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[WORKPLACE CORNER]

Do You Really Need a Bigger Office?

Challenging assumptions can save money, support workplace strategy.

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"Why?" It's a simple question that is not asked nearly often enough when it comes to real estate and workplace strategy. Today's 'tenant's market' means that rents are low and negotiating power is high, so many companies are—and rightly so-identifying their needs for more space, and signing leases.

But sometimes the best deal isn't the lowest rent—it's no new rent at all. Here are some questions that will help you explore why, and indeed IF, you need more space.

ARE WE USING THE REAL ESTATE WE ALREADY HAVE AS EFFECTIVELY AS POSSIBLE?

It's 10:30 a.m. Do you know where your employees are? Many times, offices stand empty because employees are choosing to work from home, or are on-hold for open positions. But if those areas are on-record as being in regular use, that can become a significant material misperception. During a space audit of a prominent Pacific Northwest corporation, we discovered that the company had enough unused space in its main building to cancel its lease for significant space next door and to co-locate more groups, enabling collaboration. To encourage more efficient use of space, some companies implement a charge-back system, putting real estate on division P&L statements.

CAN WE DESIGN THE SPACE DIFFERENTLY?

Collaborative spaces are increasing in importance, while private offices are quickly going the way of the dinosaur. Rather than a new, expensive location, your organization could consider redesigning current offices in a way that would drive teamwork – while reducing the need for additional space.

DOES THE PURPOSE JUSTIFY THE EXPENSE?

The cost of space should be justified by the activities the space makes possible (directly or indirectly). For example, if a new state-of-the-art lab is proposed, its cost should be justified by the results expected from the research it makes possible. Or, you may want a new location to reduce workforce commute times—and that should be a conscious decision made in partnership with human resources as a strategic direction of funds.

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WHAT FUNCTIONS ARE SIMPLY NO LONGER NEEDED?

Technology has moved faster than office redesigns; as a result, many law firms pay to lease space dedicated to functions that are no longer needed. For example, a rapidly expanding law firm may need more offices and workstations—but that same firm may no longer need large file rooms, a law library, or an onsite data center. If the less-strategic uses can be reduced, then there is more room for the new hires.

IS OUR REAL ESTATE ALIGNED WITH OUR GOALS AND BUSINESS STRATEGY?

Real estate decisions can both negatively and positively impact an organization's ability to prosper. To swing the pendulum to the positive, look for ways that existing spaces can provide strategic support and brand visibility. For example, when a hospital system decides to invest in retail urgent care center locations, it is a decision to pay comparably higher rental rates. Yet the move typically makes sense, because it increases the quality and accessibility of patient care, and supports brand visibility objectives as well. You can also consider outsourcing some functions such as IT, payroll, and food service to further reduce your current footprint.

We're used to doing things the way we've always done them. But it's time to change. Exploring the "why" behind the need for more office space is increasingly essential in the slow-growth economy. By thinking through the strategy behind a space requirement in advance, and challenging traditional assumptions, you can align your real estate with your employment growth needs—while continuing to delight your CFO by challenging potential capital costs.