

## The Workplace as a Strategic Priority

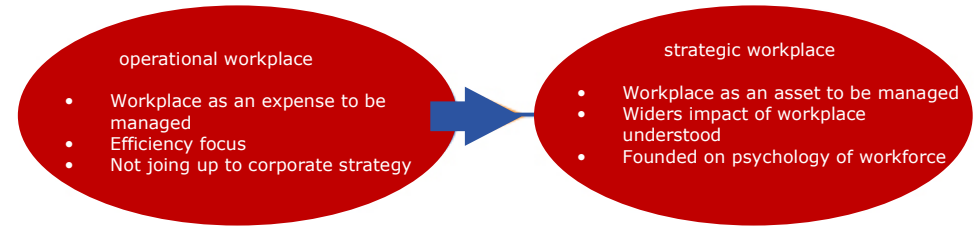
A major evolution is taking place in the way leading companies view the workplace. Companies are finding new and unexpected ways to leverage one of their most significant capital assets and drive company performance. The Workplace Intelligence Unit has undertaken a wide-ranging research programme, including a number of interviews with business leaders, to understand what is driving this trend, how companies are going about it and what the future holds.

### Methodology

We selected senior personnel at 12 companies in the UK, including Facilities Managers, and Property, HR and Managing Directors. The interviews were semi-structured, exploring evolving attitudes to the workplace within the organisation. A full list of participating companies, including PwC, Bloomberg, Barclays Capital and ICI, can be found at the end of this report. The face-to-face interviews were backed up by desk research on key trends and initiatives in further companies.

### What is changing?

Occupancy is a major cost item for companies – in many cases the second most significant area of expenditure after people. As such it is typically seen as an expense to be managed and minimised rather than an asset to be deployed. However there is an evolution from what we call operational workplace to strategic workplace thinking. Leading companies are moving to a mindset where the workplace is not solely based on headcount, desk ratios or cost per square metre – although all these are important. Rather, it is based on productivity, culture and the brand. A successful workplace is one which shapes the way workers work, determines how they feel about the company and pushes them to new achievements. A successful workplace is one which helps deliver strategy.



### Why the workplace?

There are five key reasons why the workplace is rising up company agendas:

#### making strategy happen

Our understanding of what drives a successful strategy is changing. In addition to selecting the right strategy, the psychological exercise of making it happen can prove to be the greater challenge. The stock market is littered with companies whose strategy was right but failed due to poor execution. Employee motivation, culture and energy can be just as important as selecting the right markets or getting your pricing right. Companies are realising that a new or refreshed workplace can be a persuasive and long lasting way to achieve this.

#### bringing brands to life

Businesses are looking to build stronger brands and create sustainable differentiation. Product differentiation is becoming harder to develop and sustain and many companies look to their people as a source of differentiation. In this context a well-designed working environment with effective internal branding can be instrumental in inspiring employees to live the brand values.

#### the war for talent

The role of the workplace in attracting and retaining talent is the mantra of many real-estate managers today – it is frequently cited as justification for investment in office facilities. Remuneration packages can always be matched or exceeded and companies are increasingly aware that pay alone is rarely enough to secure the top graduates. A fantastic office to work in, and the improved work-life balance afforded by flexible working policies are increasingly taken into consideration by high achievers.

### **technology as an enabler**

Technology offers scope to do things with the workplace which simply weren't possible 10 years ago. The most common area of IT investment among the companies interviewed was connectivity. Whether connecting a network of global offices so that employees can log on anywhere, enabling mobile workers to connect to the network from home, or even providing facilities for visitors to access their own emails from within the host meeting areas, connectivity is clearly seen to deliver important benefits to the business.



### **the changing patterns of business**

Three key changes here are forcing businesses to consider their workplace more carefully:

- workers are spending less time in the office
- customers and partners are working in ever more collaborative relationships
- off-shoring and globalisation are resulting in more sites which need to be culturally close despite geographic distance

These changes are putting greater pressure on the workplace to perform. The itinerant employee, the visiting customer and the call-centre operator in an alien culture all need to be immersed in a workplace which communicates a clear and distinctive culture.

### **How companies are responding**

Based on our interviews we have identified 8 ways in which leading companies are creating more strategic workplaces.

#### **1. A signal of strategic change**

The launch of a new strategy, a rebranding, or a change in direction are often difficult times for companies, and their success is critical. Four of the companies we spoke to had made a conscious decision to move to new premises to underline a change in strategy. In each case, careful thought was given to how the new workplace reflected the new direction. In each case, occupancy costs were reduced at the same time.

Take Smith & Nephew for example. Five years ago the company launched a new strategy, selling off underperforming assets and focusing on the high growth areas of artificial joints and wound management. Competing with predominantly American firms, the company needed to shed its traditional, English, hierarchical culture. The move to a new, modern, glass fronted office was a key part of the change.

Orange in Denmark was facing significant competition and had to implement organisation and process change. The Board opted to relocate to support the strategy and to encourage collaboration and interaction. The results have been spectacular. Staff satisfaction rose to 88% and the business went EBITDA positive in 2003, with the move a key driver.

## 2. Building excitement and energy

Most businesses are built on energy. Apathetic, demotivated staff rarely produce results and the workplace is one of the easiest ways to inject enthusiasm. It is hard to enter Bloomberg's offices in Finsbury Square without feeling enthusiastic and energised. Surely it is no coincidence that this is the company which has out-performed Reuters so impressively over the last 5 years. Orange understands this aspect of the workplace well. "Paint is cheap: you can change the look and feel of an office over a weekend by simply painting it a different colour" one of their property managers told us. Their Director of Property said that part of the Facilities role is to "help uplift the spirits of the place...to build an overall uplifting workplace experience".

## 3. Reflecting and shaping culture and work

The workplace needs to reflect the way people work. Even this basic tenet is not followed by some workplaces, which continue to offer every employee the same environment. Advanced companies reflect the way their staff work with a variety of worksettings appropriate for different groups. Deloitte caters for the various demands of its employees: management consultants tend to use break-out areas frequently, whereas tax consultants are more likely to require greater privacy to focus on individual tasks. The workplace can also be used as a powerful tool to change how people work. There are too many examples of the benefits of moving to open plan to disregard it. Of the companies we spoke to at least five had recently made the move to open plan and seen the benefits of more interaction and less hierarchy. However, it is not simply the case that open plan is better than cellular offices. Progressive companies think carefully about the type of culture they want to build, and design spaces to cater for a wide range of needs.

## 4. Thinking long-term

Leading companies are on the front foot, developing long term plans for the evolution of the workplace, rather than simply reacting to demands from the business. Of the companies we spoke to PwC stands out here. A 10 Year plan is currently under discussion with the board, looking ahead to the changing nature of the business, IT and HR requirements, and defining how the workplace can help to deliver against future objectives. The plan was built using bottom-up interviews with staff. Rather than starting with the most senior people in the organisation, graduates were interviewed first to take advantage of their freshness of vision, but also since they will be the key stakeholders for workplace change in 10 years time.

## 5. Workplace as a manifestation of the brand

All companies recognise the importance of a branded reception, but sometimes this is a branded façade for a drab, monochrome interior. Most of the companies we spoke to ensured that the brand extended beyond the reception. Orange aims for the brand to be the same inside as outside the company, and succeeds in many of its offices. The Scottish Parliament certainly understands that its new building will, for many people, be the embodiment of the parliament's activities. BDP's brand is founded on teamwork and interaction between disciplines - what better manifestation of this brand than the conversion of the reception and café area into a bar every Friday night?



## 6. Offering distinctive benefits

As discussed, the workplace needs to offer real benefit and excellent facilities to attract new talent. However a different perspective on 'attracting the workforce' is offered by PwC. Here they realise that while flexible working is offered as a benefit to staff, to a certain extent they now need to entice workers back into the office by providing an excellent working environment. Orange see a similarly significant role for the workplace: their aim is that when an employee arrives after a bad journey, they get a great welcome, so by the time they reach their desk they are thinking, "it's good to be back". Goldman Sachs aims to make its employees proud to work for the company and has invested in a state of the art restaurant and well-being centre for staff.

## 7. Continuously innovate

The best workplaces continuously innovate to capitalise on new technology and latest thinking to energise staff. Our interviews offered some exciting ideas, from Bloomberg's use of interactive art installations, to Deloitte's use of reverse hotelling, where unoccupied partner offices are used as meeting rooms. BDP aims to eliminate paper from as many of their design processes as possible. Now all staff are issued with laptops which double as graphic tablets, allowing sketches to be saved electronically instead of filed. At PwC business lounges are styled on 1st class airport suites, providing meeting areas that are both informal and extremely professional – the ideal environment for building collaborative relationships with clients.

## 8. Managing costs

It may seem that the seven principles outlined above, all entail investing more in the workplace. However, many of the companies we spoke to made these changes while also driving down occupancy costs. The truth is that what distinguishes these companies is a change in mindset, not a change in the level of investment. With excellent forward planning, the savings achieved can quickly pay back the investment made as well as delivering a step-change in the quality of the workplace.

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*The Workplace Intelligence Unit was founded by forward thinking inc. and Herman Miller*

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## The future

We believe that we are only at the start of a major shift in how the workplace is perceived. In the future, more companies will be giving the workplace full consideration and making it work harder to support strategy delivery. As the discipline develops it will also evolve.

Firstly, we believe that Property and FM need to be more joined up to the rest of the business. Property is often considered as a cost to be managed and something of an operational outpost. Some enlightened property managers do consider the HR or brand implications of the workplace, but these initiatives are rarely part of a long-term vision or plan. In the future, it should be impossible to deliver corporate strategy without the input of the workplace team.

Secondly, the benefits of workplace change are often sold on cost at present. To our mind this ignores the more salient benefits. Rather than selling a project on occupancy savings, how powerful it would be to sell on improved productivity, speed to market or creativity. Shaving 20% off occupancy costs may seem significant, but compared to the benefit of making staff more effective, it is negligible.

The third area in which the workplace must develop therefore is the way success is tracked and measured. Property professionals need to develop more persuasive methods of measuring the impact of their work, to reflect wider variables, including employee job satisfaction, retention of staff, creativity and productivity. Cost per square foot measures will always have a place in managing property, but they should be relegated to the appendix. Productivity, brand and cultural measures need to be on Page 1.

### Participants:

Goldman Sachs  
PwC  
Barclays Capital  
Deloitte  
ICI  
Bloomberg

Ericsson  
Arup  
BDP  
Scottish Parliament  
Smith & Nephew  
Orange