



objective value creation

**How do workspaces contribute
to the performance of businesses?**



MAIRIE DE PARIS



september 2013



objective : value creation

foreword

This study, which was commissioned by the Société Foncière Lyonnaise (SFL) in association with Paris Développement, the Economic Development Department of the City of Paris, focuses on the contribution that office properties can make to the performance of businesses.

The initial premise was relatively straightforward: real estate is not simply a cost for companies (the price/sq.m. approach) but can be viewed as an investment, particularly for companies with high added value. Real estate has the potential to enhance business productivity: it is a source of employee well-being and fulfilment, has the capacity to attract and retain staff, increase time spent at work, and encourage client and supplier visits, and is also a vehicle for the corporate image.

We had to shift from intuition to reality as we sought to build and consolidate a recent concept, the “value contribution” of office properties.

To carry out this study we combined a range of viewpoints, data sets, stories and circumstances. Our approach was to explore real situations without preconceptions or limitations, challenge different perspectives, and contribute to current thinking and existing research by proposing a method for evaluating the contribution made by office properties to performance.

We met with around thirty businesses of different sizes (from several hundred to many thousand employees) and in a range of sectors (luxury goods, specialized consulting, banking and insurance, new technologies, communication, real estate, personal care services, industry, etc.). All of them were located in or near Paris and had either moved offices recently or were about to move. We conducted face-to-face interviews with their executive officers, HR directors or real estate directors (the latter deliberately accounted for less than 20% of the sample).

To better understand the expectations of the end users of an office, namely the employees, we conducted a survey of 200 managers in the Paris region. To measure the potential impact of “talent migration”, namely how the changing preferences of sought-after workers regarding the area they live in can affect the ideal location for an office building, we conducted a survey of the places of residence of alumni of the grandes écoles (an elite group of prestigious business and engineering schools) of Paris and the Paris region.

Our work also benefited from a documentary analysis of around fifty French and international studies.

Finally, this study is enriched by input from French and international experts: Ingrid Nappi-Choulet (ESSEC), Catherine Gall (Steelcase) and Wim Pullen (Center for People and Buildings).

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objectif création de valeur



**what are
the performance
challenges facing
businesses
today?**



what are the performance challenges facing businesses today?

foreword

Companies, particularly those in the Paris region that we met in the context of this study, are confronted with five major challenges when it comes to performance:

1. To reinforce their operational performance, especially in this period of sluggish growth and high-pressure price competition
2. To enhance their capacity to innovate and diversify in order to strengthen their non-price-competitive position and take advantage of opportunities arising in new and growing segments of the market
3. To maintain and develop the human resources that are essential to future prosperity in the new, knowledge-based economy
4. To strengthen their brand and face up to social and environmental challenges, in order to respond to consumers' concerns and manage corporate reputation, an important factor in a consumer's attachment to a brand
5. To adapt to new ways of working: new relationships to space and time, technical and technological innovations, new relationships to work, new types of company



what are the performance challenges facing businesses today?

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reinforce their operational performance

Faced with sluggish growth, especially in Europe, and an increase in competitive pressure, a number of companies have implemented or accelerated performance programmes. These programmes, which are similar to those implemented in production facilities, are in part designed to optimize the so-called tertiary services of companies (administration or management functions, decision-making centres, corporate functions at headquarters, etc.) and implement more efficient structures. As soon as it appeared that the economic crisis was set to last, companies multiplied their “lean office” and cost-cutting programmes, or even speeded up plans to out-source service functions that are more or less closely related to core decision-making functions.

These programmes often have a dual purpose: on the one hand, to reduce the overall cost of support functions and corporate functions and, on the other hand, to increase their contribution to the creation of added value. For this reason, executives are asking their HR, finance and IT departments to work, more than ever, as business partners. In other words, to pay more attention than ever to their role in value creation.

The external pressure that used to weigh on front office functions has thus, little by little, spread to the whole company, i.e. to the middle and back offices.

What role has real estate played in these performance programmes? As a very significant cost centre for a company, property is often affected by these performance programmes, for example through higher occupancy rates or the relocation of all or part of the organization to take advantage of lower rents. This approach focuses far more on cost reduction than on value creation. We will see that prioritizing short-term measures and cuts to direct real estate costs could, in certain cases, be a negative when it is considered in terms of value creation over the medium term.



what are the performance challenges facing businesses today?

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enhance their capacity to innovate and diversify

Innovation is one of the priorities, if not the priority, of the great majority of the executives whom we met. Whether it relates to product or service innovation, process innovation, or managerial or social innovation, this topic has become a key strategic concern for companies looking to the future during these years of economic crisis.

Indeed, in an economic environment with weak growth, increased competition and an acceleration in product maturity cycles, there is a growing risk that companies will see their offerings become banal in little time. But through innovation, companies can reinforce their non-price competitiveness and rediscover the path to prosperity (as Louis Gallois emphasizes in his “Pact for the competitiveness of French industry”).

To innovate and, as a result, always remain one step ahead of their market, companies must be able to:

- **observe** evolutions in their environment by enhancing their openness and proximity to – or even intimacy with – their market and their current or potential customers,
- **create**, especially by facilitating confrontations and the generation of ideas, both in-house and externally
- **bring their innovations to market** by involving their customer and partner networks as far upstream as possible (the principle of co-creation)

Turning a business into an innovative organization is not easy because the process demands that all of the company’s executives know how to act and take decisions in a permanent state of creativity. While this is a source of future wealth for the company, it is also a source of instability and uncertainty. **It requires, above all, the implementation of new organizational structures that are conducive to innovation: structures that favour serendipity, openness, and permanent adaptability.**



what are the performance challenges facing businesses today?

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maintain and develop human resources

These resources are strategic for businesses even if, as certain executives whom we met told us, the “war for talent” is currently less fierce due to the economic crisis. Nevertheless, looking to the medium term and faced with an acceleration of the knowledge-based economy (or even the “artistic capitalism” referred to by Gilles Lipovetsky in his latest work, “The Aestheticization of the World”), **businesses have a pressing need to look after their human capital. They must know how to recruit the talents that the company needs and how to develop their existing human resources.**

The notion of “talent” can have a very diverse range of meanings in different types of company. Talents are, in fact, nothing more than the people whom the company needs the most and who cannot easily be replaced by other internal or external resources. Each company has its own talents.

Faced with this need to retain and develop their human resources, companies must today respond to two major challenges:

- **The volatility of these talents**, who have a weak attachment to the company. The most sought-after individuals now tend to position themselves on the international job market, as in fact do increasing numbers of young people in France
- **The coexistence of different generations of “talent”, who have different expectations, lifestyles and attitudes to work.** This makes it necessary to rethink working practices and processes for the management of human resources (recruitment, training, evaluation/assessment, career management)

Many of the HR directors whom we met are now aware of the impact of the work space on this question of human capital, whether in terms of well-being, accessibility, functionality or pride in belonging to the company.



what are the performance challenges facing businesses today?

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strengthen their brand and face up to societal and environmental challenges

for consumers, the intangible corporate asset called “the brand” is simultaneously a source of:

- **information**: the brand says something about the product or service that is being purchased – brands such as BMW or Mercedes are based on the quality of the product
- **desirability**: the brand is a source of pleasure and differentiation for the consumer – brands such as Chanel or Hermès offer a unique experience
- **belonging**: the brand is a symbol that unites a community – a brand like Apple is built on this sense of community; Veja has built a brand on its social conscience

At times of economic crisis, the brand acquires even more value because it serves to reassure the customer. As a result, companies with a strong brand identity are better able to resist competitive pressures.

Brands have largely outgrown the simple customer-company relationship and are now present in all of a company’s relational activities: with employees via the “employer brand”; with stakeholders as a whole due to the emphasis that financial markets now place on a company’s reputation.

As a result, the marketing challenge for these companies becomes that of “embodiment”: how can they ensure that all of the company’s attributes embody the values that are promised to its customers? The range of attributes that contribute to a company’s reputation continues to widen. As well as obvious things like the products and services that the company sells, it extends to production methods, human resources management, physical sales environments and even production and office spaces, traditional and digital communications, and the company’s social and societal commitments. Clients are better informed and more demanding in terms of the customer experience, safety, and social and environmental issues: they want to be sure that companies are doing more than providing a simple brand message.



what are the performance challenges facing businesses today?

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adapt to new ways of working

In organizational terms, businesses are faced with a genuine rupture in the three elements – time, place and action – that play a significant structural role in the way they currently understand the workplace.

Questioning the unified space. On the one hand, there is an ongoing transformation from pyramidal, hierarchical structures to flatter networks organized around multiple design and decision-making hubs; on the other, the development of mobile tools is making it possible to work anywhere: at the office, while travelling, at home, or even in between (see the study on “thirdplaces” published by Regus in 2011).

Questioning a single concept of time. On the one hand, a very individualized approach to working time to enable everyone can find the balance they need between their professional life and their private life (as shown by the study on telecommuting conducted by Greenworking in 2012); on the other, a general feeling that the business “works” 24/7 due to globalization.

Questioning uniformity of action: multi-tasking is becoming the be-all and end-all for all employees. They must simultaneously show themselves capable of creativity and quick execution, of concentrating to resolve a problem or generate a new idea, of cooperating with a large number of people both in-house and externally. Finally, and to an increasing extent, they must manage to combine personal and professional activities both at home and at their place of work. For an overview of the subject see the prospective study on work and employment in France produced by the CAS in 2011.

With this upheaval in the landscape, there is a need to **rethink the workplace with a renewed concept of space and time that is able to welcome these new organizational approaches to work and make them thrive.**



what are the performance challenges facing businesses today?

conclusion

Faced with these performance challenges, companies have an opportunity to take a new look at their properties and work spaces. As we will see in this study, these factors can, with the right approach, support value creation over the medium and long term.

As a result, we will observe that the economic potential of work spaces is largely under-estimated and under- exploited. As soon as we move beyond a mindset that is based strictly on direct costs, we become able to view real estate as a powerful driver of productivity. We will show that the choice of office location and its accessibility for employees – as well as for customers and key partners – is a strategic matter. Likewise, services offered to employees are a means of increasing productive working time.

If, for many companies, the challenge from now on is to operate in a permanent state of innovation, it will be seen that certain types of organization facilitate the encounters, collaborations and openness that are favourable to the generation of new ideas. More generally it is the very paradigm of the office that must be rethought to take account of changes in society's relationship with work that coincide with the disruption caused by mobile technologies. We will try to isolate the characteristics of offices that leverage organizational efficiency, in itself, as a means to enhance corporate performance.

If HR directors start to tackle these real estate issues, we will see that they are able to take real action to improve the well-being of employees which will, over time, result in tangible impacts on productivity. At a time when the war for talent is a reality for certain companies, factors like accessibility, comfort, available services and a mixed neighbourhood can become genuine competitive advantages.

Finally, we will see how the workplace is a powerful way to embody the strategy of the business. This applies both to its customers, who have increasingly high expectations about coherent messaging, and its employees, due to the growing importance of the employer brand.



what are the performance challenges facing businesses today?

further reading : bibliographic sources

On business performance and globalization

- ☐ Trading myths - McKinsey study (2012)
- ☐ Sectors of new growth - Centre d'Analyse Stratégique et de Prospective (2012)
- ☐ Gallois report on competitiveness (2012)

On changes in working practices and structures

- ☐ Etude télétravail - Greenworking (2012)
- ☐ Le travail et l'emploi en France - Centre d'Analyse Stratégique et de Prospective (2011)
- ☐ Thirdplace Whitepaper - Regus (2011)
- ☐ Dossier Travailler 2.0 - Le Monde Campus (2013)
- ☐ Travail nomade - Advance Jones Lang LaSalle (2012)
- ☐ Evolution du travail : 10 tendances - Gartner study (2010)
- ☐ L'entreprise de demain sera hybride - Cahier Imaginative Workplace Form'A (2013)

On the knowledge society and cognitive capitalism

- ☐ The contributions of Bernard Stiegler and Yann Moulier Boutang to Stream# 2 After Office – Editions PCA (2012)
- ☐ L'esthétisation du monde - Gilles Lipovetsky, Jean Serroy – Gallimard (2013)



objective value creation



**real estate,
a powerful driver of
added value**



real estate, a powerful driver of added value

introduction

During the many interviews that we conducted, we asked executives, HR directors and real estate directors about the contribution that property makes to the value creation processes of the company. The interviews highlighted several issues:

- Even when considerations of productivity, well-being and organizational efficiency are well accounted for in a company's real estate strategy, there is no real methodology for evaluating and monitoring, in quantitative terms, the actual impact of the real estate strategy on these factors. As such, it seems difficult to clearly establish just how much importance executives actually place on productivity, well-being and organizational efficiency when it comes to choosing an office building.
- The internal and external impact on branding of the office building appears to be much more significant for B2B and international companies than for B2C companies
- Environmental issues relating to the office building were discussed as more of a constraint, albeit a necessary one, than as a genuine driver of value creation

PLAYTIME, Jacques TATI, 1967





real estate, a powerful driver of added value

**the office:
an under-valued driver of economic performance**

...

an approach based on direct costs: a limiting and overly simple approach

...

accessibility: an effective means to gain productive time

...

proximity to clients and partners: a necessity for companies with a significant front-office component

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employee services: beyond well-being, a means to increase productivity

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investigation: the migration of graduates of grandes écoles

+

viewpoint: Ingrid Nappi-Choulet, professor-researcher at ESSEC, specialist in real estate issues

+

case study: Zurich



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an approach based on direct costs: a limiting and overly simple approach

When it came to comparing the economic value of two office buildings, companies used to focus on the cost per square metre. Once the concept of “cost per workstation” became standard, the way was opened to many new ideas and layouts that enabled both greater density (through a reduction in the number of square metres per employee) and the maximization of occupancy rates within shared office spaces. Although this approach has made it possible to **optimize real estate costs**, its effects are limited.

Furthermore, during economic downturns, it leads companies to implement performance programmes that **tackle property issues with a focus on reducing total costs**, whether that means relocating to offices that cost less per square metre, increasing density and/or space sharing, or even reducing the services offered to users. The 2011 CSA study “Myths and Realities of Relocation” shows that cost reduction tends to top the list when executives are asked to give reasons for a relocation.

The potential negative impacts of these real estate choices on the operation and performance of the company are still given relatively little consideration relative to the direct and immediate challenge of real estate costs. This situation is due to a number of factors, notably the preference of certain executives to **focus on the short term rather than – or even at the expense of – the medium to long term**. It also reflects the almost total lack of methodology to evaluate and monitor the impacts that decisions about properties and work spaces have on company performance.

For example, a decision about real estate could be optimal in terms of cost, but sub-optimal in terms of added value if the building is in a less accessible location that results in significantly longer commuting times and more time wasted travelling to meet clients or partners, who are now further away. The economic impact of such a choice is negative in the medium/long term because the productive working time of the employees and, as a result, their potential contribution in terms of added value, is reduced. See the case study about Zurich Insurance for more on this topic.



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accessibility: an effective means to gain productive time

Accessibility is, of course, taken into account during the decision to take one lease or another, but its real impact is rarely evaluated by the business. For businesses that add high value and rely heavily on their human resources, however, improving the ease with which staff can access the office can have a significant impact on the value added per employee.

On average, managers in the Paris region spend **15% of their working day on their commute** (an average of 90 minutes per day). Aside from the impact on their well-being, the time that is being wasted can be viewed as a potential gain in productivity and, as such, as value that could be added. A company that improves access to its buildings for employees, as was the case for Microsoft, could benefit from **an increase in productive working time equivalent to at least 50% of the time that is gained from a shorter commute**. This applies to employees on day rates, given that those on hourly rates tend to observe their contracted hours.

For example, at a headquarters where the average value added per employee is €150,000 (INSEE average), an average reduction of 10 minutes in the time spent commuting to work corresponds to an average gain in added value of €2,800* per employee. Working on the basis of 500€/sq.m. And 15 sq.m./workstation, this gain is equivalent to more than a third of the real estate cost of the employee's workstation.

As long as the real estate premium for this improved accessibility does not exceed €186 (i.e. a maximum real estate cost of 686€/sq.m.), the operation has a positive economic impact for the business.

* This gain is calculated using the value of 10 minutes of work by a manager, projected over the full year, and adjusted for the whole population on the basis of the following assumptions: average added value of the workforce: €150,000; percentage of managers: 80%; number of days worked per year: 230; number of hours worked per day: 8. The resulting equation: gain in added value = [(Average added value per manager / number of hours worked per year) / 6] x number of days worked per year x percentage of managers



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proximity to clients and partners: a necessity for companies with a significant front-office component

When it comes to cost-benefit analyses of possible locations, relatively little attention is paid to the question of work-related travel to meet or pitch to customers and partners. But this issue can prove to be of central importance, particularly for companies that have significant front-office activity or rely on networks. This point was, it should be noted, a determining factor in Zurich's decision to relocate to the CBD. As the executive at a company specializing in real estate explained to us, "Being in the CBD equates to least one additional client meeting every day."

The companies in our sample stated that their managers spent **20 to 25% of their working time outside the office**. Our study of 200 managers in the Paris region showed that 75% of them believe it is important to have offices that are **close to their clients**.

In practice, geographical proximity has a two-fold impact on a company's economic performance. It increases **productive working time** by reducing the **amount of time** front-office staff spend on their daily commute, and it increases **sales intensity** by enabling a greater number of meetings per day, which helps to build a better commercial relationship.

For example, for a specialized services company that relies on intensive relationships with external parties where the average value added per employee is €250,000, an average reduction of 10 minutes in the time spent on work-related travel could equate to a gain in added value of €3,000* per employee per year. Working on the basis of 500€/sq.m. And 15 sq.m./workstation, this gain is again equivalent to more than a third of the real estate cost of each workstation.

As long as the real estate premium for this improved accessibility does not exceed €200 (i.e. a maximum real estate cost of 700€/sq.m.), the operation has a positive economic impact for the business.

* This gain is calculated using the value of 10 minutes of work by a manager, projected over the full year, and adjusted for the whole population on the basis of the following assumptions: average added value of the workforce: €250,000; percentage of managers: 80%; percentage of managers averaging at least 4 external meetings per week: 80%; number of days worked per year: 230; number of hours worked per day: 8. The resulting equation: gain in added value = [(Average added value per manager / number of hours worked per year) / 6] x number of days worked per year x percentage of managers x 80%



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Employee services: beyond well-being, a means to increase productivity

Often presented as tools to enhance well-being, the services offered to employees are, even more so, designed to maximize their working time. The aim is to gain time, whether it is saved at lunch or dinner, through the facilitation of daily professional or personal tasks, or even with the aide of a personal assistant.

As a result, businesses that have chosen locations far from major transport hubs that result in increased commuting times for their employees invest heavily in services. This is not only to maintain good employee relations or improve staff well-being but also to **regain productive time that is being lost on travel**. The HR director of a banking company whom we met was clear that these services are a driver to increase productive working time: “The more services we offer in-house, the less people need to leave the building. It is of course about convenience, but it is also about productivity.”

For businesses that add significant amounts of value, such as the corporate law firms or strategic consulting firms we met, the aim is to **intensify productive working time**. As such, the services on offer are designed to ensure that members of staff can “devote themselves entirely to their work”.

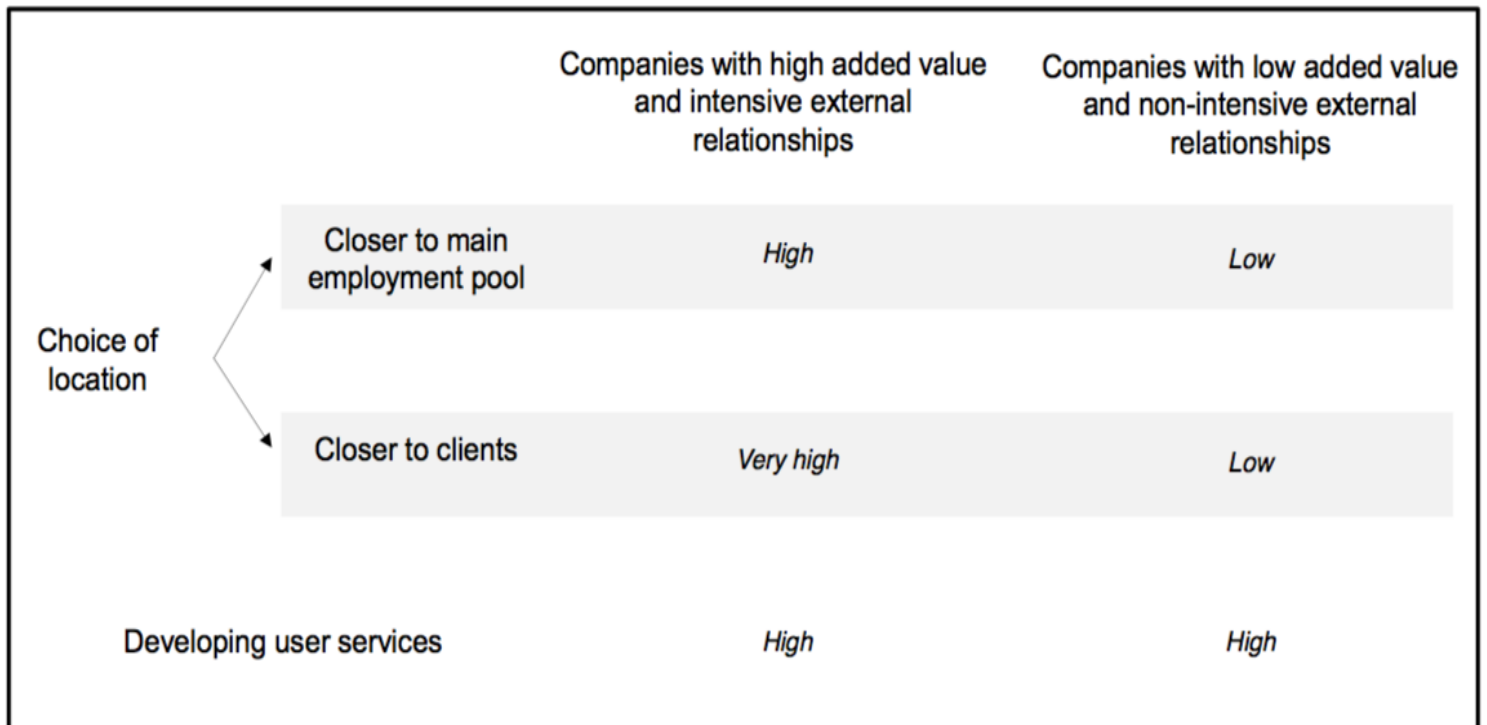
Even so, the impact of implementing one employee service or another on the maximization of working time has yet to be evaluated in quantitative terms. Most of the studies in this area focus on the question of employee well-being far more than on that of working time.



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FOCUS

**real estate decisions and their impact on the maximization of
productive time as a function of value added per employee and the
intensity of external relationships**





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in summary

Favour a mindset that values medium- to long-term performance over the optimization of real estate costs in the short term (hidden negative effects)

Leverage accessibility as a means to increase productive working time (potential to gain, on average, 50% of time spent commuting)

Reinforce proximity to clients for a win-win situation: increase employees' productive working time (100% gain in time spent on daily work-related travel) and sales activity (more meetings and a stronger commercial relationship)

Consider integrated services as a means to intensify productive working time

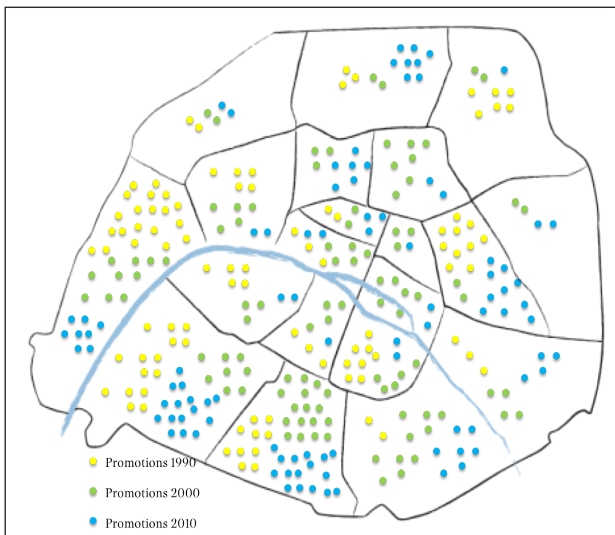
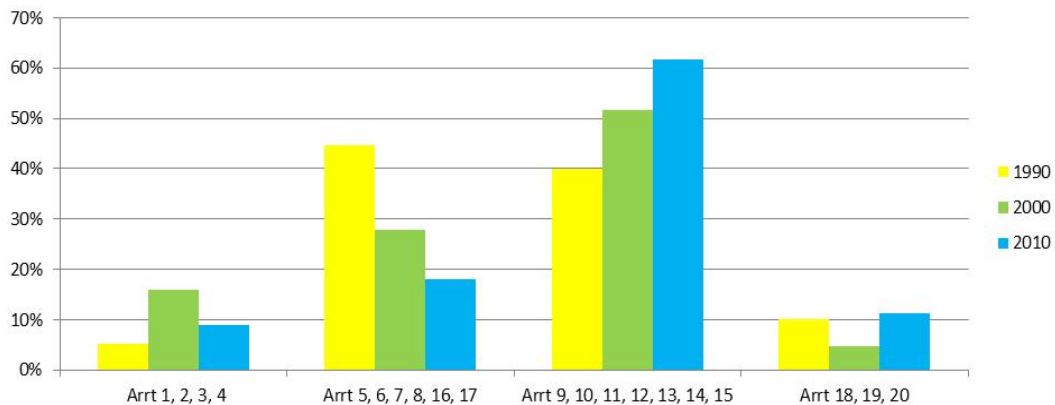


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S U R V E Y

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place of residence for young managers recruited on graduation from Parisian grandes écoles



Given the importance of commuting time to the value contribution of an office building, we sought to find out if there has been an evolution in the places where young managers, who graduated from grandes écoles in the last one or two years, choose to live.

Between 1990 and 2010 we can observe a slow migration from west and south-central Paris towards neighbourhoods in the centre, east and south of the city.

A closer examination of the map shows a migration from the 5th, 6th, 7th, 8th and 16th arrondissements of Paris towards the 3rd, 4th, 9th, 10th, 11th, 13th and 14th arrondissements.

Study conducted on a sample of 100 graduates (ESCP, Sciences Po Paris, Centrale Paris, ASSAS), organized by year of graduation, who were asked where they lived at the start of their career. The map shows the places of residence of the people who were interviewed, adjusted to a base of 100. (1 point = 1% of the sample)



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EXPERT VIEWPOINT



**real estate, a powerful driver of added value
the office: an under-valued driver of economic performance**

INGRID NAPPI-CHOULET

professor-researcher at ESSEC, specialist in real estate issues

What are the main trends that you observe on the Parisian market for office buildings?

The Parisian office market is the largest in Europe. What's more, it has the lowest vacancy rate when compared to other major European capitals, below the balanced vacancy rate that is estimated at 7-8%.

Paris is a concentric city and all modes of transport currently converge on the city centre, which offers the greatest potential for face-to-face meetings. Although there are many examples of major companies relocating to the edges of the city, there are also examples of companies returning to the centre of Paris and the CBD: Sanofi, AON, SCOR, the real estate department of Aviva, etc.

Although the trend for campus sites in the near suburbs has been in the news recently – the campus concept is so fashionable, in fact, that soon-to-be-delivered tower buildings are being described as “vertical campuses” – it is worth noting that businesses with the financial capacity to do so have all kept their headquarters in Paris (Orange, Sanofi, GDFsuez, etc.) at the same time that they are developing – or not developing – research and/or back office activities in the suburbs.

Are there any new developments regarding the question of the “value contribution” of office properties?

This is a new concept, which is exactly what makes it so interesting. Although companies specializing in space planning and office layouts have been claiming for a while now that work spaces are not just cost centres but are also a means to enhance a company's performance, the question of how this contribution should be valued remains unanswered.



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Due to the financial crisis of 2008, there has been a gradual shift from an offer-based approach to one that is focused on demand. The brokers are starting to adapt their messaging and investors are trying to better understand their end-users. It is important to note that this transition has been reflected in the vocabulary used, with subtle shifts in certain concepts. For example, the term “prime”, which was originally a concept for investors and was linked to a minimization of leasing risk, has entered the lexicon of the end-user, where it characterizes certain real estate products in terms of location, intrinsic qualities, integrated services, etc.

Even so, companies continue to hold the view that work spaces are, more than anything, cost centres. And that those costs should be reduced, notably by reducing the area of the workstation. Companies often focus their energy on convincing employees to accept these new work environments.

It seems that companies are still doing relatively little quantitative management when it comes to the contribution that work spaces make to their performance. What, in your opinion, are the main reasons for this?

It should be noted that there is sometimes a lack of coordination and communication between the various departments involved (human resources, property management and facilities management) and that they all have opinions on the subject.

Furthermore, the notion of performance implies the existence of monitoring and management tools. These are still very new to property departments and have, for the most part, been introduced with a view to cutting operating costs. HR departments, for their part, are showing an interest in monitoring areas that go beyond the traditional indicators like absenteeism, for example. But, once again, they lack the necessary tools because financial considerations take precedence.

Finally, it should be highlighted that there is still very little discussion of energy cost savings: the focus is almost entirely turned towards questions of space planning within office buildings and taxation. Companies do not appear to take a very long-term view when it comes to choosing their future work spaces.



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CASE STUDY



real estate, a powerful driver of added value
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ZURICH France

Herve Jourdan, Manager, Personnel and Facilities Management

At the end of 2010, the French subsidiary of Zurich Insurance, the largest insurance company in Switzerland, left the building it occupied at Levallois-Perret and moved into a building on the corner of the Avenue de Wagram and the Rue de Prony in the 17th arrondissement of Paris.

What was the primary motivation behind your move into Paris?

We took a very clear decision to prioritize the performance of our organization. Our offices did not provide the conditions we required to develop our business and we were aware of negative effects, as much on our employees (increased absenteeism) as on our clients, from whom we had moved further away. We made a deliberate choice to relocate to a prime building: it's true that the rent was significantly higher, but we expected to reap benefits from its central location, accessibility, and the intrinsic quality of the building.

What were the consequences for your staff and partners?

It very quickly resulted in an increase in productivity and a marked improvement in employees' performance. Better access to the public transport network reduced their commuting times, so they are less tired and more available. Furthermore, client relationships were greatly facilitated: almost 50% of our clients now come to meet our teams whereas visits were rare when we were at Levallois. The capacity of our salespeople to prospect their market has also been significantly improved as they are now able to meet, on average, twice as many clients as before. We have gained both fluidity and conviviality, as much for our employees on a day-to-day basis as for our visitors.



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Have these new offices had a positive impact on Zurich's image?

Yes, clearly. These offices help us to attract young talents and to recruit, motivate and retain our staff. It contributes to the pride that people feel in belonging to a company that looks after its employees. Zurich Insurance's relocation to within Paris has, moreover, been such a success that it has raised the awareness of other group subsidiaries to the importance of the workplace, its location, its accessibility and its functioning. The proof is that many employees from other parts of Zurich Insurance, who are based at the group's headquarters in Switzerland or at other international subsidiaries, now visit our French offices.

OFFICE, Thomas Demand, 1995





Real estate, a powerful driver of added value

**The workspace:
a decisive factor in employee well-being**

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The workplace as a source of employee well-being: a new subject for HR directors

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Companies adapting to their community: an unavoidable reality

...

paying close attention to talented staff

...

the key components of well-being: accessibility, comfort, services and a mixed
neighbourhood

+

investigation: the perception of managers in the Paris region

+

viewpoint: Wim Pullen, Director of the Center for People and Buildings (Netherlands)

+

case study : SANOFI



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the workplace as a source of employee well-being: a new subject for HR directors

In an economic environment dominated by uncertainty, HR directors are expected to maintain the workforce in a condition that enables them to cope with change. HR directors have, however, often exhausted the resources that would normally allow them to do this (redesigned HR processes, expanded career paths, personalized remuneration systems, etc.). **The work environment** can, therefore, offer a **new source of opportunities**.

In the past, HR directors were interested in work spaces only to the extent that they affected working conditions. Any issues were dealt with during health and safety committees, in the framework of the wider employer- employee relationship, and with a focus on prevention and cure. The aim was to provide employees with conditions that allowed them to do their work safely; working conditions were not yet considered as a possible **source of performance for the company**.

The **question of how well-being** affects a company's performance is not new but it remains **as difficult as ever to pin down**. Most often it is sources of malaise that are highlighted (see the Technologica study of 2012, "The effects of work on personal life") as well as their potential cost (for example, according to a study conducted by Kimberley-Clark Professional in 2012, absenteeism costs 1% of payroll). It should, in contrast, be possible to demonstrate that combating factors that cause malaise is beneficial for the company.

The difficulty of comprehending well-being derives from the fact that it appears to be the outcome of a range of factors that have features in common. In particular, they relate to **sense** (strategy, ethics, job satisfaction, etc.), **tools** (work environment, available resources, reward systems, etc.) and **people** (management style, methods of communication, corporate culture, etc.). Within this ensemble, **the work environment is recognized as a key component in workplace well-being** (the "quality of life at work" survey conducted by Actineo Sofres in 2011 showed that 9 out of 10 employees agree).



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Companies adapting to their community: an unavoidable reality

According to the HR directors we interviewed, a new development is that the challenge is no longer simply to adapt human resources to reflect changes in the organization (known as “change management”), rather it is to adapt the company to reflect the needs, desires and preferences of the employees who compose it.

It is interesting to note the gulf in perception that exists between executives and employees on this point, as shown by the TNS Sofres survey of 2010, “The French and their office”.

This adaptation is, above all, a question of generation: it is necessary to adapt to the expectations of newly-recruited young professionals, who are grouped under the infamous and generic banner of “Generation Y” (see the study conducted by Jones Lang LaSalle in 2012). This group has very specific expectations and requirements when it comes to well-being at work: a focus on results rather than resources, the recognition of their peers rather than of their superiors, access to technologies, work-life balance, etc.

The companies in our sample tackle this question in a variety of ways. For some, such as Edenred, there is no doubt that the company must respond to the singular expectations of this generation, whose ideal office resembles a Californian start-up (the stereotypical “cool office with table-football”). Others, such as Crédit Agricole, would argue that this generation does not really have different expectations compared to other employees, it is simply more vocal about expressing them. In their view, this is not a generational issue (contrary to what consulting firms and academics claim with barely disguised self-interest) but a reflection of the era and of society.



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paying close attention to talented staff

If opinions are divided on the generational question, companies have nevertheless all realized that their performance could depend on their capacity to attract certain rare and skilled resources that act as catalysts for innovation, change and mobilization at all levels of the organization and not only at the top. It is then no longer a question of managing human resources with a single, grade-based approach (employees, managers, executives) and a set of clear, understandable markers in the workplace (location, size and layout of office spaces). Instead it becomes question of **knowing how to identify the talents who make the company what it is, taking care of them, and creating the conditions they need to thrive.**

In a period of economic gloom, a company's brand, its mission and the potential it offers for career progression are more important to these talents than the working environment. As such, even if location is rarely a deal-breaker in today's recruitment processes, a "good location" in an attractive, mixed neighbourhood could, on the contrary, act as a very significant plus. During an economic upswing, it could offer **a significant competitive advantage** in the war for talent. As one executive noted regarding the headquarters of his company: "Extensive communications about this extraordinary place have significantly contributed to our ability to attract the talents that the company needs in order to maintain its growth". This was shown in our survey of 200 managers in the Paris region, where the majority of the managers who work in Paris view it as a privilege and would rather keep their job than take a better-paid position in a location that is further away. The survey also showed that they have growing expectations about the comfort of the layout and services on offer.

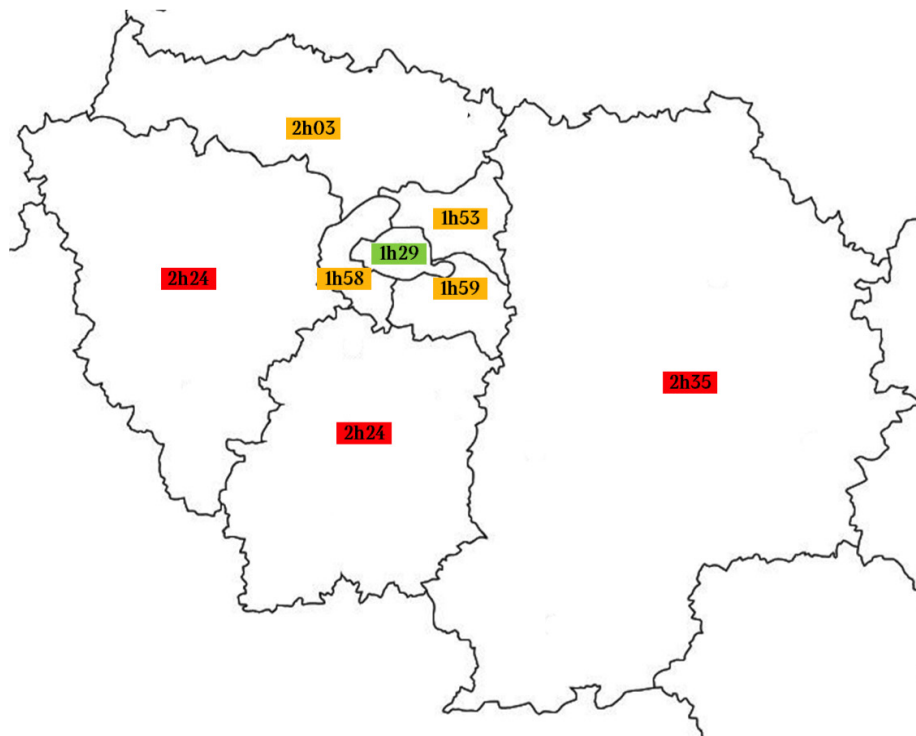


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**Average travelling time (2010) per day (return trip), door to door
(by county of residence)**

Source ORSTIF (2010)





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accessibility: a core concern for employees

The human component becomes vitally important when there is a recognized risk of losing strategic personnel during a relocation. The companies in our sample all implemented preventive measures to mitigate this risk during their most recent move. The first step was to **analyze the impact of the new location on employees' commuting times according to their place of residence**. As our survey of 200 managers in the Paris region confirmed, this criteria comes top of the list of employees' concerns, particularly for those who work in Paris.

The fact that this type of preliminary study is becoming more widespread shows a growing awareness on the part of companies (even though the work, conducted with the RATP, the Paris transport authority, is usually undertaken due to pressure from employee representatives). Even so, the findings are not generally factored into the choice of location and are more often **used to assess the level of change management (i.e. sweeteners and compensation)** that will be required to obtain employee buy-in.

The **discomfort** of the commute also needs to be taken into account. For example, in terms of public transport, not all metro lines are created equal, as was shown by the Technologica study undertaken in 2010: "Study of the impact of public transport in the Paris Region on the health of employees and of businesses".

The outcome is that, in some of the companies interviewed, **employees have adopted behaviours that penalize the company**. For example, employees leave work earlier because they have built a margin of error into their schedule to take account of less frequent services and delays, which shortens their effective working day by that amount ("We have lost in flexibility", confessed one HR director whose company moved to the suburbs). Others find that employees do not come back to the office after afternoon client meetings because it's too far away, or that staff take shorter lunch breaks to compensate, which has a knock-on effect on the atmosphere.

In the end, very few companies (EDF is one example) take a long-term view of real estate and plan their **future office locations on the basis of changes not only in infrastructure but also in the future practices and habits of residents of the Paris region**.



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tightly-packed spaces demand a certain level of comfort

Open-plan layouts are often seen as the root of all evil; among the many studies on the subject, one recently published in the Scandinavian Journal of Work, Environment and Health showed that employees working in open-plan offices are less effective, less happy, and more likely to fall ill. However, the fact is that they are still very much a reality in the companies that we visited. Although companies are cautious about using this “stressful” term and the fact that it is rare to find several dozen employees working in the same space, **decompartmentalization** does continue to be one of the **cornerstones of all relocations**, alongside **more densely packed workspaces**. This remains the case whether the company is relocating within the same geographical area or not.

The aim is to promote interactions between teams by bringing individuals closer together and breaking down the barriers between them. As such, it is essential that spaces are carefully laid out: **proximity should not mean over-crowding**. According to the 2010 TNS Sofres survey, “The French and their office”, one employee in two believes that the layout of their work space could accentuate their stress levels, so these spaces must be able to **support and protect, be shared and be privatized**, all at the same time. This requires **layouts that are flexible**, especially for project-based organizations, varied, to adapt to the different kinds of activity within the company, and **properly equipped**, especially from a technical perspective. The concept of comfort refers more to modernity than to aesthetics (as one banker noted, “Our old offices were historical and prestigious but it wasn’t easy to work in a museum!”).



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the development of integrated services

Companies take care to ensure that their employees are fully invested in their professional activities and troubled as little as possible by minor personal issues, whether practical or organizational. Changes in society, notably the fact that it is increasingly common for both partners in a relationship to work and the blurring of the frontiers between personal and professional areas, have accelerated companies' awareness of the advantages of offering services to employees. This advantage becomes a necessity when companies are located outside the city centre or established shopping areas, as is the case for "campus" locations in the Paris region.

These campus locations become, as a result, zones of experimentation. The traditional office canteen is no longer enough: service-providers of all kinds (conciergerie, shops, hairdresser, car repair garages, etc.) are invited onto the company's territory, creating an internal version of services traditionally considered to be "local". A real expansion in the reach of the company is underway. Moreover, these facilities promise a comfortable working environment that makes it possible for employees to forget their geographical isolation. As the HR director of one company based in the suburbs put it, "Nursery, concierge, medical practice, gym... it has all been done so the employees stay in the building".

These experiments tend to become common practice as soon as it becomes critical in terms of internal fairness not to privilege (or exclude) one group at the expense of another. Services that were, in the past, reserved for executives or used as compensatory measures then become "standard" services expected by the employees.



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a preference for mixed neighbourhoods

Companies are present in a district, in a neighbourhood that has a history, a culture and a life of its own. The company will become part of this ecosystem and interact with it, as the economic impact of LCL in Villejuif has shown. Numerous international surveys into the attractiveness of cities show that the composition of the district, the balance between business areas, housing, and leisure and entertainment, is important to a growing number of employees. **Mixed zones** do offer many advantages over specialized business districts: a greater feeling of **security** reinforced by daytime and night-time activity; the opportunity to **undertake different activities** (work, leisure, family life, etc.) easily **in the same area without the need for time-consuming travel**; easy access to diverse **local services and cultural offerings**. All of these external features mean that certain companies can avoid in-sourcing costly services and presenting themselves as a “campus in the city” (BNPP).

Fashionable business districts are thus taking on a new form. New “**villages**” are appearing in Paris (e.g. WebValley in the Bourse district) and its outskirts (Pantin dreams of being Brooklyn). Commercial zones defy the boundaries between private and professional spaces by evolving to reflect the time of day: a car park used by companies during the day becomes parking for local residents when night falls; an office canteen becomes a neighbourhood restaurant in the evening.

Finally, the attention paid to **corporate social and environmental responsibility** raises employees’ awareness of **initiatives designed to increase involvement in the development of the area**. Crédit Agricole, for example, has initiatives in Montrouge that involve projects with local shopkeepers, the opening of gardens to local residents, and the loan of an exhibition area as part of the Ateliers de Montrouge series.



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in summary

HR directors, if they haven't already done so, should seize hold of the subject of real estate and use it to leverage well-being and, ultimately, corporate performance

The company should adapt to its people rather than the inverse: change management is not the challenge

Take care of talents: this is vital and requires an approach that is holistic (where they live, where they socialize, their concept of comfort, their sources of professional pride, etc.) but individualized (everyone is different, questions of generation and/or era)

Be aware of the significant impact of accessibility on employees' well-being (time and comfort of transport) and, ultimately, their productivity

Increase occupation density, but do it carefully: spaces should support and protect, be able to be shared and privatized, and have flexible, varied and properly-equipped layouts

Offer services that save employees time: this is increasingly expected as standard and is a criteria for judging the HR appeal of the company

Connect the company to its environment and its territory: a mixed neighbourhood is preferred for its "village" atmosphere and social and environmental responsibility is valued



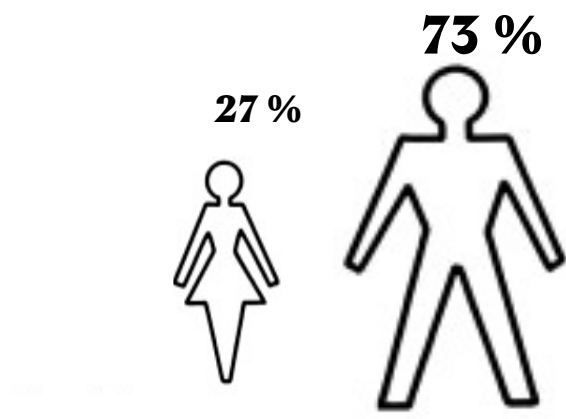
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S U R V E Y



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the sample : managers in the Paris region



quantified data for 191 respondents out of 300

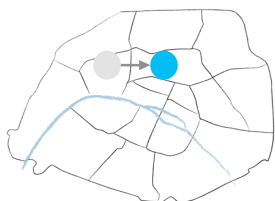
average age : 34

married or living in a stable couple: 70 %

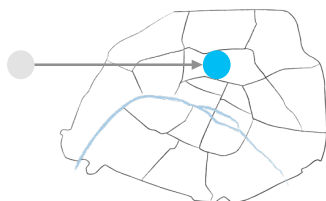
parent of a child/children : 60 %



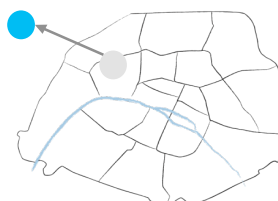
50 % of respondents say they earn more than €80,000 per year, before tax



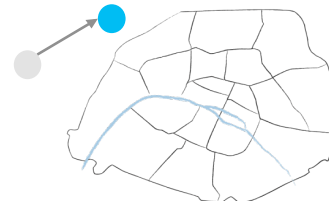
43% of respondents
live and work in Paris



15% of respondents
live outside Paris and
work in Paris



5% of respondents live
in Paris and work
outside Paris

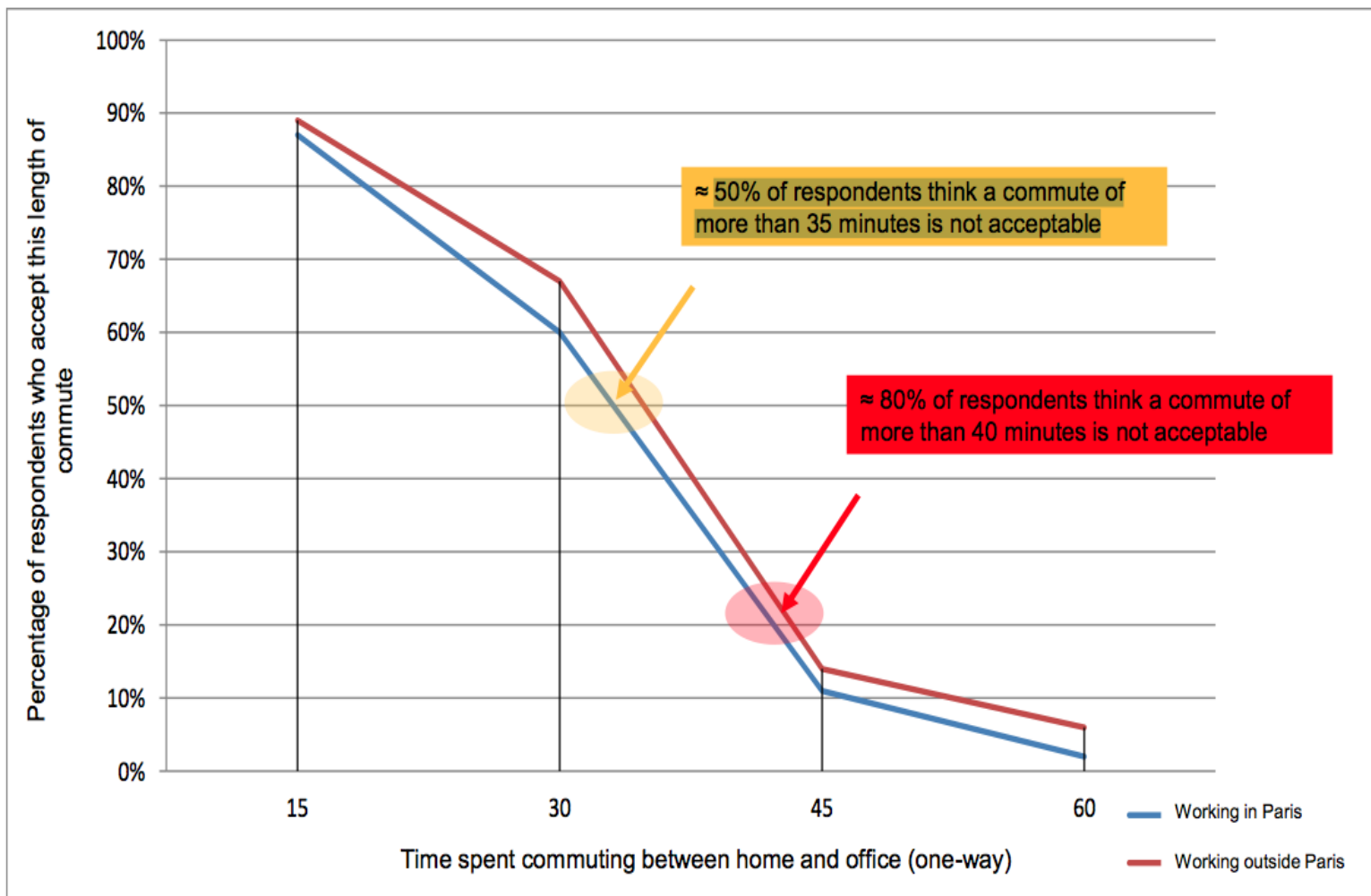


37% of respondents
live outside Paris and
work outside Paris



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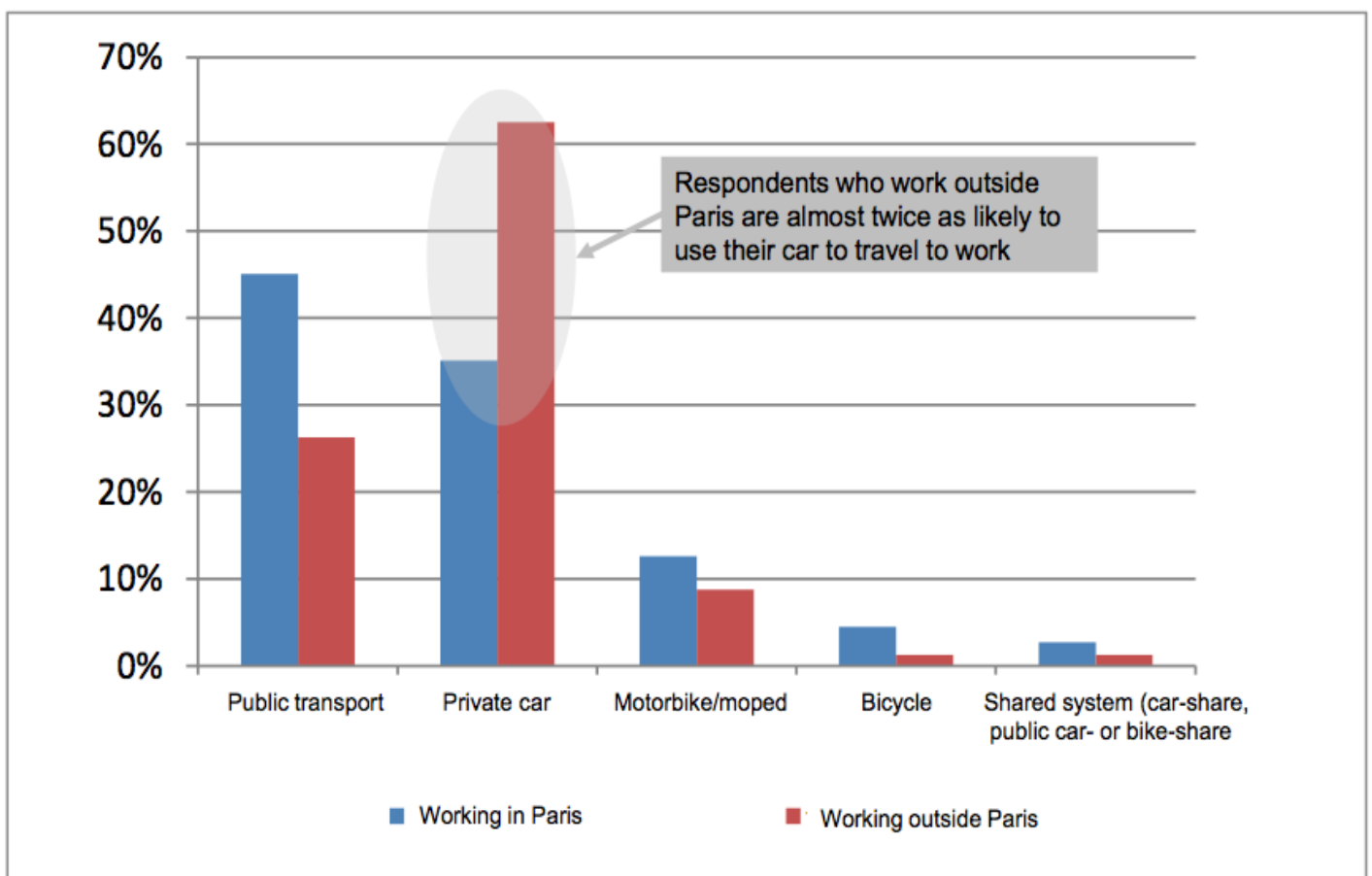
sensitivity to commuting time





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Means of transport used





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preference in terms of workplace location

Relative importance of
the following
propositions for
respondents who **work
in Paris**

- 1 My workplace must be no more than 30 minutes, door to door, from my home
- 2 My workplace must be close to my main clients/suppliers and professional partners
- 3 My workplace must be in a neighbourhood with significant commercial activity
- 4 My workplace must be in a neighbourhood that offers numerous leisure or cultural activities (cafés, restaurants, sports clubs, cinemas, theatres, galleries, etc.)

Relative importance of
the following propositions
for respondents who
work outside Paris

- 1 My workplace must be in a neighbourhood with significant commercial activity
- 2 My workplace must be no more than 30 minutes, door to door, from my home
- 3 My workplace must be close to my main clients/suppliers and professional partners
- 4 My workplace must be in a neighbourhood that offers numerous leisure or cultural activities (cafés, restaurants, sports clubs, cinemas, theatres, galleries, etc.)



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preference in terms of type of office

The majority of respondents would prefer to work in offices on the CBD or in modern and spacious offices in the La Défense business district

- 1 In offices located at the heart of the business district in western Paris**
- 2 In modern and spacious offices at La Défense or in the business districts of the western suburbs**
- 3 In offices in the young and trendy neighbourhoods in the centre and east of Paris**
- 4 In campus-style offices outside Paris that offer a wide range of integrated services

Order of preference



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the criteria that define a high-end office building

1

The four main criteria that, for respondents, define high quality :

- **Accessibility by all types of transport**
- **Location in a high-end neighbourhood**
- **A wealth of services offered to occupants**
- **Extensive integrated technological services (wifi, automated systems, etc...)**

2

Two criteria deemed to be of secondary importance :

- **Architecture and the design of the building**
- **Respect for the highest environmental standards**

3

The criterion judged to be least important :

- **The prestige of the address**



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characterizing the overall preferences of respondents

The respondents were presented with eight propositions and, for each proposition, asked to choose between two items. The items that received the most votes are shown in bold in the table below, along with the percentage of respondents who selected this item. We differentiated between people who work in Paris and those who work outside Paris.

→ The upper section groups the items where respondents working inside/
outside Paris shared the same opinion

→ The lower section groups the items where there was a difference of
opinion

59%	An office building with a gym more than an office building with an auditorium	An office building with a gym more than an office building with an auditorium	58%
57%	A building where employees can mix with people from other companies more than a building that is exclusive to your company	A building where employees can mix with people from other companies more than a building that is exclusive to your company	59%
58%	A building close to cultural spaces more than a building close to a major shopping centre	A building close to cultural spaces more than a building close to a major shopping centre	55%
62%	A building in a mixed neighbourhood more than a building in a business district	A building in a mixed neighbourhood more than a building in a business district	60%
57%	An office on multiple stories more than a building on a single level	A building on a single level more than an office on multiple stories	54%
60%	Larger spaces for socializing more than a greater number of meeting rooms	A greater number of meeting rooms more than larger spaces for socializing	58%
61%	A building in Paris without services more than a building outside Paris with multiple services	A building outside Paris with multiple services more than a building in Paris without services	61%
59%	A less well-paid position in a centrally-located company more than a better-paid position in a company with a more remote location	A better-paid position in a company with a more remote location more than a less well-paid position in a centrally-located company	60%



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EXPERT VIEWPOINT



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WIM PULLEN

Director of the Center For People and Buildings (Netherlands)

Context and Boardroom questions

Many companies are questioning the work modes and organizational forms which will be relevant in the future. Some trends have been emerging in the work environments for a few years:

- Reduction of space allocated to individual employees;
- Increase of space dedicated to teamwork and collaboration;
- Widespread use of technologies for remote working, collaboration and ubiquitous connectivity;
- The emergence of new situations and workplaces;
- Increase in telecommuting and flexible work patterns;

And an overall growing awareness of the role that the workplace may play in supporting the business strategy, image, attraction and retention and employee well being.

Gradually, a shift is occurring in which the workplace is not only considered under a strictly financial or profitability standpoint. This is about considering the workplace beyond a sum of costs, and questioning its role as a mean, a resource that can be leveraged to achieve organizational objectives, that is also as a management tool.

Boardroom questions are:

- How to survive financially? How to cut business costs?
- While maintaining employee health & satisfaction?
- What is the contribution of the workplace to business?
- How to tap into the best available knowledge? Good practices: What works?



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Scientific studies or tools for measuring accurately and analyzing these phenomena in-depth are seldom.

The Center for People and Buildings is an independent research center and is dedicated to answering the following research questions which are at the base of our CfPB studies:

- How do the office employees experience their office environment
- Which aspects of the office are seen as positive or negative elements of the working environment?
- To what extent does the working environment support the working process, productivity and well-being of the employees?
- How can the negatively appraised aspects of the working environment be improved?

We use validated tools like WODI@light. WODI Light evaluates the most important aspects of the working environment and provides a quick-scan of the positive and negative aspects according to users of the working environment. When comparing measurements of a former and new or renovated office, WODI Light serves as a practical instrument that requires minimal effort in providing insight regarding the effects of (new) office environments. WODI Light is a summarized, scientifically developed tool.

In the past 10 years data has been collected in numerous case studies, creating Europe's largest scientific database.



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Example

The following graph is just one out of 25 that will be in the final report

Potential to communicate with others
Conditions conducive to concentration
Ergonomy and comfort of the workstation
Performance of IT equipment
Potential for telecommuting
Number and diversity of positions and spaces
Layout of the floorspace
Potential to give one's opinion
Privacy provided by the space
Ease of access to the site
Acoustics
General organization of the space
Openness and transparency
Interior design and decoration
Lighting
Temperature
Architecture and exterior design
Space for archives and storage
Quality of on-site services

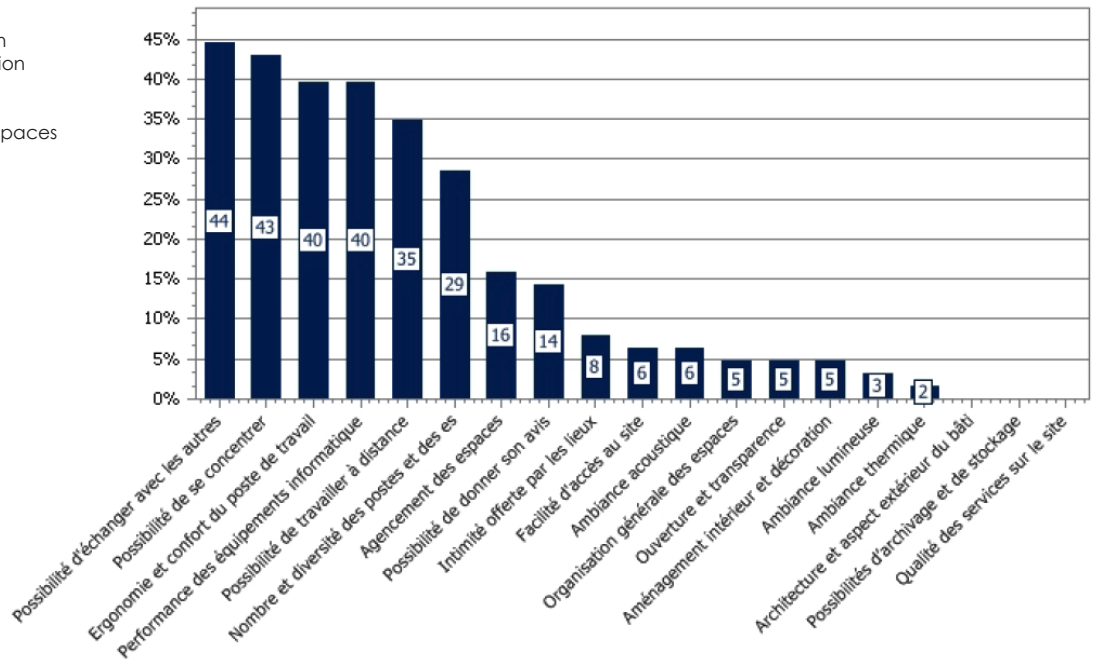


Figure 24: Characteristics named by respondents as being among the three most important in the work environment



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CASE STUDY



**real estate, a powerful driver of added value
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SANOFI

Florence Peronnau, Group Real Estate Director

Sanofi is the leading French pharmaceutical group and a world leader in the health sector. It has 27,000 employees in France: 800 of them work at the Rue de la Boétie in the 8th arrondissement of Paris, 1,500 at Massy in the greater Paris region and 3,000 will soon be working at a new urban campus at Gentilly, just outside the city limits.

What were the underlying concepts that guided Sanofi's real estate strategy in recent years?

The launch in 2008 of our real estate masterplan for the Paris region coincided with the arrival of Chris Viehbacher at the head of the group. We had to give form to this new strategic stage in our history, and expressed it in a direct and symbolic way by establishing our corporate functions at the Rue de la Boétie in Paris at the start of 2012. We also wanted to rationalize our real estate portfolio (from 11 sites covering 240,000 sq.m. in the Paris region in 2007, to 3 sites covering 102,000 sq.m. by 2015) while simultaneously offering optimal working conditions with a particular focus on interdisciplinary teamwork and collaboration.

In what way do your work spaces contribute to the well-being of members of staff?

In a health sector company like ours, employee well-being is paramount. But changes to the working environment are always a sensitive subject. We took care when introducing these changes, spending a total of 18 months on preparations for the Boétie site, for example. Although certain breaks with tradition were delicate, such as the shift from separate offices to open spaces, the employees took them to heart in the end, strengthening their ties with the company, creating a feeling of pride, and making us more attractive to talent. They also had a positive impact on our image with clients. Focusing on employee well-being also means facilitating their access to day-to-day services.



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The Gentilly and Massy sites, for example, will soon have numerous integrated services that cannot be found nearby. Finally, we have invested in user-friendliness so everyone is able to spend time in spaces that are built on a human scale, encourage dialogue and function much like the village square.

How have you taken environmental issues into account in your real estate strategy?

Our new buildings do, of course, respect the most demanding environmental standards. But our environmental commitment goes well beyond that. The conservation and promotion of biodiversity is vital and of central concern for a group like Sanofi. It is a strategic subject: it appears in our CSR policies and is integral to the daily activities of our managers. It is entirely natural that this should be expressed in our work spaces so the garden has moved into our offices, occupying 30% of the surface at Gentilly! This makes a significant contribution not only to the well-being of our employees but also to the company's role in the city as part of an ecosystem that we help develop and that nourishes us. Finally, we are observing with interest all of the new initiatives that herald the lifestyles of tomorrow, such as the creation of hubs and "third spaces". By bringing companies closer to employees' homes, these initiatives could have a positive impact on employee well-being as well as on corporate carbon footprints.

SECTEUR SAINT GERMAIN DES PRES, Alain Bublex, 2009





real estate, a powerful driver of added value

the office building as an element of internal and external branding

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the office building as a symbol and a place of welcome

...

the “employee experience”: work spaces as a component of the employer brand

...

branding strategy and real estate strategy

+

expert viewpoint : Catherine Gall, Director of Research, Steelcase

+

Case study: LINKLATERS



real estate, a powerful driver of added value
the office building as an element of internal and external branding

the office building as a symbol and a place of welcome

For the great majority of the executives whom we interviewed, **the office building must reflect the company's strategy**. For example, Sanofi's recent arrival at Rue de la Boétie is a symbol of the strategic drive of the group's new management team. For B2B companies, the office building forms part of the image that the company wishes to give its clients and partners, much as a shop does for B2C companies.

This desire to embody an image is even greater when the office building becomes a place to welcome visitors (this is the case for companies like SCOR, BNPP Real Estate and Microsoft and firms like Linklaters), and contributes to the relationship that the company wishes to maintain with its clients or partners. A close relationship simultaneously increases loyalty and improves collaboration, both of which are of particular importance to professions that provide services with high added value. Another way to strengthen the brand is to have exclusive use of the building (one front door for one tenant), especially for certain prestigious and/or confidential activities that are typical, for example, of firms of advocates.

Certain companies, like Google, highlight their workplaces in their external communications: these spaces must, in the executives' opinion, say something about the values and the philosophy of the company. **The office expresses the values of the company**, the idea being that you can judge a book by its cover.



real estate, a powerful driver of added value
the office building as an element of internal and external branding

the “employee experience”: workspaces as a component of the employer brand

Questions of public perception notwithstanding, it remains that work spaces, their location and their layout are **meaningful for employees**. According to a recent study by Stepstone, 80% of employees rate the impact of the working environment on the employer brand as “important” or “very important”. Any modification to the working environment is, as a result, often associated with a **new strategy** or a **new direction** for the company. This connection is, however, often overplayed relative to more important goals that are more difficult to justify in terms of change management and cost reduction.

Certain companies take the customer experience in a shop or an hotel as a starting point from which to consider the “**employee experience**” within the workplace. This idea is an important starting point for enhancing motivation and loyalty to the company: as one executive in our sample put it, “The well-being of our employees is like that of our clients: we have to make them dream”. But it is also important for improving operational efficiency by identifying all of the minor problems in the work space that act as brakes on performance.

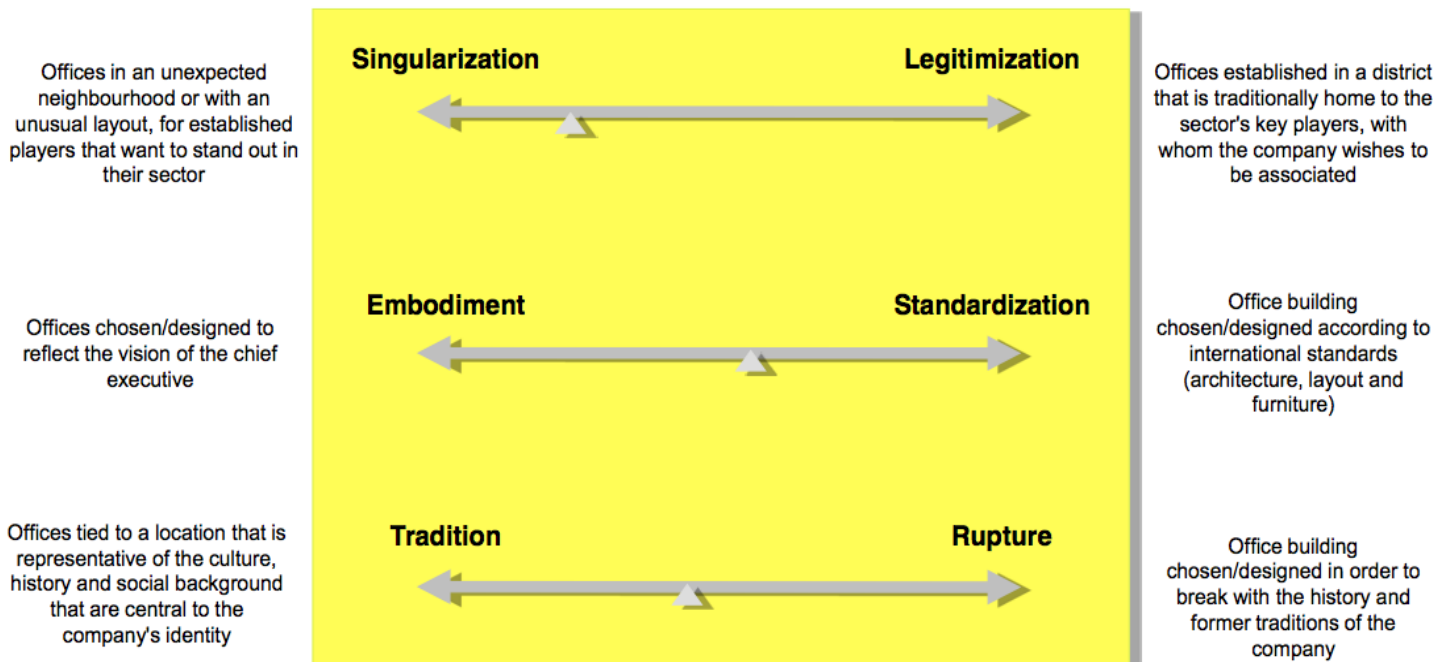
In this way, companies can reconcile **the work space as a source of meaning** that says something about the values and the strategy of the company and whose main messages can be shared through a “real estate charter”, as is the case for Sanofi, Crédit Agricole and SCOR, and **the work space as a way to leverage the organization** and employees’ performance. The work space is the embodiment both of a strategic vision and of the physical reality of an organization.



real estate, a powerful driver of added value
the office building as an element of internal and external branding

FOCUS

branding strategy and real estate strategy





real estate, a powerful driver of added value
the office building as an element of internal and external branding

in summary

Use the workplace to embody corporate strategy: a strong signal to clients (brand image) and employees (employer branding)

Think of the workplace as an experiential environment for employees: varied physical surroundings contribute to different ways of thinking and acting

Think of the workplace as a source of meaning: singularization versus legitimization, embodiment versus standardization, tradition versus rupture



real estate, a powerful driver of added value
the office building as an element of internal and external branding

EXPERT VIEWPOINT



real estate, a powerful driver of added value
the office building as an element of internal and external branding

CATHERINE GALL

Director, Research and Prospect, Steelcase Europe

How do work environments reflect a corporate culture?

Despite financial and technical bias still largely observed among companies when it comes to work spaces (not to mention building regulations), the traditional views on the relationship between space and labor are reshaped by the very fact that work itself is getting less and less codified (collective production is gaining popularity over an over individualization inherited from the scientific organisation of work).

Now is about producing work spaces that would be both performing and cozy. That is why, beyond a visual aspect (iconic architecture, meaningful location) a firm's culture and management are increasingly visible and palpable in its working environment as well.

How do work spaces contribute to create company value ?

A few firms, among them Google, Microsoft and Accenture, have turned their working environments into a statement of their corporate culture.

Unusual and bold, thus easily spotted, these offices claim a radicality that first nourished the brand's distinctiveness before becoming a model to others (as with the proliferating Google-inspired replicas)

One then needs to make sure that the visual message is relevant regarding the day-to-day reality of the company. As such, not all « cool offices » are that cool... Nowadays, the most relevant projects are the ones focusing on singularity and genuineness.



real estate, a powerful driver of added value
the office building as an element of internal and external branding

To which extent the experience is taken into account when shaping work spaces ?

Too standardized, offices are yet to comprehend the emotional aspect inherent to latin cultures, allowing a better co-existence of human, managerial and spatial spheres in offices.

Yet, new disciplines such as experience design allow companies to bring a sensitive side to new buildings and bound both with co-workers (the wide range of experiences represented by a single work day are then seen as numerous stimuli) and clients (passing the office's threshold is the first real encounter with the firm).



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CASE STUDY



real estate, a powerful driver of added value
the office building as an element of internal and external branding

LINKLATERS

Vincent Ponsonnaille, Partner in the Paris office

The corporate law firm Linklaters has been established in Paris for forty years. It employs 170 lawyers, 30 of whom are partners, and has offices at 25 Rue de Marignan in the 8th arrondissement of Paris.

Which criteria were decisive in your choice of location?

We have been on the Rue de Marignan since 1999. The most important criterion was clearly location, as we have to be near our main clients. It is important to our clients and for our image that we are located at the heart of the Parisian Central Business District; this is also the case for other large international law firms. The second criteria was that of accessibility for our employees and our clients: time spent travelling is always time wasted. It has to be easy to get to the offices, especially by taxi, which means being on a street that is wide enough to allow cars to wait or drop off clients. Proximity to the metro is, of course, essential. Finally, the third criterion was space planning potential, so we could have numerous meeting rooms and to ensure that it would be easy to move around the building: the activity and the growth of the firm depends on extensive collaboration between different departments.

In what ways do your work spaces contribute to the performance of your teams?

It is not easy to answer this question because it comes down to intuition rather than quantifiable fact. Firstly, I feel that our offices are welcoming: clients often choose to come here, we regularly organize internal events, conferences and training sessions that are open to our clients, as well as social functions that help our employees get to know each other better. As such, our offices help to strengthen relationships with our clients and between the members of the firm.



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the office building as an element of internal and external branding**

Moreover, we have introduced support services and a concierge service that functions 24 hours a day. This is critical to our ability to react to the demands of our clients and it enables our members of staff to devote themselves entirely to their cases.

Where did you focus your attention when it came to fitting out the offices?

In addition to the space planning issues to which I referred previously, it was important that the fittings were plain and uniform. We wanted to erase the hierarchical distinctions between partners and employees: all of the offices are identical. We also owe it to our clients to show restraint in our offices: they aren't paying us for gold leaf and fashionable furniture. Finally, we have to show a certain level of consistency with our other offices around the world, all of which should reflect our global brand.





real estate, a powerful driver of added value

real estate responses to changes in the workplace

...

profound changes in the landscape

...

a less hierarchical organization and open work spaces that promote collaboration,
innovation and creativity

...

the new paradigms: Open, Slow and Social Offices

...

the importance of considering synergies and parallels between the physical and
virtual aspects of work and the organization

+

Case Study : ACCENTURE



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real estate responses to changes in the workplace

profound changes in the landscape

There is no doubt in the minds of the company directors whom we met that there has been **a profound change in society's attitude** to work. The basic concept of what work means – a unit of place, time and action – has changed. A shift in generation might have sparked the changes, but that does not make them any less structural or durable: companies have no choice but to adapt by engaging in positive ruptures with the past.

The first step is to make a gradual shift towards **a network of multiple decision-making and design hubs**. Moreover, communities of shared interests must be enabled to operate successfully across different timetables in response both to growing expectations regarding **personalized working hours** (work-life balance) and the need to be available for clients who are demanding increasingly seamless services (towards a 24/7 culture). Finally, all employees must be helped to develop more **transverse skills**: creativity and speed of execution, concentration to resolve a problem or generate an idea, cooperation with a large number of people both in-house and externally.

Work spaces offer solutions to some of these changes in the workplace by facilitating collaboration, openness to one's surroundings, innovation, and socialization.



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the continuing decline of hierarchical organizations in the workplace

Ever since people started to question the bureaucratic structures that had been passed down from the Ford era, executives have been wanting to create flatter hierarchical organizations. This topic remains current within companies because it reflects:

- a desire for greater **reactivity**, in particular through more direct contact with the market at all hierarchical levels,
- the will to **empower** operational staff,
- the need to **simplify** or “lighten” organizations by removing layers of middle management that have become surplus to requirements,
- or even a strong belief among executives that the **performance challenges** facing their organization are more a question of horizontal relationships (between functions, between departments) than of relationships between managers and their teams.

Yet, it is clear that the need to introduce flatter structures requires a rethink of the layout, or even the architecture, of work spaces accompanied by a shift from a vertical mindset to a horizontal one.



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open work spaces that promote collaboration, both in-house and externally

The underlying trend is towards a natural rationalization of work spaces. The size of dedicated personal spaces is diminishing due to greater mobility among managers and executives as well as a gradual questioning of overly- hierarchical and pyramidal organizational structures that now seek to be more agile, more reactive, and more empowering. It is **the end of the office as a symbol of power**. As individual spaces become more rare and are replaced by shared spaces of all sizes and all shapes, there is a reversal of trends (there was a 1/9 ratio between individual offices and shared offices in the majority of companies we interviewed) that is not without consequences and that meets with resistance. Change requires significant preparation, taking around two years in the case of companies, like BNPP Real Estate, that believe they have made a successful transformation.

The change in paradigm can also be observed in the use of work spaces. The employee is asked to **choose “his” working environment** (specific spaces and equipment) **according to the kind of activity he has to undertake during a given period**: focused work on a technical project, a creative phase, the organization of a team meeting, leadership of a confidential business negotiation, etc.

These organizational basics make it possible to significantly reduce the floor area required to conduct business. Going further, companies are opening up in a quest for **more, and one hopes more fruitful, collaborations, reinventing the corporate landscape to encourage serendipity within the organization**, for example, by creating contact zones where different departments/functions can mix and perhaps discover shared business interests. Horizontal flows are preferred to vertical movement and the staircase is perceived as a meeting place unlike any other: no longer hidden, it demands to be seen. Collaboration cannot, however, be imposed. It can be encouraged by the work space but the work space cannot do everything, especially if faced with a corporate culture that is reluctant to embrace these types of collaboration (see the article “Who moved my cube?”, published in the Harvard Business Review in 2011).



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work spaces that encourage innovation and creativity

Innovation and creativity have become essential to survival. Whatever their field of business, whatever expertise they host, all companies must innovate. This implies moving outside established frameworks and is expressed by **abandoning the usual landmarks of the workplace** in terms of shape, colour, volume, light, etc.

Architects and interior designers do not lack in creativity when it comes to developing environments and products that are supposed to facilitate and stimulate the imagination (see, for example, the research conducted by Steelcase on this subject). The main idea is to disrupt the landscape and open new horizons by **playing with the limits of perception**. This can mean playing with **the very structure of the building** (curved or straight lines, rhythm, volume, materials, relationship between the inside and outside, circulation) or the **interior features** (comfort/discomfort, fixed/mobile, playful/professional).

Even so, innovation does not always appear where we expect it. The company is an ecosystem and it is essential to give the men and women who inhabit it the chance to play with its frontiers, its traditions... And that goes far beyond the fairly widespread practice of allowing employees to choose their own furniture (as was the case at Lagardère).

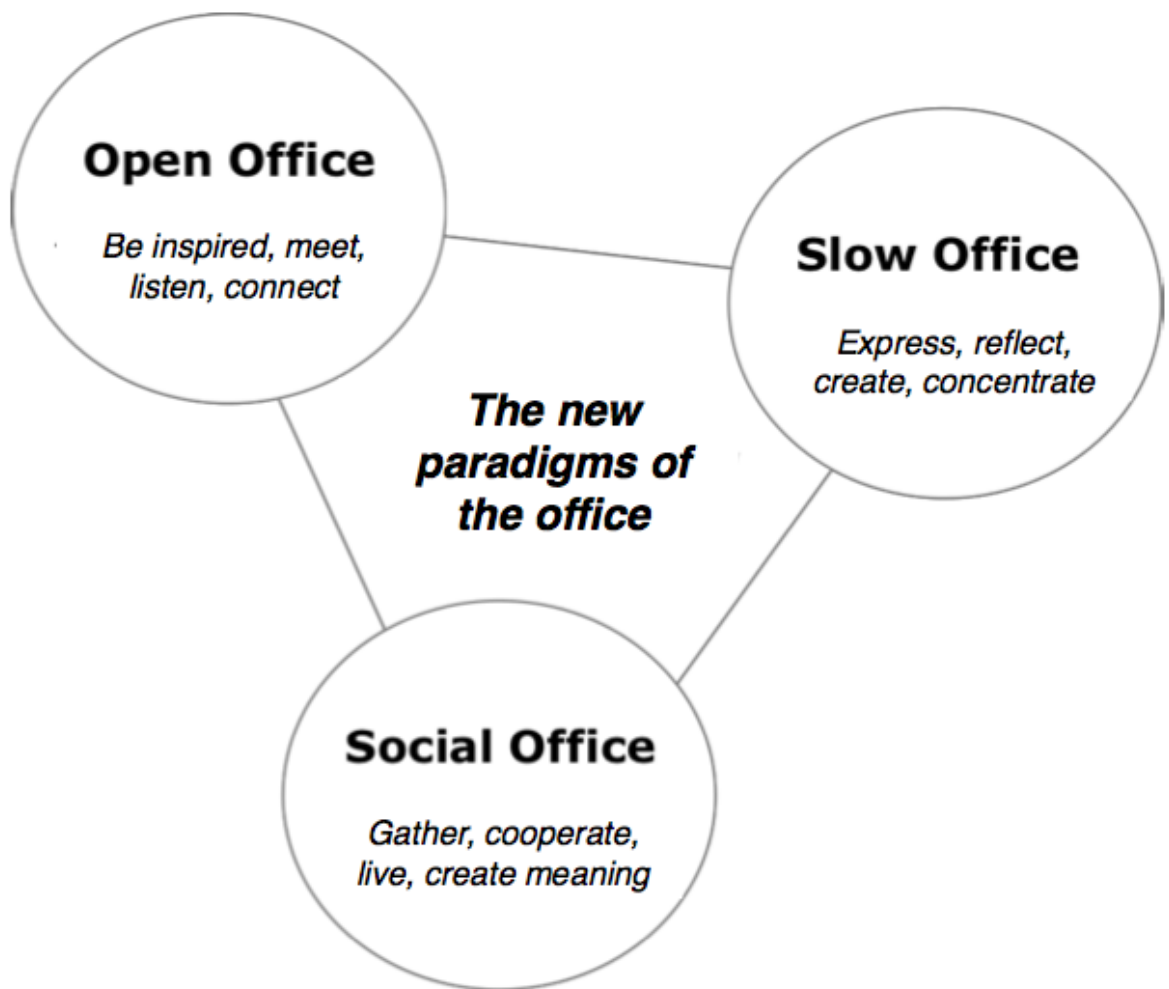
Certain companies go further and seek to inject the “creativity virus” into the very heart of their organization by placing **contemporary art in work spaces** or even inviting artists in residence, who transform the enterprise into a workshop. Recent examples include the artists in residence at Eurogroup Consulting and in Hermès’ workshops.



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FOCUS

work spaces that encourage innovation and creativity





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real estate responses to changes in the workplace

a work environment that facilitates the flow and analysis of information

The technology revolution has infiltrated our lives, particularly our professional lives, and enabled **the office to extend its reach**. For example, consulting companies like Accenture are well versed in nomadic practices and have often been early adopters of cutting-edge mobility tools. The development of tools for mobile working makes it possible to work anywhere: in the office, while travelling, at home, etc. The exponential growth in the use of communication tools and in the sharing of information creates a new relationship to time and the emergence of novel and “free” ways for companies to cooperate in-house and externally, such as community- based concepts and interdisciplinary collaboration.

The trend for connectivity, openness to the world and networks will only grow as this need to turn towards the outside is **and remains an important source of creativity and innovation: welcome to the open office**. The high- performance workspace is designed to be ultra-connected, not only in technical terms (see the report on “remote working” in the 2012 study by Greenworking) but also in physical terms. The goal is to be in the centre of the flow, whether that is a flow of movement for employees, a flow of clients, or a flow of activities with different partners. For one executive whom we interviewed the challenge is clear: **“Tomorrow, what matters won’t be the place I work but the intensity with which it is used; not how many people can be seated there but how many people can pass through”**.

But value creation is driven by the generation of ideas and not the collection of data. Companies must, therefore, in this ultra-connected world, plan to **provide their employees with places where they can concentrate and disconnect enough to analyze all of the information flows** that will pass through their business. These “introspection spaces” will enable employees to express their unique vision, the foundation of true innovation, by giving them time to take a step back and reflect. This interest in what we could describe as the **“slow office”** is becoming a reality in the form of libraries, concentration spaces and other quiet rooms.



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the office building: new forms of social interaction

The office, as a living space, promotes sociability. The men and women who meet there develop relationships and build a shared culture. The cohesion of the group is important when it comes to coping with repeated organizational transformations. The shared “home” is a point of reference, sometimes even a source of pride (“Open Days” for employees’ families, along the lines of those held in the past at factories are organized by, for example, Crédit Agricole) and a cultural melting pot. Work spaces are increasingly becoming **places to celebrate** internal functions – holding a party at the office is preferred to renting an impersonal hotel or conference room – and external events with, for or on behalf of clients. Both SCOR and Sanofi have adopted this approach.

Offices will soon become spaces for people and companies from different backgrounds to cooperate and collaborate, much like extended **co-working** spaces. They will be a powerful tool to create project and special- interest communities. They even have the potential to shift the original business concept of the company (as the HR director of Edenred argued in his New Year speech to employees) by enabling everyone, independently and with others, to give meaning to their professional activity: welcome to the **social office**.



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the importance of considering synergies and parallels between the physical and virtual aspects of work and the organization

The revolution in information technologies means that workplace structures are increasingly drawn up not only as physical constructs (a person, an office, a floor, a building, an address) but also as **virtual constructs** (an email, a smartphone number, a virtual office, a collaborative platform, a database on the cloud, an internal and external business network along the lines of LinkedIn or Facebook, etc.).

Once the realm of anecdote, new types of organization are emerging that are founded on the principles of mobility (a lack of concern for the physical distances between individuals), flexibility and independence (each person maintains a virtual network of contacts that reflects their current needs and projects). These structures will require us to reconsider, in depth, the value and utility of physical work spaces and how they dovetail with virtual work spaces. In this field, certain organizations that are, by their nature, strongly nomadic – for example, consulting companies like Accenture – are at the technological forefront.

The challenge, therefore, for tomorrow's companies will be to design the physical layout of the organization, i.e. the office building, so it is **coherent with the virtual layout** enabled by their IT systems (see the CITRIX report on the contribution of new technologies and new methods of working). The real estate director is already being asked to work more closely with the HR director. The next step will be to ask him to develop a closer relationship with the IT director, not to discuss cabling or the location of the servers but because the concept of the office will be considered as much a virtual construct as a physical construct.



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in summary

Adapt the company to fundamental changes in our relationship to work: the end of a single unit of place, time and action

Abandon the idea of an individual office as a symbol of power

Rethink the landscape of the company to promote serendipity within the organization

Change the day-to-day approach: “I don’t have an office but I choose my work space – where I work and the tools I use – according to the type of activity I will undertake at a given time”

Play with the building’s structure and interior design to challenge the limits of perception and encourage innovation and creativity

Promote the new workplace paradigm: Open, Slow and Social Office

Consider synergies and parallels between the physical and virtual aspects of work and the organization



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EXPERT VIEWPOINT



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real estate responses to changes in the workplace

ACCENTURE

Marc Thiollier, Managing Director, Accenture France

The leading consulting company in the services and technology sector, Accenture employs 5,000 people in France, 3,500 of whom are based at its offices on the Avenue de France in the 13th arrondissement of Paris.

Accenture's offices were completely revamped recently: was this a simple makeover or a genuine revolution?

I don't know that it was a revolution, but the "Moving Forward" project did generate profound change. We had made three observations: we had to rationalize our real estate footprint to reduce costs, give our consultants more space and effective work tools (most of the workspace was given over to office-based staff and management), and finally make our work spaces more in tune with our business and our branding. We could have moved, as our lease was about to expire, but we decided to stay and to radically rethink our offices so as to transform them into outstanding work tools for us and for our clients, in keeping with the global Accenture Workplace 2.0 programme. The basic concept was simple: how can we channel, diffuse, and enhance the value of the energy generated by our consultants?

Technology is at the heart of your project. How does it underpin these new organizational approaches to work?

Technology is indeed central to our vision of the company. We think it is a formidable tool to drive transformation and business performance.



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In our professional context, it facilitates interdisciplinary cooperation, mobility, information-sharing and creativity. Our clients recognize our expertise in this field; we also want them to see us as trend-setters. It's all the more important given that our consultants are young, with an average age of 32, and very much at the cutting edge in this domain. So our new work spaces make the most of technology: a centralized room reservation system, a "pitching" room, a remote-working room, computer-based voice call systems, etc. Finally, we encourage telecommuting: at present almost 60% of our office-based staff work from home one to three days a week.

In a profession that is inherently nomadic, what is the role of the headquarters?

It's true that our consultants spend a lot of their time at their clients' offices. This high degree of mobility makes it important to have a harbour, a shared base. Having a place to meet and mix facilitates the spread of our corporate culture. With this in mind we have invested heavily in social areas, making them colourful, playful and comfortable. We also have an unusual space, the "Happen Space", where we put on events inside the company. For example, stand-up comedians from the Comedy Club have played there. Creating links with our consultants is very important as our profession is very demanding and individual commitment is essential. In fact, we monitor the level of this commitment and have found that it has grown significantly since we arrived in our new work space, among both our consultants and our office-based employees.



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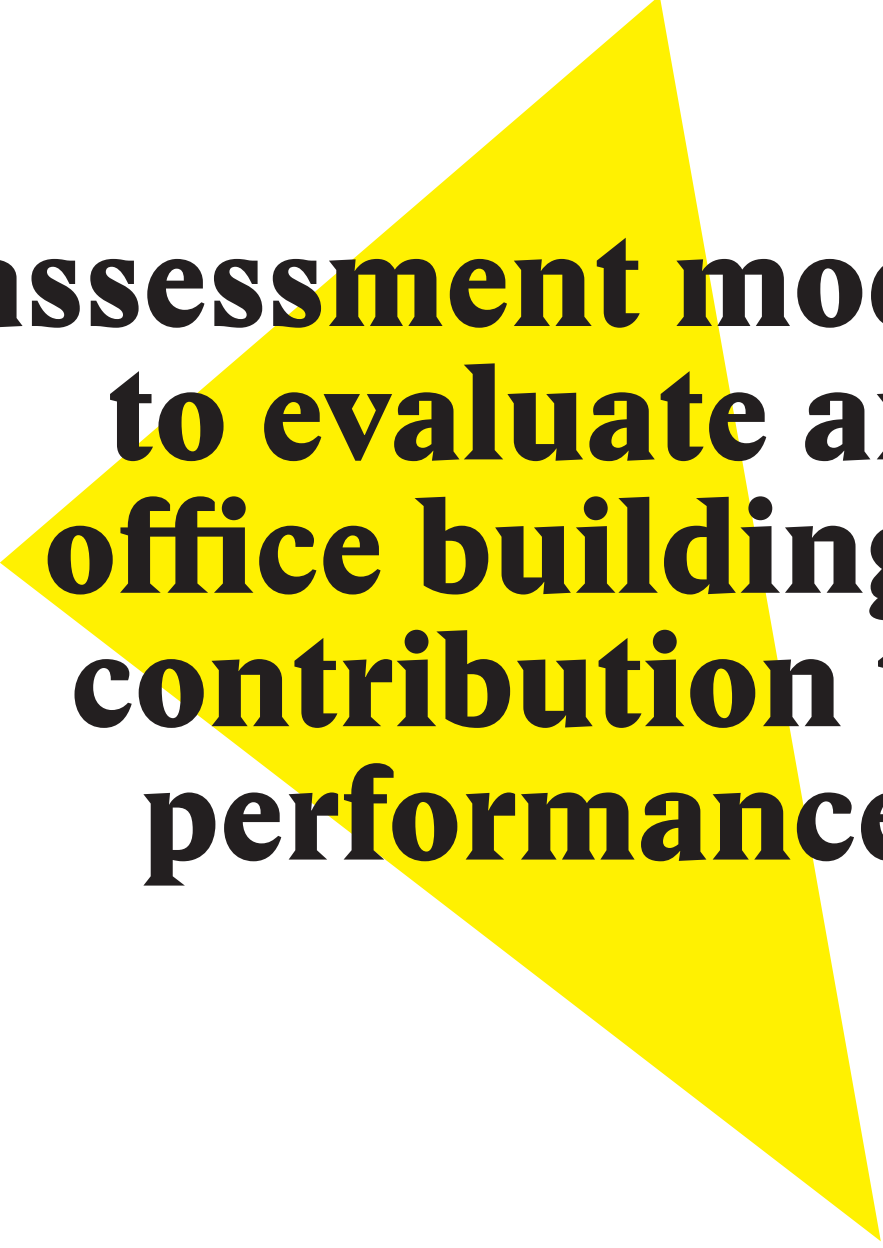
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objective value creation



assessment models to evaluate an office building's contribution to performance



assessment models to evaluate an office building's contribution to performance
introduction to different models

introduction

Our work on modelling builds on recent research published by the firms Roland Berger and Goodwill Management.

Their approaches had a common goal: to better understand the impact of real estate choices on the aspects of a business that are not exclusively financial (human resources, organizational efficiency, brand image).

Our model aims to contribute to these debates by specifying the relative impacts of real estate choices on different types of companies and organizations based on the concept of the “value contribution per employee” and the intensity of the external relationships that are typical of these businesses.

Our model also aims to offer decision-makers a better understanding of the different ways in which office properties can contribute to the productivity of employees, whether by maximizing productive time, increasing well-being, or promoting greater organizational efficiency.

MAYDAY V, Andreas Gursky, 2006





assessment models to evaluate an office building's contribution to performance

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an overview of recent assessment methods

...

better understanding your real estate choices – November 2012 (Roland Berger)

...

evaluating the intangible value of an office building – April 2013 (Goodwill Management)

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the assessment model to evaluate the value contribution of an office building

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assessment models to evaluate an office building's contribution to performance
overview of existing methods

better understanding your real estate choices – November 2012 (Roland Berger)

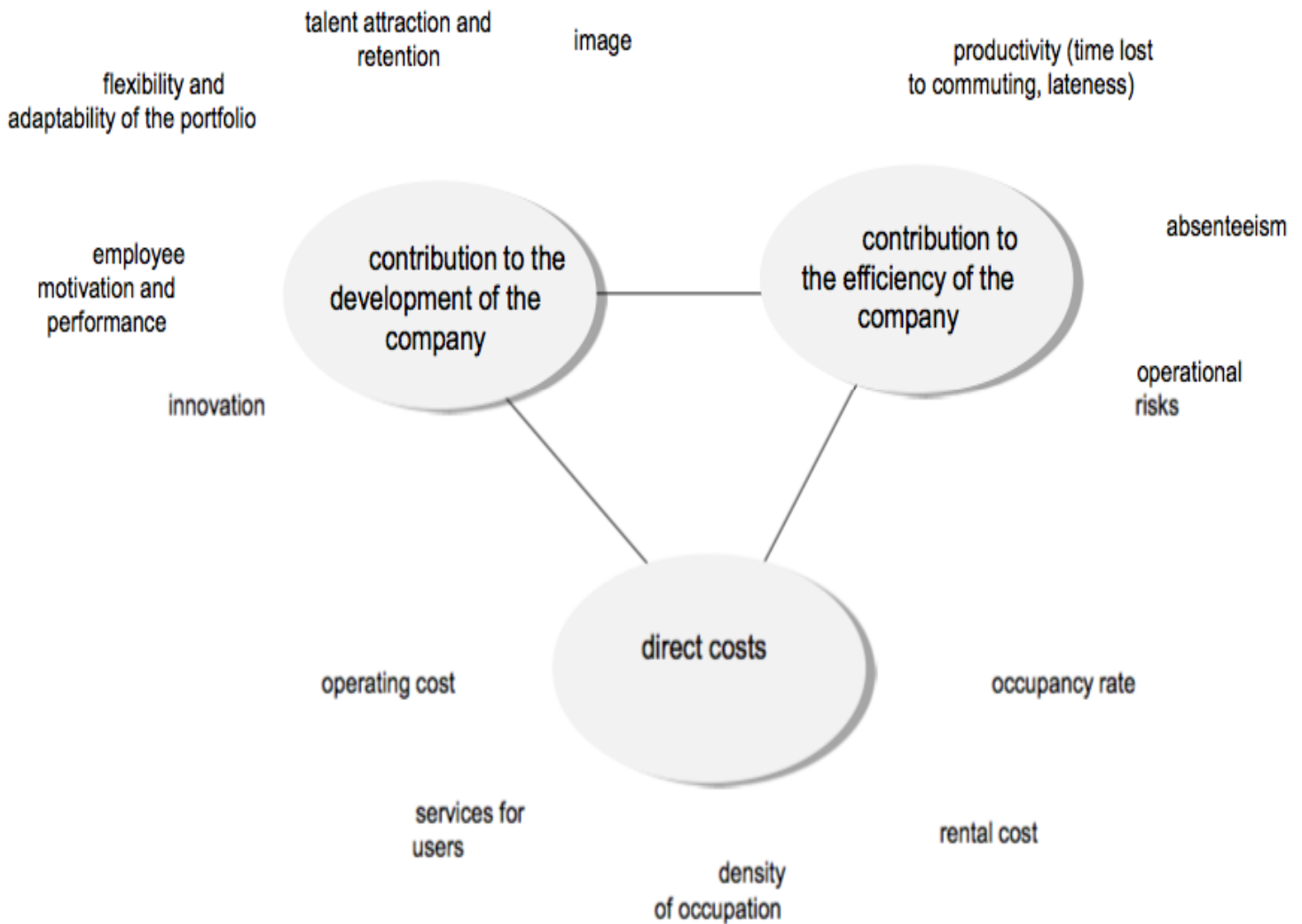
“While the financial methods for taking decisions about real estate have become much more sophisticated in recent years, all too often they are focused exclusively on finding ways to reduce direct real estate costs (rents per square metre, operating costs, etc.). They overlook other parameters that are, by their nature, less easy to pin down and quantify but whose impact is, however, often of equal or greater importance for the results of the company.”

the four parameters of the model: cost, location, modernity, and uniqueness

in summary: advice for a Management Board: :

- 1 Do not give excessive weight to financial factors when taking real estate decisions
2. Property must be a driver that transforms the organization
3. Pay close attention to the inherent risks of succumbing to the siren call of the suburbs: choosing a peripheral location for headquarters could result in difficulties recruiting, losses in productivity, and an impact on image; the new trend for campus offices must be balanced against a loss in flexibility, as there is limited potential to sub-let parts of a site.

the multi-factor analysis grid proposed by Roland Berger





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Assumptions made by Roland Berger's model

Recurring :

- **Direct real estate costs** = [rent (200 à 800 €/sq.m) + operations (166 à 222 €/sq.m)] x density (10 à 20 sq.m/employee)
- **Productivity impact** = centrality of location (- 4% to -10%) + uniqueness (- 4% to + 4%) + modernity (0% to 5%)
- **HR impact** = centrality of location (variation in turnover rate* -30% to +40%) + modernity (-10% to -15% of the absence rate)
- **Transfer cost** = 400 to 1300 €/employee
- **Flexibility impact** = - 2% to +2% of the real estate cost

Non-recurring :

- **Costs of relocating**
- **Cost of social support and adjustment**
- **One-off turnover**

Example:

1) Relocation of a large holding company with 9,000 employees, with its headquarters in old offices in the west of Paris and its subsidiary in an old building in the Paris suburb of Colombes. The company moves its headquarters to a modern building in the Paris CBD and its subsidiary to modern offices in Colombes.

Recurring gain = €1,860 per employee

NPV (net present value) over six years = €5,399 per employee (including non-recurring costs)

2) Relocation of the headquarters of a medium-sized company from old offices in the western Paris suburb of Courbevoie to a campus in the northern suburb of Saint-Denis.

Recurring gain = €1,107 per employee

NPV (net present value) over six years = -€5,827 per employee (including non-recurring costs)



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evaluating the intangible value of an office building – April 2013 (Goodwill Management)

Subject :

Methods for calculating the economic value of a building for its users.

The main elements that contribute value :

- **Functional design:** contribution to collaboration, health, safety, productivity due to comfortable working conditions, ease of work-related travel, potential for space redistribution, access to telecoms networks
- **Technical design:** energy performance and water consumption, durability of amenities and materials, environmental objectives that exceed current regulatory requirements thus reducing the potential cost of future renovations
- **Location:** impact of a central location on staff turnover, tiredness and stress, time wasted on commuting, the cost of security measures, and user transport and services
- **Aesthetic appeal**



assessment models to evaluate an office building's contribution to performance
the assessment model to evaluate the value contribution of an office building

the assessment model to evaluate the value contribution of an office building

Evaluating the value contribution of an office building means evaluating its impact on a company's performance in terms of the value it creates:

- The value contribution of a building is calculated by making a differential comparison with other properties
- This value is, by its nature, relative to the type of company in question: it depends on the performance challenges faced by the company, on its employees, on the proportion of managers, and the intensity of external relationships with customers, partners, etc.

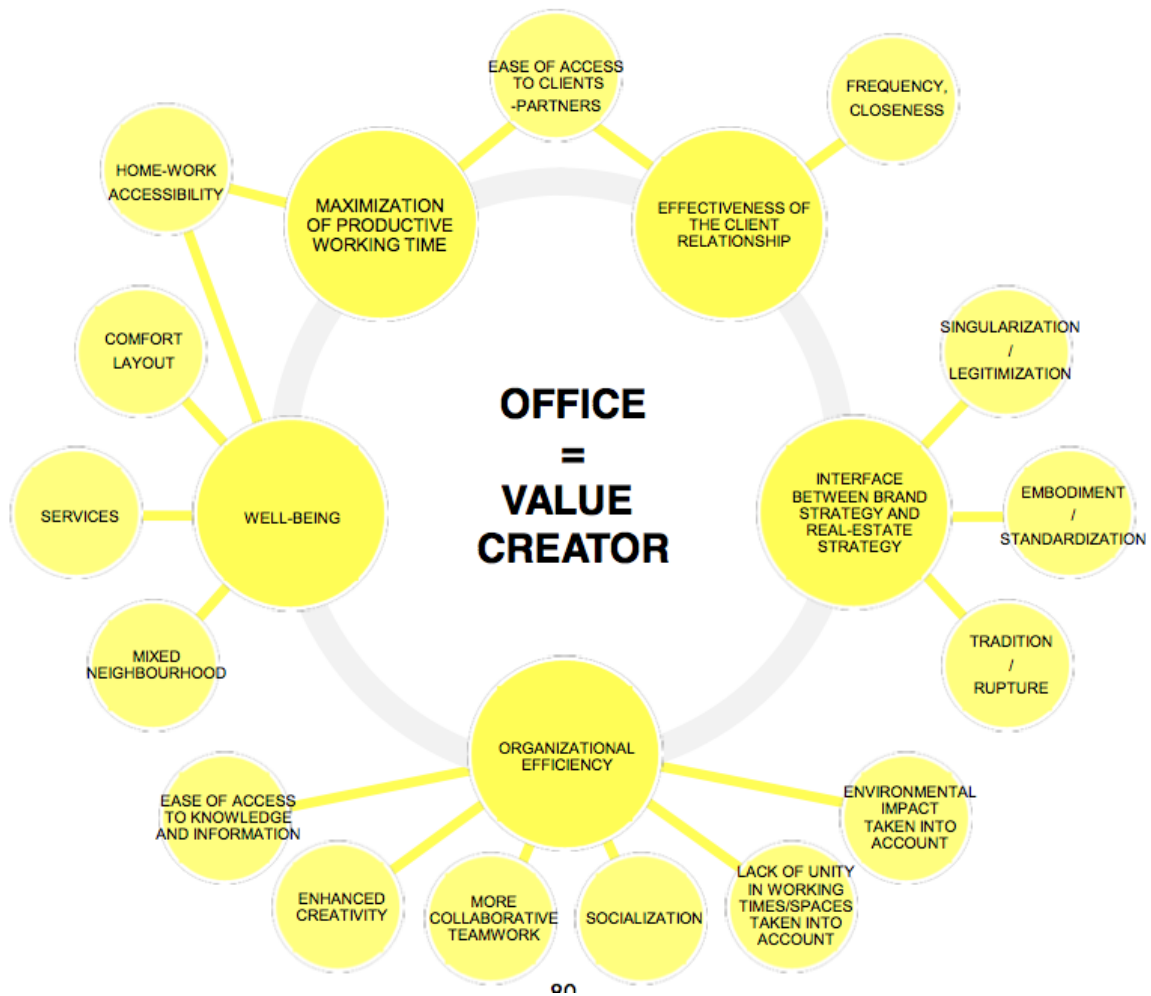
The main impacts of an office property on corporate performance are:

- An impact on productivity based on the maximization of productive time in a working day
- An impact on productivity and attractiveness based on greater employee well-being
- An impact on sales based on a more effective client relationship
- An impact on productivity and attractiveness based on organizational efficiency and responses to changes in society
- A impact on the value created by the corporate brand, both internally and externally

The following pages describe the assessment model used to evaluate the value contribution of an office property. It is based on an analysis of these different impacts and the value they create. Issues relating to the quality of the client relationship, the value of which is intimately linked to the company's activities, and issues relating to the interface between brand and real estate strategies are excluded as they cannot, by their nature, be quantified.



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the assessment model to evaluate the value contribution of an office building





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applying the model : types of organization covered

Performance drivers

Real estate strategy

Back-office services for a major group with more than 2,500 employees

Synergies and resource sharing, rationalization, cost management, constant focus on productivity gains (notably through reductions in staff numbers)

Unity (seeks floorspace greater than 30,000 sq.m.), cost reduction (higher occupancy rate and cost per sq.m.)

Headquarters of a large company with more than 2,500 employees composed of a management board, country teams built around specialized functions, and support functions (significant back-office activity)

Synergies and resource sharing, rationalization, cost management, constant focus on productivity gains (notably through reductions in staff numbers)

Unity (seeks floorspace greater than 30,000 sq.m.), cost reduction (higher occupancy rate and cost per sq.m.)

Subsidiary of a large French company with 1,000 to 2,500 employees

Product innovation/differentiation, operational excellence, price competitiveness (constant focus on productivity gains)

Unity (seeks floorspace from 10,000 to 30,000 sq.m.), cost reduction (higher occupancy rate and cost per sq.m.)

Large B2B services company (IT consulting, audit, etc.) with more than 1,000 employees

Operational excellence (methodology), brand innovation/differentiation, price competitiveness, inbuilt flexibility (market cycles), workforce flexibility

Unity (seeks floorspace greater than 10,000 sq.m.), cost reduction (higher occupancy rate and cost per sq.m.), adaptability, functionality



assessment models to evaluate an office building's contribution to performance
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applying the model : types of organization covered

Performance drivers

Real estate strategy

Headquarters of a large company with fewer than 1,000 employees occupying roles in the group's key functions

Brand innovation/differentiation, cross- sectorial (activity, geography), value creation for the brand(s), financial strategies and conversation with the markets

Strongly embodied brand, presence on a legitimizing market, national and international reputation, high degree of client access

French subsidiary of an international group with fewer than 1,000 employees

Commercial development, cross- sectorial (activity, geography), value creation for the brand(s)

Strongly embodied brand, presence on a legitimizing market, national and international reputation, high degree of client access

Specialized services company that adds very high value, employing fewer than 500 people

Operational excellence, brand quality (the "signature" effect), tailored services with high added value, war for talent

Legitimizing address, proximity to the customer, high-end layout and services, strong embodiment and personalization adaptability, functionality



assessment models to evaluate an office building's contribution to performance
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applying the model : types of organization covered

	Proportion of managers	Intensity* of external relationships	Value added/employee
Back-office services for a major group with more than 2,500 employees	20%	low	€45K
Headquarters of a large company with more than 2,500 employees composed of a management board, country teams built around specialized functions, and support functions (significant back-office activity)	30%	low	€70K
Subsidiary of a large French company with 1,000 to 2,500 employees	60%	medium	€90K
Large B2B services company (IT consulting, audit, etc.) with more than 1,000 employees	80%	high	€120K

* A low intensity means that only 20% of managers have, on average, 4 external meetings per week; medium corresponds to 50% of managers; high corresponds to 80% of managers



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applying the model : types of organization covered

	Proportion of managers	Intensity* of external relationships	Value added/employee
Headquarters of a large company with fewer than 1,000 employees occupying roles in the group's key functions	80%	medium	€150K
French subsidiary of an international group with fewer than 1,000 employees	80%	high	€150K
Specialized services company that adds very high value, employing fewer than 500 people	80%	high	€250K



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the assessment model to evaluate the value contribution of an office building

1 / 4

the impact of real estate decisions on the maximization of productive working time

reduction of home-office commuting times

For managers in the Paris region, commuting takes up 15% of the working day
(source: Insee)

The principle: a more accessible location makes it possible to reduce commuting times. We estimate that, for managers who are not paid a day rate, 50% of the time gained from a shorter commute could be reclassified as available working time.

The tables that follow show, for each type of company, the potential impact on added value of a total reduction of 10 minutes in the daily return commute between the home and the office



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The impact of real estate decisions on the maximization of productive working time

Impact of a 10-minute reduction in return commuting times
between the home and the office

Type of company	Value added per year per employee Percentage of managers	Annual gain in value added per employee	Annual gain in value added per sq.m (assume 15 sq.m/employee)
Back-office services for a major group with more than 2,500 employees	€45K 20%	+ €104	€6,90
Headquarters of a large company with more than 2,500 employees composed of a management board, country teams built around specialized functions, and support functions (significant back-office activity)	€70K 30%	+€312	€20.80
Subsidiary of a large French company with 1,000 to 2,500 employees	€90K 60%	+€718	€47.90
Large B2B services company (IT consulting, audit, etc.) with more than 1,000 employees	€120K 70%	+€1,057	€70.5
Headquarters of a large company with fewer than 1,000 employees occupying roles in the group's key functions	€150K 80%	+€1,400	€93.30

* This increase in added value corresponds to the maximum additional cost per sq.m. that the company can pay for Building A relative to Building B if Building A has better accessibility for employees equivalent to an average reduction in commuting time of 10 minutes. Above this level, the gain in added value due to this improved access is, for this type of company, inferior to the additional cost per square metre of Building A relative to Building B.



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The impact of real estate decisions on the maximization of productive working time

Impact of a 10-minute reduction in return commuting times
between the home and the office

Type of company	Value added per year per employee Percentage of managers	Annual gain in value added per employee	Annual gain in value added per sq.m (assume 15 sq.m/employee)
French subsidiary of an international group with fewer than 1,000 employees	€150K 80%	+ €1,400	€93,30
Specialized services company that adds very high value, employing fewer than 500 people	€250K 80%	+€2,416	€161,10

* This increase in added value corresponds to the maximum additional cost per sq.m. that the company can pay for Building A relative to Building B if Building A has better accessibility for employees equivalent to an average reduction in commuting time of 10 minutes. Above this level, the gain in added value due to this improved access is, for this type of company, inferior to the additional cost per square metre of Building A relative to Building B.



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The impact of real estate decisions on the effectiveness of the client relationship

This impact is due both to a maximization of employees' productive working time (because they spend less time travelling to visit clients) and to greater proximity to clients. In practice, this geographical proximity reinforces the "intimacy" of the client relationship: it becomes possible to hold many more physical meetings and, more importantly, to do so in a very responsive way. This can be vital in certain professions, such as investment banking, corporate law and strategic consulting, where constant availability is a key factor in adding value.

We estimate that managers in the Paris region spend **25%** of their working day outside their company's offices and that they have, on average, four external meetings with clients and/or partners per week.

The principle: a location that is closer to the company's main clients/partners makes it possible to reduce daily work-related travel. We estimate that for this population of employees, all of the time gained on these journeys can be reclassified as working time. For each type of company we have defined a level of "external intensity": low, medium or high.

The tables that follow show, for each type of company, the potential impact on added value of a reduction of 10 minutes in the return journey between the office and the client/partner



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The impact of real estate decisions on the maximization of productive working time

Impact of a 10-minute reduction in daily work-related journeys

Type of company	Value added per year per employee Percentage of managers External intensity	Annual gain in value added per employee	Annual gain in value added per sq.m (assume 15 sq.m/employee)
Back-office services for a major group with more than 2,500 employees	€45K 20% low	+ €33	€2,20
Headquarters of a large company with more than 2,500 employees composed of a management board, country teams built around specialized functions, and support functions (significant back-office activity)	€70K 30% low	+€100	€6.70
Subsidiary of a large French company with 1,000 to 2,500 employees	€90K 60% medium	+€575	€38.30
Large B2B services company (IT consulting, audit, etc.) with more than 1,000 employees	€120K 70% medium	+€845	€56.4
Headquarters of a large company with fewer than 1,000 employees occupying roles in the group's key functions	€150K 80% high	+€1,120	€74.70

* This increase in added value corresponds to the maximum additional cost per sq.m. that the company can pay for Building A relative to Building B if Building A has better accessibility for employees equivalent to an average reduction in commuting time of 10 minutes. Above this level, the gain in added value due to this improved access is, for this type of company, inferior to the additional cost per square metre of Building A relative to Building B.



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The impact of real estate decisions on the maximization of productive working time

Impact of a 10-minute reduction in return commuting times
between the home and the office

Type of company	Value added per year per employee Percentage of managers External intensity	Annual gain in value added per employee	Annual gain in value added per sq.m (assume 15 sq.m/employee)
French subsidiary of an international group with fewer than 1,000 employees	€150K 80% medium	+ €1,792	€119,50
Specialized services company that adds very high value, employing fewer than 500 people	€250K 80% high	+€3,093	€206,20

* This increase in added value corresponds to the maximum additional cost per sq.m. that the company can pay for Building A relative to Building B if Building A has better accessibility for employees equivalent to an average reduction in commuting time of 10 minutes. Above this level, the gain in added value due to this improved access is, for this type of company, inferior to the additional cost per square metre of Building A relative to Building B.



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The impact of real-estate decisions on improved employee well-being

79% of European executives say they are concerned about stress in the workplace (source: European Agency for Safety and Health at Work, 2010)

70% of HR directors at companies in the Paris region consider that bad conditions for commuting (duration, level of discomfort) act as a brake to the recruitment and retention of talents (source: Technologia, 2010)

57% of high-level French managers say they are stressed (source: ANACT/CSA, 2009)

€2-3 billion: the social cost of stress in France (source: INRS and Arts et Métiers ParisTec, 2007)



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The impact of real-estate decisions on improved employee well-being

Although all of the executives we spoke to recognized the relationship between real estate and well-being and between well-being and productivity, these elements are not monitored by companies. Furthermore, existing reports and research into the subject only partially quantify the productivity gains that companies could obtain by offering their employees a workplace that is more favourable to their well-being.

We must, therefore, work on the basis of hypotheses that are founded on accumulated evidence; we will apply the same logic when it comes to making links between office buildings, organizational efficiency and productivity. Roland Berger estimates, with particular reference to research work undertaken at the University of California, Berkeley, that the quality of a building has an impact of 0.5 to 5% on the productivity of its occupants with a reduction in absenteeism of 10 to 15%. Aloreem, a consultancy specialized in the optimization of working conditions, states that situations of malaise (where that lack of well-being is due at least in part to the physical work environment), can lead to declines in productivity of 8 to 9% due to poor concentration, absenteeism, and presenteeism. Furthermore, in its latest study on working conditions, TNS Sofres reports that of the 1,000 employees in its database who were interviewed, 85% said that the physical work environment has a significant impact on their well-being. They also report that employees who are happy with their work environment are two times less stressed than those who are not happy. And yet, according to a recent European study by the European Agency for Safety and Health at Work, stress is the cause of 50% of absences (equivalent, on average, to 2% of days worked in France).

Based on these elements, we have taken as a hypothesis for our model that productivity gains related to the office building's impact on well-being could reach 3 to 4%. Our hypothesis is lower than that proposed by Roland Berger because we have distinguished between productivity gains linked to well-being and those linked to greater organizational efficiency, which will be discussed later. Aloreem's assessments, on the other hand, go beyond the physical work environment to take account of other factors of malaise, such as managerial practices, which could account for productivity losses linked to malaise that approach 10%.



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The impact of real-estate decisions on improved employee well-being

The table below presents our vision of the **main drivers that affect a building's contribution to employee well-being**. On the basis of the interviews we conducted and existing research, we have identified a scale of four grades for each driver. An office building is evaluated by taking the **average of the grades attained** for each driver (experience, and the desire to keep things simple, means that we have assumed that the grades for each driver are cumulative, i.e. a building that attains grade 2 for a driver meets the standards for grades 1 and 2). As the scale is linear, a company that could increase the average rating of its office building from 1.5 to 2.5 could benefit from a potential productivity gain of 1 to 2%.

Degree of adaptation to new working practices	1 standard	2 improved	3 enhanced	4 ideal
Ease of access to knowledge and information	Implementation of a shared database and training centre	Spaces dedicated to concentration and documentary research	Implementation of IT tools that facilitate access to company data and work-related public data (virtual office), within the limits of the company's security policies	Space dedicated to the diffusion of knowledge and introduction of "researchers in residence" within the company
Development of creativity	Multiple spaces where people from different teams can meet informally	Spaces suitable for the development of creativity (design, diversity of internal spaces and their layout)	Implementation of a "living office" policy, designed to refresh the employees' experience of their office on a regular basis	Spaces that are open to creation and introduction of a cultural space within the company
Development of collaborative working practices	Maximization of workspaces dedicated to collaborative projects and of meeting rooms sized to suit different needs (number of people, types of shared activity)	Facilitation of the flow of people (horizontal circulation)	Implementation of collaborative IT tools and remote meeting facilities (virtual office), flexible floor plans	Working spaces that make it easy to work with clients and external partners within the office
Socialization	Spaces for employees to socialize, with a coffee machine on every floor as the focus	numerous multi-use spaces for employees to socialize (coffee break, quiet space, informal meeting) Implementation of a specific policy on the hosting and management of nomadic employees Building certified on construction	Office building used to host internal events	Office building used to host client events



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The impact of real estate decisions on organizational efficiency

Three key requirements for companies to strengthen their organizational performance:

- Facilitate access to knowledge and information
- Develop collaborative working practices
- Enhance creativity

Three major societal changes that impose significant adaptations in working practices and environments:

- A need for social opportunities and conviviality at work
- The personalization of working time and work spaces
- Due consideration being given to the environmental impact of work



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The impact of real estate decisions on organizational efficiency

As we did for questions of well-being, we have to establish hypotheses for the productivity gains that result from an office building's contribution to improved organizational efficiency.

On the basis of DGEW's study of the impact on productive time resulting from the availability of dedicated spaces for different types of activity and appropriate technological tools, we established our hypothesis that work spaces offering greater organizational efficiency enable productivity gains of 2.5%. The study was undertaken between 2007 and 2010 and was based on 44,301 responses to 106 surveys conducted in 30 different organizations. This estimate is based on the number of minutes gained by employees as a result of working in offices that are adapted to different activities, as presented in our model.

It should be noted that, in our model, the total increase in productivity that can be gained from a building's impact on well-being and on organizational efficiency is 6.5%. This is slightly higher than the 5% proposed by Roland Berger, who did not take account of home-office commuting or the quality of the urban environment when calculating impacts on employee well-being.

The table on the following page presents our vision of the major drivers that underpin a building's contribution to organizational efficiency. On the basis of the interviews conducted and existing research, we have identified a scale of four grades for each driver. An office building is evaluated by taking the average of the grades attained for each driver (experience, and the desire to keep things simple, means that we have assumed that the grades for each driver are cumulative, i.e. a building that attains grade 2 for a driver meets the standards for grades 1 and 2). As the scale is linear, a company that could increase the average rating of its office building from 1.5 to 2.5 could benefit from a potential productivity gain of 0.5 to 1%.



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Degree of adaptation to new working practices	1 standard	2 improved	3 enhanced	4 ideal
Ease of access to knowledge and information	Implementation of a shared database and training centre	Spaces dedicated to concentration and documentary research	Implementation of IT tools that facilitate access to company data and work-related public data (virtual office), within the limits of the company's security policies	Space dedicated to the diffusion of knowledge and introduction of "researchers in residence" within the company
Development of creativity	Multiple spaces where people from different teams can meet informally	Spaces suitable for the development of creativity (design, diversity of internal spaces and their layout)	Implementation of a "living office" policy, designed to refresh the employees' experience of their office on a regular basis	Spaces that are open to creation and introduction of a cultural space within the company
Development of collaborative working practices	Maximization of workspaces dedicated to collaborative projects and of meeting rooms sized to suit different needs (number of people, types of shared activity)	Facilitation of the flow of people (horizontal circulation)	Implementation of collaborative IT tools and remote meeting facilities (virtual office), flexible floor plans	Working spaces that make it easy to work with clients and external partners within the office
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summary of impacts

Potential gain in added value per sq.m. for each type of company and driver

Hypotheses for each of the four drivers:

- **Home-office commute**: 10-minute reduction in the return journey between home and the office
- **Customer proximity**: 10-minute reduction in the return journey between the office and client/partner locations
- **Well-being**: improved well-being based on services and comfortable surroundings (equivalent to a third of the maximum gain in productivity that is due to workplace improvements that enhance well-being)
- **Organizational efficiency**: improvements in organizational efficiency geared to key performance goals (equivalent to a third of the maximum gain in productivity that is due to workplace improvements that enhance operational efficiency)

E1	Back-office services for a major group with a more than 2,500 employees	E4	Large B2B services company (IT consulting, audit, etc.) with more than 1,000 employees	E7	Specialized services company that adds very high value, employing fewer than 500 people
E2	Headquarters of a large company with more than 2,500 employees composed of a management board, country teams built around specialized functions, and support functions (significant back-office activity)	E5	Headquarters of a large company with fewer than 1,000 employees occupying roles in the group's key functions		
E3	Subsidiary of a large French company with 1,000 to 2,500 employee	E6	French subsidiary of an international group with fewer than 1,000 employees		



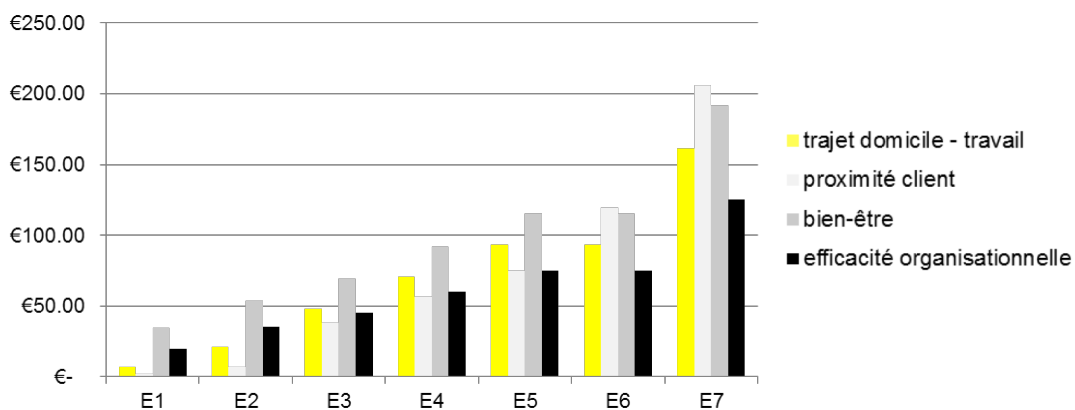
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summary of impacts

Potential gain in added value per sq.m. for each type of company and driver

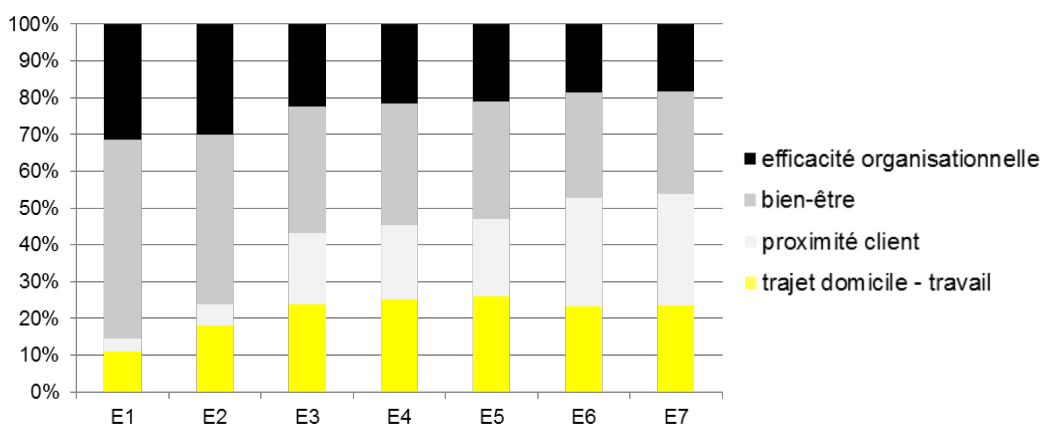
Potential gain in added value
per sq.m. for each type of
company and driver

in euros



Potential gain in added value
per sq.m. for each type of
company and driver

as a percentage





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further reading: bibliographic sources

On evaluating a building's contribution to performance :

- Coût d'occupation au poste - DTZ (2012)
- Measuring productivity - University of California, Berkeley, study (2012)
- Mieux appréhender ses choix immobiliers – Roland Berger (2012)
- Évaluation de la valeur immatérielle d'un immeuble de bureau – Goodwill Management (2013)
- Normes environnementales et productivité du travail - AFNOR, UCLA, Dauphine (2013)
- Workplace's impact on time use and time loss - DEGW (2010)
- Thesaurus - Bercy (2011)
- Éléments statistiques entreprises QCA - Insee (2009)

CONCLUSION & OUTLOOK



objective : value creation

Through this study we sought to gain a better understanding of the way in which executives view the work environment as a driver that can enhance their company's performance. We found that they were aware of this issue, even though they approached it in different ways due primarily to differences in their economic context and strategy. The situations were specific, the questions posed were identical, and the answers were unique.

We also sought to provide tools, arguments and vocabulary that would help them to assert their point of view in situations where the company was taking decisions about real estate that would have lasting and long-term consequences. This was particularly true for HR directors.

More generally, we hope to have contributed to the debate on what is usually referred to as the "value contribution" of commercial property. This debate is driving a structural change in professional approaches in the sector that were firmly focused on demand and less on the supply side. We anticipate that that these changes will bring more individuality and less standardization, greater openness and less dogma, more soul and fewer processes.

Initial feedback shows that some of the companies we met are already thinking about the form that their future offices might take. Following a great wave of consolidation that resulted in uniformity based on fewer partitions, greater occupancy, rationalization and standardization, they think that tomorrow will see a shift towards "intelligent networks". This is particularly with a view to re-establishing a balance between Paris, its suburbs and rest of France, a desire for security and proximity to places where people want to live, and a yearning for the nomadic life and liberty.





objective : value creation



annexes



objective : value creation

the (right) questions to ask before relocating

Comparing the difference in value contribution for each major class of employee (talents, managers, salespeople) for two office buildings is only possible when the relevant HR indicators, in this case effective added value, are available. These indicators make it possible to give appropriate weight to economic factors in a decision to relocate, for example by giving more consideration to factors that are important to populations that contribute significant added value.

Which of the two buildings will maximize employees' productive working time?

Where do employees live? How long do they spend commuting each day? What impact would a relocation have on their commute (increase/decrease in time per day and total duration of their daily commute)?

Which of the two buildings would increase the effectiveness of the client relationship?

Where are major clients/partners located (now/in the future)? What is the level of sales intensity, both at present and in an ideal future (low, medium, high)? Which employees are most important to the commercial relationship (effective added value per type of role)? What is the average travelling time to key clients and what impact would a relocation have? What degree of proximity is required with clients/prospective clients and, ideally, how frequently should meetings occur?

Which of the two buildings offers the most potential to improve employee well-being?

What impacts would the relocation have on employees in terms of daily commuting time (less than 60 minutes, 60 to 90 minutes, more than 90 minutes) and the comfort of their commute (degree of discomfort for the mode of transport chosen)? What level of comfort is proposed/required in terms of building layout? What are employees' expectations regarding services (particularly applies to those who are highly productive)? What kind of urban environment is associated with the building's location (in terms of safety, shopping, culture, sport and leisure) and expected by each main category of employee?



objective : value creation

Which of the two buildings has the potential to enhance the company's organizational efficiency?

To what extent does the building respond to the company's organizational objectives? To what extent does the building facilitate access to knowledge and information? How does the building enable the development of creativity? Which characteristics of the building would facilitate collaboration and project-based teamwork? How much space in the building is devoted to areas for socializing and relaxing? What is the building's environmental footprint?

Which of the two buildings makes the strongest contribution to the company's brand image?

What is the current/desired image of the company relative to its clients/prospective clients and to the employees/talents it wishes to attract? To what extent is the building aligned with the company's branding strategy: singularization/legitimization, embodiment/standardization, tradition/rupture? In what ways will the building help to enrich the experience of its users?



objective : value creation

work undertaken

1. Interviewed executives, HR directors and real estate directors in around thirty companies.

2. Conducted an online survey of 200 managers in the Paris region (in collaboration with SSI in February 2013).

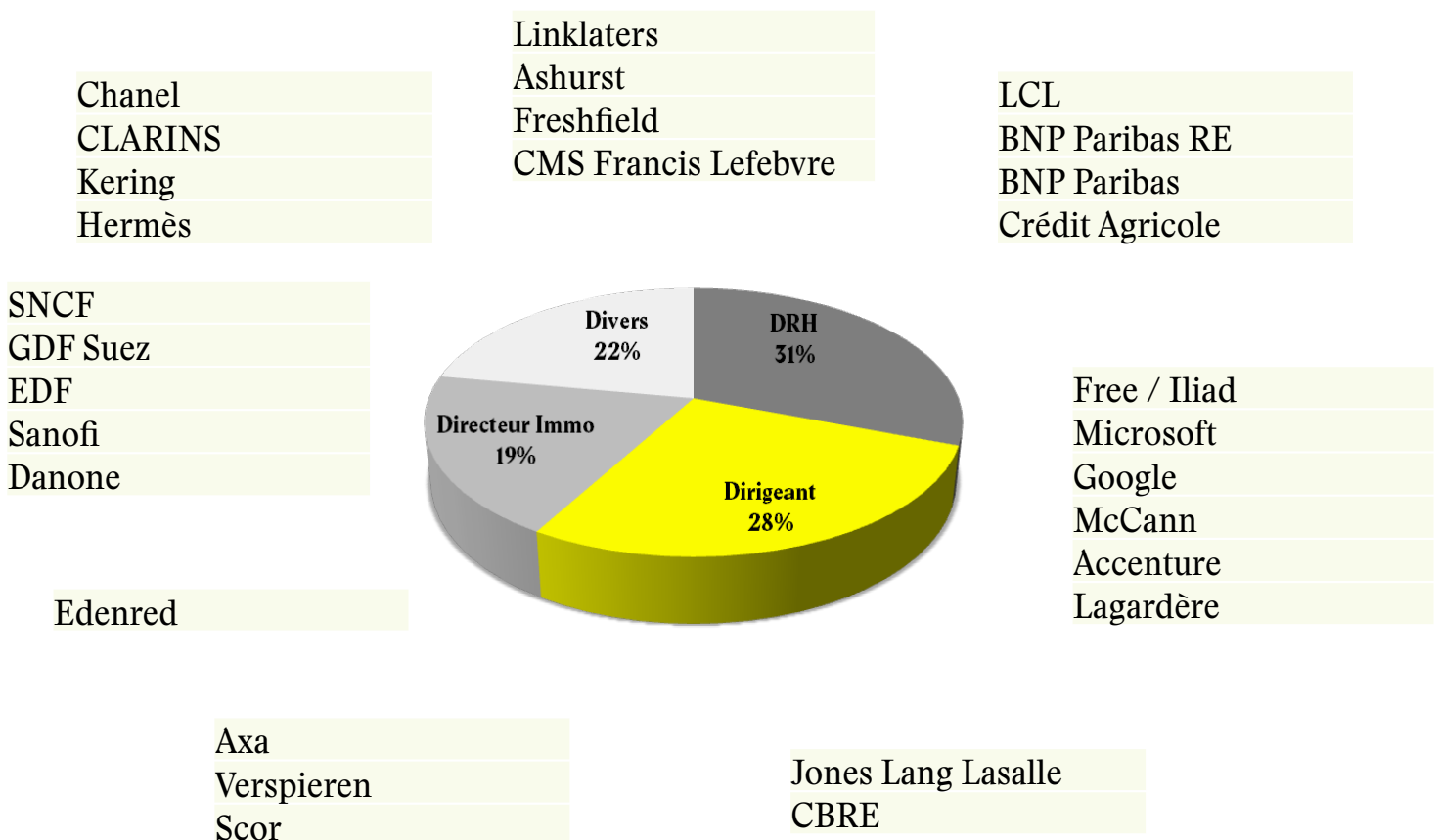
3. Conducted a survey of the places of residence and places of work of former students of grandes écoles based in Paris and its region. (Four institutions: Université Paris II-Assas, IEP Paris, Ecole Centrale, ESCP Europe; 633 reponses; 3 classes: 1990, 2000 and 2012; place of residence/work during 3 periods; ideal place of residence/work).

4. Documentary analysis of around fifty French and international studies



objective : value creation

participating companies





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