



## **FLEX TIME**

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By Eugene Gilligan

Over the years, an increasingly global workforce, more complex business issues and the need for collaboration with fellow employees changed the way Cisco Systems Inc. conducted business. But its real estate, and specifically its corporate headquarters in San Jose, Calif., did not keep up with the change.

Cisco had designed its workspace under the premise that employees would work in their own cubicles during regular hours, with their own desks, computers and telephones. Instead, meeting rooms were often in short supply, while offices and cubicles remained vacant about 60 percent of the time. The company's space was due for a redesign.

In 2004, Cisco began to reconfigure its headquarters to allow employees to choose which space and services they would need throughout the day based on job requirements and work style. The result after the project was fully implemented in 2005: Cisco reports that it has enjoyed a 37 percent reduction in real estate costs, such as rent and operating expenses. The company has also reduced furniture costs by 50 percent and cabling expenses by 60 percent.

The company's experience reflects a heightened need among corporations for flexibility. Whether in their lease terms or in how they use their office space, corporations want to be able to easily reconfigure their space to meet new business and employee requirements, thereby increasing their efficiency. And once again, hoteling is being considered as an option as companies strive to attract and retain knowledge workers.

"Hoteling has been around, in one form or another, for 15 years," said Thom Bogle, executive managing director of global corporate services for CB Richard Ellis Inc. "As office markets recover and space becomes more expensive, I'm seeing more focus on it again."

The extent to which a corporation can adapt flexible workplace strategies like hoteling—whereby an employee who frequently works off-site does not have a dedicated workspace, instead reserving a workstation or office for time spent in the office — depends on the business that corporation is in, but space configuration can make a big difference.

More than 3 million square feet of test preparation firm Kaplan Inc.'s 4.5 million-square-foot real estate portfolio is its classroom/test space, and making its classrooms wireless enabled has been a major initiative. But hoteling is part of its office-use strategy, according to Jeffrey Elie, vice president of global real estate & facilities for Kaplan and chairman of CoreNet Global Inc. Kaplan devotes about 100,000 square feet of its space to a hoteling area.

“It has been successful,” Elie said. “There have been some challenges, and it has taken some employees some time to get used to it and some of the filing procedures it requires. Everyone has to play nice in the sandbox.”

Certainly, gaining employee buy-in is essential, noted Mark Golan, Cisco vice president of workplace resources and worldwide real estate.

“You can’t cram this down people’s throats,” said Golan, chairman-elect of CoreNet Global. “A key to this is sitting down with an employee and getting them to understand how they really do their work.” Cisco actively monitored office use, even conducting what he called “bed checks” to see what percentage of the day offices were in use.

An added consideration is that companies are now attaching strings to their telecommuting options, such as mandating that telecommuters make a physical appearance in the office at regular intervals, according to Carolyn Rickard-Brideau, a partner in Little Diversified Architectural Consulting Inc., an architectural design firm.

“Corporations constantly grapple with how to keep an off-site worker involved in the culture and commitment of the company,” she said.

## **THE NEW WORKSPACE**

Advances in design and technology are helping solve these problems. While Kaplan maintains a hoteling area, some companies are steering away from the old idea of segregating hoteling desks and instead are dispersing them throughout various divisions. That way, when a remote worker is in the office, they can brainstorm and interact easily with others in the division, Rickard-Brideau said.

Meanwhile, corporations are favoring cubicles and open areas to gain more flexibility, taking advantage of advances in materials. “(Corporations) don’t want to have a lot of offices, where if they want to change things, they have to knock down walls,” Bogle said. With cubicle construction now more worker-friendly, featuring higher walls that offer greater privacy, the cubicle option is more attractive than it used to be.

Technology is also important, both within the office and as a tool for remote workers.

For employees who regularly work at home, there are significantly more technological requirements than those for employees who only occasionally work at home, noted John Kriz, managing director of real estate finance for Moody’s Investors Service Inc.

“(The heavy telecommuter) is going to need two phone lines, a printer, a copier,” Kriz said.

“One of the key issues for telecommuting is proving tech support,” agreed Lynne Kelley-Lewicki, director of workplace services for Nelson Architecture Inc., an architectural and consulting firm. “Corporations can’t allow their workers to lose their effectiveness when they work remotely.” Nelson can actually set up a simulated home workstation in a client’s office, so the employee planning to work remotely can get a trial run before becoming a telecommuter.

Other new technology tools are coming into wider use and improving flexibility. At tech-savvy Cisco, workers took advantage of a software-based application that delivers enhanced telephone support through PCs with wired or wireless headsets and a device that enables employees to log on to any Cisco Internet Protocol phone quickly and

personalize it with their own telephone number and options. IP videoconferencing units were also a critical element of the makeover, to enhance communication with employees at remote sites.

Still further evolution in the workplace could come as video technology advances, Golan said.

“What if you can instantly access an employee, working on another floor by video?” he asked. “You can go visit that employee. Or you can call that employee. But that has limitations. How will this change how offices are built?”

The technology will first have to improve, though. “To videoconference now, a tech team has to set it up,” he noted. “The picture is spastic, which means the focus is on that and not on the message being delivered.”

Of course, technological advances will not only improve corporations’ flexibility when it comes to employee work spaces. Nanotechnology advances will impact other aspects of the business. “Computers used to take up a whole room,” Rickard-Brideau noted. “Compare that to the iPod.”

B. Ray Summerell, vice president of corporate development for VISTA Technology Services Inc., a provider of real property analytical services, pointed to a more specific example of how huge an impact technological change can have on real estate requirements. He noted that the Internal Revenue Service had finished building 10 large regional centers to warehouse tax returns just as Americans started filing them over the Internet.

“(The reduced paperwork when people file online) means they can store those returns in the basement of a building,” Summerell said.

## **SHORT TIMERS**

To enhance their ability to adapt to changing business conditions, corporations are altering their leasing strategies.

“They increasingly want to sign short-term leases,” said Thom Bogle, executive managing director of global corporate services at CB Richard Ellis Inc.

But they are not doing so across the board. “Corporations are moving to reduce risk by creating more flexibility in their portfolio through a better balance of long-, medium- and short-term space,” said Jaap van Joolen, director of design and project management for Johnson Controls Inc.

A telecommunications corporation, for instance, may sign a long-term lease for a main headquarters building but shorter-term leases for field offices that might be used to design, manufacture or test market a new product, van Joolen noted.

Bogle and van Joolen say that corporations frequently pay a premium to achieve short-term commitments. “Developers and landlords who take out a 10-year loan to finance a building prefer long-term leases,” Bogle said.



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