

strategy and the workplace

Workplace Strategy should be an important part of the execution of overall corporate strategy. As well as directly impacting employee satisfaction and productivity it can support and reinforce company culture, reflect corporate branding and, of course, the workplace is a significant element in itself, of the operational cost base.

However a direct alignment between corporate goals and workplace strategy initiatives is rare. A Workplace Intelligence Unit research programme across Europe and Asia set out to understand why.

of the workplace and instead focused primarily on workplace issues from a cost perspective. Senior Executives thought in terms of how the costs of office accommodation could be managed rather than from a perspective of how the workplace could facilitate and support strategy implementation. This perspective fails to recognise the opportunity for the workplace to add value in the execution of business strategy.

A typical response from the senior Real Estate executives interviewed was

“We need the Executive team to think about workplace in terms of how they want to manage the business and then get the workplace to support that. But its not currently happening, the focus is squarely on operational costs and managing churn”

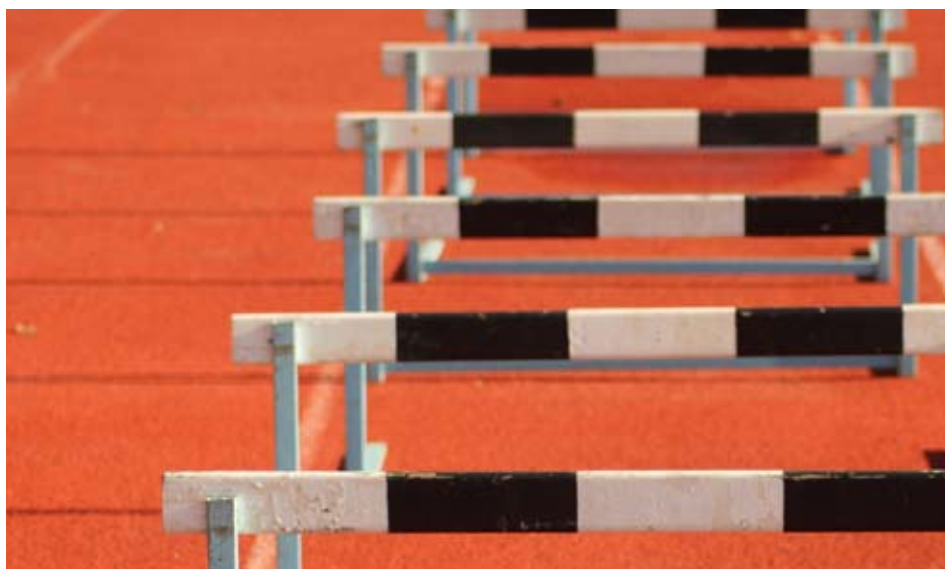
Real Estate Executive

The research

In the course of the research The Workplace Intelligence Unit interviewers talked in depth with over sixty senior executives in Real Estate, Workplace, Marketing and HR roles to understand how companies across a broad range of sectors relate the two areas of strategy (corporate and workplace) and what the key issue and opportunity areas are.

Strategic intent

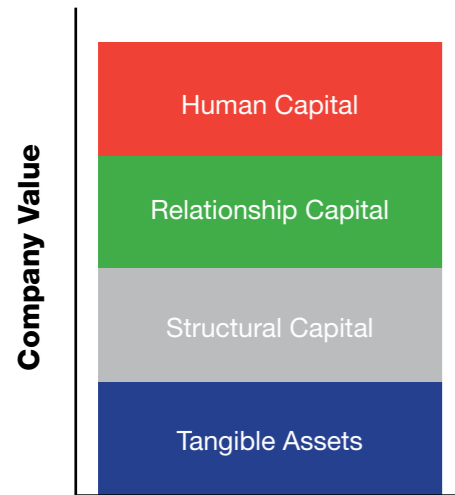
The first finding was that in many, if not most cases, senior management failed to understand the strategic role



In terms of understanding the reasons why workplace and corporate strategy are not more joined-up, the research suggests a number of related factors but clearly the most fundamental issue appears to be that the Executive team simply do not routinely perceive workplace as an important strategic opportunity area, despite its potential to directly impact the three critical drivers of corporate value i.e. brand, human and relationship capital.

‘Soft’ assets and their relationship to value creation

Analysts agree that for the majority of firms today intangible assets account for around 80% of corporate



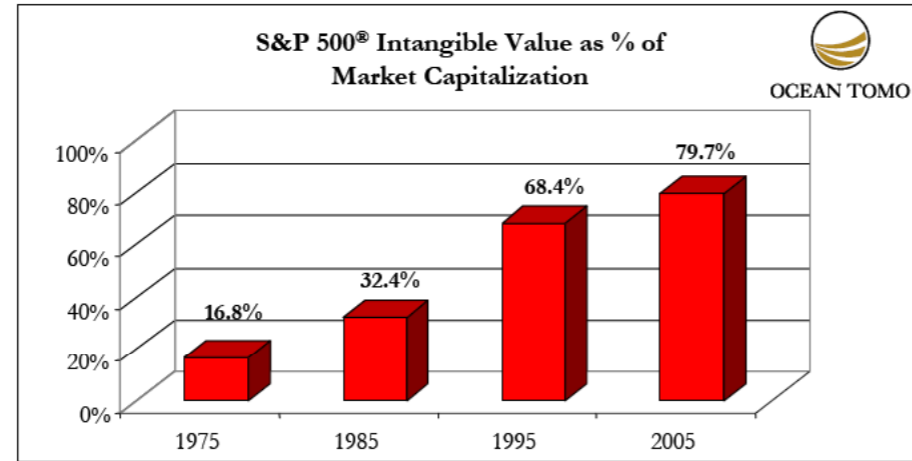
value. This in marked contrast to the situation as little as 30 years ago when the figure was 30%.

The key intangible asset classes are: human capital, relationship capital and structural capital. Collectively, they are often referred to as ‘Intellectual Capital’.

The idea of Intellectual Capital was first introduced by Kenneth Galbraith (1969) who believed that intellectual capital was more than pure intellect but included ‘intellectual action’. It was the move from ‘having’ knowledge and skills to ‘using’ knowledge and skills which for him made the idea of intellectual capital come alive.

How the workplace supports the development of intangible assets

Clearly as the place where employees execute strategy, develop their



Data: Ned Davis Research, Inc.

Human Capital

The accumulated knowledge, skills and experience of those employed by the firm. As such it is ‘rented’ rather than owned and is relatively inert unless compounded via interactions or the development of relationships.

Relationship Capital

The value tied up in the relationships through which knowledge is shared, transformed and used to create value. Relationship Capital is what makes Human Capital valuable. It combines and relates people to one another and allows them to exchange their knowledge, skills and insights in business situations. It is about collaboration and connectivity.

Structural Capital

The value of relationships is influenced by the structures, processes and embedded routines within the organisation which facilitate and shape their development. In effect, Structural Capital refers to the value of what is left when Human Capital (the employees) have gone home.

experience, hone their skills and nurture productive relationships, the workplace can be seen as an integral part of the process of developing these intangible asset classes. A well designed and managed workplace can do much to encourage interactions, play its role in attracting and retaining talent as well as dramatise corporate brand and culture. Therefore it makes sense for workplace strategies to be put together with plans to develop human, relationship and structural capital very much in mind. Our research suggests that the opportunity is rarely gasped and managed in a systematic way.

A joined up agenda

A key issue area uncovered in the research was a disconnect between the agenda’s of Real Estate teams and those in Marketing and HR. Clearly, since the workplace has a

major impact on things close to the hearts of HR professionals such as employee satisfaction, absenteeism levels and the development of corporate culture, one would expect the two functions to be clearly engaged. Our research suggests that this is often not the case.

Similarly given that the workplace can play an important role in the communication of the corporate brand one would expect the Real Estate and Marketing teams to be working closely together. However again we found this rarely to be the case. In fact, it was common for Real Estate executives to be entirely unaware of corporate brand positioning.



“I’ve seen something on brand but I couldn’t explain to you our positioning statement. I know our advertising has changed recently, at least in the Asian markets”

Marketing Executive

Budget silos

This lack of functional integration and joined up thinking is compounded by a ‘silo budget’ mentality. Workplace budgets are set up to account for the costs of fit-out works and move programmes, marketing budgets for advertising and other traditional areas of marketing communications, and HR for the usual run of HR programmes. But it is rare for thinking and budgets to be joined up.

“Our marketing budget gets allocated at the beginning of the year. There’s nothing set aside for Workplace and the Real Estate team isn’t given enough money to get creative”

Marketing Executives

“Our property team is too small to focus on anything other than facilities management and operations”

Real Estate Executives

Workplace role and impact

The research suggests that there is a lack of understanding across other functions of the potential role and impact of workplace initiatives on their areas of responsibility, for example:

“HR will spend loads of money on a ‘values’ programme and team building exercises, but I can’t convince them that the workplace could help them achieve the same thing”

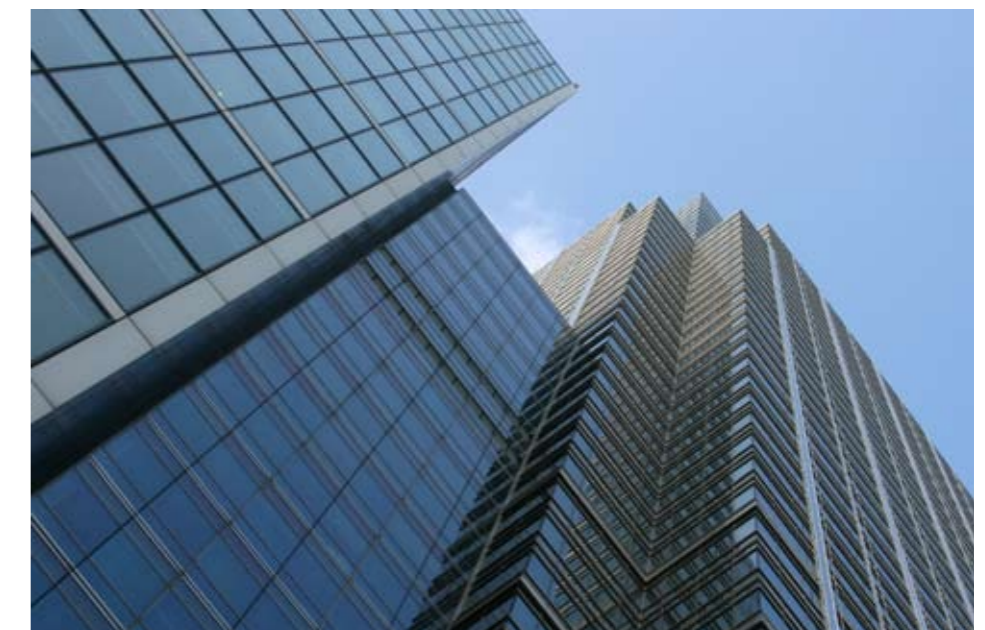
Real Estate Executive

“Most people are only interested in the workplace at the time of a move or when we rebrand...”

Marketing Executive

Listening and communicating

Our research suggests that workplace teams tend to be reactive in much of their work, responding to requests for more space, dealing with the challenges of integrating an acquired company or managing lease renewal exercises – for example. It would



help their cause if they were able to articulate their workplace strategies in an imaginative way and point out the opportunities to facilitate and dramatise the execution of corporate strategy.

How many workplace teams, we wonder, seek out senior management in marketing and HR roles to explain the potential for workplace projects to help in the execution of their colleague’s strategies?

How many take the time to really understand what senior colleagues are trying to achieve and think about how workplace strategy can contribute? Colleagues who have once been engaged in this way are likely to be sensitised to the opportunities which workplace provides in the future.

Influencing skills

Developing integrated action plans which deliver on overarching strategic objectives and cut across functions, is a challenging practical exercise and often a delicate one politically. Particularly so if the functional matrix is complicated by a regional layer. To pull off an exercise of this kind is a significant challenge and demands sophisticated influencing and communication skills, as well as organisational ones.

It may be that Real Estate / Workplace teams lack specific training and

expertise in these kinds of skills areas and their task will be made particularly difficult if senior management have not made clear that they champion a legitimate role for workplace specialists in areas traditionally seen solely as the preserve of Marketers and Human Relations experts. In this respect, the first priority should be for Real Estate Executives to ask for a thorough briefing on key aspects of corporate strategy and themselves paint a picture of the potential for workplace initiatives to contribute.

Reliance on individuals

We found that where there had been evidence of successful cross functional working, it was often the result of the drive and personality of a particularly talented and inspiring individual. Once the individual had moved on there were no ingrained processes, protocols or even the 'will' to make things happen in a joined up way. For example:

"In the past we only got together because of one person's persistence and effort. To be honest, most of us don't have that kind of commitment otherwise"

Marketing Executive

"Making lasting, effective relationships is a challenge, as it's too dependent on individuals who may leave the company"

Marketing Executive

Comments like these highlight the key obstacle to strategy synchronisation which is the lack in most companies of appropriate internal processes and forums to guide the execution of cross functional strategy execution. If companies are to move beyond a reliance on individuals then there needs to be in place a methodology to positively force the integration of strategy agendas. The case for Workplace / Real Estate is a particular pressing area because its historical perspective as a purely operational area means that the strategic possibilities are still rarely on the corporate radar screen.

Conclusions

In talking with the respondents in our research few would disagree with the idea, when prompted, that the workplace could and should be playing an important role in executing corporate strategy or that a joined up approach would be optimal (even if most respondents in Marketing and HR roles had not considered the issues and opportunities in great depth). So the lack of integrated strategy execution seems not to be down to a lack of conviction that it is worthwhile. Rather it appears that a combination of factors conspire against it actually happening. In summary our learning is that the following are the primary obstacles:

- Lack of senior management endorsement of the strategic role of the workplace
- Poor prior understanding amongst other functions of the potential impact of workplace programmes on the successful implementation of their own strategic objectives
- Silo budgeting
- An over reliance on inspired individuals to drive change and cross functional initiatives and a lack of ingrained management processes
- A dearth of effective programs and tools to manage and measure, joined-up workplace programmes

A good start point in executing a better approach would be the development of a strategic workplace plan which relates back to the overall corporate plan. Again, our research suggests that such a plan is rare, but clearly the process of developing the plan and engaging with related functions will encourage the kind of engagement which is likely to deliver success.