Aligning Corporate Real Estate to meet the changing demands of Human Resource Management

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Abstract
The aim of this paper is to explore the linkages between corporate real estate, human resource management and business performance. Developing corporate real estate strategies in the current business environment has become an even more complex task. The implementation of flexible working, and the corresponding changes to human resource practices, highlights the increasing importance of establishing the right amount and type of organisational space.

One clear issue developing is the need to understand the changing demographic trend. The possibility that four different generations could be working in the same office at the same time means that CRE solutions must allow Multigenerational working. The office environment must not only enhance productivity must also provide environments that facilitate health and wellbeing.

Creating office environments that are both productive and also supportive of physical and mental health requires that the occupier perspective is established. This means that the linkages between the people and their workplace need to be made.

A number of themes will be identified throughout this paper. These will include the relationship between corporate real estate management and human resource management, organisational culture, changing demographics and the how office space can used to enhance organisational performance.

Key Words: corporate real estate strategy, changing demographics, generation Y and organisational performance.

Introduction
The recent financial problems around the world have had a significant impact on the global economy. The response to such a global downturn has been for organisations to restructure their operations. One financial company affected by the banking crisis was the Royal Bank of Scotland Group (RBS). Barry Varcoe, Director of Group Property RBS, makes the following observation with regards to the recent decline into recession.

_The unprecedented speed of onset of the recession was brought about by the connectedness of the world economy. It happened much more quickly than the recession of the early 90s. The burst of the dot.com bubble around Y2K was a blip in comparison."_ (Prasow & Sargent, 2009, p. 12)
Varcoe’s comments illustrate two points. Firstly, globalisation can be seen as an integral part of a growth strategy when times are good, but when the economy moves into a downturn there are no hiding places as everyone is impacted. The second point made is the impacts of recession which appear to have repeated themselves on a 10 year cycle. Set against this economic backdrop forecasting the number of employees an organisation requires, and the subsequent demand for office space, becomes a complex task. The recent recession has brought into focus the demand to establish the linkages between the changing demand for human resources and the impact on the real estate and workplace provision.

Corporate Real Estate (CRE) managers are in a unique position to completely change the way that they think of, and provide, office space. An opportunity exists to reevaluate the space utilization within office environments with a view to reducing inefficient space but at the same time identify effective office space provision. If this strategy can be adopted when the economic times are hard, then when the economy begins to pick up organisations can intensify their Alternative Working Practices (AWP) as a way of absorbing future growth. This strategy can be considered to be a “space less” growth strategy meaning an increase in employee numbers does not necessarily mean an increase in workspace requirements. Barry Varcoe links the need for increased flexible working and workplace provision as follows:

The intelligent Workplace (our term for AWS/Agile Office) is very important to RBS supporting a “flexible community” of people working. We do it both to make the workplace more efficient as well as for sustainability reasons. The best building is the one you don’t need to build because you are using your entire existing portfolio to maximum effect.

(Prasow & Sargent, 2009, p. 14)

In addition to the economic drivers for change is the additional issue of the changing demographic of the workforce (Jones Lang LaSalle, 2008). The possibility that four different generations could be working in the same office environment at the same time brings with it its own complexities as each generation may have their own expectation of the workplace (IFMA, 2007).

When developing a future CRE strategy it would be appropriate to consider a strategy that will be robust under a few different future scenarios (King Sturge 2001; 2005; Saurin et al, 2008).

A robust strategy is one that may not be "optimal" under any specific scenario, but rather is one that will perform "pretty well" under a number of possible scenarios and embraces resilience, flexibility and optionality." (Prasow & Sargent, 2009, p. 14)

Given the uncertainty about the current business environment, and the extra dimension of the multi-generational workforce, planning future real estate and workplace solutions requires a detailed appreciation and understanding of the linkages between employee expectations and workplace provision (Haynes & Nunnington, 2010).
**Generational differences**

The changing demographic trends mean that for the first time there is a possibility that four generations of people could be working alongside each other in today's workplace. The four different generations can be categorised as four distinct groupings. Each generation could have specific workplace expectations and requirements. The four different generations can be categorised as follows (Hammill, 2005):

- **Veterans**: Born between 1922 and 1945. This generation can also be classified as Seniors or Traditionalists.
- **Baby Boomers**: Born between 1946 and 1964.
- **Generation X**: Born between 1965 and 1980. Sometimes referred to as the Gen Xers.
- **Generation Y**: Born between 1981 and 2000. These are the newest entrants to the workplace and are sometimes referred to as Gen Y, Millennials or Echo Boomers.

The work characteristics of each of the four generations will now be explored.

**Veterans**

This generation of workers grew up with a sense of duty. Veterans are usually classified as seeing work as an obligation and that authority must be respected (Hammill, 2005). They have an individual work style and a preference for clear leadership through command and control (Hammill, 2005). Veterans tend to have a strong work ethic and prefer an element of discipline in the workplace (Murphy, 2010). The preferred form of communication with Veterans would be formal, probably through a memo (Hammill, 2005).

**Baby Boomers**

This generation of workers have seen the world of work change considerably over the last 50 years with a shift from industrial to more office based working (Puybaraud, Russel, McEwan, Luessink, & Beck, 2010). In common with the Veterans, Baby Boomers can be considered to have a good work ethic. However, in contrast to the Veterans the Baby Boomers refer to work in teams (Hammill, 2005). They wish to be involved with the decision making process which means that a more consensual leadership style is most appropriate for Baby Boomers (Murphy, 2010). In contrast to the Veterans the Baby Boomers value the personal touch. Therefore communication with them would best be achieved in person (Hammill, 2005).

**Generation X**

Generation X has a different relationship to work. They see work as a contract and prefer to be self-reliant and want to do things their own way (Murphy, 2010). This means that they prefer to question and challenge people around them which could potentially cause conflict with the Veterans as they expect their experience to be respected (Hammill, 2005). Generation X workers see everyone in the workplace as equal and are less likely to stick to the rules. Whilst this may lead to a more entrepreneurial approach to work, Generation X workers like to have direct and instant feedback on how well they are doing (Hammill, 2005).
Generation Y

Generation Y workers are classified as having a participative approach to work although they see work as a means to an end and prefer to achieve a balance between work and family life (Hammill, 2005). They tend to have high expectations of work and are goal and achievement orientated (Murphy, 2010). They tend to be motivated by working with other creative people (Murphy, 2010). They use technology to be connected 24/7 and have developed the ability to multi-task (Hammill, 2005; Murphy, 2010).

It is clear that the four different generations have different workplace characteristics. In some of the categories there is the potential for workplace tension. The Generation Y worker see work as a means to an end, whilst in contrast the veterans’ view of work is that it is an obligation (Twenge & Campbell, 2008). Clearly, both generations have different interpretations as to what work means to them. Additional tensions can be created by the means of communication in the workplace. The veterans preferring an individual work style, whilst the Generation Y preferring a more collaborative, participative work style.

To ensure that workplaces are created to complement the workforce characteristics, it is important to explore some of the specific generational workplace demands.

Workplace for the younger generation

Since this generation is new to the working environment, research and understanding of this generation is still being gathered. OXYGENZ is a research project which aims to specifically establish what Generation Y expect from their future working environment and how important the workplace is in attracting, recruiting and retaining Generation Y workers. The OXYGENZ project is led by Johnson Controls Global WorkPlace Solutions in collaboration with furniture manufacturer Haworth, and UK-based design consultancy iDEA.

The OXYGENZ project began to gather data using an online questionnaire in February 2008 (Holden & Pollard, 2008). The initial findings allowed the OXYGENZ team to establishing the key characteristics of the Generation Y workforce as follows (Holden & Pollard, 2008; Holmes et al, 2009):

- **They are scarce.** Generation Y workers are scarce in the workplace with not enough of them becoming part of the workforce. It is estimated that there are 1.7 billion worldwide. Representing approximately 26% of the worldwide population.
- **They are transformational.** The ability to be constantly connected through the Internet and mobile devices means that they are transforming both social behaviour and the way that business is undertaken.
- **They do things differently.** They have a multi-tasking approach using a number of digital devices at the same time. They are sometimes called “data jockeys”. They are constantly connected to social networks.
- **They are challenging.** They require meaningful work and wish to be consulted with regards to management decisions. They do not like ambiguity and want clear direction and immediate feedback on their performance.
The OXYGENZ project has subsequently gathered further data with the latest results being based on information gathered from 5375 respondents in the U.S., the U.K., China and India (Puybaraud, Russel, McEwan, Luessink, & Beck, 2010). The age profile of the respondents consists of 3011 (18 to 25-year-olds), 1298 (26 to 35-year-olds) and 396 (36 to 45-year-olds). The respondents coming from five key industry sectors: engineering, IT, art and design, finance, and media/marketing/communications.

The key implications of the findings of the OXYGENZ project for corporate real estate, facilities management and workplace include (Puybaraud, Russel, McEwan, Luessink, & Beck, 2010):

- **Office location** - office buildings should be in urban or slightly urban settings as this may encourage walking to work or the use public transport.
- **Workplace** – Generation Y workers see the office as an extension of their home life and therefore expect a range of support spaces including breakout space and on-site catering facilities such as restaurants and coffee shops.
- **Workspace** - Generation Y workers would like to have their own desks and establish some identity with their workspace through some form of personalisation. This may create certain challenges if desk sharing policies are to be introduced.
- **Ways of working** - given the choice of either mobile working or static ways of working overall 79% of the Generation Y workers would prefer to have mobile rather than static working. This means there is clearly a balance needs to be struck between the amount of for dedicated desks and the amount of office space for flexible mobile workers.
- **Productivity and Creativity** - the OXYGENZ results indicate that Generation Y workers perceive that their creativity and productivity can be enhanced through the creation of a working environment that:
  - facilitates interaction with other people
  - has the right ambience and atmosphere
  - has the appropriate technical support provided
- **Environmental issues** - whilst 96% of Generation Y workers aspire to work in a greener office. Only 57% would like their workplace to be environmentally friendly (LEED or BREEAM assessed) the remaining 39% would like their office to be environmentally aware.

Attracting, and retaining, Generation Y workers requires that their demands and expectations of the workplace are addressed (Haynes & Nunnington, 2010). This is clearly going to be a challenge for managers of facilities and corporate real estate. However, the Generation Y worker is only one element of the multi-generational workforce and therefore consideration also needs to be given to the older generations.
Workplace for the older generation

As we progress into the 21st century there will be an increasing shift in the age profile of the workforces of many developed countries (Erlich & Bichard, 2008). Forecasts indicate that the future workforce will be increasingly be made up of workers over the age of 50, indicating a requirement to establish this category of workers specific workplace needs (Erlich & Bichard, 2008). The demographic shift to a more ageing population is driven by a number of factors. These factors can be classified as follows (Smith, 2008):

- **Shrinking pension funds.** The shortfall in the pension funds means that people can no longer retire at the normal retirement age.
- **Retained knowledge.** The older workers knowledge and experience, which has been gathered over a lifetime, and can be a valuable asset to organisations.
- **Legislation.** The ageing workforce is increasingly protected by discrimination legislation.
- **Living longer.** People are generally living longer which may be caused by a number of factors one of them could be the developments in medical sciences.

A piece of research that specifically aims to identify the needs of the older knowledge worker and its implications for workplace design is the *Welcoming Workplace* project, undertaken by the Helen Hamlyn Centre at the Royal College of Art in the UK (Smith, 2008). The research methodology adopted by the project was case study analysis including worldwide participation from 80 corporate staff. The methodology adopted a rapid intervention which consisted of responding to initial findings and to build experimental design installations onsite. This gave the researchers the opportunity to develop a deeper dialogue with the respondents. Three case studies were investigated in different geographical locations and different knowledge industries. The case studies used included (Smith, 2008):

- **Case study 1.** A pharmaceutical company in London, UK. The lead research partner was the Royal College of Art.
- **Case study 2.** A technology company in Yokohama, Japan. The lead research partner was Kyushu University.
- **Case study 3.** A financial services company in Melbourne, Australia. The lead research partner was University of Melbourne.

The major findings of the Welcoming Workplace project can be summarised as follows (Smith, 2008):

**Support for different work styles.** With the increasing trend towards collaboration through open plan work environments, there has been a loss of individual private space for concentration. In addition spaces that allow contemplation should be considered. The Welcoming Workplace study tested three specific types of space that could enhance the productivity of older knowledge workers specifically, although the study proposes that the benefits could also be achieved for knowledge workers of all ages. The three types of space were (Smith, 2008):
• **Spaces to concentrate** - these are private areas that allow the knowledge worker to concentrate on a specific task. The spaces provide distraction free working.

• **Spaces to collaborate** - these spaces may be designed around a project where a team is pulled together for the duration of the project and space allows them to communicate and collaborate freely and openly without distracting other office workers.

• **Spaces to contemplate** - essentially these spaces allow people to relax recuperate and refresh from the general activities of the normal office environment.

**Support for psycho-social requirements.** These findings acknowledge the changing physical and mental state of the older knowledge worker and recommend possible changes in the physical environment that could support the health and well-being of the older knowledge worker. Specifically, consideration should be given to the following physical requirements (Smith, 2008):

• **Vision** - as people get older their vision can tend to get worse, therefore consideration needs to be given to specialist lighting which can aid older knowledge workers vision when they are in the office environment.

• **Hearing** - hearing loss can start to begin in the mid-40s. This means that older knowledge workers may have difficulty with hearing in an open plan office environment. The Welcoming Workplace study established that design interventions that reduced background noise were received favourably by the respondents.

• **Physical ergonomics** - the ageing process can reduce mobility and the range of joint movement. The study established a need for adjustable desks and chairs to meet the range of differing physical requirements. However, it was identified that if the controls were not intuitive then they would be not be used.

• **Cognition** - as buildings and office environments become more complex it is important that older knowledge workers can navigate around a building and office space by the use of clear signage and effective space planning.

• **Health and well-being** – enhancing mental and physical well-being in the office environment is an integral component of older knowledge worker productivity. Strategically placing printers may mean that the older knowledge worker has to physically walk around the office which will enhance their physical activity. In addition spaces could be created in the office environment so that older office workers can have a rest and recuperate at certain times during the working day.

The ageing office knowledge worker is a product of the development of a knowledge economy and the increasing age demographic profile. Forecasts suggest that the ageing knowledge worker will become increasingly part of the future workforce. If organisations are to attract, and retain, this category of worker then future workplace designs will have to meet their specific needs and expectations (Haynes & Nunnington, 2010).
Multi-Generational workplace

Whilst previous sections of this paper have reviewed specific workplace requirements for different generations, this section will, through case study analysis, evaluate the creation of a workplace for multi-generational working.

When PricewaterhouseCoopers (PwC), an international professional services firm, decided to create a new headquarters in Dublin, Ireland they engaged the services of Steelcase Inc, a furniture manufacturer and workplace consultancy.

The creation of a new headquarters was an opportune time for PwC to consider how it wanted to define itself as a business. This meant clarifying and defining what PwC wanted to create in the new workplace with regards to new organisational culture and new business practices. This is an essential stage in workplace design as it enables the workplace consultant to provide workspace that is congruent with business aims and organisational culture.

The new headquarters was designed to accommodate the 1800 PwC head office employees. The PwC age profile consisted of 62% of the workforce being under the age of 30, 24% of the workforce being in their 30s, and 14% of the workforce being over 40. Whilst the age profile was predominantly younger workers there is enough of an age range to indicate a need to consider multi-generational working. The issues that this raised for PwC were identified as (Hughes & Simoneaux, 2008, p. 32):

- How do you effectively manage a workforce of diverse ages and expectations?
- How do you plan and build a workplace that performs for all ages?
- What are the best ways to facilitate the transfer of huge stores of accumulated business knowledge from older to younger workers?

Since PwC is a professional services firm then the transfer of knowledge between colleagues is an essential component of the business (Appel-Meulenbroek, 2010). Managing and enabling knowledge transfer is instrumental in PwC future success. The new headquarters needed working environments that facilitated knowledge transfer (Appel-Meulenbroek, 2010). Transferring knowledge from older to younger workers requires careful considerations as to the places of interaction. This is one way of making tacit knowledge, knowledge that is in the older workers head, into explicit knowledge (Appel-Meulenbroek, 2010). Open plan environments can enable “creative eavesdropping” thereby providing the younger workforce the opportunity to overhear and learn from the older workforce. Whilst this kind of logic may appear to suggest that everyone should be working in an open plan environment, PwC acknowledged that a range of environments needed to be created.

Different types of work require different workspaces, and different ages respond differently to different environments. (Hughes and Simoneaux, 2008, p32)

The open plan work spaces that were created had input from a range of people from every level of the organisation. Mary Cullen, a member of the PwC senior partner team, commented:

“It got people to think about what sort of space they needed to do their work.”(Hughes & Simoneaux, 2008, p. 35)
This led to a range of different workspaces being provided which enabled flexible and different work styles to be adopted. This approach supports proposals by the *Welcoming Workplace* project to provide workspace to collaborate, concentrate and contemplate (Smith, 2008).

To facilitate and encourage knowledge sharing and social cohesion it is important to establish a number of informal interaction points throughout a building (Haynes, 2007; 2008). The PwC headquarters attempts to balance formal and informal interactions.

> “People meet and talk in both formal and informal spaces throughout the building. They also enjoy a 200-seat restaurant, Starbucks coffee dock, fitness centre, and state-of-the-art training and meeting rooms. Walkways and bridges provide easy access to every part of the three-block-sized building.” (Hughes & Simoneaux, 2008, p. 35)

Whilst great attention was given to the internal design of the new head office building one issue that the design team had to address was the actual location of the building. The new headquarters is located at Spencer Dock, which is some distance from Dublin's entertainment scene. Whilst some public transport linkages existed, younger workers identified that there was not enough. Since PwC's wanted to attract and retain young talented people they provided their own buses to supplement existing public transport.

As is the case with all workplace design projects, keeping people informed of the project developments is a crucial part of engaging the workforce with the new working environment. Since PwC and the Steelcase team were dealing with a multi-generational workforce this meant that the communication strategy had to include a number of different methods to interact with the employees. The communication mix consisted of a combination interactions via technology and face-to-face interactions. The technological interactions with employees consisted of online surveys, a dedicated intranet site and a short video presentation. The face-to-face interactions insisted of focus group meetings with representatives from departments, individual and team interviews.

There are a number of lessons that can be learned from this multi-generational case study. Firstly, it is important to start by understand the principle aim of the business and organisational culture that is to be achieved. Secondly, detailed research and investigation is required to establish, and understand, different occupier requirements. Thirdly, new workplace designs should incorporate diversity to enable a range of different working practices. And finally, communication should be started as soon as possible and remain constant throughout the project. This enables office occupiers to contribute to the designs and be informed of any new developments.

**Conclusions**

The recent economic developments around the world has brought into sharp focus the need to develop a corporate real estate strategy that is responsive, and appropriate, to meet the changing demands of organisations. Matching organisational demand for space in such a climate has become a more challenging task. It is therefore of paramount importance that corporate real estate managers establish clear linkages with human resource departments so they can match the real estate and workplace provision to the changing demands of human resources. To ensure that the corporate
real estate strategy is optimal, it is important to establish a detailed understanding of the employee expectation of the workplace environment.

This paper has explored the possibility that dependent on the employee’s age, there maybe a difference in their expectation of their working environment. Separating employees into generations, and then defining the characteristics of these generations, is well documented in the literature. However, making the linkages between the generational differences and their expectations of the physical working environment is still at the early stages of research and development. The notable exceptions are the OXYGENZ research project and the Welcoming Workplace research project.

The OXYGENZ research offers some interesting insights into the characteristics of Generation Y workers and their expectations of the workplace. The strength of this research project is that it has gathered 5,375 responses from a range of different countries including United States of America, United Kingdom, China and India. This kind of research is encouraging as it allows the possibility of generational differences to be identified, but also for the possibility of cultural differences to be established between countries (Gan & Haynes, 2009). This area of research could be developed further by the undertaking of statistical analysis between the different generations so that statistical differences can be established between the generations using techniques such as ANOVA tests.

The Welcoming Workplace research project establishes the workplace expectations of the older knowledge worker. The strength of this research project is in the fact that it has adopted a case study methodology. This provides the opportunity for detailed appreciation, and understanding, of the older workers workplace requirements. Included in the research methodology was the opportunity to experiment and intervene with the older workers workplace and then to monitor their responses to these interventions. This depth of investigation and analysis provides research findings which could be seen to have a high validity with regards to research criteria. It could be argued that the research findings relating to environments that support different work styles could be just as appropriate and relevant for the younger generation of workers. However, the psycho-social clearly relate to the unique requirements of the older knowledge worker. This area of research could be developed further by testing the findings with a larger population and therefore testing the generalisability of the findings.

Establishing research findings for the multi-generational workplace is still at the very early stages. Since workplaces are more likely to be multi-generational in the future, it would seem appropriate that further detailed research is undertaken to clearly establish the unique differences of the different generations. In addition, future research could aim to establish how the different generations interact with each other and how the workplace can play an important role in facilitating these interactions.
References


