

Knoll Workplace Research

# Future-Proofing the Startup Office

Building Agile Workspaces for Fast-Growing Companies



**Knoll**

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## The Startup State of Mind

“All you need is an idea and an Internet connection.” That quick remark from a technology startup founder distills a generational shift in today’s business environment, where billion dollar brands are being built in vastly different ways from the offices and factories of years past.

This is the domain of the 21st century *startup*, a label liberally applied to the ventures created by tech-savvy, industry-disrupting, rule-breaking visionaries and employees. What was once a noun to describe a purely technology business, *startup* has taken on a broader definition for a breed of lean, collaborative, and agile companies. ‘Startup’ is not a measure of a business — it’s a business state of mind.

Courtesy of technology, today’s startups achieve great feats with speed unlike any time before. Yet for all their intensity, velocity, and digitally unshackled freedom, these companies still face the challenge of creating high-performing, adaptable work environments that enable productivity critical to navigating unpredictable growth on their road to commercial viability.

Startup workplaces, often pieced together under hectic circumstances and short time frames, frequently lack the flexible, modular, and organizational solutions that allow the uninterrupted productivity they require to flourish.

So, how do startups future-proof their environments in a business climate that may jump from four founders to 20 employees in one year and explode to a team of 75 a year later?

To capture the best practices of growing startup office environments, we spoke to a diverse set of stakeholders including founders, employees, facilities planners, operations directors, venture capitalists, architects, designers, and real estate professionals.



The environment’s job is to quietly enable the success of a startup by letting high-performance happen.

## The Startup Office Environment

For startups, there is a great deal of friction in creating physical environments along the journey and quest for greatness.

While initial founders can handle the coffee shop as the conference room or the corner of another office as home base, the functional and cultural requirements of an office quickly become a reality as a team grows in size.

Ignoring that reality may not doom a business, but it creates an avoidable drag on the overall mission of the company. Why? A well-performing environment is crucial in the high-stress, fast-paced crucible of a startup. There is a return on investment for the environment, just as state-of-the-art laptops and smartphones deliver a return to the business in terms of output.

At its core, the environment’s job is to quietly enable the success of a startup by letting high-performance happen — particularly in an organization that is constantly pushing itself to new peaks of success. The environment is critical in several areas:

- ▶ Stimulating productivity
- ▶ Providing a sense of stability
- ▶ Fostering collaboration
- ▶ Reinforcing transparency
- ▶ Cultivating a sense of culture, identity and spirit
- ▶ Evoking a ‘second home’ feeling
- ▶ Supporting talent acquisition and employee retention

For companies that have scaled successfully, the physical environment is rarely a perfect journey. But

there are important lessons to be gleaned for new startups to ensure the environment performs today and avoids pitfalls tomorrow.

## Key Findings

Key observations of startups and their physical environment include:

### 1. Early stage startups just make do

When there are only a few employees and the business is finding its marketplace niche, the physical environment matters less.

### 2. The mid-stage of a startup harbors the most friction

A great deal of friction is experienced between 30 and 74 employees. Offices must transition from bootstrapped operations to well-oiled organizations. Growth creates spatial squeezing and multiple office moves often occur.

### 3. Flexibility is fleeting

Even when startups prepare two steps ahead, they often arrive there in what feels like a single leap. While aiming to have reconfigurable furniture and spaces, more often than not,

fast growth forces major sacrifices of critical functional spaces (e.g., collaboration spaces).

#### 4. Many startup offices are short on the variety of spaces needed to accommodate the multiple types of work

Beyond individual work areas, companies need to delineate a mix of breakout meeting spaces, private spaces, and soft spaces to accommodate the different activities that keep a team at peak productivity.

#### 5. Planning for technology and data is often overlooked

When creating an open plan desk layout, data and power cables can be a costly imposition when not thoughtfully planned.

#### 6. The notion that the environment can maximize team performance is well understood

People are the most significant investment of an early business and their productivity is the lifeblood of the organization.

## The Journey & The Friction Points

In a perfect world, a startup's physical environment would expand and contract flexibly, meet the various functional demands of the workday, and be an inspiring space that illuminates the company culture.

The managing director of a venture capital firm described the optimal situation: "A hand-me-down scenario would be ideal," he said, adding that his portfolio companies can move three or four times in two years. "If a firm could move into an office of an existing company that's just left the phase the new company is growing into, it would be a perfect, turnkey solution."

But riding spatial coattails and perfect solutions are rarely realities, particularly as a business quickly shifts stages. We divide the office environment challenges that startups face according to size and stage:

- ▶ Founders Only
- ▶ Early Crew
- ▶ Full Team
- ▶ Great Expansion

## Traits of Today's Startups

A trio of key traits drives today's startup state of mind. Companies across sizes and categories express:

### A Lean Mentality

Popularized by Eric Ries's treatise *The Lean Startup*, 'lean' has become a marquee mantra for today's companies as they find their sea legs. Simply put, it means expending as few resources as possible to gain maximum impact on what matters most – getting a product in front of consumers.

### A Collaborative Culture

A focus on the individual worker has shifted to a focus on the collective many in the startup. Gone, at least at a company's outset, is standard hierarchy and in its place is an egalitarian, transparent culture of collaboration that has everyone pitching in their expertise and elbow grease to reach company goals.

### An Adept Agility

With today's emerging companies, there is a certain freedom from the physical, capital constraints that faced traditional businesses. This freedom has not only created immense opportunities but also a need to move and adapt quickly.



### Founders Only

When an idea is hatched, the few key founders are working furiously when and where they can. With self- or seed-funding,

the clear goal is to transform an idea into a product and begin sharing it with the world. Founders are likely working out of home, a shared space in an incubator or co-working facility, or renting a space within another office. The physical environment is not a major consideration – a desk, solid Internet access, and a place to call home base satisfies the fledgling business's needs. Collaboration happens automatically given the few number of people, and the company remains agile without a long-term office lease. At this stage, if it works, it flies.



### Early Crew

As the business crystallizes, a larger team of six to 29 people is leveraging a combination of revenue and further

investment dollars to fuel its mission. With more people, the physical environment is increasingly important — and this stage of business faces particular spatial challenges as it squeezes and makes do, caught between small and big. A major metamorphosis is taking place — what was once a small band of early founders is transforming into an office that faces key growth issues. Here, planning for flexibility, expressing

cultural identity, and creating a warm, 'second home' office space become a focus.





**Planning for flexibility.** 'Temporary' is the name of the game at this stage, and it can quickly take a toll. As the team blossoms, more types of spaces are required for the office to perform at its peak. Meetings, which used to be handled by just talking out loud to adjacent colleagues, are now planned events, often for smaller teams within the larger office. The need for occasional conference space arises, as does the need for private space for phone calls, confidential conversations, and focus work. But in this stage, flexibility can be fleeting. Conference and common space are quickly shoved aside when more desks are needed, as companies trade one function for another when outgrowing a space.

**Expressing an early cultural identity.** "In that early stage, you're just maximizing utility and it's hard to design, imagine, and plan ahead," said a venture capital firm's managing director. Design and imagination isn't all for aesthetics, however. The space has another key importance — becoming a cultural marker for a growing company. In a competitive hiring climate, the office environment can be a key selling point for future employees. A music startup's vice president of operations remarked, "We're competing with the Googles and Facebooks of the world for employees. The primary function of the space is for work, but a big secondary function is for it to say that we're a fun and growing company to work for."



## Key Environment Considerations by Startup Stage

While startups exist across categories, ages, and sizes, the following key environmental considerations manifest by stage:

	Description	Key Environment Considerations
<b>Founders Only</b> 	The earliest crew of five or fewer people; either self- or seed-funded and utilizing whatever physical space is available	<ul style="list-style-type: none"> <li>▶ <b>Ensure collaboration can naturally happen</b> between the initial founders and partners</li> <li>▶ <b>Own as little as possible</b> to keep the business nimble and flexible in the earliest stage</li> <li>▶ <b>Display a rudimentary space planning mantra</b>—most likely, “if it works, it flies”</li> </ul>
<b>Early Crew</b> 	The second stage, with further funding and a product that consumers are responding to; company is assembling an early team of six to 29 employees	<ul style="list-style-type: none"> <li>▶ <b>Plan for flexibility with modular furniture</b> (e.g., a conference set up that can be pulled apart to become desks)</li> <li>▶ <b>Create casual zones</b> for the burgeoning team culture (e.g., soft spaces for brainstorming, spontaneous/casual meetings)</li> <li>▶ <b>Foster a ‘second home,’ residential feeling</b> for employees who will likely spend a great deal of time in the office</li> <li>▶ <b>Invest in ergonomics</b> for employees’ well-being and comfort that enables peak individual productivity</li> </ul>
<b>Full Team</b> 	The company rockets forward with product expansion and sizable investment. With 30 to 74 employees, this phase often experiences the most physical environment pain points. This is the first stage when an architect/designer is likely formally involved on a full build-out.	<ul style="list-style-type: none"> <li>▶ <b>Employ furniture systems</b> that are replicable and reconfigurable to make fast-growth moments smoother</li> <li>▶ <b>Ensure the optimal functional mix</b> of collaborative, individual, and private spaces for employees to conduct business productively</li> <li>▶ <b>Consider the office as a cultural headquarters</b> as an increasing number of employees, clients, and community members visit</li> <li>▶ <b>Create floor plan options</b> for when growth forces consolidation (e.g., which common spaces can be sacrificed while losing minimal function)</li> <li>▶ <b>Plan power and data</b> for current and expanded floor plans</li> <li>▶ <b>Offer ample storage</b> for employees’ personal belongings and showcase space for company items</li> <li>▶ <b>Create large gathering spaces</b> like communal tables in kitchens or coffee counters where casual exchanges can occur</li> </ul>
<b>Great Expansion</b> 	The company matures with a departmentalized structure, multiple offices, the possibility of a public offering, and 75+ employees	<ul style="list-style-type: none"> <li>▶ <b>Standardize furniture systems</b> to increase long-term flexibility and save on operational costs in a larger, departmentalized office</li> <li>▶ <b>Orchestrate the environment to foster interaction moments</b> where employees between departments can meet, mingle, and share knowledge across the company</li> </ul>

**Creating a residential feel.** For employees, culture is often a main draw of startups over established corporations. The startup is an office of ‘we,’ often featuring a hard-working but easy-going, collaborative culture with a residential feel to the space. But in high-growth, the space can become a friction point — the living room of the company’s house, so to speak, is often the first thing to go. “The company is as amazing on the inside as it is on the outside to our happy customers,” said an employee of a fast-growing online eyewear brand. “But the office is a noisy mess... It comes with the startup territory, but we’re packed in.”



### Full Team

At this stage, many startups have come into their own with happy customers, excited investors, approximately 30 to

75 employees, and a major investment infusion. Resources are earmarked for spending on the people and the product to scale the company to new heights. In the office, most startups are dealing with mitigating a spatial squeeze, planning for growth, creating a public face to the office, and organizing burgeoning departments.

**Relieving the spatial squeeze.** Spatially, the company is squeezing all it can out of its first few offices before departing for a

new space with the breathing room and functional spaces necessary to fire up productivity to reach its loftier goals. A more permanent physical environment is planned to accommodate today’s needs and tomorrow’s growth. “When you’re growing so fast, you’re trying to find the right office and convince your board [of directors] that you should take on ten times what you’ve got today,” reminisced an office manager-turned-office designer for a fast-growing San Francisco-based hospitality startup. But often, ‘ten times’ isn’t sustainable in rent or furnishings. An email marketing startup’s office manager recalled time between their second and third office, “We didn’t even have a home big enough for the whole team and we were growing rapidly. We had to move quickly.”

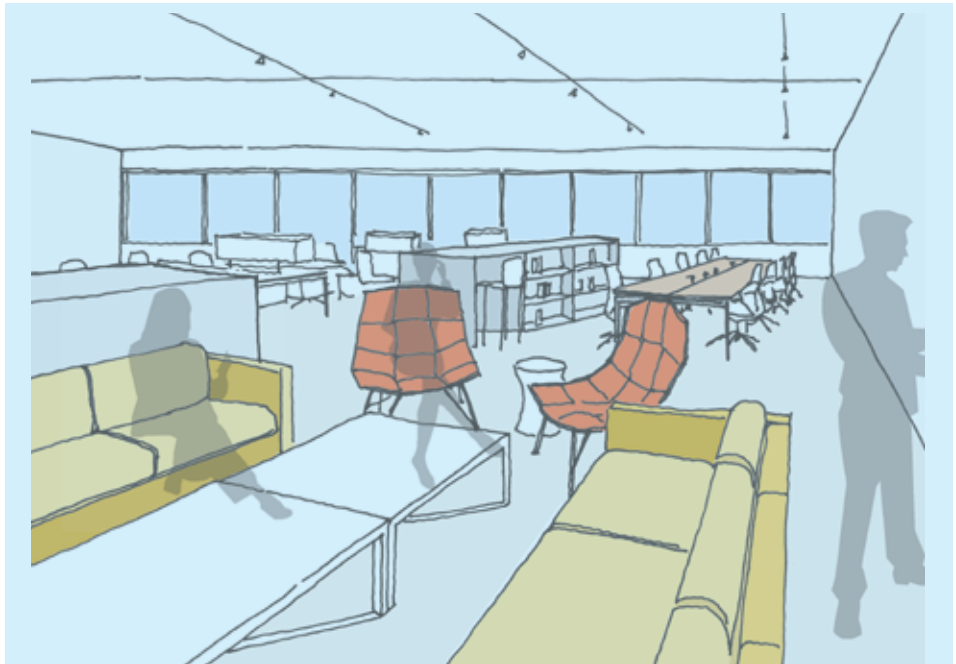
**Creating a space plan.** For the first time, companies in this phase may have the opportunity to hire a formal designer to assist with space planning. “Now in our fourth office, we finally had time and space to plan,” added the office manager. “Everyone finally has a sizeable desk of his or her own. We have enough rooms to have all of our meetings. People said they felt like they’d gotten a promotion.”

**Expressing a unique, eclectic style.**

Companies also begin expressing culture with their own brand of eclectic style in a more formal, planned way than in earlier days when eclectic expression was often the result of responding to needs with a mishmash of items. “At this size, we have more resources to do special things, make the office feel like the second home it is to many of its employees,” remarked an interior designer who has completed offices for some of the Bay Area’s most well known startups. Thoughtful and playful soft spaces (lounges, soft seating areas), open and sizeable kitchens and cafés, desk variety (standing desks, communal tables), and custom art pieces all add a sense of eclecticism that are as much a cultural marker as an employee perk.

**Opening the headquarters.** Today’s startup office is often an open environment compared to the traditionally more closed corporate headquarters. A venture capitalist remarked, “The office used to be a place to work but now it’s also a place to gather. Companies are hosting ‘hackathons’ and meet-ups and today’s offices need to reflect the energy and mission of the company, showing off that you’re a band of smart and creative people.” A product innovation startup of 80 people broadcasts its weekly meeting to its community of 300,000 on the web. The warehouse-inspired office, replete with prototyping machinery in the background, sets a matching backdrop to the company’s vision.

**Recognizing emerging structure.** Perhaps the most significant turning point for companies in this phase is the transformation from a single-room mentality to a company with burgeoning departments that each champion separate disciplines. While today’s startups shed the silos of their corporate brethren, departments may have different functional needs that require thoughtful space planning. An online fashion retailer’s space planner said, “The fashion folks need different things than the finance people. We have to build an environment that’s flexible enough



**CASE STUDY**

**Turning the Office Upside Down**

A seemingly unchallenged tenet of an office is that each employee has his or her own desk. But what if that notion was turned completely upside down? A major international financial services company did just that in a bold program to rethink how its twenty-first century office could work.

After a broad survey of its employees, the company realized it could meet nearly all of its employee wishes if they were willing to give up one thing — their own desks.

In favor of the same desk for all, the company introduced a mix of standard desks, standing desks, café style seating, lounge chairs, and other alternatives. Private offices were no longer the domain of managers, but bookable places for collaborative meetings, confidential conversations, or concentration work. Personal storage lockers and ‘neighborhood’ storage for departments’ physical belongings were built.

If it sounds a bit like a college setup, it’s because it’s not far off in spirit. “Students always had the choice of toiling at home, in a library, or in a coffee shop. But suddenly when we ‘grow up,’ our companies say to us ‘sit, stay,’ for eight hours or more a day. We decided to ask why,” said one of the program’s leaders. “If you’re a writer and you get writer’s block, you take a walk. You change your environment. That’s what this allows all of our employees to do.”

With proper change management, the new office style has been reviewed favorably. The change has cultivated fresh ties across the office, fostering connections, conversations, and opportunities between employees of vastly different functions. Productivity and happiness have flourished, and the program is slated to roll out worldwide.

For startups used to doing things innovatively and breaking rules, planning a new office may be an opportunity to rethink the very office itself.

CASE STUDY

A Startup Office Optimized for Collaboration and Expansion

A New York-based behavioral analytics marketing company recently moved into an 18,000 square foot office space after closing an \$8 million funding round. The journey to its open, airy, light-filled office for 75 people wasn't always smooth. After beginning its life in a tech incubator's office, the company experienced three more office moves – and at times there weren't even enough desks for all employees to be in the office at once.

When building out the new headquarters, the challenge was to create an open, flexible office space for a still-growing company.

Specifically, the company employed a modular benching system for open-plan desks that thoughtfully planned for power and cables that often go unmanaged. Standing height desks provided employees

with working options and could be converted to regular desks when needed. For collaboration and private phone spaces, the company refreshed pre-existing executive offices as breakout rooms with tables, chairs, and whiteboards. Two adjacent conference rooms with a retractable door between, and desks as a conference table accommodated smaller and larger meeting needs. And the valuable perimeter window space became areas for casual group work tables, sofas and other soft seating that encourage interaction across the office.

In addition to meeting the functional requirements of a fast-growing company, the employees remarked that the well-planned personal work areas made them feel "like they'd gotten a promotion."

to handle everyone." "The chaos is the biggest challenge," says the senior internal operations manager of an online menswear brand. "We want people and departments to express themselves, but we need to be able to clean up easily, too. People's things are everywhere. I can't get enough storage."



Great Expansion

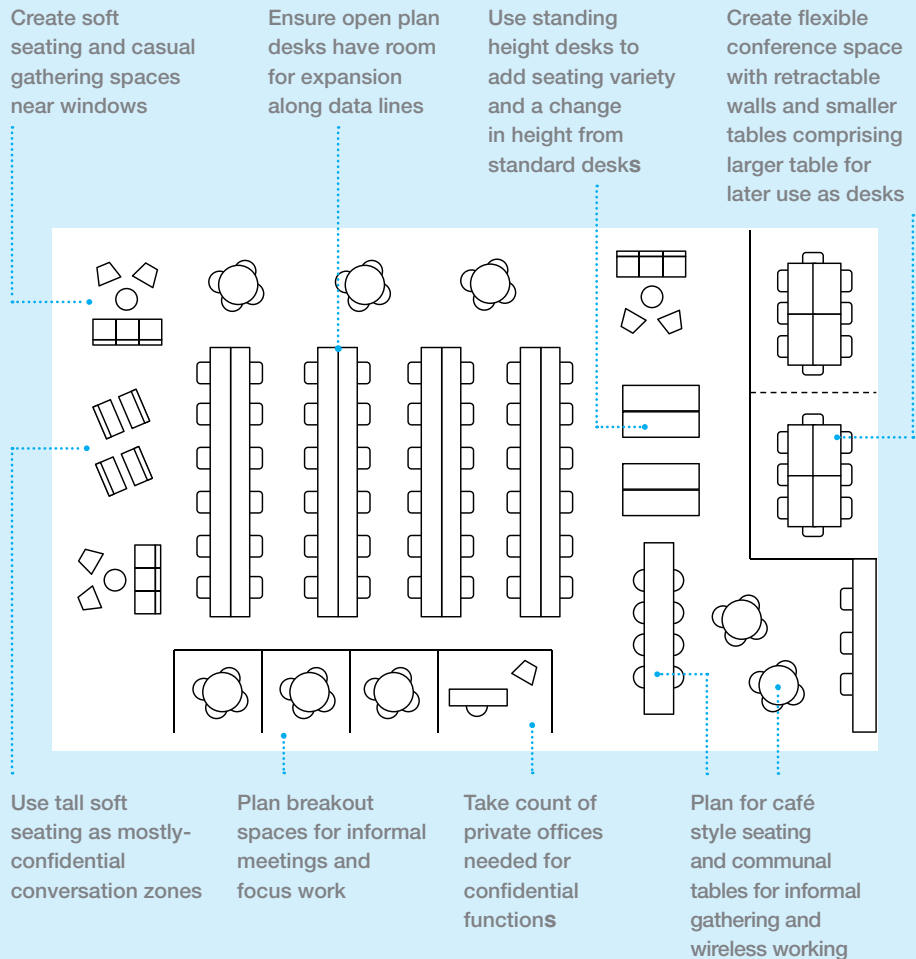
Now, emerging companies are architecting towards profitability, geographic expansion, and

potentially even a public offering. This is startup *Manifest Destiny*, when offices scale beyond 75 employees with subsequent fundraising rounds, wider consumer popularity, and revenue potential to match.

The metamorphosis has reached a phase where the starting point seems like an entirely different lifetime. When the founders and earliest employees look around, they see tens, maybe hundreds, of new faces. While some continue to use the 'startup' label, talk of IPOs and the entrance of major corporate players at the executive level feel distant from the era of coffee shops and squatting in others' offices. This is a poignant shift for young companies.

**Polishing the home front.** The sheer size companies at this point and its effect on the overall culture can be significant. Physically, the environment has less forgiveness to keep the company at its operational peak. "When you're 10, 20, 50 people, you can get away with being a little rag tag. But now we're bringing in potential investors, experienced leaders, young, creative employees, and the space needs to work seamlessly and look sexy and put-together," said a flash sale retailer's facilities director.

**Creating interaction moments.** Beyond appearance, shifts in company size require a major effort to maintain the culture of the earlier, smaller days. Those serendipitous interactions that happen when everyone knows each other occur less and less — and the environment's job is to rekindle that. "When we were ten people, even 50 people, it was easy to interact with everyone. It was a big realization when we looked around and realized we were 150 people and half the people had only been working there for three months," said the 'vibe manager' of a Berlin, Germany-





**Figure 1:** Using furniture, rather than walls, to create semi-private group meeting spaces is a key element of an energetic, open work environment that can flex as needs change.

based social sound-sharing company, of her former hospitality startup which now has 500 employees and a \$2.5 billion valuation. “My job in creating the environment became about making spontaneous interactions between people possible.”

## Successful Future-Proofing Practices

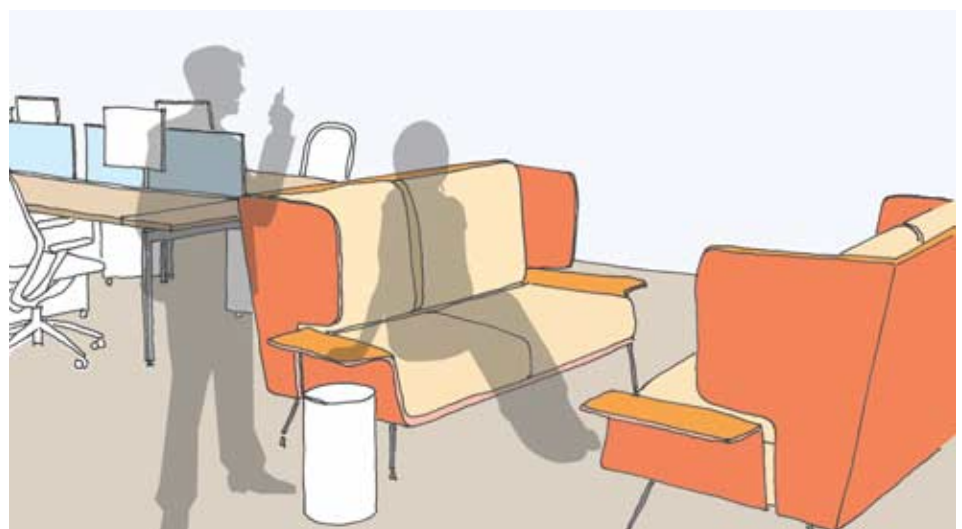
The path from the *Founders Only* stage to *Great Expansion* and beyond is undoubtedly arduous, exciting and rewarding for the startups that make the journey. For the companies that have been through the challenges, a number of best practices emerged that future-proofed the physical environment and its chief functions—encouraging productivity, stability, collaboration, culture and identity, comfort, and the acquisition/retention of talent. Some key practices in primary workspaces, activity spaces, and the overall office design include:

### Primary Workspaces

- ▶ **Plan for more desks than the current head count to accommodate** short-term growth and keep productivity high during personnel additions.
- ▶ **Test tighter floor plan scenarios** and communicate with employees about the possibility that it may become a reality as

the head count grows.

- ▶ **Create variety in an open plan space** with vertical boundaries like bookshelves or other storage moments to create semi-privacy, provide aesthetic height changes, and lessen noise transference.
- ▶ **Employ a modular system for desks, but also for power and cabling.** “We realized this is where the costs ballooned when you don’t plan ahead,” a digital marketing firm’s cofounder said. A facilities



**Figure 2:** Common spaces with soft furnishings are important areas for casual gathering and for semi-private conversations between two or three individuals.

director echoed this notion saying, “Founders’ eyes widen when they realize how much electrical work can cost.” Consider it the subway system laid before building the office above – it’s difficult to change and growth will happen around it.

- ▶ **Consider the return on investment of ergonomic furniture** with employees likely spending many hours in the office. “We’ll toss a \$600 iPhone on the table at a bar but we’ll skimp on the chair we sit in for eight hours,” observed a venture capitalist.

### Activity Spaces

- ▶ **Provide a variety of workspace styles,** including benching-style open plan desks, standing desks, communal tables, or café style work areas. In addition to creating visual variety across an office landscape, this diversity increases productivity by creating opportunities for interaction and changes in scenery.
- ▶ **Determine the optimal mix of collaboration, conference, and private space needed** to avoid makeshift solutions like hallways becoming de facto phone booths or group work sessions being held adjacent to where employees are trying to concentrate. “If I put out a table with four chairs in a new place, it’ll be filled in an hour,” said an office manager, demonstrating the demand for a mix of spaces.
- ▶ **Use multiple individual table desks to create a conference table.** “Conference



tables are like furniture for Thanksgiving – used once in a blue moon,” said a space planner. When in a space crunch, these conference tables can be pulled apart for desks for employees, which likely takes temporary precedence over meeting space.

- ▶ **Use furniture, rather than walls, to create private or small group space** for a solution that is flexible and less permanent. “People quickly learned that our tall furniture pods were as confidential as a room with a door,” said a designer for a tech incubator.
- ▶ **Plan for a blend of common spaces with soft furnishings** to provide a break from the functionality of individual workspaces. While more expensive, such communal spaces are a major cultural marker for a startup and a place where casual idea exchanges happen.

### Overall Office Space

- ▶ **Create areas where employees and burgeoning departments can express themselves**, while maintaining an overall company image. “I provide the employees a small framework for fun and it creates a beautiful dynamic. It bonds people to the greater goal of our company,” said the menswear operations director.
- ▶ **Balance the function of office furniture with an eclectic and residential feeling** of cafés, restaurants, and libraries. “They [employees] don’t want office furniture. They want furniture for their offices,” said a designer.
- ▶ **Complement common areas with “company moments,”** such as large screens with live website data. A handcraft marketplace company has such screens visible to all, and “the sense of mission it provide is a powerful player in getting to stability,” said a venture capitalist.
- ▶ **Assess storage needs for both personal and office-wide use** to optimize space as the company grows. Despite the paperless movement, offices continue

to have tangible goods and ‘swag,’ and employees need individual space for gym bags, purses, and other personal items.

## Future-Proofing: An Investment in Productivity

For startups, perennially faced with limited resources, the return on investment of creating a high-performing work environment is always an opportunity cost.

An experienced facilities manager, formerly of a \$7+ billion American media corporation and now with a startup gearing up for an IPO, said “With startups, it’s all about the sprint. You can think of spending on the environment as either saving operational costs — or spending on productivity. You wouldn’t believe it, but sometimes doing it right and outfitting an entire floor can actually save money.” It’s certainly a financial argument for investing in the environment.

The cultural argument, perhaps less quantifiable, is no less important. “Building

our new office was all about making a place people wanted to either keep working or join,” said a digital marketing firm’s confounder. “I could work on a card table myself, but I want to keep my employees happy and productive.”

The environment is undoubtedly a chief asset that creates a home base where the magic happens and a space for the very special culture of startups to manifest. Creating that environment can be fraught with major friction points, particularly during key growth periods when the distraction is perhaps most unwelcome and detrimental to the everyday focus required.


If the environment’s job is to quietly enable the success of a startup, the filter of planning and investing in it should consider its total effect on encouraging productivity, stability, collaboration, and culture.

And while each startup has its own unique path to growth and glory, future-proofing around known office environment challenges helps energetic organizations navigate the business of their business with less drag and more velocity on their path to greatness. ■



Figure 3: Benching configurations allow efficient shared access to power and communications distribution, temporary tightening of individual workspaces, and future expandability.

Through research, Knoll explores the connection between workspace design and human behavior, health and performance, and the quality of the user experience. We share and apply what we learn to inform product development and help our customers shape their work environments. To learn more about this topic or other research resources Knoll can provide, visit [www.knoll.com/research/index.jsp](http://www.knoll.com/research/index.jsp)

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