AGILITY AT WORK:
WORKPLACE STRATEGY FOR THE DIGITAL AGE

Commercial real estate was already facing disruption prior to the COVID-19 pandemic, and the pressure to evolve and modernize has increased even more. Improved digital tools, new ways of working and innovative business models have pushed the criteria for real estate decisions far beyond just the lowest cost per square foot. The corporate real estate (CRE) function has gained strategic importance in recent years, and now it can play a pivotal role in increasing agility for the entire organization.

Remote work capabilities changed where we work, innovative technologies changed how we work, and the push for more flexible schedules changed when we work. These workforce shifts present an opportunity for businesses to adapt and prepare for future challenges by making targeted changes now. Workplace strategy should prioritize agility and flexibility, both to optimize the workforce and increase organizational efficiencies.

In light of these recent shifts, there is significant financial risk, as well as loss of competitive advantage, in proceeding with a return to business as usual. CRE executives have an opportunity to examine their business strategically and then implement bold changes that may have previously seemed too radical. Developing an agile workplace strategy can help the CRE function unlock value in multiple areas by increasing employee engagement, improving recruitment and retention and supporting operational efficiencies to bolster firmwide success.

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WHAT IS AN AGILE WORKPLACE STRATEGY FOR THE DIGITAL AGE?

An agile workplace strategy should focus on how we work, not where, and develop processes to support that. That means the priority is employees, not physical space. Organizations should closely examine the composition of their workforce, specific individual ways of working as well as generational differences in working. The strategy should extend far beyond remote working considerations, as these are just one facet of a larger agile workplace strategy. The end goal is a smart workplace ecosystem that accounts for how to facilitate and even increase employee engagement through both the physical (i.e., corporate or home or otherwise remote office) and digital work environments.

An ideal workplace is one that facilitates teamwork, collaboration and productivity without sacrificing operations. This workplace can be achieved in various ways—whether through in-office changes, a work-from-anywhere model or a hybrid approach—and it should be smart, intuitive and seamless. The methods for accomplishing this will vary depending on the specific industry and type of business, but the overall goal remains the same. If done correctly, an agile workplace strategy connects business needs with workforce needs and builds in the flexibility to adapt as those needs evolve. In an agile, work-from-anywhere model, companies will need to consider ways that ensure organizational culture continues to be embraced and no loss of social connection occurs between employees. Health and wellness have increased as a priority.

The pandemic has laid bare many weaknesses in terms of where companies have failed to invest and adapt, and it has galvanized businesses to institute rapid changes that may not have happened otherwise. Many companies had not built up sufficient resilience or adequately planned for business continuity in case of an unexpected disruption. Today, maintaining the status quo is not a strategy for remaining competitive. To sustain advantage and thrive, adopting an agile mindset is required.

How do you devise and execute an agile workplace strategy?

Step 1. Develop a Strategy to Address the Specific Needs of Your Business and Industry

The CRE function can't unlock value and generate revenue without a strategic approach. The business needs to have clarity about the workplace strategy, which should encompass a holistic understanding of where you are, where you want to go and what you need to get there. An agile strategy should consider the entire organization and its unique business and workforce needs to outline the specific goals it aims to achieve. It should also contain a deliberate implementation plan with actionable steps and measurable results.

In seeking to increase agility, CRE leaders should examine and reassess much more than just physical real estate needs. Necessary considerations include everything from facilities management and amenities services to fleet management and board organization, as well as actively supporting the needs of the workforce. An effective strategy to build agility can simultaneously increase a business' resilience and improve operational performance, while also maximizing human capital through improved employee engagement, satisfaction, productivity and retention.

What is your goal? Here are several outcomes that an agile workplace strategy can help accomplish.

Employee Retention and Recruitment

Knowing what your employees want and how they work is an essential component of a flexible strategy. The workforce for most businesses is multi-generational, which poses challenges for CRE leaders: How can employers meet the divergent needs of four generations of employees? Organizations that have agility and flexibility built in to their operations are better prepared to adapt to changing expectations and address the shifting needs of their workforce.

As how we work changes more rapidly, it's crucial to understand how these changes shape the employee experience. That will help inform strategies that can make work more efficient and effective. Ask your workforce key questions to learn more about shifting habits, and then plan to implement corresponding measures that increase engagement and facilitate productivity:

▶ What do employees need to be successful?

▶ What are their preferences for a physical workspace?

▶ When are they heads down? When are they socializing? When are they mobile?

▶ What environmental amenities prompt more productivity or creativity?

▶ How can we provide a healthy, safe work environment that addresses the physical and mental needs of employees?

A younger workforce may want mood lighting, a bar or biophilic lounge areas, while a workforce that skews slightly older may prioritize sanitization and germ- or virus-killing technologies, as well as socially distanced work areas. How to best meet employees' differing expectations should shape the strategy.

The broad shift to remote work, for those industries and companies that can implement it, has affected people differently depending on where they are in their careers. For example, young professionals just entering the workforce may be at a disadvantage for building a solid skills foundation and networking with peers, while those more advanced in their careers may need to juggle homeschooling their children and maintaining the output that management expects from them. Factoring in such challenges and working to address them can significantly boost employee engagement.

Any strategy should also focus on wellness and health, which can range from ensuring there is ample natural light and upgraded ventilation in the workplace to providing access to counseling onsite and/or via a telehealth interface. Especially during periods of disruption and uncertainty, upholding the mental health and overall well-being of employees is a necessary priority. Support that has been offered during the pandemic will likely set new expectations for workplace healthcare, so continuing to provide such support in the future can benefit the organization as a whole.

A smart workforce strategy today tries to accommodate for the needs of professionals across a spectrum of demographics and preferences. Building a digitally empowered workforce and mindset can provide a competitive edge on two fronts: It boosts employee retention and aids recruitment by broadening the talent pool substantially to include candidates in many different locations.

Cost Control and Liquidity Management

When evaluating real estate for site selection and portfolio management, companies will need to have a more comprehensive justification for each location, determining what actual functions and work need to occur in an office and why. Leaders will want to know what the purpose of the space is: What specific functions will be occurring onsite versus in an alternative environment, for example? Further, occupancy cost as a percentage of revenue is significant for most organizations, and many businesses had to continue paying rent for offices or commercial space even if the space was only partially or entirely unoccupied during the pandemic, as contractual leasing obligations remained in place. This highlighted the need for greater real estate flexibility. While portfolio restructuring and lease auditing are among the strategies companies can pursue, remote work also has the potential to eliminate tremendous costs.

The office of the future will likely reflect a hub-and-spoke model , as one alternative, where the hub is a centrally located office that acts as a cultural locus for the company and its employees. Satellite offices or co-working locations (the "spokes") may offer areas to work according to specific company functions or requirements, thus reducing employees' commutes to the hub and decreasing overall leasing obligations. Industry trends point to the possibility of a greatly reduced role of a corporate headquarters and more satellite or co-working spaces.
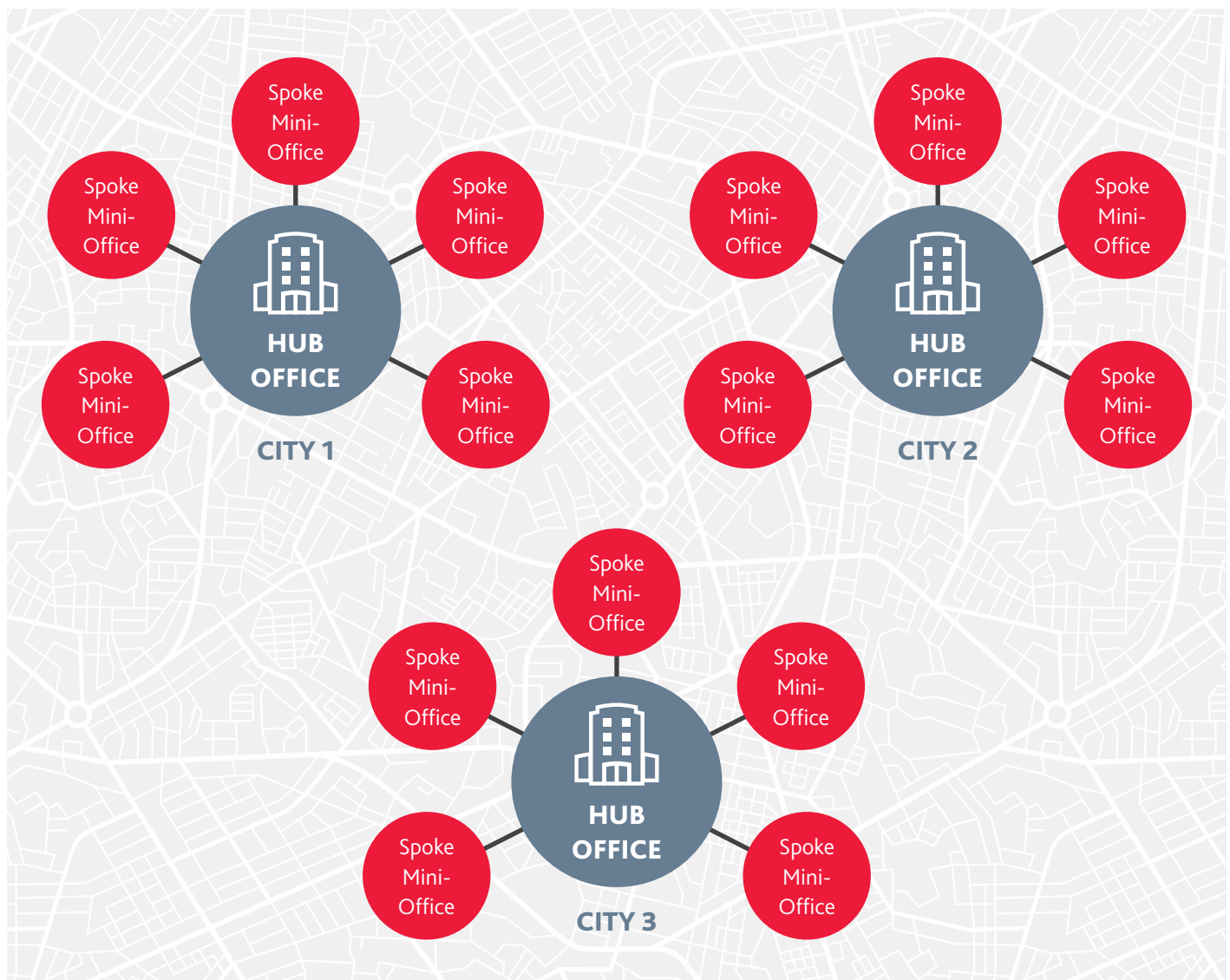
Redefined Purpose of Space

Many executives are concerned that with the shift to remote work or hybrid work (a combination of in-office, remote and flexible working models), corporate culture and the kind of lively, interactive and spontaneous collaboration that occurred within shared office space will disappear. Mitigating the effects of these changes should be a pillar of your strategy.

The future of real estate will likely see a decrease in headcount, as fewer employees work from the office on a daily basis, along with a corresponding decrease in density, to accommodate public health and social distancing practices. This raises many questions around the design and use of space:

What should office floor plans look like if headcount and density both decrease?

What should the ratio of collaborative to personal working spaces be?

Should there be a central open floor plan oriented around collaboration for times that people meet in the office, with hoteling spaces around the periphery, or vice versa?

At the same time, companies need to consider how to extend work culture and amenities to the spokes, or satellite office locations. Similarly, for employees working out of their homes or elsewhere, CRE leaders should consider the extent to which they can support the workplace experience remotely and what amenities and technologies may be needed. This can help recreate the advantages of working from the office while affording the flexibility of working elsewhere.

Step 2. Bring the Strategy to Fruition

No business wants uncertainty, but, in the current climate, uncertainty abounds. The businesses that foster agility and prepare accordingly will be best positioned to respond to changes in the market. This is the time for bold decisions, using what we do know to take advantage of market conditions while communicating a strong sense of direction and leadership to company customers and employees. Historical data and insights are key components to forecasting an organization's projected real estate needs. What will your future leasing obligations look like? Building an accurate forecast for this can help devise a strategy that both controls costs and increases agility.

Assess your real estate footprint by reviewing your portfolio holistically, identifying areas of potential savings in the near term and making plans to institute long-term savings. For near-term changes, lessees will typically see greater success by working with landlords as partners to negotiate an ideal outcome (e.g., operating expense reductions for unoccupied or partially occupied space, temporary rent relief, etc.). Any locations with near-term lease expirations should be examined carefully for historical occupancy, costs, profitability and projected future needs. Options include a short-term extension, lease termination or possible restructuring. Any recent changes in occupancy and utilization can help inform decision making, and ongoing scenario planning will help weave flexibility into the long-term workplace strategy.

BDO Real Estate Portfolio Maximizer

Measuring the financial impact of complex scenarios that relate to location decisions, space requirements, and workplace practices can enable your team to make data-driven strategic decisions. The more variables and alternatives analyzed, the greater likelihood of mitigating uncertainty.

BDO Real Estate Portfolio Maximizer is a cloud-based tool that seamlessly integrates real estate, occupancy and cost information, providing users with real-time information to make data-driven portfolio and workplace decisions. When faced with dramatic changes, such as COVID-19, companies need to be in a position to rapidly plan for different scenarios and outcomes.

Without access to the right tools, organizations cannot develop short and long-term views that integrate financial and non-financial drivers from key operational areas.

BDO Real Estate Portfolio Maximizer will accelerate modeling with unlimited scenarios, providing leadership with the necessary insights to guide their company toward a successful future.

For more information on how BDO Real Estate Portfolio Maximizer can help your team make strategic business decisions or to schedule a product demo, please contact BDO's Corporate Real Estate Advisory Services team.

To support organizational agility, it's also best practice to review, update and test the business continuity plan and incident response plan, and then ensure there is a dedicated incident management team composed of key stakeholders from across the organization. It's useful to have visibility into the business continuity plans of important suppliers and third-party vendors as well. Additional steps to increase agility on a continual basis include:

▶ Cross-training and upskilling to boost workforce agility in case of personnel changes

▶ Ongoing training for all digital communication and collaboration platforms

▶ Clarifying processes for remote work, including mobile device management and a BYOD (Bring-Your-Own-Device) policy

Change starts at the top, so executives and management need to champion the changes and collaborate to facilitate firmwide success. Businesses should build their communication plan and change management plan to accomplish specific objectives, and using the ADKAR model helps establish change across the organization:

▶ Awareness of the reasons why changes are needed

▶ Desire to support the changes

▶ Knowledge of how to accomplish the changes

▶ Ability and skills to implement the changes

▶ Reinforcement to help drive change adoption

The ADKAR Model for Change

Awareness   Desire   Knowledge   Ability   Reinforcement
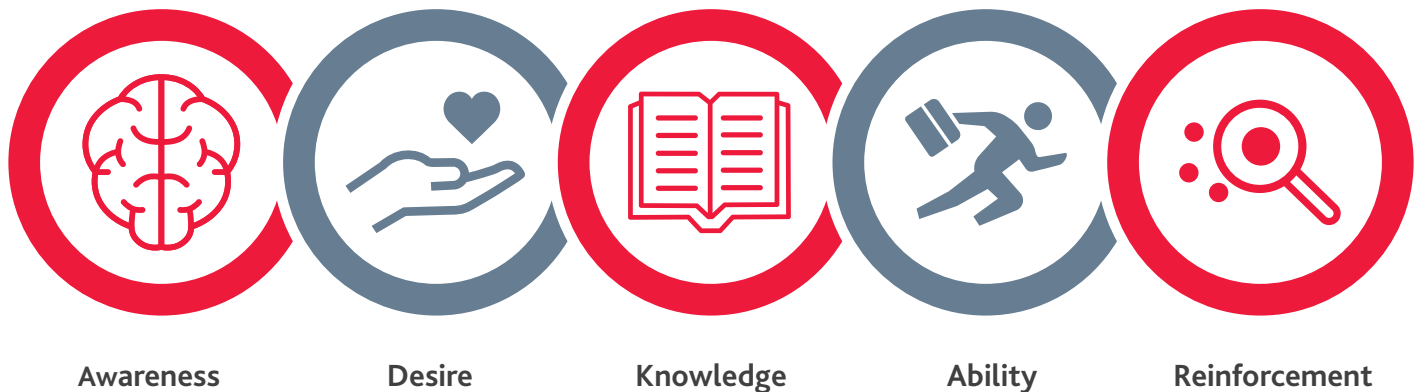
Through scenario planning, forecasting and change management, businesses can reduce uncertainty by building agility and resilience into critical assets for the future. Through this, CRE leaders can better harness data-driven insights and unlock value for the organization in a strategic, holistic manner.

Building Agility for the Future State of Your Business

Remote work does not make for an agile workplace strategy. Diligent analysis and deliberate planning are needed to build agility into a business's DNA. It's critical to unify all key aspects of corporate real estate—including portfolio strategy, workplace strategy and site selection, applicable construction projects, and sound governance principals such as audits of your leasing obligations, facility management contracts or related recurring costs—into the agile strategy.

An internal assessment of these key aspects, combined with scenario planning, is the first step on your workplace strategy journey. Bringing the strategy to fruition will happen in planned stages over time according to the unique needs of your business.

The trend toward flexibility was already gaining momentum before the pandemic, but now CRE leaders have the opportunity to execute on changes that may have once seemed out of reach. An agile workplace strategy is not just key to creating value from the CRE function, it is also key to establishing the CRE function itself as a central component of an organization's overall strategy.

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