perspective

Corporate Strategy Driving Workplace Design
The changing face of property

Melissa Marsden | Director

Developing an Effective Property and Accommodation Strategy

**"If I had asked my customers what they wanted, they would have told me 'A faster horse' "
Henry Ford.**

This quote from Henry Ford, founder of Ford Motors illustrates so clearly that sometimes the solution is not connected with the aspiration or the problem; that we have to look beyond the obvious and immediate problem to find the answer.

Businesses are faced with the significant challenge of managing long term physical assets and lease commitments in relation to their property and space occupation, whilst in a competitive business environment which demands greater cost control and flexibility than ever before. The solution will come from looking beyond this problem, and with consideration of three key aspects; People, Place and Technology.

Increasingly, the property strategy of organisations is being driven by changes in the global business environment. The most significant drivers affecting property at the current time are globalisation, carbon footprints, economic collapse, increased competition, and advances in technology.

As such, the property strategy needs to be properly balanced and weighed against these drivers, reflecting on the individual business objectives of the corporation.

Property is under significant pressure in many organisations, as a substantial cost to the business and a balance sheet liability. Therefore a more significant focus on exploring options to reduce this overhead is required, enabling the maximisation of its value. Coupled with the fact that these costs have, in many cases, been negotiated in more favourable economic conditions, resulting in leasing costs that are higher than market and not aligned with the need to be more competitive in a revenue reduced operating environment. The dilemma for businesses is how to provide flexibility and fluidity with a static long term proposition such as property, when we are living in an era of the greatest technological change.

Second to people, property is often the greatest cost centre of the typical company – rent, fit out, ongoing maintenance and facility management. When these substantial costs are considered against a backdrop of advances in technology enabling space saving working solutions, which reduce floor space by increasing the ratio of employees operating from the same space, through the introduction of a mix of alternative working environments and practices, it is evident that the alternative should be given a high degree of consideration.

A variety of solutions to the property issues that many companies are currently experiencing, include the implementation of new and alternative work solutions. These alternative property and workplace solutions are directly responsive to the individual business objectives and strategies with a key focus on work as an activity rather than a place, and the implementation of technology to support a flexible workforce. Property is not essentially flexible, however people and technology can engage to provide more efficiency and therefore value from the existing property portfolio.

Business Strategy Informing Property Strategy

Organisations require to look closely at their strategic space needs, how these are procured and the services required to support them, but it is essential that first the business objectives are understood so that optimisation of the outcome is ensured; by understanding departmental operating plans, HR resourcing, goals, initiatives, IT investment and implementation requirements and operational challenges. Property is an integral part of every corporate business and the strategies associated with future planning require to be more responsive to business needs, than a simple ratio of people per square meter, or assumptions about individual department business operations.

Understanding how people work is critical to enabling them to be at their most productive.

Target workspace ratios require to be responsive to the business needs, not simply office space divided by the number of employees. These ratios should be established based on actual needs as opposed to a simple headcount. By classifying people and work functions across the organisation into appropriate workstyles, a range of suitable working environments can be established. This creates a range of practical issues that also require to be addressed if the alternative working environments are to be successful. Consideration needs to be given to management training, technology, etc, essentially a complete change management solution.

Work as an ACTIVITY Not a PLACE

The main function of commercial property is to support an organisation and its people in the activity of work. However it needs to be understood that work is an activity not a place and to achieve increased performance as well cost efficiencies in property, there needs to be a focus on performance as opposed to presenteeism. The office is also seen as a status symbol of an organisation demonstrating its brand and market positioning, although with the

rapid evolution of technology, the market pressures of finance and real estate, the role of the office is changing.

More companies are looking to restructure their organisations to take advantage of technological advancements and more flexible working environments, in an effort to create workplace efficiency as well as attract and retain staff. This helps to develop a highly engaged and productive workforce and reduce their

physical and environmental footprints. As a result; organisations are investigating and implementing structural changes to their property and fitout solutions. This is to ensure that the office environment supports their employees and the way that they need to work.

ALTERNATIVE WORKING ENVIRONMENTS

Often accommodation objectives focus on hot desking or other space saving methods, however a wider range of alternative workstyles are required to be considered and developed which focus on the way people work and providing solutions to support this. This enables the workforce to become more flexible, effective and productive. Below illustrates the categorization into four high level workstyles;

FIXED OFFICE
a typical work place where every person is allocated a desk

FLEXIBLE OFFICE
a work place which embraces a range of alternative work place settings, which may include unassigned workstations, hot desks, informal lounge area's & collaborative meeting spaces

MOBILE OFFICE
the ability to work anywhere whilst on the move whilst maintaining access to email and company servers & databases

HOME OFFICE
the ability to work remotely from a fixed home location

tangible to virtual

Workplace design is varied and ranges from the traditional and tangible through to the revolutionary virtual. Along this path are a number of advancements in how we perceive and facilitate workplaces offering up a range of alternative spaces and concepts of how we work and what spatial tools we require to do this effectively.

The following diagram provides a visual understanding of the evolutionary process that can explain the level of departure from the traditional office setting.
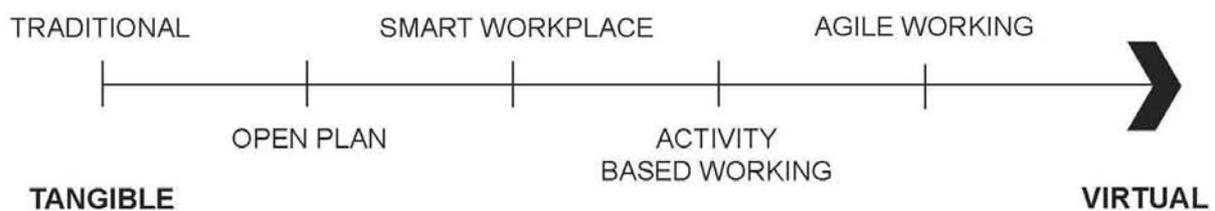
Whilst the office environment is far from redundant, a review of how we utilise this space and engage with other more flexible and responsive spaces is needed in order to address business optimisation in the future. Coupled with the changing nature of how we work, cultural diversity and generational shifts, new working solutions that provide a range of spaces, locations and styles, are needed to support this revolution.

We have only recently begun to embrace the Open Plan working environment. This has significantly reduced the number of offices per workstation and arranged the internal spaces to provide access to natural lighting and views for all employees. This was seen as a revolution to the Traditional office environment which focuses on perimeter offices with few internal

workstations for administrative staff.

Smarter Workplace initiatives have enabled people to work differently and virtually; sharing space, working remotely at home and in "third places" away from the office, whilst maintaining the provision of a permanent desk for each employee. Smart Workplaces are the first step in considering the generational mix that is growing in the offices of today. These offices provide a range of work environments within the open plan environment, offering quiet and reflective spaces, collaborative and social spaces as well as project/war rooms for energetic brainstorming activities. These spaces are accessible throughout the organisation and enable employees to choose how and where they wish to work

dependent on the task to be performed, whilst still providing them with a home base and fixed "team" environment.

In contrast, the application of Activity Based Working in the office space provides a range of work settings for the employees dependant on the task at hand, ranging from; hot desks, cafes, lounges, cubbies and quiet rooms. However there are three very important key differences to that of Smarter Workplaces;

- no one has a permanent desk
- the ratio of "alternative spaces" to desk settings is far greater; and
- the provision or work settings only caters for approx 80% of the total organisation headcount.

tangible to virtual

Within this Activity Based Workplace, employees are offered flexibility and choice in choosing how and where work is performed throughout the day. Employees are also encouraged to change settings to suit the task. Not only does this reduce the property footprint of the organisation but also empowers staff, improves employee engagement and thus productivity. This change in workplace design creates reduced space and property requirements. It also introduces a range of other corporate service requirements in Management, Technology and Storage [physical & virtual].

Luc Kamperman of Veldhoen and Co. an innovator in the Activity Based Working revolution in the Netherlands says,
"The cost/benefit in general is that companies are able to allocate up to 10, 20 per cent more people in the same building. And therefore you can imagine that if you have to invest of course more in technology to really enable people to work anywhere, anytime, and you have to invest a bit more in the fit out of the building, but there's a huge cost saving. On any given day, only 40-50% of a typical office is filled, due to sickness or travel or vacation."

Macquarie Group has completed

a campus style development in Shelley Street Sydney using the Activity Based Working framework for the office design. The office itself has numerous "neighbourhoods" housing about 100 workers each. Each floor has Activity Based Working settings based on classic common spaces, such as a Playroom, Coffee House, Library and Garden. Since opening last October, the Macquarie Group workplace has yielded over 90% employee satisfaction and up to 30% more people per square meter.

Smith Madden has recently completed the new office of Cameco Corporation in Perth where a variety of workplace settings have been incorporated to provide responsive and flexible working environments which suit the task at hand. Conversation lounges, light boxes, touchdown desks and collaborative spaces provide employees with a range of choices in how and where they work dependant on the daily activities. Cameco relocated their Darwin office to Perth in order to increase recruitment opportunities and employee retention with in the competitive mining industry, and the resulting space does just that.

Some organisations have responded to the need to be more flexible by moving towards

a more virtual existence by incorporating Agile Working. Through the establishment of the office as a more physical representation of the company and empowering employees to work remotely in "third places", the office has become a symbol of the organisation and space for collaboration and socialisation. BT has created a 50% reduction in office space in the last decade by utilising some 15,000 registered Home Workers and 70,000 agile workers.

Many companies are faced with organisational change of an unprecedented pace resulting in urgent property demands for additional or project space at a moment's notice, for short periods of time. Companies who do not have the internal ability to accommodate such immediate change, as opposed to those who have embraced the concepts of Activity Based Working or Agile Working, are forced to turn to alternative leasing options. This is an anathema to how the property industry works and with limited expansion space, the challenge is often met with more flexible leasing options such as services offices, business centre operators or subleasing fitted out office space from others even competitors on a short term arrangement.

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Property is about people and information flow not just buildings, the ability to respond and flex with the changing organisation is essential to the success of the business.

The property strategy must be responsive to departmental requirements and the process requires engagement with both internal and external business partners to create and establish a solution which supports the business needs and organisational objectives.

However, the element that enables the flexibility associated with these alternative working solutions is Technology. **Technology is advancing, evolving and changing rapidly and the mobility and transience that it provides enables work to be performed any place, any time, in any way.** It is by embracing this revolution that organisations will be able to optimise employee productivity, performance and achieve significant cost benefits to the bottom line.

Having said this, **there are a number of emotional and status attachments employees have to a physical representation of them in the workforce as either a desk or office,** so naturally there is going to be a reluctance to part with this space. There are questions also raised as to who has the capability to work flexibly within the workspace or remotely. What training and technology is required to support these alternative workstyles? Will managers need to learn new skills to manage a flexible, remote & performance based workforce as opposed to a presentee based workforce?

Whilst resistance to change is normal in any organisation, altering the internal allocation of property costs to departmental budgets, may provide the necessary motivation amongst managers to reconsider their departments dependency on the physical workplace. By understanding the value of property, fitout and ongoing facility management and how this impacts on the profitability of product and service delivery, it will bring about more considered workspace and location decisions, moving the workspace towards alternative workplace models to rationalise operational costs.

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The successful implementation of alternative working environments is not isolated to space planning, interior design or the provision of a few different fitout changes.

It is a process of engagement requiring considerable time, energy and commitment across all levels of the organisation, complimenting and informing the design, developing guidelines and corporate standards for the future. **The potential outcomes of this process can lead to the establishment of significantly reduced operating ratios for businesses,** some as low as 5 desks per 10 people, provided the solution is workable for the departments' requirements and is informed by the business objectives. Every organisation is different and has its individual business objectives, values and goals. Whilst the process of evaluating the possibilities of creating alternative work environments may be the same for each organisation, **the outcome must be a tailored solution responsive to the specific business requirements**. If managed well the implementation of this process can provide significantly reduced property costs,

reduction of environmental footprint, improved productivity and a more engaged and therefore productive workforce.

By engaging with the key stakeholders of a business, we aim to delve into the grass roots of the organisation to really understand how the organisation operates, not just as a whole but through its component parts to develop alternative working solutions to support these varied departments and needs. These alternatives will be directly responsive to the identified workstyles and not a generic or industry application of common assumptions.

Through a targeted approach to the business goals and values, a more focused direction can be achieved through the future development of property, work practices, technology and business management, delivering enhanced business optimisation for the organisation into the future.

These inherent business changes will support the future growth and expansion of the company.

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contact...

:: melbourne ::

Level 3, 62 Lygon Street
Carlton VIC 3053

P +61 3 9663 6055
F +61 3 9663 6161

:: sydney ::

Level 1, 27 Macquarie Place
Sydney NSW 2000

P +61 2 8243 3700
F +61 2 8243 3777

:: brisbane ::

Level 6, 400 Queen Street
Brisbane QLD 4000

P +61 7 3002 6999
F +61 7 3229 8921

:: perth ::

Level 15, 256 Adelaide Terrace
Perth WA 6000

P +61 8 9325 5522
F +61 8 9325 5596

www.smithmadden.com.au