



Seminar Notes from Morgan Lovell Breakfast Seminar

DERIVING MAXIMUM EFFICIENCY FROM OFFICE SPACE

Wednesday 13th April 2005

8.30am to 10.30am, Tower 42, Old Broad Street, London



KEYNOTE: DESIGNING SPACE THAT INSPIRES: THE WORKPLACE AS MOTIVATOR

Jeremy Myerson, Professor of Design Studies, Royal College of Art.
Co-author of *The Creative Office*

**“ REALISING THAT THERE ARE DIRECT RELATIONSHIPS
BETWEEN ENVIRONMENT AND BEHAVIOUR
– THE WORKPLACE CAN BE A MOTIVATOR.”**

There's a shift taking place – in America, Japan and many other economies the office environment is seen as a benefit and not a cost, rather than the other way around. Although here in the UK some people think it's faddish and are cynical about this new, 21st century way of thinking.

It's not about bean bags and hammocks – but realising that there are direct relationships between environment and behaviour – the workplace can be a motivator.

So where did this thinking come from? Small outfits: record companies, advertising agencies, etc which have created a new office design vocabulary – zones, breakout areas, social areas, etc...

1. Narrative (when an office helps define the company)

Offices have moved from 'neutral' to 'narrative' i.e. they tell the story of the company in them and working there, like in a shop, is an experience that reinforces the values and business of the company for the employees.

Example: Reebok in the US where it brought satellite offices into one mega \$70m campus featuring, both in its design and construction, many of the activities used by its customers, e.g. a running track, volleyball court – the employees are encouraged to get involved. Reebok says the investment worked – it has regained market share.

Example: Advertising agency Ogilvy and Mather wanted in the US to pick up more hi-tech clients so it adopted the 'narrative architecture' approach to achieve this. Warehouse building, metal tunnels, screens on the walls everywhere, cheap, industrial materials used – so the message is communicated to visitors, staff, suppliers, investors AND clients.

Other examples given by Jeremy included Toyota UK, Muzak ambient music company in US, Sony Playstation in Japan, Bloomberg in London.

“OFFICES ARE MOVING AWAY FROM INFLEXIBLE DESIGNS WHERE YOU ARE HEMMED IN.”

2. Nodal (how it's the layout that counts now)

The end of the hierarchical office. No longer boss/opulent upstairs, worker/bare downstairs. It's now a team space that fosters collaboration where people, for example at IBM Santa Monica, co-develop and co-design products. People now travel more – offices are moving away from inflexible designs where you are hemmed in – home working, working as you travel, mobile communications mean some offices are employing skeleton staff schemes.

Example: Winstar software company in New York. A collaborative team space that's a mix of space 'choreography' – much of the office is given over to a large auditorium along with traditional office space.

3. Neighbourly (why it's the relationships that make an office work)

It's not organisational charts that define who sits where but rather who are the gossips, flirts, ideas people, gatekeepers, conduits, hubs and so on. It's office planning based on social interactions.

Example: TBWA in New York – their office is a 'Greenwich village' style layout with streets, even cars parked on them, restaurants, cafes and 'office' areas.

Example: Egg in Derby, UK. It's call centre is famous for its colour-coded zones, landmarks, spaces, steps.

Extreme example: In Asia some employees have even taken to 'sleeping over' at work, which some say is a metaphor for a continuous, creative process.

4. Nomadic (communications mean companies and employees can be anywhere, anytime)

In the future we're going to be more mobile – more like nomads establishing 'nests' wherever we need to work, helped by broadband. For example the office may really be a chain of booths spread across continents – airports, hotels, etc where people can do work and then move on – financed and shared, maybe, by all companies. Another strand is live/work – or employer 'neutral' offices.

Example: Virgin Atlantic business lounge at JFK.

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10 PRACTICAL TIPS FOR DERIVING MAXIMUM EFFICIENCY FROM YOUR OFFICE SPACE

Andrew Bradley, Managing Director, Morgan Lovell

“OFFICES ARE THE SECOND HIGHEST OVERHEAD COST, BUT GOOD DESIGN HELPS RATIONALISATION, INCREASES STAFF RETENTION AND MANAGES REGULATORY CHANGE.”

Why do office transformations matter? They help reduce costs, promote competitiveness, promote a culture, improve communication, increase flexibility, reduce staff attrition and short-termism. Also, they promote maximum performance, break down internal barriers, and help retain and attract the best.

Building costs: Offices are the second highest overhead cost, but good design helps rationalisation, increases staff retention and manages regulatory change – as well as reducing rental levels. For example, office space is often under-utilised, an expensive luxury when office space is costly – and a 1,000 sq ft office during a year can be squandering (nominally) up to £300,000 a year.

Workspace management: A well planned, designed and managed workspace is a facilitator for productivity, promotes a shared culture, encourages shared knowledge and will **increase value in your organisation.**

What does this mean in practice? Home working, hot-desking, open plan environment, reducing the space standards.

Tell me the benefits again? A correctly designed space will improve the company brand across the workplace through an expression of ‘identity and meaning’ to employees. So... it will improve employee effectiveness and satisfaction through achieving operational excellence AND staff will realise the values of the organisation.



How to reduce the cost and impact of a relocation, refurbishment – ‘The Ten Tips’

1. Commission a Workplace Appraisal. Define the project, analyse the business, look to the future, seek objectives for the projects (e.g. increase communication), find the right space and think LONG term not SHORT term.

2. Investigate Capital Allowances. This is the tax relief available on investment in commercial buildings, and by choosing certain products in the development of a relocation or refurbishment, it's possible to enhance the tax relief. For example by minimising waste, using sustainable materials and recycled materials.



« HUNTSWOOD OUTSOURCING

“COLOUR CREATES A CAUSE AND EFFECT ON BEHAVIOUR AND WHEN CORRECTLY APPLIED CREATES A SENSE OF WELL BEING AND REDUCES THE NEED AND COST OF MORE EXPENSIVE FINISHES AND DETAILING.”

3. Lease, don't buy. It helps finance the cost of a project over a longer period, reduces the net cost, which for partnerships can be as much as 18% of the total cost financing. Also helps cash flow.

Example: Huntswood Outsourcing used leasing instead of purchasing, the payments are 100% allowable against taxable profits. If the company had used cash, or a bank facility, they would only have been able to claim capital allowances on a proportion of the fit out works and at only 25% of the value per annum.

4. Design to reduce absenteeism – Independent research commissioned by Morgan Lovell of 2,000 people showed better conditions improve staff moral and productivity. Why does that matter? Around one in ten are directly motivated by their office and 70% of British workers say poorly planned offices increase stress.

Example: NHS Direct staff retention rates at one site (which now includes a 'tranquillity room') improved dramatically due to staff consultation in the design phase.



« NHS DIRECT

5. Following a move or refurbishment, MEASURE staff productivity from intangibles (atmosphere, culture) and tangibles (higher productivity, absenteeism rates). Survey staff regularly and also benchmark performance through league tables. Example: conduct exit interviews about the staff environment.

6. Consider the value of a work station. Is the desk being utilised? Should flexible working be considered for the employee? Or hot desking... home working... hotelling?

7. Is your office too big? A smaller space means reduced fit out AND ongoing costs, plus the savings can be reinvested and smaller space creates high energy levels.



« COLOUR CUTS COST

8. Colour cuts cost. It creates a cause and effect on behaviour and when correctly applied creates a sense of well being and reduces the need and cost of more expensive finishes and detailing.

9. Minimise disruption. During refurbishment don't cut corners, it creates more hassle and potential cost. Inform your staff of the refurbishment, for example, and keep them updated. Phase the works.

10. Involve staff early – take them with you. Don't just survey, form project teams, be clear about employee recommendation, have pre-arranged ranges and feedback to employees.

THE CASE STUDY

Mike Wenden, Project Manager, Philips Electronics UK Ltd

“TIMING WAS CRUCIAL WITH THIS RELOCATION, SO WHEN CHOOSING THE FIT-OUT COMPANY, WE GAVE THEM A WEEK TO REPLY, AND IF THEY DIDN'T DO THAT THEY WERE AUTOMATICALLY REJECTED.”

Where? The Philips Centre, Croydon. 500 people, 12,070m² net space. 417 parking spaces, 1960s block. Lease expires June 2005.

Why move?

- Visitor and staff security problems.
- Three murders near site within 18 months.
- Building needed major refurbishment.
- Impossible to sub-let.

When Mike joined the project it had been running for two years, employees knew about it and the UK chairman headed the steering committee. There had only been a part-time project manager, Mike joined fulltime and was an internal candidate. He had the skills and experience and knew 'the politics' (three main divisions plus others had to approve plans). He focussed on finding a new site, chose 95 properties, 38 viewed, 10 short listed, seven examined in detail. A feasibility study was started, business plan drawn up (and approved) and a detailed plan on project design and implementation developed. New office location agreed – Guildford. Full negotiations with landlord started, plus fallback options put in place if these failed.

Why Guildford? Building recently refurbished, 5,000m² over three floors and was open plan space. Guildford easier to get to than Croydon (for customers), superior property location in blue chip business park (Ericsson, Colgate-Palmolive). Shaky commercial market also meant ideal time to get a good deal.

The objectives: maximise business efficiency, minimise costs, increase flexibility (i.e. be able to sub-let to third party tenants and obtain shorter lease), minimise business risk, and move on time without adversely affecting business and minimise disruption.



« PHILLIPS, GUILDFORD

Phased process

- 1 Feasibility – technical and commercial possibility
- 2 Detailed design – supplier selection, detailed layouts, detailed planning of phase and costing.
- 3 Implementation – Preparation for move, buildings fit-out and employees support. Realisation (i.e. move) and completion.

Quote: “Timing was crucial with this relocation, so when choosing the fit-out company, we gave them a week to reply, and if they didn’t do that they were automatically rejected.”

Implementation: how did it work?

- Weekly review meetings to track process.
- Structured approach to change management – small changes absorbed, major changes mostly rejected. The principle was... move first then assess what needs changing.
- Excellent working relationships with all suppliers.
- Sub teams and suppliers all integrated.
- HR programme rolled out.
- Demonstration room set up in Croydon.
- Project website established.
- Fit out completed on time – one month to install all the (new) furniture.

Move split into six main phases. Why?

- Added complexity, but minimised risks.
- Managed by each business (moving from Croydon) with a dedicated project team.
- Project manager link to main project.
- Business project teams conducted site visits as part of the detailed moving plan.

The timetable – the move weekend

- IT relocated from Croydon to Guildford Friday night. Critical services brought back online.
- Desktop IT unpacked, installed and commissioned by end Saturday.
- Filing and ancillary items such as chairs relocated by end of Saturday.
- Only relocation project and key support employees on site.
- Monday. Support team welcome employees.
- Welcome notice on each desk.
- By 9am everyone could work.

Some lessons learnt?

- 1 Select competent suppliers.
- 2 If leasing, ensure all services fully commissioned before fit out.
- 3 Evoke step-in rights early where remedial action is required.
- 4 Have a team that can drill down into the detail.

And finally...

- 5 Celebrate the success and reward key players.

SEMINAR ENDS