The 82/5 Rule: Where Your Operatilng Costs Really Go
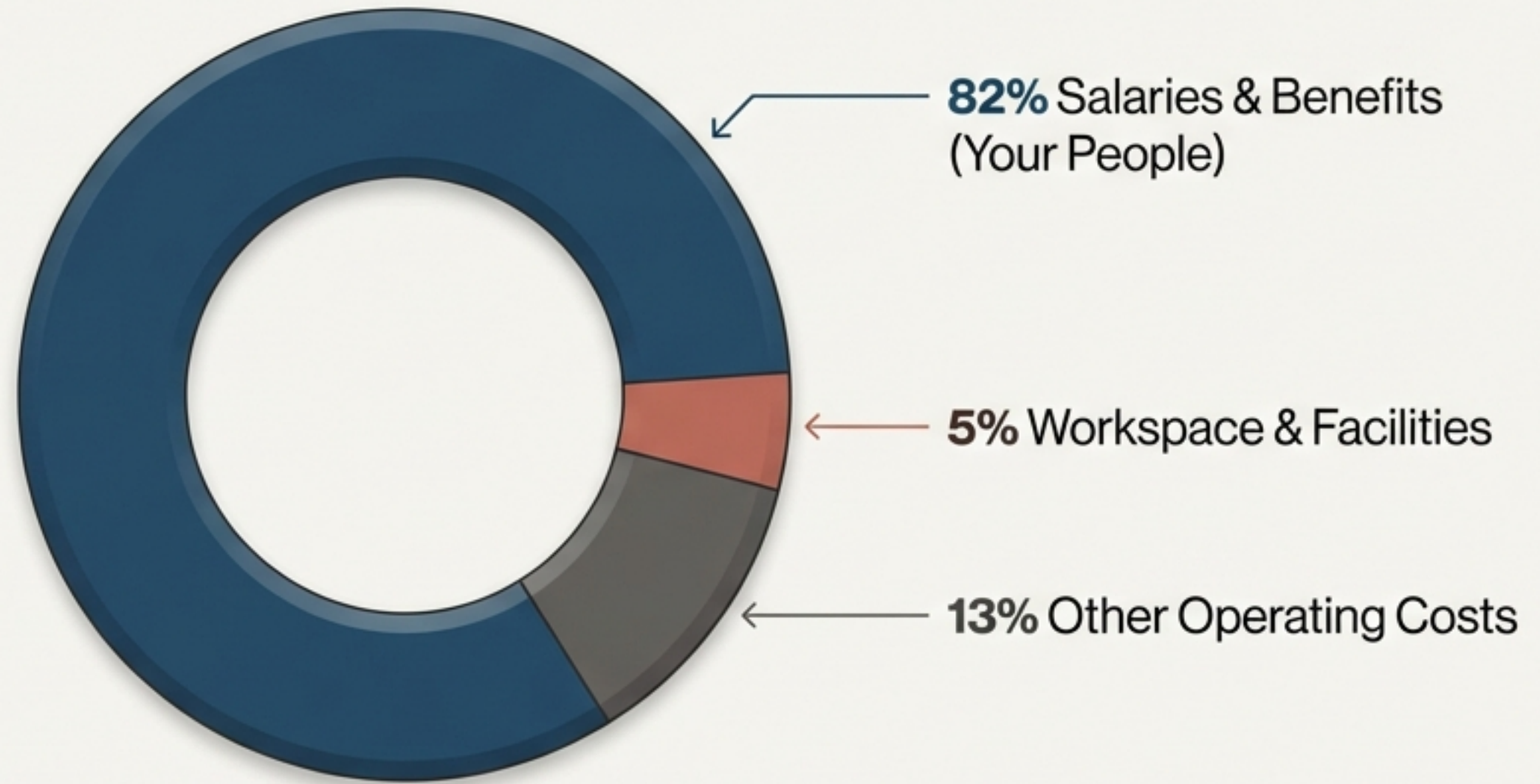

82% Salaries & Benefits (Your People)

5% Workspace & Facilities

13% Other Operating Costs

Staff expenses represent approximately **82%** of organizational operating costs. Physical workspace represents only **5%**. This presentation examines a critical question: **Are we optimizing the 5% at the expense of the 82%?**
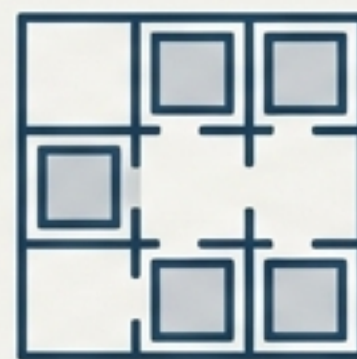
The Open-Plan Office is Now the Global Standard

Over 70% of U.S. office workers now occupy open-plan spaces, a shift driven by powerful incentives.

Financial Optimization

Higher worker density per square meter. Lower construction costs (fewer walls). Reduced HVAC and maintenance expenses.

Space Efficiency

Addresses perceived inefficiency. Peak office utilization is estimated at merely 42% on any given day, seemingly justifying designs that maximize spatial return.

Evolving Work & Technology

A narrative that open designs foster collaboration for knowledge-based work. Technological mobility untethered work from fixed locations, making assigned desks seem inefficient.

The business case for open-plan offices is built on visible, tangible savings that appear directly on financial statements.

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A Troubling Disconnect:
The Promise vs. The Reality

Conventional Wisdom

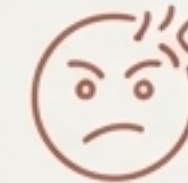Boosts Collaboration

Sparks Innovation

Saves Money

Increases Flexibility

The Evidence from 31 Peer-Reviewed Studies

Compromised Concentration

Increased Sick Leave

Elevated Stress

Decreased Performance

"While balance sheets capture construction savings, they fail to quantify the intangible costs."
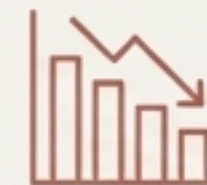
Performance Under Pressure: The Productivity Cost of Distraction

38 productivity-related measures were analyzed.
The findings trended **predominantly negative.**

1. Compromised Concentration

Workers report a significantly reduced ability to focus on complex tasks due to acoustic and visual distractions.

> "Speech, laughter, and telephone ringing represented the most distracting sounds, substantially compromising concentration."

2. Decreased Performance & Accuracy

Studies documented decreased task performance and accuracy, particularly in small and medium open-plan configurations.

3. Negative Environmental Factors

All studies measuring noise satisfaction found negative associations with open-plan designs. Workers also cited glare, inadequate lighting, poor air quality, and lack of temperature control as negatively affecting their performance.

The Human Cost: Well-being, Health, and Absenteeism

A synthesis of 32 health-related outcomes across 14 studies revealed predominantly negative associations with open-plan offices.

Elevated Sick Leave

Multiple large-scale studies found "significantly higher sick leave rates" and "elevated short-term sick leave" in open-plan vs. cellular office workers.

Increased Stress

Four separate studies found elevated stress levels in open-plan configurations.

Compromised Health

Workers report higher risk of common colds, increased headaches, eye strain, and throat irritation, suggesting increased pathogen transmission and environmental stressors.

Pervasive Fatigue

Studies documented negative impacts on sleep quality and higher levels of tiredness, suggesting workplace stress extends beyond working hours.

A Universal Verdict on Satisfaction and Privacy

31 out of 31

Across 21 studies, ALL satisfaction-related measures trended negative for open-plan configurations   compared to cellular offices. There were zero positive findings.

Overall Dissatisfaction

Every study measuring general work environment or job satisfaction found negative associations.

Inadequate Privacy

Workers consistently reported inadequate privacy for concentrated work, confidential conversations, and personal matters.

Diminished Control

Reduced personalization, lack of control over noise, temperature, and lighting, and feelings of being "cramped" diminished workers' sense of autonomy.

The Hidden Ledger: When Productivity Loss Annihilates Facility Savings

If staff costs are 82% of expenses, even modest productivity decrements can have massive financial consequences.

A Conservative Calculation

Organization
200 employees

Average Compensation
$75,000 / year

Total Annual Staff Cost
$15,000,000

One-Time Redesign Savings
$500,000

Productivity Loss (7.5%)
A 7.5% loss due to distraction and compromised concentration equals **$1,125,000 in diminished output annually.**

Productivity Loss

$1,125,000

Facility Savings

$500,000
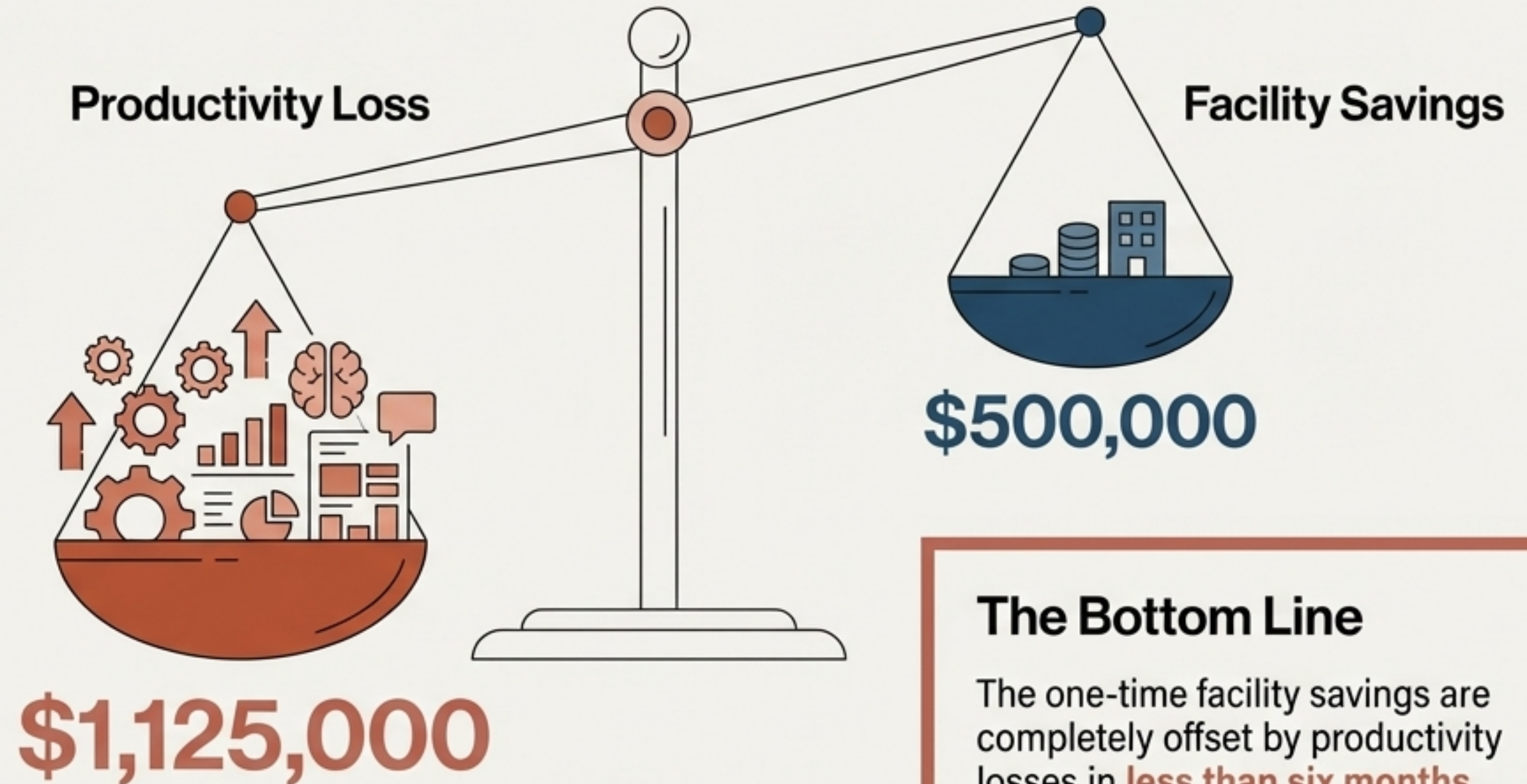
The Bottom Line

The one-time facility savings are completely offset by productivity losses in **less than six months.**

The redesign is not saving money; it is **destroying value.**

The Path Forward: An Evidence-Based Playbook

The research does not suggest a mandatory return to cellular offices. Instead, it points to a portfolio of evidence-based interventions that mitigate negative outcomes while preserving spatial efficiencies.

Immediate Interventions

Focus: High-impact fixes for your existing spaces.

You will learn:

- How to master the *soundscape* and enhance privacy.
- How to provide *meaningful choice* and *individual control*.

Strategic Capabilities

Focus: Long-term organizational shifts for future-proofing your workplace.
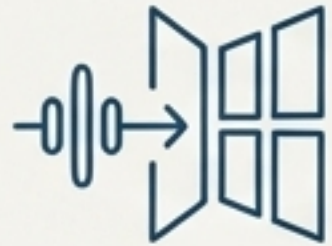
You will learn:

- How to build a responsive, data-driven system.
- How to integrate workplace strategy with culture and purpose.

Playbook: Master the Soundscape & Enhance Privacy

Evidence Foundation: Noise is the most problematic open-plan characteristic. All studies measuring privacy satisfaction found negative associations.

Effective Approaches

- **Acoustic Management:** Install sound-absorbing materials (ceiling tiles, panels, carpeting). Deploy white noise / sound masking systems.

- **Strategic Zoning:** Separate quiet focus zones from high-interaction collaborative areas. Establish and enforce workplace norms on noise.

- **Privacy Enhancements:** Use strategically positioned screens and partitions. Create private alcoves or semi-enclosed spaces for calls and confidential work.

Proof Points

PHILIPS

Implemented comprehensive acoustic improvements (sound-absorbing ceilings, acoustic furniture, sound masking) in their Dutch HQ, which stabilized productivity metrics that had previously declined long-term after relocations.

ERNST & YOUNG

Deployed directional acoustic panels and private alcoves in their Chicago office, resulting in a 45% improvement in privacy satisfaction and a 30% reduction in reported distractions.

Playbook: Provide Choice & Individual Control

Evidence Foundation: Lack of control over workspace conditions and the inability to find task-appropriate environments consistently correlate with reduced satisfaction and well-being.

Effective Approaches

Flexible Zoning: Provide a variety of reservable quiet rooms, focus booths, and collaboration zones. Ensure generous provision ratios so spaces are reliably available.

Individual Environmental Controls: Equip desks with controllable task lighting, personal ventilation/heating, and adjustable furniture (e.g., sit-stand desks).

Acoustic Privacy Tools: Provide access to noise-canceling headphones or personal white noise devices.

Proof Points

Microsoft

Designed their Netherlands HQ with comprehensive workspace variety. Quiet rooms and focus booths see 70-85% occupancy during peak demand, mitigating open-plan concerns.

Deloitte.

Piloted personalized environmental controls (task lighting, radiant heating) in their Amsterdam office, leading to a 40% improvement in thermal comfort satisfaction and a 12% decrease in sick leave in the pilot area.

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Capability: Build a Responsive, Data-Driven Workplace

Evidence Foundation: The most effective organizations move beyond one-time design decisions toward continuous, data-driven optimization.

Effective Approaches

- **Continuous Monitoring:** Deploy sensor networks to track environmental quality (CO_2, noise, light) and utilization patterns anonymously.

- **Integrate Feedback:** Correlate sensor data with regular employee pulse surveys and business outcomes (e.g., sick leave, retention).

- **Distributed Governance:** Empower teams with budgets and authority for local customization (furniture, layout) within defined standards.

- **Establish Responsive Protocols:** Create clear processes for investigating data-driven insights and implementing adjustments (e.g., HVAC changes, acoustic additions).

Proof Points

salesforce — Uses comprehensive environmental sensors in its SF tower. Data led to HVAC adjustments, acoustic panel installations, and task lighting provisions, improving workplace satisfaction scores by 18% over three years.

CISCO — Implemented distributed governance, allowing teams to customize layouts and individuals to select desk types. 55% of workers reported "significant control" over their workspace, up from 12% previously.

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Capability: Integrate Workplace Strategy with Culture & Purpose

Evidence Foundation: Negative outcomes often intensify over time, suggesting violated psychological contracts. Integrating design with culture helps workers understand the 'why' beyond cost.

Effective Approaches

Participatory Design: Involve workers in the design process through workshops, surveys, and mockup evaluations to build buy-in.

Transparent Communication: Clearly explain design rationales, honestly acknowledge trade-offs, and detail mitigation investments.

Leadership Modeling: Ensure executives and senior leaders work in similar configurations to demonstrate shared experience.

Mission-Aligned Rationale: Explicitly connect design choices to organizational purpose (e.g., densification for sustainability, openness for egalitarian values).

Proof Points

GSA

Engaged in an 18-month participatory design process for a new federal building, resulting in significantly higher satisfaction (65% vs. 42% in comparable facilities) and lower sick leave.

patagonia

Explicitly connects its open-plan design to its environmental mission (reduced footprint) and egalitarian culture. This rationale, combined with offsetting benefits (flex time), leads to higher worker acceptance of trade-offs.

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The Choice: Holistic Value Creation vs. Siloed Cost-Cutting

82% ← ---- *Negative Impact* ----- **5%**

The widespread adoption of open-plan offices has been driven by optimizing the 5% of costs (facilities) while systematically underestimating the negative impact on the 82% (people).

The evidence is clear: the intangible costs of compromised health, satisfaction, and productivity **are real, substantial, and frequently outweigh any facility savings.**

> An office is not just an expense to be minimized; it is a tool that can either enable or undermine your organization's most valuable asset.

Actionable Principles for Leadership

Moving forward, workplace design decisions should be viewed as a test of strategic leadership.
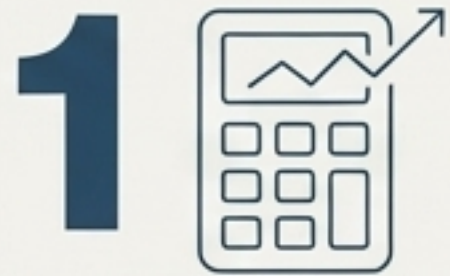
1 ### Calculate Holistically.
Demand cost-benefit analyses that quantify productivity impacts, not just construction savings.

2 ### Acknowledge Trade-offs Honestly.
Abandon aspirational collaboration narratives. Communicate openly and invest adequately in mitigation.

3 ### Provide Meaningful Choice.
One size fits no one. Offer a variety of spaces and flexible policies to support diverse work patterns and needs.

4 ### Monitor and Adapt Continuously.
Treat your workplace as a dynamic system, not a static asset. Use data and feedback to drive constant improvement.

The best workplace strategy doesn't just manage costs; it deliberately invests in the health, well-being, and performance of its people.

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