



CASE STUDY

Space Planning Game Changers

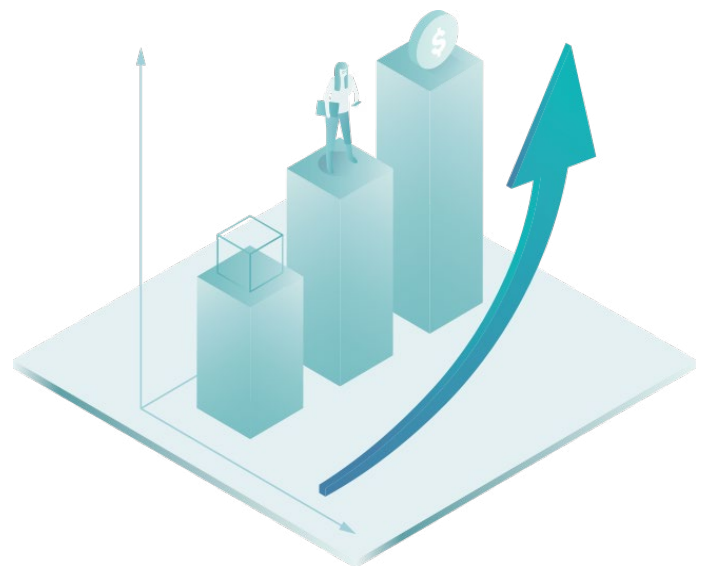
Space Optimization: Then & Now

Many companies are looking to **optimize their workspace** as a part of their workplace strategy and return-to-office plans. But how do companies know what optimizing means for them given their unique needs and organizational structure?

Here's a **case study** of how space optimization was done pre-pandemic, before workplace analytics, and the game-changing way space optimization is done now.

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The Request

Pre-pandemic, a single office of a global testing and commissioning firm* sent a request to their central corporate real estate (CRE) team for an additional 400m² of office space.



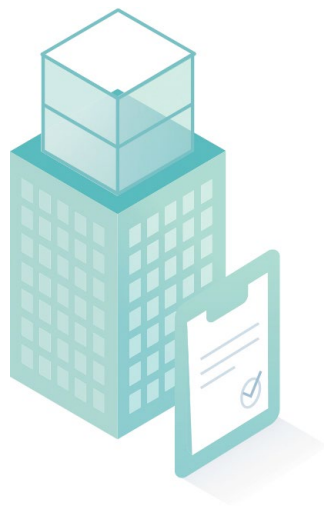
* We do not disclose the company name for purposes of confidentiality.

The Problems

The reasons for this request were **headcount growth & reaching capacity** in their current space. The requesting office felt it would be **challenging to fit more desks** into the current layout. In previous attempts to fit more employees into the space, one team's space-to-desk use aggressively **breached guidelines** that were set out by the company workers' council. Additionally, employee experience declined amongst office staff as a result of feeling they had **given up a lot of individual space** to accommodate growth. Culturally, employees were very traditional in their thoughts about ideal space per employee. After meeting on-site to examine the office, the central CRE team could readily see the office was not optimal for space efficiency. With a **design intervention**, it was likely that more capacity could be unlocked.

Solutions Explored

The CRE team had a hunch that **space optimization using a flexible approach was the right solution**, but given the traditional culture of the office, they were likely to meet initial resistance. So for scenario planning purposes, they **explored multiple options**.



An operating expense (**OPEX**) is an expense required for the day-to-day functioning of a business. In contrast, a capital expense (**CAPEX**) is an expense a business incurs to create a benefit in the future. Operating expenses and capital expenses are treated quite differently for accounting and tax purposes.¹

Option 1

Grant the Requested Additional Space.

Cost: €1.1m based on estimates of annual **OPEX** and total **CAPEX** costs to occupy the **additional 400m²**. It was assumed the additional space would be pulled into the current lease term of 5 years.





Option 2

Relocate to a New Office.

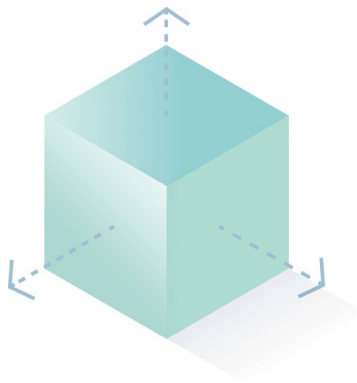
This was **the least likely solution** to be chosen for its expense alone. It would have cost 7 months rent (€680,000) to exit their current lease early. This is all before factoring in the cost to lease a new space, relocate and fit-out the new office.



Option 3

Space Optimization. Optimize the Current Office.

The central CRE team engaged with a well-known real estate consulting firm to **perform a utilization study**. The study took roughly 8 months to complete and the results cemented what was already assessed by the central CRE team from visiting the office – the space could be optimized.



Utilization Study Results

It was found that:

- The current closed office layout, made up of many walls and partitions, was **not optimal**. The space could be better utilized if changed to **an open space plan**.

Walls and partitions have higher occupancy costs per employee and are thus barriers to space efficiency.



- Desk and offices were **actively used 50% of the time**. When spaces were not actively in use, they were **unavailable for others to use**. Also, when some desks were not 'in use' there were clearly still '**signs of life**'.



50% desk utilization was a clear indicator that optimization was required because 80% is a commonly used utilization target in the corporate real estate industry. It's important to note, however, that it was quite common for offices across North America to be underutilized at roughly 50% desk utilization pre-pandemic. ²

Signs of Life refer to an employee's belongings (coat, cup, purse, etc.) which show the desk or workstation is occupied and not available for another employee to use.

- When employees were away from their desks, it appeared that many were **booking meeting rooms** or **gathering in private offices**. However, **bubbles and breakouts** were significantly underutilized due to poor configuration and / or lack of change management to educate how people should work in these areas.

Bubbles & Breakouts are *Activity-Based Work* areas. Meaning they were designed intentionally to promote certain activities. Both are modern substitutes for private offices and meeting rooms when companies need to increase space per employee, capacity, and/or optimize space.

Bubbles are full or partial enclosures that give workers a sense of privacy to do concentrated work while still offering them a 360-degree view of their surroundings.

Breakouts are areas that are separated from the established and more formal working areas. A breakout space is available for employees to spend time during the work day and take a much needed pause from head-down, focused, desk work. Breakout spaces still remain within the office, but often have a comfier and more casual look and feel than the rest of the workspace. ³



The study also determined what was important to employees in terms of workplace experience:

- **4 C's.** Calls, confidentiality, concentration, and collaboration. The 4 C's defined the primary employee work styles.
- Next was the desire to support the **exchange of information**. An **open space plan** that would support this collaboration could be accepted as long as the first 3 C's were also prioritized.

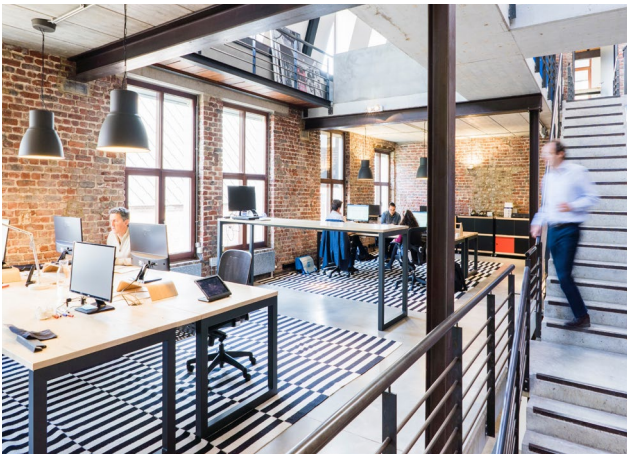


- Areas to concentrate on **focus work** were the highest concern.
- Another desire was a **more equitable distribution of space** amongst teams.
- Improved lighting.
- A desire for **more diverse spaces** to support different workstyles.



Utilization Study Recommendations

Despite feeling they were at capacity due to past personal space reductions and the number of desks and offices occupied, there was **no need to lease additional space**. The current space could be cured of inefficiencies and more equitable distribution of space could be achieved by **removing walls and partitions** and providing an **open space plan**.

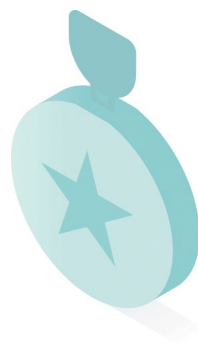


Workstations could be used more efficiently by switching to an **unassigned / flexible seating arrangement**. The underutilization of collaboration spaces could be resolved by removing space and time-inefficient meeting rooms and private offices, **installing more bubbles and breakout areas**, and educating the employees on the advantages of these activity-based work features. This could have a big impact because the latter type of collaboration spaces are more space and time efficient. ⁴

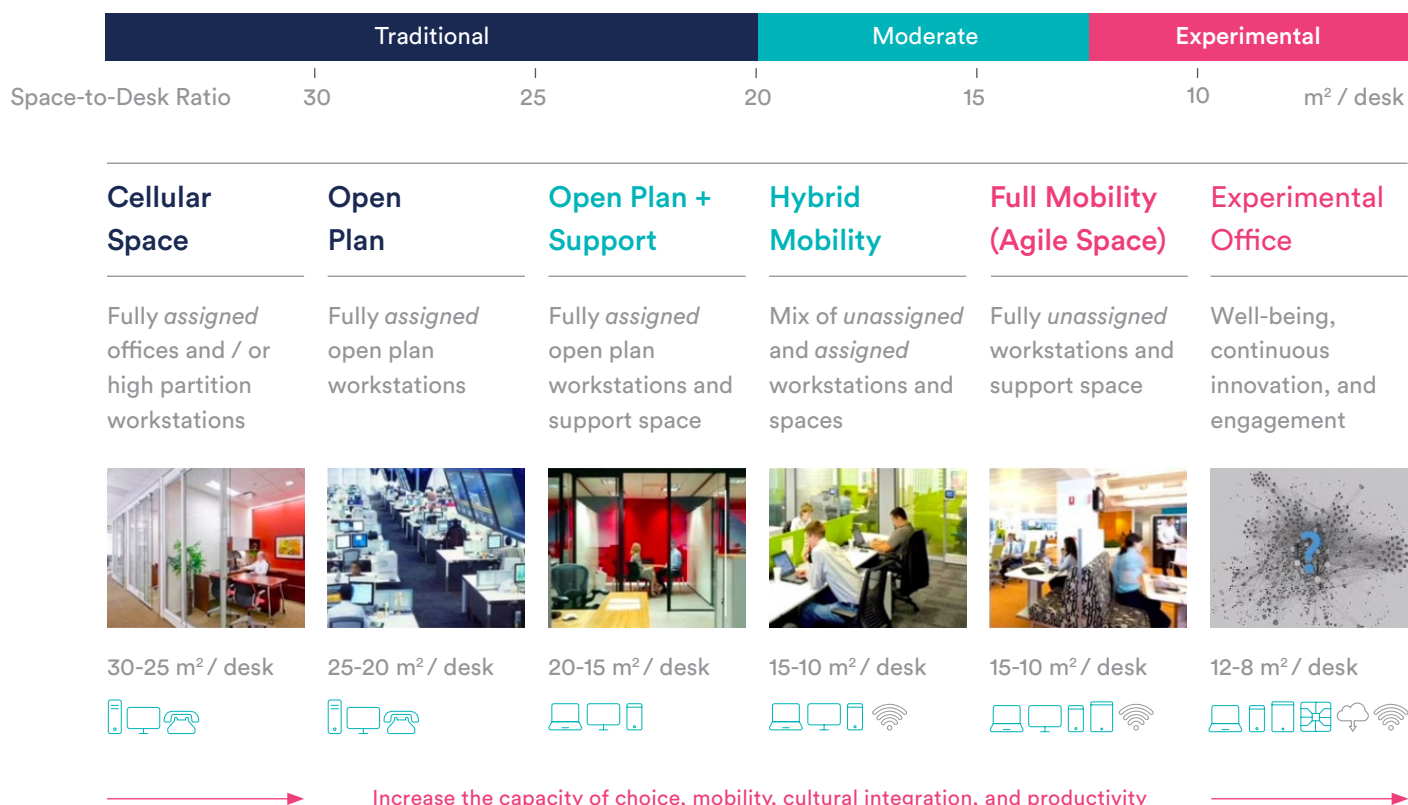


A Win-Win Solution

After spending more than a year assessing the office's utilization, it became clear that **flexible design intervention** could move the office from a higher (traditional) to lower (experimental) m²/desk density. Thus, the recommendations listed above were implemented. This unlocked more space capacity for headcount / full-time equivalent growth and was the most cost-efficient solution.



The Workplace Model Continuum

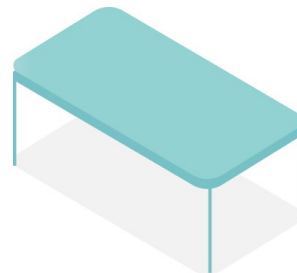


The flexible design intervention along with a major change management, educational program addressed **cultural aversion to the removal of inefficient offices and assigned seating**. The priorities of calls, concentration, and confidentiality were addressed with more bubbles. The new, modern design fit-out with attractive ergonomic chairs and breakout lounge areas effectively answered the employee question of **What's In It For Me (WIIFM)?**



From an HR perspective, the needs of the employees were met with newly **diverse workplace options** and an office design that was now actively and efficiently used as well as fit for purpose.

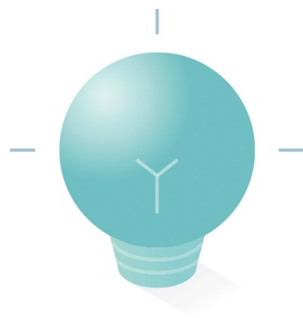
Financially, **OPEX cost avoidance was claimed**. From a corporate real estate governance perspective, avoiding an additional lease expense ensured that KPIs such as Lease Cost-to-Revenue did not show a decline in business performance.



Today's Space Optimization Game Changers

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This company was ahead of the curve when it came to incorporating modern, flexible, and diverse work styles into their workplace strategy to address corporate real estate needs and concerns pre-pandemic. But today, technology allows us to do even better. With today's internet-enabled software, a company facing a request for additional space can...



- Continuously and comprehensively collect workplace data on how employees are occupying and utilizing their office space. Insights are no longer restricted to static numbers over a limited time frame.
- Avoid inefficiencies and project lead times associated with manual studies. In this case, the team had to wait 8 months for the initial study results. Then, subsequent studies were ordered every quarter to track changes and performance.
- Have up-to-date information anytime at their fingertips. Space utilization and therefore the severity of overcrowding can now be viewed and assessed across the portfolio daily, even hourly.
- Proactively target offices in their portfolio if they are being underutilized or used inefficiently. Before a request is made, the corporate real estate, workplace and facilities management teams can already take preventative action & provide solutions.
- Share data with stakeholders to illustrate actual, not perceived, office utilization. Workplace managers can challenge potentially biased, individual perceptions with both real-time and historic numbers while offering solutions with confidence.

- **Save time and effort** by streamlining the cross-functional approval process. Collaborative approval processes based on gut instincts, strong emotional pressures and / or faulty data put companies at risk for making financial mistakes. Diverse teams relying on the same trusted, workplace analytics technology can make better decisions faster.

The future of space optimization is here with automated workplace analytics. The best way to make decisions with confidence is to first assess your company's data readiness and then integrate a scalable, yet granular, workplace analytics technology into your workplace strategy to achieve the game changers above.



Do You Still Need To Optimize Space If You Have A Cutting-Edge Office?

Once you have the modern office with the attractively designed fit-out and unassigned seating, is there no longer a need to monitor space utilization? There is absolutely still a need for utilization data. A case study with Swiss Post reveals the challenges that come with a newly optimized headquarters embracing the best, flexible workplace practices.

Read all about how cutting-edge workplace analytics helped Swiss Post make data-driven decisions.

- 1 **Investopedia**, CAPEX vs. OPEX: What's the Difference?
- 2 **The Workplace Leader podcast**, Episode 30: Sheila Botting, *Principal & President Americas of Professional Services at Avison Young*
- 3 **Absolute Commercial Interiors**, 5 Benefits Of An Office Breakout Area
- 4 **Coworks**, Why Traditional Meeting Rooms Don't Work Anymore and What You Should Do About It

