SOLUTIONS

Commentary & Insight from the Professionals at the Mancini•Duffy Center for Workplace Innovation
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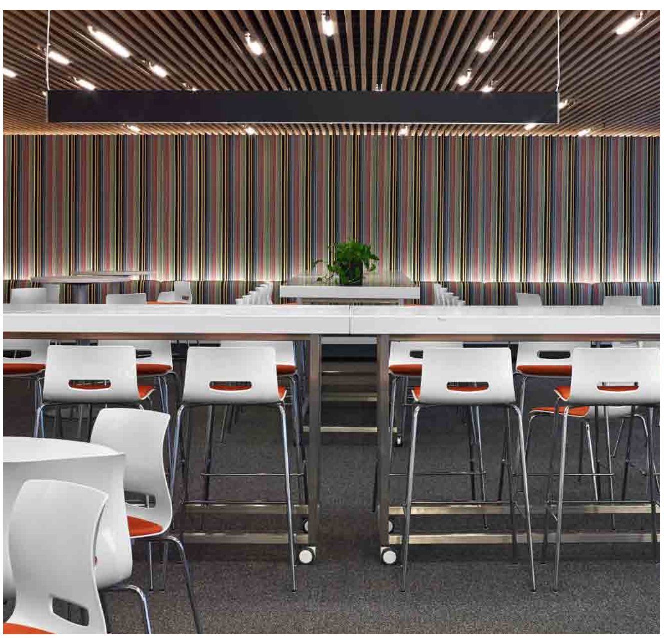
CENTER FOR WORKPLACE INNOVATION

The Big Squeeze

The Impact of Densification on Building Infrastructure & Company Culture

A team of portfolio managers for a Fortune 100 insurance firm recently asked Mancini•Duffy to offer some thoughts on the subject of densification. Having identified it as a corporate real estate trend they sought some insight into its impact on building infrastructure. Our response was that as a practice, companies should continually seek greater space efficiencies when and wherever possible; as a strategy to accommodate growth and reduce operating costs, however, densification is the planning equivalent of trying to squeeze 20 pounds of potatoes into a 10 pound sack. It's reactive, not proactive.

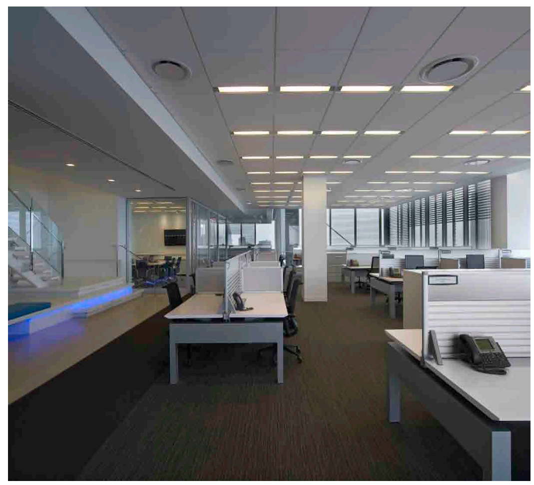
The problem lies in that real estate, facilities and design professionals are in large part evaluated based on real estate performance measured in rentable square feet per person (RSF/P) and cost per person ($/RSF). These may be valid operating goals, but densification is a potential outcome (among many) and not a strategy for improved performance of a business. Whether a firm is heavy on private offices and entitlements--and still has a lot of excess space—or is moving toward benching and mobility, performance measured by space reduction alone is a game of diminishing returns.



As the inclusion of amenities is becoming increasingly important to workers, this Fortune 100 accounting firm provided a dining area that offers opportunities for relaxation and casual conversation as well as space for team break-out sessions.

The reason is twofold:

1. Businesses expand, contract and rearrange so quickly today that RSF/P metrics quickly can be rendered invalid.
2. As a continuing practice, at some point all that's possible will have been squeezed out of the portfolio and something will have to give.



To promote clarity and ease of communication, BT Americas adopted a European benching system as the prevailing aesthetic, with open areas and minimal panels. Headcount increased 12%, square footage decreased nearly 50% and meeting spaces increased 28%.

With the possible exception of Google—who will buy a building knowing it will fill up organically—companies are reluctant or unwilling to pay for growth. Typically space is built out with a modicum of allowance for expansion. Any unexpected increase in headcount and the first things to go are conference rooms and ancillary spaces. You might wonder how this can be. With the proliferation of technology and the increase in distributed work expressed in myriad articles as workers' desire for more flexibility in where they work, surely there must be excess space to accommodate growth. In many cases there is, but only thoughtful advance planning can make it work effectively. There are two parts to this equation: real estate and human capital. We'll first look at the implications for real estate, then people.

HOW MANY SQUARE FEET PER PERSON?

Technology now enables us to work anywhere and anytime and the devices themselves are getting smaller. Add to that the significant percentage of the workforce that is not co-located due to geographic disbursement, second shifts, job sharing and outsourcing, and you can make a pretty strong case for reducing square feet per person and consolidating the portfolio with more people in a single location. Let's say you've started by reducing the space allocated per person (smaller offices, smaller workstations) and then migrated to a change in entitlements (fewer offices). Now, you've been told you need to add an additional 10 percent headcount to your existing footprint and you think you can accomplish this by converting workstations to benches.

But while more people are being added, are you also planning for increased meeting, quiet and amenity spaces proportional to the increase in capacity?

In addition, the facilities and design team should explore these questions:

- Can the building handle the additional voice and data requirements?
- Is the HVAC capacity sufficient?
- Are there enough bathrooms for those extra employees?
- What about access and egress?
- Have we considered elevator capacity, reception areas, and security?

If the company or the building you occupy provides food service, will the concession be able to accommodate the influx of additional people? If not, are there eating places nearby so employees do not have to travel far at lunchtime? Perhaps you've established a formal mobility program; people work from home and only come into the office a few days per month. If the facility is in an urban area most people will use public transportation but if not, does the building have enough parking for those times when mobile workers converge at the office?

On the infrastructure side, program calculations allow you to validate capacity and mobility programs can help you legally flex that capacity. The takeaway is that increased density can work from an infrastructure perspective, but will require additional capital. The good news is that many (not all) of these costs are one-time investments but these considerations should all be part of a master plan.

"Employers are finally acknowledging how increased collaboration benefits the employee and organization."

APCO Worldwide, a global business consultancy firm, encourages their highly mobile workforce to work wherever they wish. Teaming areas are included among the main workstations to allow for more mobility and interaction.

A FEW DAYS A WEEK AT HOME

When we look at the people side of the equation, things get interesting and ironic because so much fuss is made over real estate, but people—not real estate—are the number one expenditure for the corporation (at an 80/20 ratio) and employee salaries are on-going. On the positive side, mobility seems to give employees what they want. Recent research says most people want to work from home 2-3 days a week so—unless you're the facilities manager at Yahoo and your CEO has just called everyone back to the office—there are some potential savings there. But where do these mobile workers go when they do come to the workplace? Are they meant to find just any old space? If so, in what's becoming a new war for talent, what does that tell employees about how the company values them?

Even if companies do not have formal mobility programs the trend in densification is to increase the percentage of open to closed spaces. Open planning has both positive and negative aspects for mobile and non-mobile workers alike. The good news is the increased sense of energy and buzz—often what road warriors come to the office to experience—in addition to a transparency that encourages engagement and fosters collaboration. When people are more accessible, decisions can be made that get things done faster. On the flip side, our recent employee surveys cite distractions and interruptions as a chief deterrent to doing head's down work. For companies on the cutting edge, reducing space allocations via open plan and open seating may be reaching a tipping point. A recently completed project for a Fortune 100 professional services firm reduced RSF/P by 50% by downsizing standards and adopting an aggressive hoteling program that includes open plan, office and meeting room seats. Feedback thus far has been positive but we will want to monitor the ability to have private conversations and find space for ad hoc face to face meetings in this new configuration.

METRICS THAT RESONATE WITH THE C-SUITE

As the practice of densification continues, we hope that it becomes more widely recognized as an exercise in efficiency, not a strategy. It should be kept in mind that densification not only affects work flow and processes but the overall culture of the organization. And any affect on culture can impact employee morale and productivity. Companies need to find a balance and create the variety of spaces that make a workplace a destination of choice.

To that point, we propose some future metrics that de-emphasize RSF/P and $/RSF and are based on our understanding that:

A) Employers are finally acknowledging how increased collaboration benefits the employee and organization.

B) New research from The Hay Group shows that **more than 160 million employees worldwide are set to leave their organization.** This figure has significant cost implications for employers and suggests that investment in creating environments that inspire people can help mitigate some of the costs of the predicted attrition.

In running densification studies we must comply with building codes that determine occupancy load by business classification. But there are 'unwritten rules' as well that dictate that if you take something away—like eliminating offices and putting everyone at a bench—you will have to give something back. These alternative spaces can take many forms—focus rooms, huddle rooms, cafes, phone booths—but all support the fact that people do not do the same thing all day, every day and need choices within the office to do their work.

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WHAT'S REALLY AT STAKE?

What's really at stake here is delivering value to the enterprise in a new way. To do that, we need new metrics that incorporate workplace strategies into master planning principles to create spaces that are truly non-obsolescent, serve the needs of the business, and enable people to thrive in doing their best work. Metrics such as these are not merely conceptual:

- Increased speed of recruiting talent
- Reduced attrition rates
- Enhanced decision making time
- Increased number of wins
- Increased shareholder value

Working in tandem with HR and IT, this data can be obtained and calculated. And metrics that are directly linked to business performance will truly resonate with the C-Suite, and in doing so, elevate our roles as industry professionals by the value we deliver to the organization.

ABOUT MANCINI•DUFFY

Mancini•Duffy is a leading architectural and interiors practice. Our mission is to create architectural environments powered by innovative design that positively impact the lives and businesses of our clients. For nearly a century, our firm has delivered award-winning design excellence to clients in the United States and abroad and across multiple industry sectors, including retailers, hospitality groups, law firms, branch banks, new media companies, publishing agencies, insurance corporations, educational facilities and government agencies—to name a few.

SOURCES

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ABOUT THE CENTER FOR WORKPLACE INNOVATION

People are a company's most valuable asset and in today's business environment it is people who make the difference. Our mission is to combine real estate, technology and business processes to create exceptional spaces that empower people to do their best work. We align design solutions with actual business drivers and create performance metrics to establish a feedback loop that continues to inform. This builds agility into the workplace to support the way people work today while enabling its evolution to support the way they will work in the future.

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