

The Changing Workplace

What's your strategy?

MANAGING AND MEASURING THE
EVOLUTION OF THE WORKPLACE

SMITHGROUP

Change, as the old saying goes, is constant. The workplace is no exception. And as the workplace changes, the workspace is evolving along with it—perhaps focused on a different business model or reflecting a changing workforce.

How do organizations ensure smooth transitions in the workplace? And how do these companies measure the effectiveness of these transformations? To discuss these issues, SmithGroup recently convened a roundtable of its Workplace Advisory Board, a diverse group of thought leaders from manufacturing, research, consulting and other industry sectors. Together, they shared their experiences, ideas and best practices for their evolving workplaces.

What emerged from the discussion was the importance of identifying the need for a workplace transformation, and developing a change strategy: a guiding plan to align workplace design with business drivers and metrics to measure success.

KEY TAKE-AWAYS

- 1 UNDERSTAND** why your workplace is undergoing a transformation. These business drivers—mergers, acquisitions, changes in business process—will guide the appropriate workplace design. Acknowledge that one solution does not fit all.
- 2 CONSIDER** a pilot program before embarking on an organization-wide change. Be prepared to coach workers on the various ways to benefit from a new space and manage the change process.
- 3 IDENTIFY** how your company wants to measure the effects of a workplace transformation. Your ROI may not be strictly a quantitative figure (cost savings, sf/person, etc.) but might include employee satisfaction and productivity metrics.

trans·for·ma·tion

1. change in form, appearance, nature, or character
2. to become altered or modified
3. a transformation or modification; alteration





CATALYSTS OF WORKPLACE CHANGE

Myriad circumstances can spur the need for workplace changes. Technology, mobility, and changing workforce demographics are some of the more prevalent drivers. Our Roundtable participants shared the reasoning behind their organizations' transformations from traditional to more cutting-edge workspaces. Several reported that the catalyst was a change in the organization itself, due to merger and acquisition, new product launches, changes in business directions or new leadership structure.

Organizations that are growing or downsizing naturally need to adjust their work environment, which can lead to more substantive changes. One participant explained that when their financial services institution merged with another firm, they envisioned their new workplace as an opportunity to help define their newly united company culture, which would involve more collaboration and innovation. A participant from a major technology company explained how the launch of new product offerings to the public became

the platform for organizational change, leading to a new strategy in their work environments. Another participant related that their organization was transitioning from strictly a research-based company to a more broad-based software-technology firm; this became the driver to change their work environment to align with their new business strategies. They viewed the transformed workplace as a critical supporting factor to the success of their business, and their business culture.

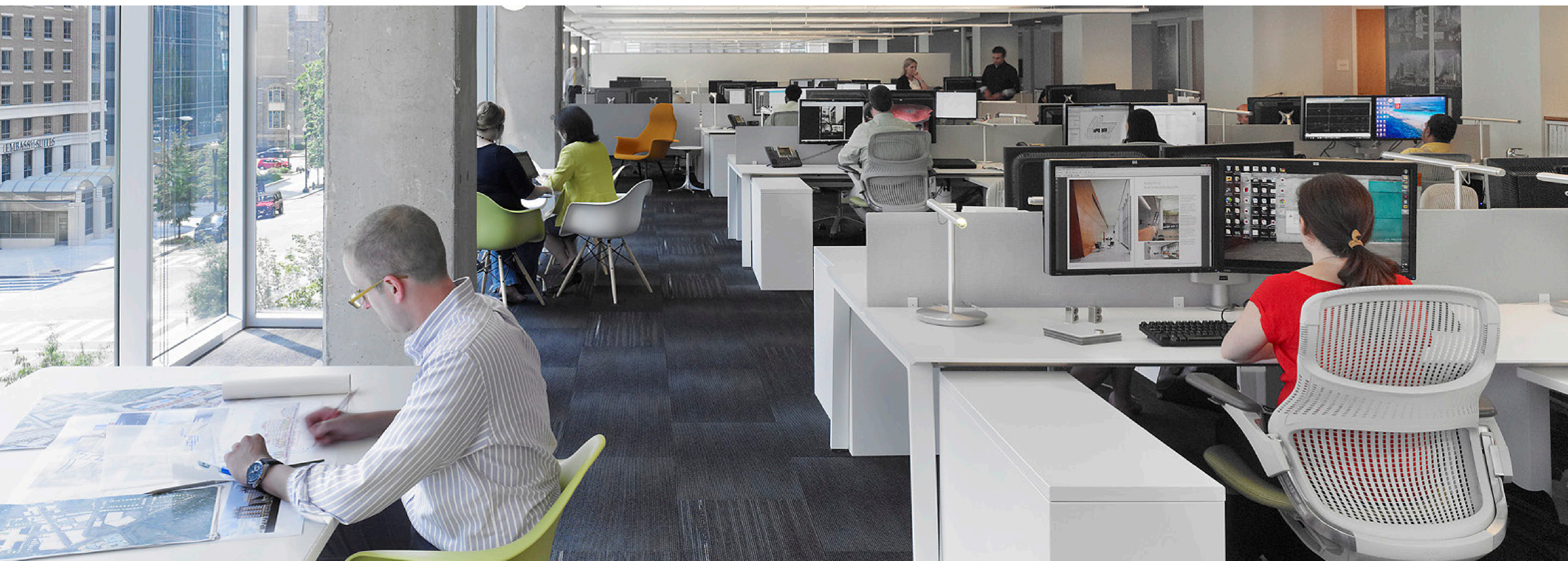
Technology is another change driver. As computers and communication devices become smaller, personal and more mobile, workplaces are less reliant on fixed work stations. SmithGroup routinely works with organizations to determine how much infrastructure is prudent in a build-out. As reliability increases for each new technology, it will continue to shift the decision-making discussion. Today, for example, we may debate the reliability and security of a wireless network versus a fiber-optic backbone with hard-wired workspaces; future technologies will bring new debates. Regardless, nearly every Roundtable

participant keyed in on the importance of flexibility—making spaces fully functional for today’s evolving needs, and easily adaptable to tomorrow’s.

Changing demographics also drive the need for a new or redesigned workplace. As the nation’s workforce undergoes a shift in balance from Baby Boomers and Gen X workers to Gen Y and Millennials, these new generations of workers bring differing attitudes and opinions about what constitutes a desirable workplace. As “digital natives,” they expect constant and instantaneous connection to one other,

social media and other outlets. They also respond to a more youthful aesthetic, along with extras such as onsite food service, recreation areas, health clinics and dry cleaners.

An innovative workplace, then, becomes an increasingly powerful recruitment and retention tool. One technology participant noted that they compete with the big names of Silicon Valley and their well-publicized array of amenities and perks. For many companies, offering a workplace that is hip, collaborative and filled with desirable amenities is now a very real business need.





MANAGING TRANSFORMATION

The Roundtable agreed that preparation is paramount to a successful workplace transformation. A well-organized and well-run change management program will create employee understanding and “buy-in.” First, each organization needs to hone in on its specific objectives and goals. Within the organization, the human resources, information technology and real estate functions must be closely aligned in order to guide the overall approach, design details and timing.

Of course, there is no “one size fits all” solution when it comes to workers and the

environment that suits their needs. What does seem clear is that there needs to be space available for both collaboration and for individual focus. Beyond that, each organization must determine what is the right mix of these spaces for their workers, their culture and their industry.

Furniture design plays an increasingly important role in the successful implementation of a new workplace strategy. Today, organizations have a vast array of options — no longer just cubicles and private offices — readily available from major manufacturers. The revolution in flexible

and agile designs include creative benching, adjustable-height worktops and movable wall systems.

Participants shared a wide-ranging array of goals and objectives for their workplace moves. One telecommunications company opted for a 100-percent open plan environment to foster one-on-one communication and collaboration in lieu of inter-office email. Another company has evolved to an open-seating concept with multiple choices of seating arrangements for teamwork and focus work. To underscore the mantra of innovation and entrepreneurial

spirit, one manufacturer deliberately designed a work environment that mimicked the look of a start-up firm.

In preparation to launch a major workplace transformation, it is beneficial to consider a pilot program. Often there is one department or group within an organization made up of progressive “change agents,” eager and open-minded to try something new. These early adopters become advocates for transformation.

When one participant’s tech firm embarked on its workplace change program, it began with a pilot program at a small location to test workstation layouts and assess collaborative culture. Based on that pilot, it made a number of valuable adjustments before rolling out the new design across all offices. Before embarking on a 2004 workplace change of 35 million square feet, another major technology company first tested concepts with a pilot program of just 15,000 square feet.

Roundtable participants emphasized the importance of communicating exactly how a new workspace can be used. This should include specific instructions about using shared work stations and meeting rooms, when facilities are available, how to access

them, and so on. One telecommunications participant suggested this include guidelines for respecting others in terms of noise and distractions. The e-work protocol that may be obvious to younger workers may be less so to those who are used to more traditional office styles.

Perhaps even more importantly, educating employees about a new workspace should include a more broad-based conversation about the migration to a different work style. One participant referred to this as developing a new “culture of permission.” Workers of all ages and positions need to feel that the organization supports them working in the new space — that it’s acceptable to use less formal seating areas, such as coffee bars and living rooms, as a personal workspace, to collaborate with peers and to hold informal meetings. It’s particularly important that management lead by example, using the shared spaces themselves.





SUCCESS MEASUREMENTS AND ROI

Depending on an organization's goals, some results of a workplace transformation can be simple and straightforward to measure. Typical metrics might include square footage per seat, headcount to seat ratio and office to workstation ratio. Several Roundtable participants reported substantial reductions in square footage, energy costs and other quantifiable categories when they shifted from a static, traditional setting to a more flexible work environment.

The discussion also unearthed other potential improvements that may be

less obvious, but still measurable. These include the cost of innovation, reduction in absenteeism, the level of customer engagement and impact on revenue generation.

Yet the Roundtable agreed that there are many other significant benefits of a workplace transformation that can be more challenging to track, such as improved productivity or increased collaboration. To link workplace changes to results, organizations should first determine how they would define success. This "Success

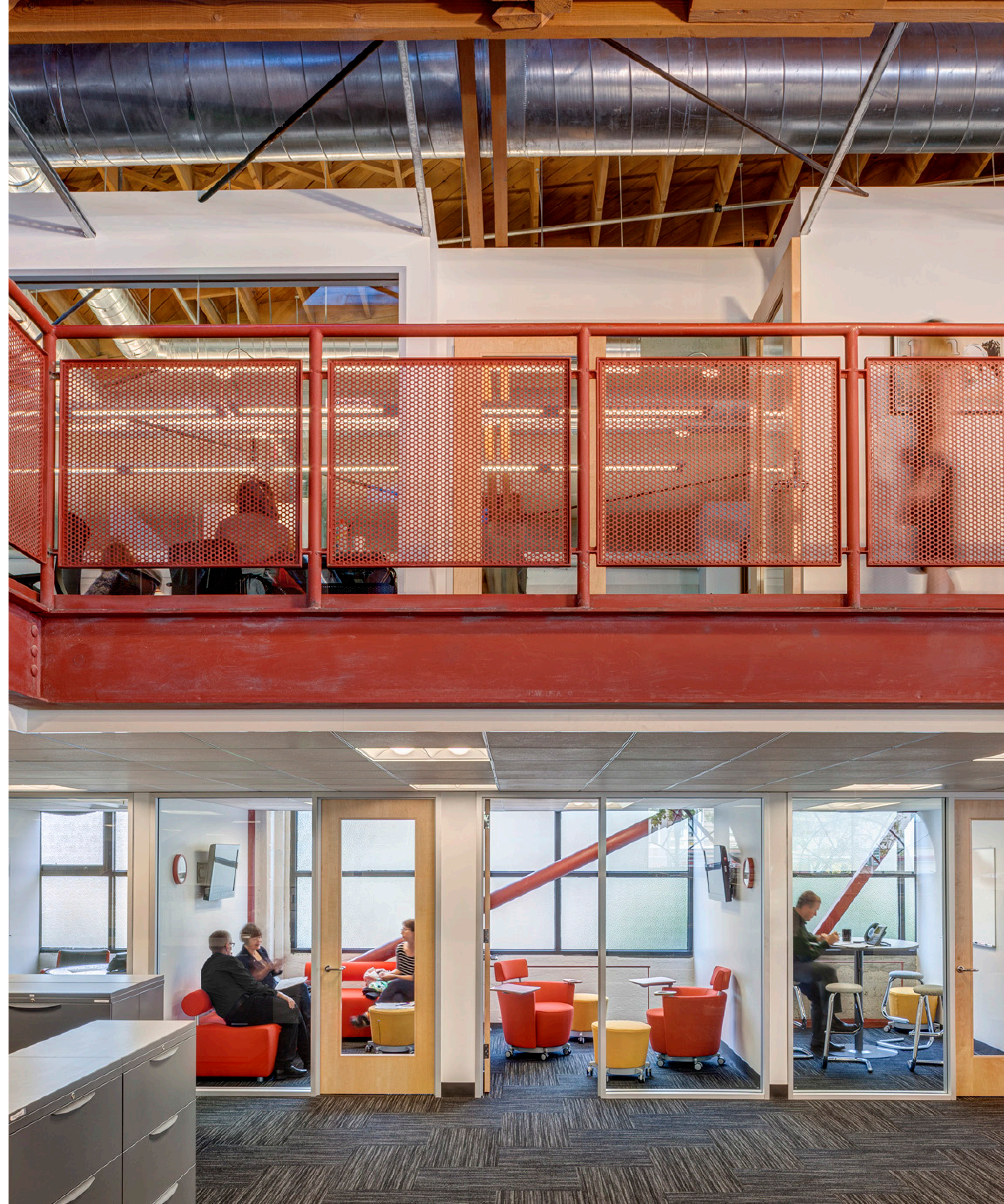
Measurement Index" will be different for every business.

One participant noted that their organization chose to track employee satisfaction, rather than productivity. Others keyed in on improved client perceptions, improved collaboration or improved effectiveness. Another suggested that having a workplace coveted by everyone in the organization is a sign of success. Although these factors may be more difficult to quantify, it's essential to conduct a pre- and post-move survey to establish baseline parameters.

Clearly, there's no magic formula for calculating an exact return on investment statistic when it comes to workplace transformations. But as organizations look for strategies to stay ahead of ever-evolving technologies and work styles, "ROI" might be better viewed as "return on innovation" or "return on intrepidity."

IN SUMMARY

While none of our Roundtable participants can predict the future, they do agree that having a clear strategy is imperative for a successful workplace transformation. Organizations embarking on an office change should identify *why* the workspace is changing, and develop a plan to manage the process through clear and consistent messages. Finally, conducting pre- and post-move surveys can measure the quantitative and qualitative improvements, further validating the investment. The Roundtable continues to demonstrate that leading companies are willing to be bold and courageous, creating workplace environments that advance company goals and become a valuable business asset.



QUANTITATIVE — SF, \$, % AND RATIOS		
WORKPLACE OF THE FUTURE (WOF) BOTTOMLINE IMPLICATIONS	Global Portfolio (Rentable Square Feet (RSF))	
	Global Staff Headcount	
	U.S. Portfolio (RSF)	
	U.S. Staff Headcount	
	Average RSF/staff (Full Time Employee (FTE))	
	Average RSF/seat	
	Average ratio of seat to FTE	
	Percentage of collaboration spaces to personal spaces	
	Mobility Definition: percentage of time in office, to justify an assigned seat	
	Average Utilization Factor	
	Percentage of private office to open workstation	
	Average size of private office	
	Average size of workstation	
	Cost per FTE	
	Cost per Seat	
	Cost of Technology (hardware, software and support)/FTE	
	Average TI cost \$/RSF	

QUALITATIVE — % OF IMPROVEMENTS		
WOF VS LEGACY/EXISTING SITES	Individual Effectiveness	
	Team Effectiveness	
	Informal Collaboration	
	Formal Collaboration	
	Overall Workplace Satisfaction	
	Impression on Customers/Clients	
WOF IMPACT ON PORTFOLIO	Vacancy (%)	
	Suplus Assets (square feet)	
	Utilization Rate (%)	
	Changes in Real Estate Cost (\$)	
	Changes in Tech Cost (\$)	
	Cost of Churn (\$)	

SHARE WITH US

The metrics listed here represent quantitative and qualitative data many organizations collect, or are interested in collecting. If you have data you want to share with us, please forward to Amy Warden, Workplace Practice Manager (amy.warden@smithgroup.com). We will compile the data and add to our database to determine trends and industry benchmarks. Once compiled, we will share the summary.



ABOUT THE SMITHGROUP WORKPLACE ADVISORY BOARD ROUNDTABLE

Based in 12 cities worldwide, SmithGroup is a leader in workplace facility design and development. As part of its ongoing research, the Workplace practice regularly convenes an advisory board of leaders representing a diverse set of corporate and institutional real estate executives, facility directors and workplace strategists. The Roundtable provides a forum and think-tank for sharing insights into emerging trends, issues, challenges and opportunities related to creating and maintaining today's sophisticated workplace environments. For more information about SmithGroup, visit www.smithgroup.com.

