

What's Next for the U.S. Workplace?

BY CHRIS SULLIVAN AND ANDREW BLUM

The workplace has experienced extreme changes in recent years. Here, we talk with four corporate real estate professionals about those changes and how they are affecting their workspaces and related processes.

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Change Management

MARK NICHOLLS, corporate workplace executive for Bank of America, is responsible for a 97-million-square-foot real estate portfolio that supports its 203,000 associates. A Jobs for America's Graduates executive board member, he is also on the Real Estate Executive Board.

What does Bank of America look for in an office location?

Mark Nicholls: What's optimal is what I would call a "diversity play." The old model would ask, "Do we want to be in downtown Atlanta or out in the suburbs?" Then we'd make our associates come to one place or the other—an either/or proposition. Today, it's a mix of three variables: urban, suburban, and unassigned.

Is workforce mobility a factor now in retail banking?

MN: Mobility varies from company to company—you find the full gamut. Many companies are still at zero. We have 5 percent unassigned, while IBM and Capital One are both north of 50 percent. We would look to double our number over the next two years. That's an aggressive target in a banking culture, especially so for anyone who doesn't travel all the time.

To help make it happen, we started MyWork. It's a branded program that lets our associates choose where they will accomplish their work and provides them with technology tools, economic assistance, and education on issues like maintaining relationships with managers and peers. The MyWork program doesn't extend to such functions as call centers, where hour-to-hour coaching and close observation are required. It's been successful for technology workers, salespeople, and client-facing consultative interfacing roles.

What does that mean for real estate people at the bank?

MN: We're not in the bricks-and-mortar business anymore—we're in the change-management business. For example, when an associate joins the MyWork program, there are a thousand questions: How do I reserve space when I need it? What extra security precautions do I need to take to protect the data on my PC screen when I'm at Starbucks? What happens if my children are screaming when I'm working at home? It's a significant education process, even for the managers of MyWork participants. They ask: How do I know that people are being productive? How can I communicate with them quickly in an emergency? And dozens of other questions.

What are the issues that shape the bank's planning?

MN: Demographics play a large role in our planning. In the U.S., more people are taking early retirement. There's a mini-boom in college-age people, but the educated workforce is shrinking and the unemployment rate of college grads is zero. Today's college grads have very high expectations and standards. Some would say they're spoiled, but that's not a very productive conversation. Basically, the talent wars are over—talent won.

Because of technology and telecommunications, place may be less relevant. And the cost of place could escalate at a rate higher than inflation. Look at the prices of steel, copper, and drywall—the rate of increase per year is in double digits, while macro-inflation is about 3.6 percent. Also, getting to a place will be even more expensive if energy costs keep rising.

So transit access is an important office location factor?

MN: Absolutely, and not just because of the cost. Young people are saying, "I'd rather spend my time reading or exercising or whatever than sit in traffic on the freeway." In any major city where the train system is half decent, the train beats the car downtown every time.

Which suggests that sustainability must matter, too.

MN: In March 2007, Bank of America made a substantial commitment to the environment—a \$20 billion initiative over a 10-year period. The debate about global warming is over, and commercial buildings produce 40 percent of greenhouse gas emissions—the highest bar on the chart. People think it's automobiles, which are only 30 to 35 percent. So people who build and inhabit commercial buildings have a responsibility to help solve the problem. It's the right thing to do, and that's one of Bank of America's long-standing values.

How does the bank measure sustainable performance?

MN: The bank has a very close association with the U.S. Green Building Council, and we think that the LEED rating system will eventually emerge as an international standard. Some people have argued that LEED is more expensive, but that debate is almost over. Some studies show about a 2 percent premium for building to LEED Gold. Others show that post-occupancy costs drop by at least 20 percent. In terms of total cost of ownership, that premium is offset very quickly.

Creativity With Metrics

EUGENE BAUCHNER is WPP's head of real estate in the Americas, responsible for an 8.5-million-square-foot workplace portfolio for such creative shops as Ogilvy & Mather, Young & Rubicam, JWT, and Grey Global. In corporate real estate for 25 years, Bauchner joined WPP in 1999.

We hear that WPP is reinventing its U.S. workplace. How?

Eugene Bauchner: WPP is going through a complete rethinking of how offices should be designed and operated. The company has moved from low-density, fixed-partition offices with doors to high-density open plan with no more than 10 percent enclosed offices. WPP is also aggressively consolidating its real estate portfolio into collocated offices. In Los Angeles, we went from five locations to one, consolidating 16 companies. In San Francisco, 20 companies went from 10 locations to four. Consolidation has taken us five years to accomplish in 10 major markets. Now that it's up and running across our operations, people see the benefits.

What do you look for in the buildings and spaces you are leasing?

EB: Every city is unique, and this impacts our site selection criteria and decision process. There is no particular class or type of space that WPP consistently leases. In Chicago, we took a large block of what had been showroom space in the Merchandise Mart. In Santa Monica, we're in the Water Garden, a new Class A office complex. In New York City, we just leased an industrial property—a former candy factory—for conversion as a global agency headquarters office.

Our real estate decisions are influenced by the local business unit's social, cultural, and work standards. We look for

neighborhood amenities like restaurants and for access to public transit. In Los Angeles, having parking nearby is important. Safe neighborhoods are requisite, but WPP is a creative company—creative people often prefer to live on the edge. To attract, motivate, and retain the best creative talent, we need to be in the places that they find attractive. Exciting neighborhoods are often in the midst of transition, and that changing mix works well for us.

What about design? It sounds like people chart their own course.

EB: WPP does not standardize design criteria. We prefer open plan because it conveys openness to the client and encourages communication, collaboration, and cooperation. Innovative design should make a statement and reflect the brand and identity of the business unit. Creative design is encouraged, but we enforce density metrics—rentable square feet [RSF] per person—that vary depending on the business, region, and country. We also enforce a 90:10 ratio between workstations and enclosed offices. The result is an overall increase in efficiency. In North America, WPP went from an average of 425 RSF per person in 2001 to 312 RSF in 2007. That includes call centers, back office, production, and distribution space. Considered on their own, our new collocation offices average just 212 RSF per person. They're much more efficient.

Does sustainability have a place in WPP's new workplace?

EB: WPP has a very strong sustainability program that includes goals for reducing carbon and energy consumption. Our new large capital budget projects will seek LEED certification, and we expect our smaller projects to be LEED compliant. We encourage proposals from properties that are LEED certified and have aggressive energy conservation programs.

From a workplace design standpoint, WPP aims to reduce the use of materials and dropped ceilings, and maximize exposure to operable windows and daylight. We want people to have access to views and also to natural light, especially for artwork and production work.

Has mobility changed the kinds of work settings you provide?

EB: Mobility means giving people the flexibility to work in a lot of different settings, not just fixed to a desk. Laptops can support this when communication outlets are generously provided. WPP provides touchdown space and hotel space for people who are not in the office more than 50 percent of the time. Also, we dedicate less space to individuals in our office design. Instead, we incorporate “thinking and brainstorming

space” throughout the work area. We provide well-placed amenities such as espresso bars, entertainment and game areas, and places where people can get away to unwind or just sit and talk. There are small meeting rooms for two or three people that can double as private phone rooms in consideration of the open plan design.

That's a lot of change. What kind of feedback have you had?

EB: WPP does satisfaction surveys whenever we move our companies into a new collocation workspace. We're finding that our people respond favorably to the branding and design, and new talent is attracted, too. Both hiring and retention benefit. Our business units also report that they're going after more new business together. The space communicates the different WPP brands effectively and speaks very well to the creativity that's being marketed to clients.

So it's part of your job to stir up those creative juices?

EB: WPP calls it “Managing the Imagination.”

People-friendly Workspace

BRIAN SCHWAGERL is vice president for real estate and facilities at Hearst Corporation, where he shepherded its new headquarters through planning, design, and development. Earning kudos as a model of tall-building sustainability, the tower has won hearts and minds at Hearst.

What led Hearst to build a sustainable office tower?

Brain Schwagerl: We put a tremendous amount of research into understanding how our own people work and trying to give them the tools to do the best work possible. But the thing that we moved on when others didn't, which clearly has given us the biggest payoff in terms of employee gratitude, was to be at the forefront of green construction. That decision really came from studying the trends of what great corporations were doing around the world. They were looking at the healthy environment in which workers were spending their days. And it became almost a no-brainer for us—how could we not build the healthiest office possible?

Which of the tower's sustainable features work best?

BS: The simple things make a real difference. There's more natural light in the workplace, and the workstations are lower, so people aren't lost in an alley of dark Dilbert cubes. The air

systems pump in the cleanest air possible. The lights adjust automatically—and turn off automatically when you leave the room. The faucets turn on only when your hands are under them. As a result, we saved 26 percent in energy and 10 percent in water right off the bat.

More importantly, our people know we've done the right thing for the environment and that we value them as employees. The tower says, "We want you to be in a healthy work environment."

Was mobility a factor when you planned the new workspace?

BS: Hearst doesn't have the mobile workplace that many other companies have. Personally, I think that people need an environment that gives them a sense of purpose. When they know they're at work, that helps them understand the products they're producing.

How much of the workspace is allocated to collaboration?

BS: There are pinup rooms for designs of the magazines, breakout areas for advertising meetings, and areas where people have lunch. During the design process, there were questions about the need for these spaces. Were they superfluous? No, they're not—they clearly lead to greater interaction. So we ended up converting private offices into collaboration spaces. Some of them have phenomenal views of Central Park and the West Side!

How are people responding to the new headquarters?

BS: The building has been transformative. The positive feedback has been amazing. People are happy, and retention is at an all-time high. There's no bigger catcher of negative comments than the facilities guy, so it's nice to be getting so many compliments for a change.

The best response has been to certain features of the headquarters, like the fitness center and the cafeteria, where we made a special effort to do something that's the opposite of plain vanilla—and really tailored them to people's needs. Take the fitness center. We benchmarked all the financial center gyms, of course, but our headquarters workforce is 80 percent women, and a younger demographic. So our fitness center is more like a spa than a typical gym. Its colors and character reflect the women who use it—women with a sense of style and design.

Companies that want to attract and retain talent have to keep these things in mind. The work environment needs to be as people-friendly and supportive as our homes and other settings.

More Choice, Less Space

As program manager of Hewlett-Packard's workplace initiative, CHRIS HOOD has led the company's efforts to recalibrate its office real estate footprint in order to reap the financial and environmental benefits of minimizing its office space. His mantra: "Less is more."

Why is HP so eager to shrink its office real estate footprint?

Chris Hood: In our case, the big driver is cost. If you can't do something cost effectively, you're not going to be in business in five years' time. Global competition takes care of that. It drives the rate of innovation or invention. If more companies did what HP and others are doing, we wouldn't need to build a new building in this country for 20 years. Companies can grow, and grow successfully, but with foresight and imagination they can accomplish this with smaller office real estate footprints than they've needed in the past.

The logic is simple. Our offices are underutilized and our people are mobile. At any given point in time, only about 35 percent of them are actually sitting in a workstation. So what does that mean from a facilities standpoint? It's evident that HP people wake up every morning and make decisions about when and where they're going to work. Our strategy reflects that—we're not just slashing space. We're reducing it, yes, but we're also making our people more productive.

What's different about the way HP looks at the workplace?

CH: It used to be an absolute prerequisite that a team was in one building—a face-to-face arrangement. HP spent millions of dollars changing floor plans so that the right people could sit next to each other. Now we've realized two things. First, most people are involved in several teams, so by definition they can't all sit together. Second, talent is globally distributed. Our challenge is to bring talent into focus on particular projects. Teams have a different dynamic.

Another difference is that we understand now that a lot of people at HP work at home and at the office. If you give them choices, they'll take them. Work has become much more fluid. In the past few years, our people have become very good at working as part of remote teams. They're using different technologies to build relationships, understand each other, share ideas, and alert each other about problems. It's changing our sense of how often we need to get them together face-to-face to make that connection that makes all those virtual experiences work.

So technology is helping people at HP adopt a more fluid work style?

CH: I like to use the analogy of the university that built a quadrangle and put the grass in, but didn't actually build the paths. People walked from class to class for a while, and then the school looked at the muddy tracks going across, and put the paths there. We've given people the technology, and now we're seeing how they're working. It turns out they simplify things. Mobile work technology has become like reading or writing—a way of doing things, not an end in itself. The issue today is how to get that infrastructure in place as cost-effectively as possible.

HP's real estate approach is based on utilization. How do you measure it?

CH: HP Labs and Herman Miller developed a remote-sensing technology—a chip we can put on the underside of a chair that tells us when it's being sat on. That device lets us build a picture of utilization in 5- or 10-minute increments—looking at workstations, conference rooms, project rooms, team rooms, and cafeterias. We can actually see utilization—and deal with that reality.

If you get your office space utilization right, there are environmental payoffs?

CH: Yes, there are—but not always in the ways that you'd expect. The bottom line is that surplus, underutilized office space can be returned to the global office space portfolio, thereby avoiding the need to construct new buildings to absorb other companies' growth. From an environmental standpoint, the fact that you can grow without having to build anew is a major win.

Of immediate importance to HP is the net difference in energy use because we're using less office real estate. We've reduced our footprint by millions of square feet, so it's a huge payoff that also reduces our carbon footprint significantly—a win for HP and a win for the environment.

Christopher Sullivan is the former editor of *Architecture* and writes for *Interior Design* and other magazines.

Andrew Blum is a New York-based writer and a contributing editor at *Wired*.