July 6, 2017

A Commercial Guide to Subdividing vs. Open Office Plans

The debate about whether to break up and subdivide large office buildings or opt for open office formats isn't a new one. Alex Cohen, a commercial real estate specialist at CORE in New York City, is an expert on the subject. "Companies started using open office layouts in the early 20th century," says Cohen, whose clients include Unilever, Kering (Gucci), Canada Goose, and CBS. "Landlords have been pre-building smaller office units from larger spaces for decades," he adds.

A Century-Long Business Obsession
The design of office space has been a key element in business decision making since the late 19th century, and design trends have constantly evolved with the changing workplace. "Early on, managers and owners focused on their office layout requirements," says Debra Duneier, President and Founder of EcoChi, LLC, in New York City. "They gave little if any consideration to workers' needs," she adds.
Some industries maintain a traditional business structure, where managers work in defined offices, and employees work at desks on open floors or in cubicles. However, the advent of mobile technology, remote working, and the gig economy have largely changed that mindset for many industries. The modern dilemma is that commercial investors and landlords must target profitability while also catering to tenants' specific needs, particularly in cases of growing businesses.

Replicating the Factory
Decades ago, early trends focused on concentrating workers into one space. In 1904, American engineer and early office designer Frederick Taylor obsessed over ways to efficiently organize workers for maximum productivity at minimum cost. He created a factory-like layout that placed crowded workers onto large, noisy, poorly lit floors with managers watching from private offices. Naturally, such offices were far from productive and made workers unhappy.

Open Space Design as Innovation
Unlike Taylor, architect Frank Lloyd Wright concentrated on innovation and employee comfort. When the famed Larkin Administration Building opened in the early 1900s, "People worked side-by-side in an atrium on elongated desks," says Cohen. Sunlight poured into air conditioned offices, and Wright invented rolling chairs for employees. Furniture and walls absorbed sound in the six-story, cathedral-like structure.

In 1939, Wright designed the Johnson Wax building, another modern, well-lit, open floor workplace that inspired employee pride and increased productivity. "It was called The Great Workroom," Cohen explains, "and Wright designed all the desks for the space." Hierarchy still reigned with management sitting in offices on upper levels that overlooked the employees down below.

Collaboration vs. Hierarchy

The 1950s brought socialism and a more democratic work environment. U.S. companies followed both European design and business values that encouraged communication, collaboration, and a happier workplace. Potted plants and lateral cabinets acted as partitions between desks arranged to facilitate conversation.

However, Herman Miller's Action Office II, which was the first office cubicle system made with panels, took things a step backwards in the 1960s. His intent was to further break down hierarchy and create a sense of self-management. Cubicles facilitated privacy while maintaining some open spaces. They were meant to inspire employees and give them more freedom, but some employers went overboard on "efficiency" and crammed as many employees into the small spaces as possible.

What were supposed to be autonomous, flexible workplaces became dreaded 1980s cubicle farms where employees seemed expendable. Upper management still had comfortable offices, and employee value depended on job title.

Technology Transforms Office Demand

The 1990s ushered in the dot com era and a host of younger employees who wanted flexible work situations and less hierarchy. "Technology kicked in big time, and people started realizing they didn't need an office with a door," says Duneier. "They could work anywhere in the world."

As a result, the desire for traditional office space decreased substantially. "There was a lot of interest in alternative spaces like warehouses with no pre-built offices," says Cohen. This trend led to a long-term commitment to open office designs. The emerging gig economy also led to co-working, which is a concept Cohen says is fewer than five years old. "Handheld technology changed everything," he says.

Combination Spaces Now Dominate

As an investor or landlord, it's important to ensure a modern office environment is flexible enough to accommodate the needs of diverse employees, including remote staff. Tenants are looking for ways to accommodate their current and future business needs, and they're also more concerned about employee well-being than in the past. You may want to consider providing a combination of office space types in one commercial property.

"I see investors building out several floors of pre-built offices with a co-working space on the top floor," says Cohen. "Then, when a business does well, the investor helps them move to one of its dedicated office spaces," he explains. A co-working space allows smaller enterprises to share an already furnished co-working space to minimize overhead expenses. They don't have to sign long-term leases or furnish pre-built office spaces.

Another reason businesses need the flexibility of combined spaces is workforce composition. "Workplaces now are a mix of people from different generations, with unique personalities and work styles," says Duneier. "Not all employees work well in open floor plans, so having a multifaceted, multi-functional work environment is wise," she advises.

Designing an open floor plan that incorporates privacy options supports that need. "I recommend some clients have a handful of offices for those whose work involves constant phone use," Duneier says. She also recommends workplaces have both collaborative and semi-private spaces, meeting rooms, eating areas, and entertainment spaces. "Create homelike areas in one part of the office space and more formal office areas in another," she says.

Talking to tenants to learn what they want and need is key to determining how you should approach a particular commercial investment. When your investment includes a co-working space, partner with CORT Furniture Rental to set things up efficiently for your tenants.