1 The Origin and Evolution of Workplace

"Those who cannot remember the past are condemned to repeat it."
George Santayana, Philosopher

Today, most C-suite leaders recognize that great workplaces and workplace strategies can help win the war for talent and provide competitive advantage. That recognition is a relatively recent development, however. With a few notable exceptions, organizations historically have viewed the workplace as a location to get work done and a necessary expense. Today, a more sophisticated view of workplace is emerging.

To understand where we're headed, let's understand how we got here. The first dedicated corporate office buildings began to pop up in London in the early eighteenth century, housing the likes of the Royal Navy and the East India Trading Company. With the British Empire expanding and creating trading routes across its empire and the world, the concept of a centralized and dedicated physical space in which to administer a growing enterprise – and all its paperwork – began to take shape.[i]

In the United States, the corporate office dates back to the middle of the nineteenth century, when railroads expanded economic and geographic prospects. The complexity of growing businesses demanded a new physical workplace model.

Since that time, the workplace has evolved only incrementally through economic and business cycles, social and military crises, and industrial and technological revolutions.[ii] In the early to mid-twentieth century, offices were designed with efficiency in mind. Little attention was paid to the quality of the environment for employees. Using the efficiency strategies of mechanical engineer Frederick Taylor, many offices simply squeezed employees together to toil under the watchful eyes of supervisors, in an effort to boost productivity. Meanwhile, offices were growing bigger as advances in architecture, engineering, and construction led to larger buildings. Skyscrapers began to dot skylines of New York, Chicago, San Francisco, London, and other major cities around the world.

The 1960s saw a move away from the endless rows of workstations lined up to maximize space. Post-Taylorism, the concept of "office landscape," or *Bürolandschaft* as coined by a German design team, promoted the idea of breaking up rows of desks into smaller, organic cluster of workspaces with small privacy partitions. The goal was to create a less hierarchical workplace that fostered collaboration and socialization, not just productivity.

As buildings grew taller, space design grew more creative, too, allocating space for work, secretarial teams, meetings, and eating. *Bürolandschaft* eventually evolved into the concept of the "action office," the brainchild of Herman Miller's Robert Propst. Propst was among the first industrial designers to recognize that the workplace environment affects the ability to perform mental work. He conceived of the action office as an environment where workers would have the space and privacy to perform their work, instead of being elbow-to-elbow with coworkers. Ironically, what eventually emerged was the modern-day cubicle,[iii] with fabric-covered walls and modular flexibility – which evolved into ubiquitous and uninspiring "cube farm."

The widespread adoption of cubicles contributed to generic, albeit functional, office interiors at the same time the growing sophistication of consumer product branding began to influence corporate building exteriors. By the 1960s, companies like IBM were building unique headquarters designed to embody their brands. Completed in time for the 1972 Olympic Games, BMW's famed world headquarters building in Munich, Germany, resembles the four cylinders of a car engine. However, the brand concept was typically expressed only in the exterior architecture of these facilities, rather than in the experience of the workplaces inside.

By the 1980s, large corporations had mostly shifted once again toward a focus on productivity, with profitability as the primary motive, per economist Milton Friedman's mandate that the primary objective of business is to maximize returns to shareholders. In an era of junk bonds and leveraged buyouts, Wall Street investment banks became infamous for working their junior associates around the clock. Cubicles shrunk in size while their walls grew higher, isolating workers from everything but the task at hand.

With the focus on profitability and productivity, it's no wonder that the cubicle rose to prominence. The C-suite viewed workplace as a cost and utility with limited choice, not a creative, inspired, or desired product with a compelling value proposition for the employee-consumer. At most companies, regardless of industry, purpose, or workforce demographics, offices were homogenous and bland. Employee workplace enjoyment, comfort, and collaboration were not prioritized.

Office environments remained unimaginative through the end of the twentieth century. Layouts of desks and furniture were of varying generic styles and formats, with some private offices, a smattering of conference rooms and a vending machine, café, or other simple and fixed amenities situated under the glow of florescent lights.

The dot.com boom and bust sent the cubicle walls tumbling down. By the 2000s, young technology companies began pioneering creative offices designed to attract and retain the best and brightest in-demand talent. These companies quickly realized collaboration among these sought-after workers resulted in better ideas, faster innovation, and seamless information sharing. Cubicles gave way to open work areas and bench seating that fostered an open dialogue – and provided greater flexibility and higher-density space to accommodate rapid growth.

As their companies grew, Silicon Valley technology leaders looked beyond the office interior to design unique suburban campuses that attract and inspire talent, bringing their corporate mission and culture to life, often in spectacular fashion. Creative companies took the opportunity to incorporate fun and whimsy – sometimes to the extreme – through art and engaging installations like large aquariums, living walls of plants, or game rooms. Flexibility trumped privacy and focus, and, occasionally, practicality.

The sprawling "Googleplex" in Mountain View, California, headquarters of Google and its parent company Alphabet became a poster child for the new age of technology workplace. In 2015, Facebook hired then-86-year-old architect Frank Gehry to build its new "airplane hangar" headquarters in Menlo Park, California. In 2017, Apple upped the ante, delivering its futuristic Norman Foster-designed "spaceship" headquarters in Cupertino, California, at an estimated cost of $5 billion. Similarly, Microsoft's headquarters campus in Redmond, Washington, has continually evolved for 35 years and remains an iconic symbol of innovation.

These technology innovators were also workplace innovators, recognizing that the office was not just a place to work but an environment to spark creative thinking. Botanical gardens on rooftops and in courtyards, free premium and craft food options, and games and entertainment galore were designed to motivate talent to shape a unique culture.

Many amenities and perquisites introduced into the workplace had a well-intentioned purpose. On the frontlines of technology innovation, employees are expected to work long hours to meet aggressive product delivery deadlines. While technology companies weren't the first to recognize that providing live-work-play amenities could enable employees to be more productive, they raised the bar for workplace possibilities that made being on the frontlines of innovation more enjoyable.

Outside of the technology sector, other companies with unique brands and products have made similarly bold statements with their headquarters. Nike's world headquarters campus in Beaverton, Oregon, for example, embodies the company's mission to "bring inspiration and innovation to every athlete in the world" with buildings and fields named after many of the world's greatest athletes, along with sports performance centers and research labs where the company fuels its innovation. Similarly, Lego opened the first phase of its new corporate headquarters in Billund, Denmark, in late 2019 with the goal of creating a workplace that is playful and fun to inspire creativity. Lego bricks are incorporated into the building's exterior walls, and are referenced throughout the interior, from brightly colored staircases to Lego-created sculptures that adorn common areas.

In conjunction with the rise of the amenities-rich office emerged the idea that standard desks and chairs weren't the only path to productivity. Residential-style furnishings and activity-based workspaces for different kinds of work could also be highly beneficial. WeWork helped pioneer these concepts with its coworking spaces, complete with huddle booths, open spaces, benches, private offices, meeting rooms, and a comfortable design aesthetic.

Forward-looking companies began investing in humanized workplaces with creative layouts encompassing different kinds of workspaces and seating options. These new kinds of workplaces were intended to appeal to highly skilled and sought-after employees, while providing the right kinds of workspaces for collaboration, heads-down solo work, and private calls or meetings.

Only over the past decade has the idea of aligning the workplace with a company's mission and purpose spread beyond a select few brands. For some, the effort was more superficial or experimental than substantive, limited by cost pressures and financial performance concerns.

Nonetheless, these efforts formed the important prototypes of purposeful and experiential workplace environments that elevate the office above its roots as a place to get work done. The workplace has become part of the company brand and expression of its ethos, motivating the workforce to gather and achieve a common mission. The action office has evolved to the intelligent office, supporting multidimensional work, from deep concentration to customer engagement, "showroom" activities to extended reality experiential work.

As is usually the case, the future of the workplace had arrived – but even now, it hasn't been evenly distributed.

The Value of Location

As workplaces have evolved – or should evolve – to more closely address the needs and preferences of employees, location has become part of the workplace strategy, too.

Over time, the location preferences for corporate offices have shifted, depending on the value equation, or the balance between the cost of real estate and the opportunities of a location in terms of the quality of the space, convenience, safety, and proximity to talent, customers, and jobs.

In the United States, for example, central business districts (CBDs) were the growing focus for decades as the centers of commerce and industry. Yet, many US urban areas lacked vibrancy and were perceived as challenged by crime and lack of cleanliness.

By 1960, the interstate system had opened the suburbs to urban workers, allowing them easy access to affordable and spacious housing, green space, and safety. Suburbia created a compelling value proposition for aspiring families throughout the 1970s and 1980s. Employers soon followed, establishing campus settings within easy drives to convenient suburban locations, often near highway interchanges.

The preference for the suburbs persisted until the 1990s and 2000s, when enterprising mayors and civic organizations revitalized urban areas with 24/7 amenities and a greater sense of safety. Cities once again became attractive to residents and employees, especially younger generations looking for a dynamic urban "vibe," cultural amenities, the convenience of public transportation, and a compact, high-density, live-work-play environment.

Employers were quick to follow employees back to the urban environment, as evidenced by the rush of corporate campus relocations and expansions in CBD and emerging urban locations during the past 20 years. Prime examples include Google's offices in Manhattan, GE's location in Boston, McDonald's downtown Chicago headquarters, and Amazon's facilities in Seattle and Washington, DC's near-suburb of Crystal City, Virginia. Urban areas became more dynamic and competitive, offering the best overall value for corporate employers seeking to attract the next generation of workers.

Now, the value equation is shifting again. Urban environments and big gateway cities have grown increasingly expensive, with housing costs rising more quickly than the wages of the average worker. In the pandemic environment, cities became less desirable – albeit perhaps temporarily – and the remote working option made it easier for employees to live and work far from their corporate homes.

Thanks to the combination of the natural aging of the giant millennial generation – creating new households and families – and the newfound flexibility of remote working, Sun Belt cities and suburban (or "outer urban") environments are seeing growing popularity, at least temporarily. Sun Belt and suburban markets outperformed traditional CBDs in terms of commercial real estate rents and occupancy during the pandemic. Many of these new "growth markets" enjoy demographic tailwinds and other advantages that make it likely that they will continue to prosper. But have no doubt, the great urban gateway cities will rise and prosper once again, filled with great companies and young talent. As evidenced by population shifts from cities to suburbs and back again, future changes are likely inevitable over time.

Next-Generation Remote Working

Demographic shifts had already begun to affect workplaces well before the pandemic, with the idea of a seamless live, work, and play environment starting to take hold in varying measures. Technology companies had been praised for creating a completely different kind of workplace, with amenities, sports and fitness spaces, and collaboration spaces to attract and retain up-and-coming talent. Companies in other industries sought to adopt similar concepts, with the expectation that doing so would enable them to be equally talent-centric and driven by creativity.

However, the emergence of this new type of workplace was not without challenges. The novelty of amenities gave way to a realization that installing smoothie bars and collaboration zones was not enough to declare that a cultural shift had occurred. Early adopters outside the tech space realized that a foosball table without a broader workplace philosophy didn't really amount to much. The culture of organizations and regions, the preferences of individuals in various geographic locations around the country and the world, and the nature of the work itself were all cited as reasons to exchange a one-size-fits-all approach to workspaces no matter how amenities-heavy – with greater alignment to the ethos and culture of each organization.

And then came the pandemic, which brought upheaval in perceptions and experiences of individuals and organizations. The rapid movement of work from offices to homes demonstrated – at times surprisingly – the vast possibilities for productive workers contributing to organizational success from more diverse workplace settings. Some have suggested the possibility of all office work being performed remotely. While the debate rages on about the various dimensions that impact the question of why organizations need an office, the idea that workplaces will disappear entirely has been convincingly dismissed. The idea that workplaces will likely need to change and evolve is also an agreed-upon truth.

As the largest work-from-home experiment since the advent of the corporate office, our recent experiences have shown that remote work can be effective – although not everyone wants to work remotely all the time. Now, some C-suite leaders are questioning how productive their remote workers have really been, how much office space their companies actually need, and what the real purpose of that space should be.

It's important to remember that the pandemic era is not the first time that major companies have attempted remote work at scale. Previous remote-work initiatives during the 1970s through the 1990s taught many painful lessons on the shortcomings of large-scale work-from-home approaches, particularly at companies where culture was not well defined. In these experiments, organizations had at least some of the technology to accomplish large-scale remote work. Yet, many fell behind the progressive leaders that had continued to focus primarily on their physical offices as talent magnets and innovation centers. Early on, companies attempting the mixed-mode workplaces often unintentionally created an information disconnect between those in the office and remote workers, and fell behind in innovation and performance. Ultimately, some returned to requiring most employees to work in the office, whether all or at least some of the time.

Companies with sizable remote work programs were the exceptions. In advanced economies, only a small share of the workforce – typically 5–10 percent – regularly worked from home before the pandemic.[iv] Our comfort with remote work has improved by necessity and through advancements in connectivity, collaboration, and management technologies.

Companies across industries are now refining their remote work policies in response to employee expectations and the demands of their businesses. Many are likely to embrace increased workplace flexibility as a talent recruitment and retention strategy, and to open the door to working with the best talent regardless of location – an inevitable shift accelerated by the pandemic.

Some of the progressive companies leaning into the remote workplace are the very companies that provide enabling technology for remote working and virtual collaboration. Dropbox, for example, has shifted to a "virtual first" workplace, allowing employees to perform their individual work remotely and return to physical office hubs for collaboration and team-building purposes.

> "Demand is coming back," says Andy Gloor, CEO of Sterling Bay, a leading owner/operator real estate investment and development company that *Crain's Chicago Business* calls "Tech industry's go-to real estate developer." Recent high-profile projects completed by Sterling Bay under Gloor's leadership include corporate headquarters for McDonald's and Google.
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> Gloor's clients are convinced that "culture, brand, and teamwork just don't work in a remote work environment," he says. While Gloor does agree that some job profiles may be appropriate for work from home, he sees the vast majority of his clients, leading corporations and global leaders amongst them, continuing to build their success and future with talent coalescing in the workplace. He also sees some clients that had densified their spaces to high degrees now have additional space requirements to allow for social distancing in the workplace.

Emerging from the pandemic, companies face new urgency to tackle the complex journey to the future of work. Forward-looking companies are creating hybrid workplace strategies that blend remote and on-site working and, ideally, boost employee performance by providing workspace choice. Also important, companies recognize that their workplace strategies won't necessarily be static. Always-on transformation will likely become the new imperative as employees embrace the idea that work is something you do, not a place you go – and sometimes the work you do is best done in the office setting.

In the future of work, many companies will pursue talent strategies based on geographically dispersed full-time employees and on-demand "liquid workforce" of people who may or may not ever set foot in the corporate office. "Talent anywhere" is now being considered as a legitimate component of corporate workforce strategy, looking beyond geographic borders to find the best employees who may be fully remote or in ecosystems of talent clusters in multiple dispersed locations.

Amidst a continuing global war for talent, employers will need to shape the workplace at least partially around the needs of employees, rather than vice versa. Health, wellbeing, work-life balance, corporate responsibility, and a sense of purpose have become more important than compensation alone as motivations for working and must be reflected in day-to-day work experience. Companies must determine how and where to provide the right kinds of workplace and workspace options for their unique talent networks.

Our research[v] shows that most companies plan to embrace a new hybrid workplace strategy, in which the office will remain central and critical in an ecosystem of workers and workplaces (see Figure 1.1). New strategies are essential to meeting employee expectations, with 79 percent of employees reporting that they want to be able to come into the office at least some of the time. Moving

Figure 1.1 The Evolving Workplace Ecosystem
Hybrid working likely involves working in the corporate office most of the time and working at home or elsewhere – a coffee shop, an airport lounge, a coworking space, for example – at other times.

forward, the big question for companies and employees will be how to make the hybrid workplace enable, align, and empower teams to drive enterprise and employee value. Companies seeking to drive purpose and performance will need to focus on the principles of personalization, corporate responsibility, and a multidimensional workplace experience.

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