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## CFO Insights
## Workplace redesign: Turning your environment into a productivity machine

Corporate real estate is undergoing a revolution. Companies are tearing down their walls, and the result is that shared spaces like "huddle zones" are crowding out individual workspace—including the corner office, in some cases. More than 80% of companies have moved in this direction, broadly known as open plan design, according to a recent survey by CoreNet Global, an association of corporate real estate managers.[1]

Such overhauls tend to yield big cost savings in the form of rent and construction costs. The average square-footage allocated per office employee shrunk by one-third between 2010 and 2013, according to CoreNet research.[2] They also carry high expectations for greater productivity. The central idea is that a more flexible, less siloed environment makes it easier for employees to collaborate and innovate, ultimately leading to better business performance.

What many companies fail to take into account, however, is that physical space is just one component of today's workplace. Two others, namely virtual interactions and management practices, also play critical roles in shaping how people work and how productive they can be. If a company carefully designs its office space to maximize in-person discussions, but fails to create a similar environment for online interactions, for example, hundreds of connections across geographic boundaries may not occur. At the same time, if open space is meant to promote teamwork, but managers prioritize individual contributions, employees may find ways to retreat, despite the lack of walls and doors.

Using the workplace environment to maximize productivity and accelerate talent development requires taking a holistic view that includes virtual interactions and management practices, as well as physical space. This is necessarily a cross-functional effort, involving facilities, HR, IT, and CFOs, who, given that the other functions often report to them, are well positioned to lead it. In this issue of *CFO Insights*, we'll look at why it's important for companies to create a unified strategy across the three workplace elements and how CFOs can foster the practices that achieve it, based on research and case studies developed by the Deloitte LLP Center for the Edge.

## White space or right space?

The Deloitte LLP Center for the Edge has studied workplace environment practices at more than 75 companies, and has identified three design goals for companies that want to promote rapid learning and higher productivity (see "Work environment redesign: Accelerating talent development and performance improvement," from Deloitte University Press). These three goals can be applied across each of the physical, virtual, and managerial dimensions of the environment:

**Goal 1.** Help employees identify and address the challenges and opportunities that have the greatest impact on the business.

**Goal 2.** Help employees strengthen high-impact connections by enabling them to collaborate easily with others inside and outside the organization.

**Goal 3.** Amplify the impact of those efforts by building an infrastructure that allows small improvements to scale easily across the organization.

Few companies hit all these goals across all dimensions, but a number of companies have effectively reshaped their work environments by focusing on one or two. Here, we look at some leading practices based on case studies developed by the Deloitte LLP Center for the Edge.

### Goal 1: Help employees identify and address the highest-impact challenges and opportunities

Productive workplaces give people the right space and the right amount of time to understand corporate priorities and to brainstorm new ways to achieve them. From a management practices standpoint, they offer plenty of encouragement for experimenting with new ways of doing business, and provide rapid feedback so employees know whether or not to continue in a new direction.

DPR Construction, a privately held building contractor and construction-management company, is one example of what this can look like. The 2,600-employee company is well acquainted with the virtues of shared physical space, with job-site workers connecting up to 40 trailers to create "Big Rooms" where they can collaborate. To broaden the conversation, DPR management launched a virtual

idea exchange to help employees debate performance improvements, and set aside more than $1 million to invest in the top-rated ones. That has led to a number of big wins, including a cloud storage system for blueprints that allows employees to access the latest version of building plans from anywhere via tablets, rather than trying to share a set of paper blueprints across multiple locations. The result: a savings of tens of thousands of dollars per project in printing costs, up to 7.5 hours saved per week per employee in travel time, plus fewer errors due to version control problems.[3]

It's clear that good structures—both virtual and physical—can lead to good ideas. In some cases, though, the lack of structure can also be effective. Leaders at W.L. Gore & Associates, maker of Gore-Tex fabrics among many other materials, set the expectation that employees spend 10% of their work hours on "dabble time" to think about new ideas. The company's popular Elixir guitar strings are one result of this practice, coming from an engineer who was primarily working on heart implants.[4]

### Goal 2: Help employees strengthen high-impact connections

This goal is the one that CFOs have likely thought the most about, as many modern space reconfigurations address the question of how a physical environment can encourage employee connections. To put it in the broader context, across all three dimensions of the environment, the goal is to make it relatively easy for employees to find experts and form teams across (and beyond) the organization to do their jobs better.

Taking steps toward this goal can be as simple as creating a map of the office or strategically placing coffeemakers so that different groups have to mingle. It can also mean developing a smart version of the corporate directory, with expertise and experience embedded alongside employees' contact information. AT&T, for example, has applied this idea to non-employees, as well, by housing innovation centers where external developers, start-ups, and other outside partners can participate in corporate projects. This has led to a richer database of skilled practitioners, and a faster system to match team members to problems. One concrete result: some groups have reduced product-development time from three years to eight months.[5]

Increasingly, however, companies have to make the virtual world as easy to navigate as office space. This challenge is paramount for LiveOps, a cloud contact center solution that employs 20,000 home-based independent agents. Creating a consistent experience for customers is essential to the company's success, but can be difficult across the distributed workforce. To help build culture, the company designed an internal forum tool that allows agents to collaborate and learn from one another. Through it, experienced agents help newcomers learn the ropes, agents tap one another for answers to difficult questions, and there's even a virtual water cooler for lighter conversation. One sign that this peer-to-peer learning is effective: 90% of calls to LiveOps agents are answered in 20 seconds or less.[6]

## Goal 3: Magnify the impact of productivity improvements

Well-planned work environments should spark employees to discover and implement performance-enhancing practices. The next step? Ensuring that those productivity improvements cascade across the organization, rather than being confined to a single employee or a single team. This type of sharing often relies on virtual or online components, but management practices that encourage it also play an important role.

Consider DPR, the construction company. When one of its engineers hit upon a way to standardize part of the design process, he began teaming with others with similar experience to create a small library of the standardized pieces, known as components, on a computer drive. DPR's innovation-centric culture led others to seek it out, however, and as the positive feedback swelled, managers listened. The company ultimately invested in a solid content library that is available to all employees, helping to reduce design time and improve quality.[7]

**Sample initiatives for each design principle**

| | Design principle | Sample initiative |
|---|---|---|
| **Goal 1: Define high-impact challenges** | Meaningful challenges and impact | Establish an "employee exchange" program so employees can work in other business units. |
| | Rapid experimentation | Host "hack days," when groups develop a deliverable/solution in a condensed time; bring solutions back into the business. |
| | Real-time feedback and reflection | Provide a real-time, customizable dashboard to all workers, illuminating their performance on an individual and team basis. |
| **Goal 2: Strengthen high-impact connections** | Challenge-specific teaming | Develop a platform for employees to propose projects and self-build teams to tackle those tasks. |
| | Relevant connections | Create and showcase reputation profiles that demonstrate expertise, experience, and interests. |
| | "Chance" encounters | Provide memberships in domain-relevant and collaborative co-working and hacker spaces. |
| **Goal 3: Amplify impact** | Adaptive environment | Design huddle rooms, conference rooms, and individual movable desks. |
| | Smart capture and share | Use intelligent cataloging of insights from discussion forums, tagging for searchability and ratings. |
| | Mutual ownership | Encourage employees to set and pursue personal goals in addition to professional goals. |

Source: *Work environment redesign: Accelerating talent development and performance improvement,* Deloitte Center for the Edge, Deloitte LLP, June 2013.

Finding ways to effectively capture and share crowd-sourced knowledge is another way to scale productivity gains. SAP, the multinational software company, relies on its Community Network to solve this challenge. Each month, more than two million members—many of whom are not SAP employees—visit to pose problems and offer solutions. (The company encourages quality by allowing users to rate one another's answers.) The resulting discussions reduce the burden on SAP customer support staff by providing a large pool of potential solutions, and also provide important business intelligence for product development and sales teams.[8]

### Becoming an "organizational architect"

The comprehensive vision of the workplace environment is critical in this day and age—but it's also overwhelming. Specialists at the Deloitte Center for the Edge recommend starting small, using financial and operational metrics that are close to a CFO's heart, and collaborating early and often to guide environmental changes.

#### 1. Use financial pain points to identify starting points for change.

Finance chiefs know better than anyone which line items cause the most trouble. Where are costs climbing or revenues plateauing? These high-level stats help guide where to drill down to more details and examine specific environments.

A transportation company, for example, saw its maintenance costs rapidly increasing. After interviewing maintenance staff, management learned that workers couldn't rely on the existing computer systems for finding spare parts when a vehicle broke down, and often had to track down the parts manually, adding time and cost to the process. This intelligence helped focus an environmental redesign in a way that solved a business problem, rather than changing for the sake of change.[9]

#### 2. Consistently gather HR, IT, and facilities for cross-functional brainstorming

Maximizing productivity from the workplace environment requires knowledge from many departments. Too often, however, each department makes its contributions in a vacuum, without regard to a larger vision of the environment. CFOs are well positioned to help break down these silos and make resulting solutions more cohesive and aligned with business needs.

#### 3. Experiment, assess, and experiment again

Many companies get bogged down by new ideas because the cost of experimenting seems so high. To overcome these challenges in workplace design, look for ways to use prototypes and small sample sets for trials before making sweeping changes. For example, consider giving a small group of employees "free" time for brainstorming during the workday before calling a companywide sabbatical, or mock up a limited functionality collaboration tool before investing deeply in it. Also, look for passionate leaders whose teams are already employing leading workplace design practices and find out how to support, connect, and even emulate them.

### The future of space

Creating a more productive workplace is an imperative in a business environment characterized by mounting performance pressure and increased talent demands. Yet, it is certainly not an easy exercise. Regardless of their current real estate situation, however, CFOs should consider the role they can play in fostering the holistic workplace vision that can deliver the productivity gains many companies hope for when they tear down their walls. While taking on the role of "organizational architect" requires time and effort, it's increasingly clear that ignoring the invisible dimensions of the environment puts a company's financial results and competitive advantage at risk.

**Endnotes**

1 CoreNet Global press release, August, 7, 2013, http://www.corenetglobal.org/publications/newsdetail.cfm?Itemnumber=17990.

2 Ibid.

3 "DPR Construction: A case study in work environment redesign," Deloitte Center for the Edge, Deloitte LLP, June 2013.

4 "W.L. Gore: A case study in work environment redesign," Deloitte Center for the Edge, Deloitte LLP, June 2013.

5 "AT&T: A case study in work environment redesign," Deloitte Center for the Edge, Deloitte LLP, June 2013; Content approved by and included with permission of AT&T.

6 "LiveOps: A case study in work environment redesign," Deloitte Center for the Edge, Deloitte LLP, June 2013.

7 "DPR Construction: A case study in work environment redesign," Deloitte Center for the Edge, Deloitte LLP, June 2013.

8 "SAP: A case study in work environment redesign," Deloitte Center for the Edge, Deloitte LLP, June 2013.

9 "Work environment redesign: Accelerating talent development and performance improvement;" Center for the Edge interview 2014.

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