





# Paradigm shift in the modern workplace

FOR SOME 15 YEARS NOW COMPUTER TECHNOLOGY AND TELECOMMUNICATIONS HAVE ENABLED AN EVER-GROWING NUMBER OF PEOPLE TO WORK REMOTELY FROM THE TRADITIONAL OFFICE. WITH THE TREND RAPIDLY ACCELERATING, MANY COMPANIES ARE RETHINKING THEIR REAL ESTATE PORTFOLIO AND OUTSOURCING MORE AND MORE OF THEIR WORKPLACE SPACE REQUIREMENTS. AT THE VANGUARD IN MEETING THE DEMAND FOR OUTSOURCED SPACE IS THE REGUS GROUP - A COMPANY WHICH OPERATES MORE THAN 900 BUSINESS CENTRES IN 70 COUNTRIES THROUGHOUT THE AMERICAS, EUROPE AND ASIA. DURING A RECENT VISIT TO AUSTRALIA, REGUS GROUP CHIEF EXECUTIVE OFFICER ASIA PACIFIC, FILIPPO SARTI, SPOKE TO FM EDITOR MARK PHILLIPS.

Consider the following forecasts developed by IDC and Gartner:

- IDC predicts that by 2009 there will be more than 12 million US telecommuters and home-based workers, representing 7.6 percent of the workforce.
- "As mobility becomes a strategic force worldwide, IDC expects the global mobile worker population to increase from more than 650 million in 2004, to more than 850 million in 2009, representing more than one-quarter of the worldwide workforce," says Stephen Drake, program director for IDC's mobile software service.
- Gartner projects that by 2008, more than one-fourth, or 27 percent, of the US workforce will work at least eight hours a month remotely and nearly 10 percent will work remotely at least eight hours per week.

As stated in a recent IBM Global Business Services whitepaper, titled *Outsourced Workplace Solutions - Enabling the Benefits*: "Many firms still accommodate remote workers on an 'ad-hoc' basis, permitting remote work on a limited basis and with limited support. However, firms committed to achieving the full benefits of remote working have sophisticated networks and employment policies that provide high levels of training and support. Regardless of these approaches, firms seeking to achieve the benefits of remote working often find that a critical problem is supplying flexible office space and services for remote workers.

"In response to these needs, outsourced workplace solutions have evolved from real estate-based offerings of short-term leases of bare office space to highly customis-

able service contracts providing uniquely tailored combinations of flexible office space and furnishings, equipment, services, and office locations. These offerings can help companies achieve the benefits of remote working by providing flexible office space, services, and technology. One unexpected benefit was the use of outsourced workplaces to provide ergonomically correct work space, thereby minimising exposure to work-related injury. Additional benefits include the availability of contingency space and the use of outsourced workplaces to project a viable and impressive presence to clients."

Significantly, in the whitepaper's executive summary, IBM states: "Companies must devise strategies to manage remote working and their employees' needs for access to offices. This requires matching the mobility of their remote workers with the diverse locations of their homes, their colleagues, and their clients. Larger companies, left with under-utilised office space as remote working increases, are compelled to reduce these under-performing assets. Smaller companies and companies exploring new markets need new offices that project a local business presence but without incurring large real estate costs and obligations. All these companies need a strategy that provides office space and business support as a dynamic and flexible solution to these problems.

"The Regus Group is one company that best fulfils the vision of providing global support to the mobile workforce. Regus is distinguished from competitors in offering a wide variety of highly customisable office solutions which can readily provide on-demand support to local and visiting



workers in a large number of offices throughout the Americas, Europe and Asia.”

During a recent visit to Sydney, Regus Group chief executive officer Asia Pacific, Filippo Sarti, answered the following questions for *FM* magazine.

**FM: What in your view are the key factors driving workplace outsourcing?**

**Filippo Sarti:** There are a number of different issues going on – certainly a drive for efficiency deriving from creating more flexibility in aspects of the ways companies operate, whether in the private or public sector. They are tending therefore to look at all of the areas they spend money on, which obviously includes all of the support and real estate functions. They are looking at ways to reduce the costs of that – on the one hand the absolute cost but also to try and align those costs more with the operation and running of the business.

So, rather than having a support function that sits there as a fixed cost, a lot of organisations are trying to make that element of running the business more of a variable cost. Therefore, they are looking at outsourcing as one of the mechanisms they can use to try to create a greater level of efficiency and cost-effectiveness.

**In general terms, what are the most important issues to consider before committing to an outsourcing arrangement?**

If it is going to be done properly it has to come back to the overall plan the company has for its business. Obviously there are many and varied issues that have to be looked at, but companies that do this well always start by looking at their one-year, three-year and five-year plans. The whole point about any reorganisation of a business – and outsourcing is

part of a reorganisation – is that it has to address what the company is trying to do strategically for itself and then take into account how it matches the various functions that support the delivery of the core business. A company then has to carefully consider how the potential of outsourcing might help in its overall short, medium and long-term objectives.

If, for example, it is working in a dynamic environment where things are changing dramatically, it has to look towards the pressure that might put on any outsourcing arrangement, and separately if it is an organisation operating in a very mature market where things are not necessarily changing all that rapidly over the medium-term, it has a different set of criteria to consider when it looks towards outsourcing as a solution to part of its operational agenda.

**A lack of strategic planning would therefore be one of the fundamental reasons why some outsourcing relationships fail?**

Yes, I think it is due to a lack of planning and in some cases a lack of understanding as well. You have to be very clear as an entity looking to outsource what it is you are trying to achieve. This might be as simple as ‘I want to reduce the cost of this’ or ‘I want to take costs off the balance sheet’. On the other hand, it may be that ‘I want to introduce better performance than I’m currently getting from the entity that is undertaking this work for me’, or it could be about introducing more flexibility into the way these operations are undertaken. Once you’re clear as an organisation about what it is you’re trying to achieve, you then have to match the planning for the outsourcing arrangements to try and deliver that. The pressure, expectations and objectives are definitely not the same for every organisation.

For example, a large utility in the industrial sector working on an industrial site looking to outsource some aspect of the running of its business is going to be very different from a software development company operating in multiple countries and locations wanting to outsource an aspect of the FM function. These organisations would have two very different objectives in mind with requirements to operate in two very different ways. Clearly, if you were advising the two organisations you would have to think about their pressures in very unique ways and the outcomes they require in very unique ways.

**Aside from potential cost savings and the opportunity for greater focus on the core business, what productivity or other business benefits can serviced offices afford to companies?**

I set up two outsourcing businesses before I joined Regus seven years ago and have been working in the industry for some 15 years now, originally in the UK and in 1995 I came to Australia.

However, what we do at Regus is somewhat different to what a traditional outsourcing company does, and I say that having run companies in both sectors. The traditional FM industry is more geared towards the human aspect of outsourcing. Whether it is back office-type outsourcing of accounts payable and accounts receivable or whether it’s



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maintenance and security activities – all of the traditional property-related FM functions – most of it tends to be around operating expenditure primarily based on the employment of people to look after the building. But while that is a very important part of any organisation's overall operation, it is very different in a lot of respects to what Regus does.

At Regus we're not all about just outsourcing support FM functions – we are much more about dealing with bricks and mortar and real estate. Traditional FM organisations are not really dealing with how to take the real estate cost out of an organisation's operating expenditure or off its balance sheet. Rather, they deal more with the human aspect of it.

Traditional outsourcers deliver benefits to an organisation in that in a well considered contract they can make the support head count and all the associated costs that go with that more cost-effective, efficient and flexible. Regus, on the other hand, offers clients – whether it's in a particular city, country, region or worldwide – the ability to take real estate off the balance sheet and make that huge fixed cost a variable cost.

We are the only company that offers that in a global sense, having 900 business centres operating in 70 countries. As such, our client base comes to us for what I like to think of as 'next generation' outsourcing. A lot of them have already dealt with the FM functions, but they haven't yet addressed the issue of what to do with the massive property portfolio they have – some of which might match their short, medium and long-term requirements, but a lot of which doesn't. So they are looking to consolidate that portfolio and, in some cases, to get rid of it from under their own management or cost base.

With the property portfolio of almost any large organisation an 80-20 rule applies in two ways: roughly 80 percent of the space they occupy globally is in 20 percent of the locations. In other words, big campus sites, large headquarters and similar operations constitute about 20 percent of the number of locations, but it's about 80 percent of the overall

space that they occupy. You can then flip that and say that for these organisations, typically 80 percent of the number of locations they occupy is 20 percent of the space that they occupy – and this will be the branch, sales and development offices they have in different places around the world.

What Regus does is deal with the 20 percent of space that occupies 80 percent of the locations, not try to provide hundreds of thousands of square feet solutions in a single location. It is the traditional outsourcing market that deals with the 80 percent of space that is in the 20 percent of locations – providing solutions for the big campus sites and headquarters buildings. In contrast, we are not going to provide a workplace solution for IBM's headquarters but what we can





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do is provide a solution to the large and diverse number of properties IBM has around the world. Typically, the management of these is a huge problem, particularly for global or multinational corporations, to have to deal with.

**How do most companies go about auditing the performance of an external workplace?**

It's different depending on what they are trying to do. Clearly a lot of what we are providing lends itself to a tangible financial evaluation. If there are 20 properties you are leasing space



in for branch and development offices, most organisations can get a relatively quick handle on how much that space is costing them in terms of the rent and maintenance they pay, as well as the human cost of running the space. Then there is the capital cost of reinvesting in it and the depreciation of having to maintain and keep that space up to a level of acceptable quality, which they calculate on either a monthly or annual basis. Regus helps them to understand the cost per square foot in real terms of that space, or to put it another way, the cost per person of the space that they occupy.

Generally we can demonstrate that the cost per person by coming to Regus is less than they pay themselves. The reason for this is more efficient use of the space and more intensive management of it. After all, this is our business and we run some 23 million square feet of space around the world, so that sort of portfolio managed by us means companies literally only pay for the space they occupy – there is no redundant space hidden away in different buildings in different parts of a city or country. When they outsource to Regus they know exactly what they're using, it's very visible and they only pay for what they use. They do not have to pay for anything that is not being used for six months of the year, or for space left vacant if a team of people leave. In a traditional lease you would still be paying for it, but at Regus you can upsize and downsize as required.

**How does Regus go about managing the maintenance of its office locations? Does it outsource such functions as IT, HVAC, security, cleaning and the like to specialist providers or, as far as practically possible, manage them 'in-house'?**

It very much depends on the location. In some countries tradition is that maintenance and support services come with the management of the building itself, but in others that is absolutely not the tradition. We employ people on our behalf when we have to, but in places where maintenance comes with the operation of the building we are almost auditing



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IT IS IMPORTANT TO UNDERSTAND YOUR CUSTOMER, AND IF A PART OF YOUR CUSTOMER BASE DEMANDS A CERTAIN QUALITY YOU HAVE TO DELIVER THAT - AND IT IS NOT ALWAYS FIRST-CLASS QUALITY. IT MIGHT, TO USE THE AIRLINE DEFINITION, BE 'PREMIUM ECONOMY'.

the landlord's building manager or facilities manager to make sure they deliver to the standard we require.

**What are the key criteria Regus assesses when appointing external contractors?**

The first thing I always look for is capability. It might sound obvious, but I think you have to look very carefully at whether a third party is capable of providing the service they say they can provide. The best way of evaluating that is to try and understand track record – talk to other organisations that have used them, look at the management structure they have in place, look at the capacity they have in terms of their own workforce and management team and systems and how they operate. That is necessarily the first thing you need to consider because at the end of the day their operation critically impact your own. If they get it right it reflects well on you, but if they get it wrong it reflects poorly. Next we will consider the sort of proposal they come forward with, and clearly price as well.

**Does Regus endeavour to offer a uniform standard of accommodation around the world or does the quality vary from country to country?**

As we don't build buildings, we are obviously an occupier of existing space. Here in Sydney the buildings we have are premium quality assets and similar to what we tend to have in many other parts of the world. That said, you still have to accept that what might be considered premium quality in one market and what is premium quality in another are not necessarily the same. For example, if I go into western China or a second tier city in India to try and find a premium quality building, the best building is not going to be the same as the best building in Hong Kong or London.

However, there is another issue in this as well. Although Regus has always tended to operate in the higher end of the real estate market, we are now also becoming much more involved in what I would call a middle market quality of build-

ing as well. There is a reason for this, and that reason is that not every company that outsources its real estate wants to be in the Chrysler building in New York or Citygroup in Sydney – it perhaps doesn't reflect what they want to say about themselves.

We now have a lot of customers that are more comfortable outsourcing to a middle market quality of building, which has opened a whole new market for us. It is important to understand your customer, and if a part of your customer base demands of you a certain quality you have to deliver that – and it is not always first-class quality. It might, to use the airline definition, be 'premium economy'. What they receive is the same quality in terms of the management of the working environment, but in a space in a building in a location that may be more aligned to what that company wants to operate from.

**What other emerging trends are likely to impact workplace outsourcing going forward?**

A major feature over the last two years has been the impact of technology on the way that our business operates and indeed the way that all companies operate. I think this is going to provide a major tipping point to the way companies look to occupy buildings from here-on-in. Broadband, voiceover IP and technology for telecoms are enabling more and more companies to have their workforce work in a different way. In practical terms, what that really means is that fewer and fewer people have to be tied down to operating from a particular office. They are becoming much more mobile in the sense of being able to operate around any given city. Then, of course, there are those operating in multiple regions within a country, as well as the growing number who operate regionally around Asia and globally around the world. Technology is enabling the freedom for people to work from wherever they happen to be. That is an extremely exciting change and one that will potentially have a very big impact on the way companies structure their real estate in the future. **FM**