

TRANSFORMATION OF CORPORATE COMMUNITIES: CULTURE DRIVES HUMAN CAPITAL; HUMAN CAPITAL DRIVES BUSINESS.



Abstract:

Creating an intentional, culture to optimize recruiting, retention, productivity and innovation of human capital is the next “edge” in business. Today, just as the global world connects “tribes” of like minded people, organizations can seize the opportunity to connect their multi-generational and virtual work forces to produce collective intelligence.

How can we create and develop a culture based on explicit values? What role does the environment, the leadership, the policies and market messages play in forming and supporting that culture? If human nature responds to experiences, can we define the “place” experiences created in our environment by intent vs. default? Pine & Gilmore’s book, *The Experience Economy*, spawned worldwide interest in experience design, customer experience management, and experiential marketing. Creating a “place experience” touches both the physical and social space and requires organization Vision and Values to be authentic and well integrated.¹ The following examples offer insight into creating an environment built on both physical and social space.

An intentional culture combining social and physical space was created with the Renton, Washington based Boeing facility.

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Culture-building opportunities were missed, with engineers and office workers in a building a quarter-mile away from mechanics at the manufacturing facility where the 737 aircraft was created. Combining the two groups in a single facility created a workplace where the link between office and plant, blue collar and white collar blurred. The real estate portfolio was cut by forty percent and it now takes twelve days to build a 737 that used to take twenty four days.

The implications of creating and sustaining a strong culture through physical, organization and development and market brand can be transformational for a company’s image, human capital and earnings potential.

CULTURE BY DESIGN, FOR SUSTAINABLE GROWTH AND MARKET SHARE

In the knowledge age leveraging human capital in an organization is key to sustained growth, market share and profit margins. For optimal growth, an organization's human capital requires a strong corporate culture consistently delivered through multiple channels (management, market messaging and environment). Culture is the interwoven pattern of beliefs, values, practices, & artifacts that defines for the workforce who they are and how they are to do things.² A corporate brand "identity" is best developed from an authentic culture, measured externally by it's market share and internally by how it is embraced and "owned" by the workforce. A strong culture can be measured by it's ability to develop norms of behavior – informal rules that influence decisions and actions throughout an organization by suggesting what is appropriate and what is not. Unlike formal rules, policies, and procedures, culture empowers employees to think and act on their own in pursuit of strategic objectives, increasing their commitment to those goals.³ The emphasis on innovation and productivity in today's organizations, suggest we utilize more effective methods of supporting and delivering the "values, practices and artifacts" which create a strong culture.

To understand that environment affects behavior, think about your actions in a sacred space, such as a church or your behavior in a fine dining restaurant vs. a casual one; We refer to these as place experiences. As our physical environment affects our behavior, organization culture must be integrated into the base building program, creating a foundation for the square footage space program, growth projection analysis and adjacency matrix that often, alone inform building design. Environment cues can be simple or complex. Weaver Cooke, a general contractor in Greensboro, NC possesses a strong belief in open communication among everyone in the organization. Their "value" translated to a design strategy for their corporate facility with hard wall offices in the building plan, but no doors – just cased openings.

Shaklee a national personal care brand, values "family" as a strong cultural attribute. Their facility reflects fireplace sitting areas on three floors, light fixtures that resemble a residential look and a raised floor system in the open office areas that bring HVAC

services in from underneath allowing a higher degree of control and thermal comfort in each workspace. Many examples exist today of "green" organization values displayed in green design initiatives. Culture attributes should define the facility vs. the facility defining the culture.

A focus on strategic operatives to shape buildings, rather than "form" or aesthetic based design is a holistic approach to building design. "Prescriptions and theories for developing better teamwork abound in management literature. But they often miss the deeper secret of how groups and teams reach the state of grace and peak performance... In the field of group endeavor, you will see incredible events in which the group performs far beyond the sum of its individual talents. It happens in the symphony, in the ballet, in the theater, in sports, and equally in business. It is easy to recognize and impossible to define"...³ Utilizing both the social and physical environment we can greatly enhance the ROI on human capital allowing broad spectrum delivery across organization development, place experiences and marketing messages.



ALPHA NATURAL RESOURCES – A CASE STUDY

As a leading Appalachian coal producer, Alpha's reserves primarily consist of high Btu, low sulfur steam coal that is currently in high demand in U.S. coal markets and metallurgical coal that is currently in high demand in both U.S. and international coal markets. While the industry is strong it is subject to some very considerable stresses:

- Market demand created by global industrial expansion, weak US dollar, increased electricity generation, and fluctuations in petroleum markets.
- Market volatility in the commodities sector, impacting operational costs
- Industry consolidation (In 1980, the top 10 coal producers represented 33 percent of total coal production. In 2006, the top 10 accounted for 68 percent)
- Safety and the need to protect miners, increased regulatory oversight
- Human capital gap due to the anticipated retirement of "miners" and generational attrition
- Being perceived as a good corporate citizen, in this "energy" sector

Formed by CEO Mike Quillen in 2002, Alpha experienced phenomenal growth and expanded beyond their corporate office acquiring lease space in three additional office buildings, within a short distance of each other.

In 2004, Alpha Natural Resources contracted with The Vision Group for real estate feasibility, architectural /design services and brand identity for a new corporate headquarters to be located in southwest Virginia. Continuing to grow through acquisitions the company was preparing for an initial public offering.

Led by Kevin Crutchfield, Alpha president and other key department heads, a building committee formed. In addition to choosing a new campus site to bring the fast growth company under one roof, objectives of this committee included:

- Leverage the culture and increase team building
- Transmit "Alpha culture" over distances to "virtual" workers / miners
- Scalability of workforce and departments to stay in close proximity within the new building
- Reduce turnover, absenteeism and increase presenteeism
- Create economies of scale with administrative, common areas for optimal use by all departments
- Recruiting and retention particularly of key disciplines – engineering specialist and miners

A research project began in the summer of 2008 (18 months post move-in) to review the impact of the physical and social environment on the culture of the organization. A review of how well the organization adapted to the multi-generational, virtual workforce is also addressed. Research methodology involved personal interviews with key department heads and related consultants and a qualitative survey with 89 respondents as well as statistical data gathering. Action research based on the applied learning from this limited study to the further growth and expansion of the company is currently in review.

The research focused on three key areas as they related to social and physical space:

1. Site selection / Building design
2. Organization culture
3. Workforce productivity

The Objectives outlined below were established in a 2004 Feasibility Study prepared by The Vision Group and the Building Committee for presentation to the Alpha Board of Directors, that same year.

I. RESEARCH FACTOR - SITE SELECTION:



Located in 27,700 sf of space with 70 employees, growth projections of 10% per year, dictated a campus setting housing one office building and expansion capability. Two sites were evaluated, Bristol and Abington, Virginia.

Key Objectives:

1. Accommodate high growth and internal / external branding in line with Alpha's strategic business plan
2. Evaluation criteria of two sites based on economic considerations, employee base, visitor base and desired brand
3. Provide a workplace environment that serves to recruit new talent from the outside and retain existing talent

Background:

The Stone Mill Business and Technology Park site in Abington, was chosen over the Bristol site (site B). Primary selection factors included the master planning of the park and the amenities provided were seen to be synergistic with Alpha's needs and culture. These included shared use of the continuing education center on campus for larger training events, social gatherings and meetings and the walking path and greenspace potential as an amenity for a health and wellness culture. Additionally, Abington was the current home to the company and it's historic nature boasted a positive brand recognition with both recruiting efforts and visitors to Alpha. A separate demographic study conducted at the time showed it in closer drive time proximity to 68% of the staff.

Negatives of the site in the feasibility comparison included: fewer restaurant/hotel options, further travel distance from the airport,

higher site development cost due to site elevations and rock substrate, additional cost of locating a server within the facility vs. an existing facility Site B offered. Finally, lesser developed transportation arteries coupled with tourist economy traffic patterns with the Abington site completed the list of concerns which were rated against the concerns (and positive factors) of Bristol site (site B).⁴

In regard to the building design, an early preference for a traditional building surfaced and the formal exterior brick clad, classical architecture mirrored the traditional approach to the interior with offices designed to corporate size and appointment standards. The traditional building type also reflected the values typical to the deep rooted coal industry and exemplified in a staffing hierarchy. It further tied the message, "Running Right" to together with the stability of a long standing corporate image.

Research Outcome and Insight:

The overall choice of historic Abington as a headquarters location is seen as a positive, often utilizing a historic resort hotel in the heart of the downtown to facilitate guests and conference visitors in a unique setting. Current data shows Alpha contributing over \$55 million in 2008 to the local economy in the form of jobs, taxes, scholarships and through multiple initiatives such as the support of local athletic programs. This does not consider the additional spin off attributed to these dollars in the marketplace or the economics of visitor multipliers.

The current site will accommodate a 25,000sf addition with the potential for several smaller building footprints, with a minimum of massing height and approved zoned parking ratios. Potential shared business park amenities, cross parking and site density options weighing cost, zoning and long term strategy are in review. Further development within the park as outlined in the 2004 study has occurred, however the potential of a café / restaurant as a park amenity to further enhance the walkability and campus setting has not occurred.

"Alpha will be transformational; with 165 people on an average day in a building that seats 122. The building cannot grow as rapidly as the company," states Gary Banbury, Alpha's Head of Human Capital. The traditional approach of hard wall office design has not allowed the organization the desired level of flexibility to both add workforce and maintain department cohesiveness. Further issues with storage were immediately apparent. As evidenced here, stability and change are both realities in contemporary built environment dictating the emerging use of open building design. With a separate plan for the shell building allowing interior components that can easily be plugged and unplugged, open plan has been the standard in retail and is becoming the preferred building method in corporate as well taking root in housing and healthcare industries.⁵ Alpha, and the nature of the energy industry certainly require this level of flexibility and innovative leadership.

II. RESEARCH FACTOR - ORGANIZATION CULTURE:

Key Objectives:

1. Increase team building and strengthen culture across departments and off-site workforce (miners)
2. Create a “physical” corporate brand to influence recruiting, perceived quality and value alignment.

Background:

As growth decentralized departments into multiple locations, the leadership realized the critical nature of “cultural building” for a young company. In the energy sector, consolidation is required for survival and Alpha’s preemptive strategy is to “align by choice in order to preserve their strong culture”. Assigning a high value to culture is not common in this amalgamated industry, as core values tend to become just written policy and corporate legacy is often short-lived.

Culture building became a primary component of the corporate headquarters, designed to create a branded “place experience”. Visual Cues (state values through display) utilized in the building design included an entrance into a mine inspired “cavelike lobby” toned in charcoal with slick metallic accents. A human scale storyboard of the Alpha legacy and core values forms a backdrop to the “practical but quality” leather sofas which invite visitors to sit and “experience” the space. Corridors throughout the building house a collection of sepia toned graphics displaying miners and associated artifacts that place a preeminent importance on the miners in the field. Conference rooms are named for mines to further create an attachment to the core business. Engaging cues (places people engage) utilized in the design include a training room, a gym, walking trails and the cafe. Actualizing Cues (symbols of actualizing the values) include the wellness program, the slider board and tournaments held in the café.⁶ The design of a new corporate logo and incorporation of the look and feel of coal in signage and graphics further integrated the messaging of Alpha and their core values.

Research Outcome and Insight:

Overall the interview remarks revealed positive behavior changes created by the new corporate facility. “When someone comes to see me, I purposely let them spend a little time in our lobby.” The building contributes to our feeling of family.” The use of the term, “service center for the miners”, to describe the facility was utilized and would characterize the original design intent for the building. When asked to define the culture based on what they value, those interviewed described the Alpha culture as “a family”, “people oriented” and a facilitator of “open communication”. The broader organization also exhibited a strong culture index with a score of 94% of those surveyed feeling a strong sense of team spirit within

the company. “Cultural pride” of place was a term utilized in several interviews describing the impact of the new headquarters. Utilizing the lobby graphics as a storytelling opportunity as a perceived quality indicator via “first impression” was noted.

In determining the most successful outcome of the project, access to departments ranked the highest. The executive core design allowing for impromptu meetings based on office and support space configuration was addressed as a positive. There remained some disconnect between the first and second floor offices as the culture of “high energy” and productivity prevent more socialization and mingling. Some executives interviewed practiced MBWA (management by walking around), however the disconnect issue seemed not one of hierarchy but one of “busyness.” The gym, on the second floor is utilized across departments as is the café and both were seen as positive and well utilized amenities.

Research conducted by ASID with over 2000 participants, cited access to coworkers, technology and support space as a primary contributor to worker productivity and satisfaction as well as a strong retention tool.⁷ In the Alpha survey, slightly more than half felt access to technology was more important than access to coworkers. Ninety four percent indicated their co-workers were easily accessible to eighty eight percent that felt technology and support space was easily accessible.

Only eight percent of respondents had an issue with access to technology or support space. Dissatisfaction may continue to decline as space becomes a premium with continued personnel growth. Further exploration of the “tribal” nature of many departments and the current rapid growth could be advantageous for future growth considerations. Due to growth constraints, a scattering of people in the IT, HR and accounting departments is occurring much like the conditions which were presented in 2004 at the beginning of the project.

For a variety of reasons, the Alpha brand while highlighted to the “internal employees” was underutilized in the field, until recently. Carrying the new brand in the form of logo and graphics conveying the importance of “people” along with a new Employee Appreciation Program tied to company profits, the turnover rate in the field has dropped from 21% to nearly 15%. In addition, the company has implemented a community giveback program which includes scholarships to high school students and a culture based recruiting effort, named “Helmets to Hardhats”, which targets the soldiers coming back from service; a group which shares the Alpha value of a strong moral compass.

Much credit was given to the leadership of Alpha, for their strong culture, which by industry indicators is stronger than the norm. “One prerequisite of a performance-enhancing culture is strong; another is that the culture must outlive and supersede individual leaders, Jim Collins states “Culture that outlives any one leader is a differentiator between companies that are great and those that are merely good.”⁸

III. RESEARCH FACTOR – WORKFORCE PRODUCTIVITY:



Key Objectives:

1. The desire to recruit and retain the “top in field” to Abington and the corporate office
2. A continued spirit of teamwork reduced cycle time and high productivity levels are desired

Background:

The building committee reviewed current industry data regarding the impact of higher ratio open space to private office space. A strong argument for higher ratio of open space environment – much based on the increased flexibility created in a fast growing enterprise was recommended but majority buy-in could not be achieved. The traditional closed office model was selected as “best fit” for the organization. Overall the company experiences a low rate of turnover, with qualified specialty engineers noted as more difficult to locate and recruit.

Research Outcome and Insight:

Interviewees were in agreement that substantial improvement in interdepartmental relations has occurred, since the move-in, however, comments indicated a misalignment of key objectives. These included “the ability to shut an office door allows people to become siloed”, along with statements such as, “people still isolate themselves here” seemed to be more associated with workstyle and personality vs. job description.

Multi-generational concerns re: space centered around open vs. closed office configurations. The traditional space allocation of private offices does not adequately portray a culture of open communication and family as once intended. As the open office space has become occupied, a hierarchy of space becomes more visible. A new millennial program has been launched with a focus on further building the culture and brand internally. Current research shows that social interaction builds the trust network in an organization. As knowledge work is sharing information and this is done more readily with those we trust, a focus on organization development and the spaces that foster this socialization and

trust-building is important, particularly in a multi-generational workforce. Spatial preferences between the generations include the disconnect for formal vs informal meeting spaces. Noise ranks as a high distracter with boomers but less so with millennials, giving rise to multiple design considerations.⁹

Alpha’s wellness program, formed around an annual health assessment with 70% participation rate is another visible message of the value it places on people and health care cost. Survey respondents overwhelming (96%) indicated they took the stairwell (open and lightfilled) over the elevator. Choosing the stairs, walking trail use or wellness program impact on presenteeism (as a measure of productivity) have not been measured to date. At the time of this writing, statistical data regarding absenteeism and employee turnover were not available.

In regard to recruiting and “brand identity”, we found the focus on people in the storyboard and the corridor gallery walls had ignited across much of the internal and external media including graphics, stationary, and the website. The lobby graphics were noted by most of those we interviewed as a strong influencer of first time attendees to the facility, along with the facility itself as a professional image and quality indicator. The use of the corridor graphics to display the team members – the miners- critical to the work being accomplished at this facility, were cited by 88% of the survey respondents as a positive environment factor. The use of these images now being utilized in the field will be an item of interest for further study.

Although no quantitative analysis was conducted for cycle time metrics, the interview consensus was that quality of output has increased and process cost, due to the facility consolidation has been reduced. This is an equation that typically signals increased productivity and reduced cycle time.



CULTURE SCAN: FOUR EXEMPLARY COMPANIES

Following, is a brief analysis of four organizations that have captured data regarding the relationship of their environment, culture, and organization development:

THE BOEING COMPANY had engineers and office workers housed in a separate facility a quarter-mile away from the mechanics and manufacturing employees in the plant who built the 737 aircraft. Communication between the people who designed the planes and those who built them was difficult and slow. Operating on the theory of dyadic learning we know that people solve more problems correctly when they collaborate. Researcher Charles Crook notes that computers can help or hinder how people collaborate and says material environments will constrain and facilitate a whole range of social interactions that can occur within them. Additional research has shown that technology has a major impact on the effectiveness of dyads as well as the creation of social space.

Accounting for these improved collaborative space refinements, Boeing reduced the facility's real estate usage by 40%. Boeing measured the change brought by their new facility and the organization's changes in work process and work culture:

- a newfound "connectedness" between employees and the aircraft
- earlier and better problem solving
- a higher sense of urgency to improve
- greater worker satisfaction

Engineers now work in mezzanine-level, open-plan space

alongside a transparent polycarbonate wall that stretches the length of the vast plant. Through it, they view the entire panorama of the massive, moving production line. A wide boardwalk - formerly a staging area for aircraft parts is a frequent meeting point for discussions between executives, engineers, mechanics and others, and adds to the distinctly democratic feel of a workplace where the line between office and plant, blue collar and white collar, is blurring. Where a problem encountered by a mechanic once took days or weeks to solve, it's now often solved within the hour. Huddles form around a bottleneck. There are even cases of engineers anticipating issues and arriving before a problem arises.

Those factors, and the adoption of a lean manufacturing approach, contributed to a huge improvement in productivity: it used to take 24 days to build a 737. Now it takes just twelve.¹⁰

SEI INVESTMENTS, located in Oaks, Pennsylvania, provides institutional investment services. CEO and founder Al West implemented a culture change due in part to the silo mentality of the three divisions that did not collaborate or cross-sell services. A strategy to create a physical environment that created more collaborative opportunity supported by organization development changes, such as the elimination of all secretarial positions created ground swell change. Focused on what kind of organization they wanted to be and what they needed to get there vs. taking the typical program of space based on management input they were able to produce a building aligned with their culture. The creation of social and physical space designed to support their culture has produced a 90% close rate if potential customers make an on-site visit. They also boosted their referral rate to 100% as compared to earlier rates of 20-80%. Employee turnover is down across all three sectors.¹¹

GOOGLE's, Googleplex is a 26 acre campus totaling 506,317 ft² originally occupied by Silicon Graphics who reclaimed the former industrial brownfield. The privately-owned corporate headquarters and adjoining public greenspace, link to public trails further connecting the corporate site to other community trail linkages. Placing parking for nearly 2000 cars underground furthered allowed the use of open green space for water features, pathways and plazas. The buildings themselves are human scale, furnished with items like shade lamps and giant rubber balls. The lobby contains a piano and a projection of current live Google search queries. The facilities include a gym, free laundry rooms, two small swimming pools, a sand volleyball court, and eleven cafeterias of diverse selection. In 2006, the company installed a series of solar panels, capable of producing 1.6 megawatts of electricity or about 30 percent of the Googleplex's electricity needs.

This highly communicative environment fosters 24-7 productivity and camaraderie among employees. The physical environment supports many of the ten philosophies that form the foundation for their culture, such as "Fast is better than Slow", "You don't need to be at your Desk to need an Answer" and "You can be Serious without a Suit."

A progressive high-tech/high-touch is evident here, displayed in an environment as a culture of wellness and nature to provide a balance to a fast paced industry and maintain a focus on the individual. Essential elements that define a Google workspace include the healthy café, 'Charlies Place", snack bars with make-your-own cappuccino, and corridors adorned with bicycles and large rubber exercise balls on the floors, ¹²



Vodafone corporate headquarters in Newbury, England

Vodafone's business agenda was to rationalize its organization, processes and properties after a sequence of mergers and acquisitions activity. Its estate was inefficient and comprised 69 buildings in and around Newbury, England which it reduced to seven buildings on an attractive campus and facilities in a nearby business park. Moving to a new campus environment helped a rapidly growing and changing organization leave behind its legacy business cultures and enabled it to modernize working practices and integrate the businesses culture. Vodafone occupies 30% less space than before, and has measured

significant improvements in staff satisfaction.

A campus strategy enables key buildings to be branded , with shared buildings remaining "common". This physical space cue is a strong culture statement regarding the value of collaboration over "silos."¹³

Creating a Sustainable Culture using Intentional Values
Leading researcher in human capital productivity and the built environment, Herman Miller states that a strong corporate culture gives companies an edge in three major ways. First, it empowers people to think for themselves on behalf of the company and it allows them to do it with confidence. Secondly, a strong corporate culture builds image which is critical for external messaging for market share, recruiting and retention of "top in field." The third edge is the fact that corporate culture can lead to enhanced performance. The 100 best companies to work for in America, ten years later had consistently outperformed the rest in earnings per share. ¹⁴

The role of leadership cannot be understated in any discussion regarding culture building or repositioning of the organization. However, the vision they create must be conveyed to employees in multiple experiences and messaging beyond the printed vision statements and formal policies. Core values come from the "heart" of leadership and can become actionable messages. The messages for the external world are different than the internal world of the employees. For instance, a core value of "agility" may mean the company is a trend setter and an innovator in their marketing position to the world. The actionable internal message of "agility" could be "our radar is always on, we embrace change and remain flexible". These messages must be at the core of strategy and apparent in business thinking, human resource policy, technology support and the environment.

The leadership must be invested in creating hiring filters that attract "like-minded" people to their talent pool, as well as, training sessions and daily practice of living the values and expressing the messages. Driving the vision and values from the leadership to the production and delivery level is often the most challenging piece of the equation. The mobile, collaborative and remote workforce of today dictates a paradigm shift in the way we instill our values, create the culture and represent our brand to the world.

Real estate strategist Martha O'Mara, "Real estate and facilities fulfill two critical roles... the first is to physically support the process. The second role is the symbolic representation of the organization to the world."¹⁵ Studies using the PIMS data base (annual data measuring more than one hundred variables for over 3,000 business units) have shown that perceived quality is the single most important contributor to a company's ROI. It has more impact than market share, R&D, or marketing expenditures. A study of 33 publicly traded firms over a 4-year period showed that perceived quality... had an impact on stock return, the ultimate

financial measure. The study looked at American Express, AT&T, Avon, Citicorp, Coke, Kodak, Ford, Goodyear, IBM, Kellogg's, and 23 others...Remarkably, the impact of perceived quality was nearly as great as that of ROI...even when the researchers controlled for advertising expenditures and awareness levels.¹⁵

Tracking Trends that Drive Culture Change

The expression of the external culture (brand) to the world is critical. The creation of physical and social space to support a paradigm shift or a developing culture is equally important. The largest culture challenge often comes from departments who desire to be branded within the organization enhancing the undesirable "silo behavior".

This is not unlike the individual who can hide behind the closed door of his private office having minimal interaction with his colleagues. Not only has the demand to work collaboratively increased, based on project complexity, time schedules and niche expertise but to capture the innovation of a team producing better ideas as a "group mind" is compelling. Figure A Steelcase

WHO PEOPLE WORK WITH...

Population for this analysis= 2753
% of time

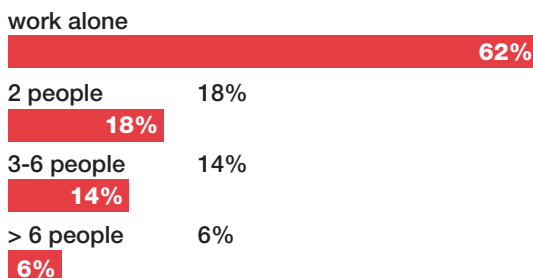


Figure A Source: Steelcase, Working by the numbers research paper,

Supporting a flexible culture which measures productivity on project based work with a workspace that lends itself easily to group work, hoteling and shared workstations is key. Research shows when workers don't have ownership of an enclosed space, they tend to collaborate and communicate more often with their coworkers in the ancillary areas provided in the facility. In a knowledge world, communication equals collaboration and leads to innovation. The nature of the workspace still depends on the type of work produced, but Figure B indicates, more and more work is done in a collaborative setting and this trend will increase as the younger generations create the majority of the workforce and our work continues to be changed by technology.

IMPACTS TO WORK PERFORMANCE MILLENNIALS

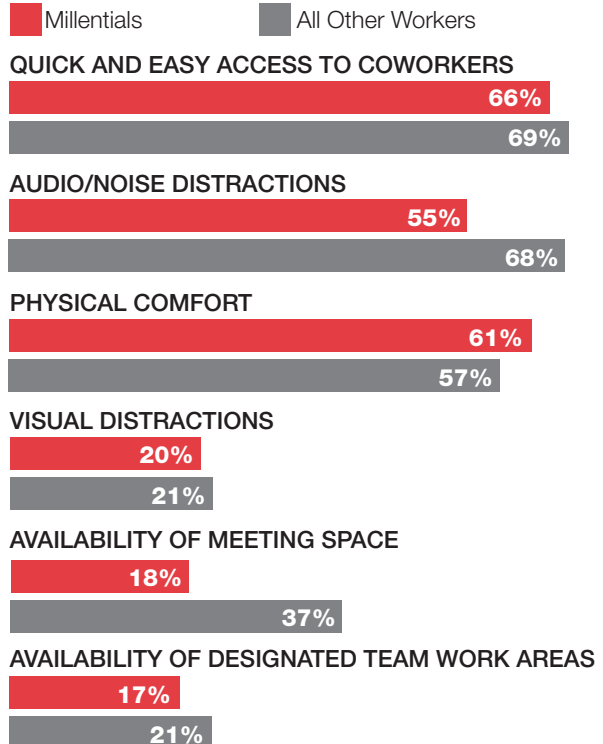


Figure B Source: Steelcase, Millennials make their Mark, research paper

Shifting property requirements based on reorganizations, outsourcing, off shoring and continuous technology improvements will continue to escalate, as will the increased focus on green issues. "Organizations are rethinking their approach to the location and timing of work and the office is no longer always the place where value is created... strategies for human resources, information and communications technology and property need to be explicitly linked and even better, developed in unison." ¹⁶ The trend of a flexible workforce has created a shift toward flexible space as cost containment and green issues dictate. A major London based insurance company shifted to a flexible staff schedule with more home based work, allowing them to move from the central London building they had owned at a cost of £362,000 per year that housed their staff of 25 to a leased space at a cost of £65,000 per year. The additional advantage of expansion or contraction at the end of the twelve month period. The cost savings of staff travel at an average of an 80 minute commute time, or 53 hours per month and a rail ticket of £3200 has created a higher degree of staff satisfaction. Statistics in Figure C tell a similar story. ¹⁷

2006

YouGov survey of Company Director views on flexible working. In a survey of 1,000 company directors, 667 reported adopting flexible working policies and ranked the benefits as follows:

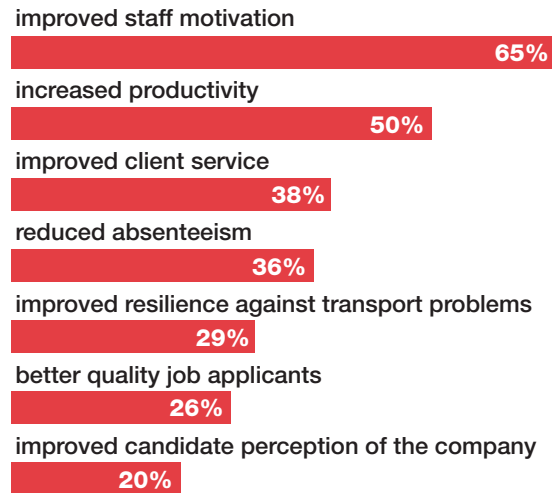


Figure C Source: YouGov survey, 'The Times', 2 May 2006

A case study of a manufacturing company in the Midwest assessed the impact of a consolidation move and the implementation of a more open environment. Cycle time impact of six predictor variables measured the effects of the move to a more open environment / hoteling model on the behaviors, perceptions, and business process efficiency of individuals and groups for 750 employees. The study proved significant improvement at the departmental level to the degree at which physical space supported their increased quality of output, sense of belonging, departmental identity, recruiting and communication of corporate identity as shown in Figure D.¹⁷

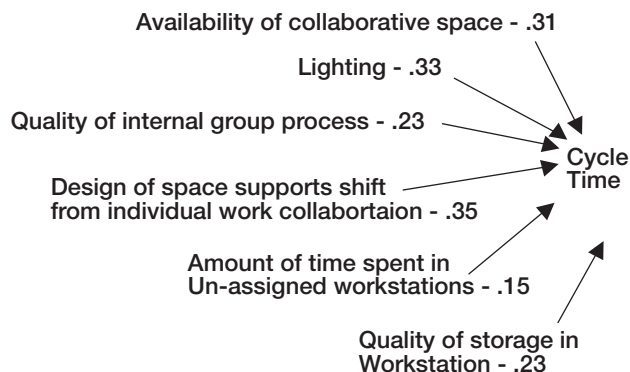


Figure D Source: Evidence by Design, Knoll Case Study, Regression Model 2008

Further research conducted by the National Audit Office, London on creating flexible culture both in social and physical environments shows improvements in the bottom line and the quality of life. Underlying this study is a major culture shift with most companies in allowing more remote work to occur with a focus on project performance vs. being accountable at their desk during the day. ¹⁸

NATIONAL AUDIT OFFICE — LONDON IMPACT OF FLEX WORK SCHEDULES

Occupier	Building size (square meter)	Workstations (incl hot-desks, etc. where given)	User population	Space per workstation (square meter)	Space per person (square meter)
Adult Learning Inspectorate	1,862	151	419	12.3	4.4
BAA	4,333	459	540	9.4	8.0
BP	41,209	3,799	4,445	10.8	9.3
BT	26,500	1,800	4,000	14.7	6.6
Cambridgeshire County Council	1,185	112	112	10.5	10.5
Ernst & Young	37,800	3,164	4,200	11.9	9.0
GCHQ	59,000	4,149	4,900	14.2	12.0
Herfordshire County Council	10,220	770	1,000	13.3	10.2
IBM	15,525	765	1,473	20.3	10.5
Norfolk County Council	1,135	145	163	7.8	7.0
Pricewaterhouse-Coopers	9,316	670	1,750	13.9	5.3
Suffolk County Council	13,286	975	1,150	13.6	11.5
Sun Microsystems	25,220	1,656	1,717	15.2	14.7
Vodafone	44,131	3,400	2,975	13.0	14.8

Occupier	Achievements
Adult Learning Inspectorate	Utilisation increased from 50 to 90 per cent; 90 per cent staff satisfaction on facilities
BAA	Churn costs reduced by 80 per cent
BP	Reduced costs by 30 per cent
BT	69 per cent staff surveyed report higher productivity
Cambridgeshire County Council	New customer-centric service ethos throughout
Ernst & Young	Halving in floor area for same number of staff
GCHQ	Greater flexibility in configuring working teams
Herfordshire County Council	Better work-life balance opportunities through flexible working
IBM	Reduced costs by 20 per cent
Norfolk County Council	Cost per person reduced by 16 per cent
Pricewaterhouse-Coopers	Three year payback on capital investment; 95 per cent satisfaction with new building and services
Suffolk County Council	94 per cent staff recognize improvement in accommodation
Sun Microsystems	Attrition rate half of its competitors and 1,000 identifiable key retentions
Vodafone	30 per cent reduction in office space

Figure E Source: National Audit Office London Publication

In Conclusion...

the times we live in challenge us to be aware of our reflexive thinking regarding properties, people and external brand messages. For optimal results this review should occur in a unified field guided by leadership's core values, actively defining an intentional culture. Culture is the next market differentiator.

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