

Bricks, Mortar and Sociology: Corporate Real Estate Departments Are Managing the Surroundings, Too

By JULIE FLAHERTY

New York Times (1923-Current file); Jun 20, 1999; ProQuest Historical Newspapers: The New York Times pg. BU7

Business

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By JULIE FLAHERTY

WHEN Nortel Networks consolidated its global headquarters in a renovated building in suburban Toronto in 1997, Roy Dohner, the vice president for real estate, wanted to see to it that the company changed its culture as well.

Employee surveys told him that the most irksome feature of the company's old main office was reserved parking. "If you had to park very far from the front door, it might give you an indication of the value the company placed on you," Mr. Dohner said.

So the new lot is general admission, and the staff is, he presumes, happy.

Moves like that make Mr. Dohner the very model of a modern corporate real estate executive, according to people in the field. Far from simple buying, leasing and building of space, the state of the real estate art is now all about collaboration and togetherness: gauging employee satisfaction alongside the human resources department, consulting with the finance people on costs and conferring regularly with the crew in information technology. The new ideal is to be a ground-level force for better morale, lower costs and higher productivity.

At least that was the talk at a recent conference for real estate executives in Boston, sponsored by a professional association called the International Development Research Council. And it is a theme that many managers have picked up.

PERSUADING the rest of the world of their importance to corporate America's bottom line is a matter of survival for real estate executives. The profession had a brush with extinction in the recession of the early 1990's, when corporate downsizing and a trend toward contracting out support functions combined to wipe out many in-house real estate departments.

"It was the clean-out period," said Bill Agnello, vice president for real estate and the workplace at Sun Microsystems. "The real estate function was at the end of the line."

Seeing its rolls dwindle, the professional association began promoting the idea that real estate can offer a competitive edge and that real estate managers are the people pushing that edge.

Much of the activity is on the human-element end of the new real estate spectrum — Mr. Dohner's egalitarian parking, for example, or a stress-reduction drive at Charles Schwab & Company that was led by

the company's real estate chief, Parkash Ahuja. To ease workers' minds about nagging personal annoyances, Mr. Ahuja introduced on-site concierge and dry cleaning services and asked the cafeteria to start selling take-home meals. Now, he said, "we have less absenteeism and employees tend to stay longer."

But real estate executives are more likely to get the attention of top management by delivering direct cost savings.

When Cisco Systems found that its sales representatives spent only about 30 percent of their time in their offices, the real estate department switched its focus from just providing square feet of space for those employees to supporting their mobility; it saved \$12.6 million over five years in the company's Manhattan office through a desk-sharing arrangement.

AT Nortel, the move of offices from three Toronto locations to a renovated former factory in Brampton, Ontario, cut occupancy costs by two-thirds. The \$50 million renovation, which included graffiti-style art to promote a casual atmosphere, was successful enough that Nortel held its shareholder meeting in the new offices, piping the proceedings to television sets around the building.

"Historically, real estate people want to have real estate monuments," Mr. Dohner said. This project, instead, was about "people, process and productivity," he said.

No one has yet demonstrated a clear link between pretty buildings and productive office workers. Measuring output is easy in factories, said Marina van Overbeek, a planning and design executive at Cisco, but gauging it in office work with a creative element is more elusive.

"One of the next challenges is white-collar productivity," she said. "How does the workplace impact productivity? It may not be a dollar measure."

Without an objective yardstick, executives rely on instinct. "What's really important is what feels good for us," said Mr. Agnello at Sun Microsystems. His company, with 15,000 new workers in the last five years, is changing too fast to stay with old real estate standards, he said.

At Sun's new \$123 million facility in Burlington, Mass., individual offices are smaller than those the company had previously, and there are more spaces for small group meetings. Whether the design will prompt impromptu brainstorming sessions when employees pass in the hall, as the designers hoped, remains to be seen.

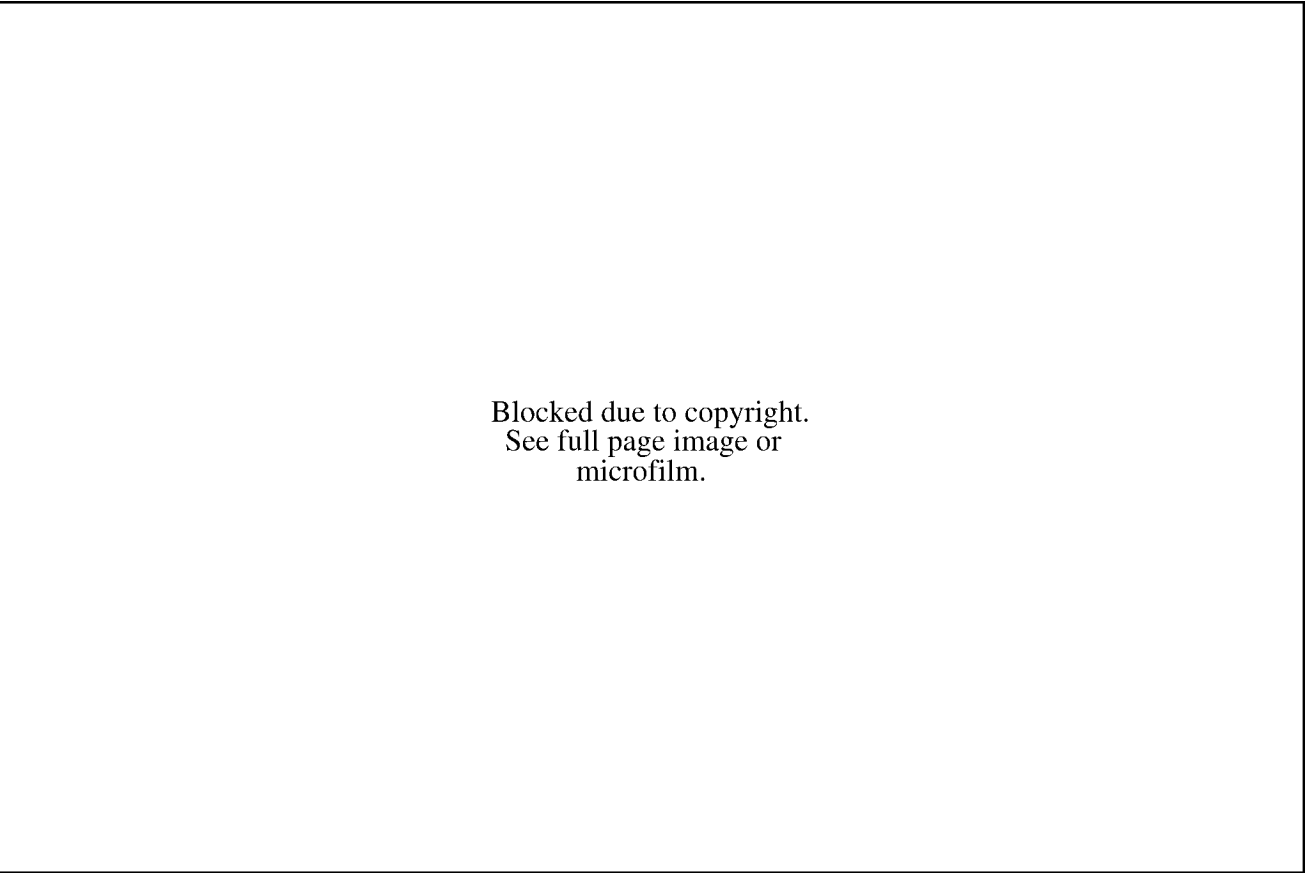
Is "corporate infrastructure resource management" — a phrase that the International Development Research Council has registered as a service mark — keeping corporate real estate professionals employed?

At Sun, the real estate department has 140 people, as it did five years ago. But now only a third of those workers handle traditional property-management tasks; the rest work on research and innovation.

For some real estate executives, the new approach is paying off in greater responsibility and more respect at the conference table. Mr. Agnello now reports regularly to Sun's chief financial officer and has the ear of the company's chairman, Scott McNealy. And Mr. Ahuja at Schwab now oversees all the corporate services that touch employees, including travel and payroll as well as real estate.

Although the council provides reams of literature on "strategic alignment" and "integrated management," it is hard to say how many companies have embraced the philosophy of real estate as a force for good.

Buzzwords aside, experts like Michael L. Joroff, a lecturer at the Massachusetts Institute of Technology and a proponent of the broader approach to real estate management, say that technology, human resources and real estate departments will need to collaborate more, come what may. Trends toward tele-



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Phil Snel for The New York Times

The new corporate headquarters of Nortel Networks near Toronto is intended to keep employees functioning happily as well as efficiently. Graffiti-style art in a corridor is meant to promote a feeling of informality.

commuting and the wider adoption of mobile communications mean that the future of business will be "intertwined platforms of brick and mortar and cyberspace," Mr. Joroff said.

At Fidelity Investments that means a move toward giving employees cell phones as their only telephones — but not before the company studies how comfortable workers

will be with the setup.

"It's easy technology," said Charlie Brenner, senior vice president at Fidelity's Center for Applied Technology. "It's odd sociology." □