit-out work, which centred on the notion of transferring or absorbing risk. The ability of fit-out contractors to remain flexible once market conditions appeared to change allowed for changes in the form of contract and the level of risk associated with it. The trend from one of the larger fit-out contractors indicated that as the demand for office fit-out work decreased, a fixed cost contract would be achieved through a single stage tendering process and hence the contractor being more willing to absorb more risk.

Changing market conditions also influenced the type and scale of project which fit-out contractors were willing and able to undertake. This was more prominent amongst the larger fit-out contractors who were more equipped in dealing with variations of this type, primarily due to the diverse services offered and the different markets in which they operated in.

The larger companies were able to accept smaller office fit-out projects without major impact on the overall profitability of organisation. This was made possible by carrying out larger projects within other areas of the commercial property market, such as retail or leisure. The smaller of the fit-out contractors did not have this privilege to such an extent and would indicate a greater importance of these companies to maintain close proximity to market intelligence and forecasting practices specific to office space demand, and discover more realistic methods of managing change.

This was supported by the company's desire to aid this process by employing staff responsible for tracking market changes and diversifying once the company grew. This, like for the larger companies, would allow for the spreading of risk across a range of services and markets in which the company operated in, reducing sole reliance on the performance of the office fit-out market.

### **5.3.3 PREDICTING FUTURE WORKLOAD**

Based on the knowledge and experience of the employees of the fit-out companies interviewed, it was advised that predicting future workload should primarily lay with proactively monitoring market changes.

Various ways of achieving this were offered, focusing on the importance of extracting information from those individuals closer to the end user. Related to this notion, the importance of networking was also reported, highlighting the importance of maintaining close contact with key individuals who were able to offer up-to-date information on the levels of end-user demand, often through variables such as new leases of London office space.

The importance of utilising industry publications was also evident, offering information on take-up and vacancy rates of London office space. This approach, however basic, enables differently sized fit-out contractors to obtain market intelligence effectively both in terms of time and cost. The larger fit-out contractors may however benefit more from networking as they have a greater industry exposure through a greater market share to that of smaller fit-out contractors, enabling networking to be formed with a richer source of industry players.

## CH. 6 CONCLUSIONS

---

The aim of the research was to assess the extent to which fit-out contractors proactively forecast and manage change within the London office fit-out market. Changing market conditions are inevitable, especially within the fit-out sector where numerous environmental influences impact and shape the climate of demand levels. It is for this reason that fit-out contractors must be proactive in their efforts to forecast change and be fully equipped when planning and implementing the necessary strategies to deal with such varying market conditions. This will not only require the development of efficient and effective processes of forecasting and managing change but also an awareness and understanding of the relationship between the organisation and the external environment within which it operates. Importance should lie primarily with sound management practices and a well-informed, well considered planned approach to the change process of market conditions and the way these changes are forecast.

In regards to forecasting, research suggests that similar steps were taken by both the large and small fit-out contractors when predicting future market conditions. The information gathered by fit-out contractors to aid this process were obtained from similar sources with the intention of gaining further knowledge and insight into the level of demand for fit-out work. This similarity in forecast is most likely to be a result of the ease in obtaining market intelligence, both speedily and cost effectively. This has been made possible by advancements in technology such as the internet and a plethora of companies offering free up-to-date market reports, facilitating knowledge transfer between relevant industry players. This demonstrates that any fit-out contractor, irrespective of their size can readily engage in market forecasting without requiring additional resources to do so. This also indicates that smaller fit-out contractors may well be better positioned to forecast market changes than they were in the past.

Although the forecasting practices of both the large and small fit-out contractors appeared relatively similar, the management of change differed. The findings from the larger of the fit-out contractors demonstrated that they were better positioned to manage change either by allocating resources to other departments or diversifying across a greater spread of business activities. The larger fit-out contractors also had the luxury of choosing smaller contracts during a downturn period and changing forms of contract to take on more risk. The difficulty of managing change in this way by the smaller of the fit-out contractors was that they had neither the capabilities nor resources to achieve this and hence made them less flexible in their response to changing market conditions.

These findings demonstrate that the size of the firm matters when reacting to market change and suggests that smaller fit-out contractors may be more susceptible to external shocks and suffer to a greater extent during a downturn compared to their larger fit-out rivals. Findings also showed that the smaller of the fit-out contractors was heavily reliant on increased finance to fund and aid the management of change within the organisation. This is both problematic and unrealistic, especially during the ongoing credit crunch. It may therefore be more realistic to assume that the fit-out sector may experience a wave of mergers and acquisitions of smaller fit-out contractors who are not able to sustain their market presence alone. Surprisingly, despite the small fit-out contractor's lack of managing change, they had experienced an increase in workload compared to that of previous years. This however does not mean to say that the company was profit maximising.

What is interesting to note is that interviewees who had served the most time within the fit-out sector demonstrated a broader and more in-depth knowledge of forecasting and managing change within the fit-out market. The differences in managing change between the larger and smaller fit-out contractors could therefore be attributed not only to differences in resources and capabilities but also the company's governance structure.

The larger of the fit-out contractors appeared to have a stronger governance framework whereby a greater spread of employees had an input into the management of change. This however did not appear to be the case for the smaller fit-out contractor, where less qualified senior management could be swayed by a strong managing director. The issues concerning structure, power and influence within the organisation are beyond the scope of this paper, however should be considered for further research. It may however be prudent if these more experienced and knowledgeable individuals are at the forefront of developing and promoting proactive forecasting and change management practices within their companies.

The research findings therefore indicate an adoption, to some degree, of a proactive approach to forecasting and managing market change amongst both small and large fit-out contractors interviewed. However the extent and ways these approaches are conducted vary from organisation to organisation, dependant on the organisations resources and capabilities. Therefore, movement to a more effective process of forecasting and change management thinking will require fit-out contractors to determine where current strengths exist, where weaknesses exist, and where the priorities will be set to build upon any deficiencies within these processes. Fit-out contractors who realise the importance of taking a proactive role in predicting and managing an uncertain market place will be in a better position to realign and protect from changing market conditions, and deter from adopting a reactive approach when dealing with such changes.

At the same time, every fit-out contractor must be realistic about its efforts in changing its current practices of forecasting and managing change. In some instances, significant investment is required to devote resources, arrange priorities and enhance current capabilities to take certain strategic choices forward. This may be more easily achievable for larger fit-out contractors who have greater resources and capabilities to achieve this, such as geographical diversification to international markets and clients.

This however is not to say that the smaller of the fit-out contractors should not be striving to implement forecasting and change management practices, albeit to a lesser magnitude to that of their larger rivals. The importance lies with utilising forecasting and change management practices that will suit the current capabilities of the organisation and seek to expand these approaches where necessary. This could take the form of focusing on greater exposure to market intelligence through industry networking or diversifying into areas of work, but remaining within the current capabilities of the organisation. The extent to which these enhancements are to be achieved is dependent on the current forecasting and change management in place along with the resources and capabilities available to the fit-out contractor to further this process.

Advancements in both forecasting and change management are equally important and should be considered simultaneously to not only protect against changing market conditions but also secure future success by keeping the organisation on a continued path of advancement. Similarly, the forecasting and change management process must be evaluated on a regular basis and with the same rigor to ensure continuous improvement. The evaluation criteria for the effectiveness of such forecasting and change management process may take the form of an increase in number and quality of market intelligence sources or discovering alternative diversification strategies to best suit these market changes. In either case, the emphasis should be focused less on turnover and more on the defensive processes that will build a foundation for long term survival and success of the organisation.

Because of the lack of prior research and the complex nature of the fit-out sector, the main research questions were predominantly both exploratory and descriptive. The underlying role of this research was therefore to acquire findings to enable further, more detailed, research to be carried out into the mechanisms used by fit-out contractors in the forecasting and management of changing market conditions.

Further empirical study into this field would benefit from investigating not only a larger sample of contractors engaged in fit-out work but also companies which have failed in the past. This is will offer a greater opportunity for existing fit-out contractors to learn from the downfalls and build the required knowledge needed to avoid such scenarios.

The forecasting and managing change research illustrated that contractors involved in the fit-out of London office space are taking steps to protect against rapid changing market conditions. However, progress in several areas is still required and will be dependent on fit-out contractors evaluating and enhancing their current forecasting and change management practices. In contrast to organisations that adopt a reactive approach, organisations that institute a proactive forecasting and change management perspective will be setting its own direction and path through the predetermined changing conditions of the market. It is through this vision that organisations will maintain their presence within the construction industry, by ensuring themselves an opportunity to respond to the constant changes in the marketplace.



# REFERENCES

---

1. Akintoye, A. & Skitmore, M. (1994) Models of UK private sector quarterly construction demand. *Construction Management and Economics*, Vol. 12, No. 6, pp 3-13.
2. AMA Research, (2006) Commercial Interior Refurbishment & Fit-out Market UK 2006, Available at:  
<http://www.amaresearch.co.uk/Interior%20Refurb06s.html>.
3. AMA Research, (2008) Commercial Interior Refurbishment & Fit-out Market UK 2008-20012, Available at:  
[http://www.amaresearch.co.uk/InteriorRefurb\\_08s.html](http://www.amaresearch.co.uk/InteriorRefurb_08s.html).
4. Anon. (2008) Fit-out specialist Ibex Interiors prospers in sub-£2m market, Available at:  
<http://www.building.co.uk/story.asp?sectioncode=30&storycode=3115857>.
5. Barras, R. (1994) Property and the economic cycle: Building cycles revisited, *Journal of Property Research*, Vol. 11, No. 3, pp 183 – 197.
6. Bell, J. (2005) *Doing your Research Project: A guide for first time researchers in education, health and social science*, 4<sup>th</sup> Edition, Open University Press, New York.
7. Brown, P. (2006) Fit-out Update: Office fit-out, Available at:  
<http://www.building.co.uk/story.asp?sectioncode=244&storycode=3065371&c=1>.

8. CBI (2008) Credit crunch pain continues with sharp falls in profitability and business activity for financial services – CBI / PWC Survey, Available at:  
<http://www.cbi.org.uk/ndbs/press.nsf/0363c1f07c6ca12a8025671c00381cc7/575b6799887cffd980257471002bfaf2?OpenDocument>.
9. Co Star Group (2007) London Office Market Report: Q2 2007. Available at:  
<http://www.focusnet.co.uk/public/documents/LOMRQ207.pdf>.
10. Crant, J. M (2000) Proactive Behaviour in Organisations, Journal of Management, Vol. 26, No. 3, pp 435 – 462.
11. Department for Business Enterprise & Regulatory Reform (2007) Construction Statistics Annual 2007, Available at:  
<http://www.berr.gov.uk/files/file42061.pdf>.
12. Elliott, J, C. & Trevillion, A, E. (1997) The Cutting Edge 1997: A Systems Approach to the Property Markets, Available at:  
[http://www.rics.org/Practiceareas/Property/Commercial/Market/systems\\_approach\\_to\\_property\\_market\\_19970901.htm](http://www.rics.org/Practiceareas/Property/Commercial/Market/systems_approach_to_property_market_19970901.htm).
13. Gardiner & Theobald. (2008) Specialist Cost Update: Fit-Outs, Available at:  
<http://www.building.co.uk/story.asp?sectioncode=661&storycode=3110749&c=1>.

14. GVA Grimley, (2007) Corporate Real Estate Survey, Available at:  
[http://www.gvagrimsley.co.uk/PreBuilt/Research%20web/PropertyTrends/CorporateRealEstateSurvey-Winter\\_2007-8.pdf](http://www.gvagrimsley.co.uk/PreBuilt/Research%20web/PropertyTrends/CorporateRealEstateSurvey-Winter_2007-8.pdf).
15. Hamilton, S. (2008) Morgan Sindall Falls Most Since 1994 on Market Slide (Update 2). Available at:  
<http://www.bloomberg.com/apps/news?pid=20601102&sid=a8t2fzoKhBqU&refer=uk>
16. Hay, G. (2004) Failed fit-out firm Spectrum owes £9m to creditors,  
Available at: <http://www.building.co.uk/story.asp?storyCode=3041836>.
17. Horne M. et al., (1992) Understanding the competitive process - a guide to effective intervention in the small firms sector, *European Journal of Operational Research*, Vol. 56 p54-66.
18. Ive, G. & Gruneberg, J. (2000) *The economics of the modern construction sector*, Basingstoke, Macmillan.
19. Johnson, G, Scholes, K. & Whittington, R. (2006) *Exploring Corporate Strategy*, Prentice Hall, London.
20. Key, T., McGregor, B.D., Nathakumaran, N. & Zarkesh, F. (1994), *Understanding the Property Cycle: Economic Cycles and Property Cycles*, Royal Institution of Chartered Surveyors, London.
21. Langford, D. & Male, S. (2001) *Strategic Management in Construction*, 2nd Edition, Blackwell Science, Oxford.

22. Leftly, M. (2006) Why they pulled the plug on Curzon, Available at:  
<http://www.building.co.uk/story.asp?sectioncode=32&storycode=3065714>.
23. McClelland, S. (1994) Gaining Competitive Advantage through Strategic Management Development (SMD), *Journal of Management Development*, Vol. 13, No.5 p4-13.
24. McCrow, A. (2005) Office fit-out - cost model (January 2005), Available at:  
<http://www.building.co.uk/story.asp?storyCode=3045688>
25. Morrison, N. (1997) A critique of a local property forecasting model, *Journal of Property Research*, Vol. 14, No. 3, pp 237 – 255.
26. Royal Institute of Chartered Surveyors. (2007) Commercial Market Survey, Available at: [http://www.rics.org/NR/rdonlyres/01E074A3-57F8-4407-8229-535C0F4FA051/0/cps\\_q4\\_2007.pdf](http://www.rics.org/NR/rdonlyres/01E074A3-57F8-4407-8229-535C0F4FA051/0/cps_q4_2007.pdf).
27. Scott, P. (1996) *The Property Masters: A History of the British Commercial Property Sector*, London, E & FN Spon.
28. Sloman, J. & Hinde, K. (2007) *Economics for business*, 4<sup>th</sup> Edition, Harlow, Financial Times / Prentice Hall.
29. Stevenson, S & McGarth, O. (2003) A comparison of alternative rental forecasting models: empirical tests on the London office market, *Journal of Property Research*, Vol. 20, No. 3, pp 235 — 260.

30. Tsolacos, S & McGough, T. (1999) Rational Expectations, Uncertainty and Cyclical Activity in the British Office Market, *Urban Studies*, Vol. 36, No. 7, pp 1137-1149.
31. Weston, P. (1996) COBRA 1996: The consequence of pro-active strategic planning for competitive advantage in small and medium sized enterprises within the construction sector, Available at:  
[http://www.rics.org/Practiceareas/Builtenvironment/Constructionmanagement/consequence\\_of\\_pro-active\\_strategic\\_planning\\_19960101.html](http://www.rics.org/Practiceareas/Builtenvironment/Constructionmanagement/consequence_of_pro-active_strategic_planning_19960101.html).
32. Wilen, A. (2008) Analysis – Office Construction, Available at:  
[http://www.qsweek.com/nav?page=qsweek.contentspage&fixture\\_page=7107837&resource=7107837&view\\_resource=7107837](http://www.qsweek.com/nav?page=qsweek.contentspage&fixture_page=7107837&resource=7107837&view_resource=7107837).