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A dozen Federal Agencies joined with five Fortune 200 companies to share the triumphs and frustrations of AWS

## Alternative Workplace Implementation As Change Management

At a recent workshop in Washington, DC, corporate real estate executives volunteered to share their experiences implementing Alternative Workplace Strategies (AWS) with real estate leaders from the federal government. Recent Presidential mandates to implement telework policies, reduce agency operating costs and increase sustainability practices have increased the urgency for federal agencies to consider many forms of alternative workplace. Five Fortune 100 companies representing the financial services, software and manufacturing sectors generously participated. The workshop was attended by over 40 senior real estate managers from the US General Services Administration's Central Office and National Capital Region (GSA), and federal agencies including Judiciary, Department of Defense, Department of Education, Department of Labor, Federal Bureau of Investigation, Department of Justice, Department of the Interior, US Agency for International Development, and the Internal Revenue Service.

Martha Johnson, the Administrator of the General Services Administration, welcomed the group and underscored the GSA's commitment to alternative workplace implementation, as highlighted by the upcoming modernization of their ca.1917 headquarters building. Currently Ms. Johnson and her team work in open plan office space at the temporary headquarters swing space using multiple shared and unassigned spaces, underscoring the importance of senior leadership walking the talk of AWS.

Rather than focus on the physical workplace design and real estate implications of AWS, this discussion viewed implementation of AWS programs as an organizational change management challenge. CPA Managing Director Dr. Martha O'Mara drew upon Harvard Business School Professor John Kotter's "Eight Steps to Transforming Your Organization" to frame the discussion. AWS is defined as any approach to workplace design that breaks the convention of individual workstations for each employee. This can range from some staff working full-time from home to a variety of work-styles that use unassigned or collaborative space, while recognizing that there are some types of jobs that will continue to require an individually assigned office onsite.

The discussion began with an overview of the "perfect storm" driving the increased use of AWS – technology enabling more mobility, sustainability goals to reduce carbon consumption by reducing the real estate footprint and decreasing commuting, a younger generation of workers who prefer to work in collaborative collegiate-like settings as well as pressing needs to reduce operating costs. Companies often find that individual workstations or offices are actually occupied less than half of the typical workday. While many employees are already working "alternatively" by using mobility tools and technology, most office interiors do not support these new ways of working.

This brief summarizes the lessons learned while implementing alternative workplace strategies as shared by the private sector participants. Each stage was discussed in turn, with two or three corporate participants leading the discussion. Federal agency representatives asked many questions and also shared their early stage experiences. As with the workshop discussion, the brief is organized following Kotter's eight steps.

### Step 1: Establish a sense of urgency.

Organizational leaders must build a case for change by examining current and potential crises and opportunities. What problems or issues can be solved by AWS? How can

### What problems or issues can be solved by AWS?

AWS help the organization perform better? Discussants emphasized focusing on the costs of paying for space that the business does not use. It is important to document utilization, such as monitoring how many people actually enter a building each day or observing how workplaces are used. To build the business case, one company developed an “implied vacancy” metric that uses actual vacancy rates with a more efficient space utilization standard. It showed that only half of their office space was actually occupied. Ultimately, the company decided not to renew 80% of leases and to backfill into existing space, especially owned properties. All agreed that lease turnovers present an opportunity to get rid of space with a clear deadline and cost benefit. Although many companies are placing a greater emphasis on carbon reduction, which AWS enables, the corporates reported that overall real estate cost savings is a more urgent driver today.

Human resources-related issues also provide a source of urgency for AWS. Companies face increasingly competitive labor markets and AWS enables wider access to labor, greater employee satisfaction, and improved retention. Urgency is also driven by showing how AWS can improve work processes. Speed to market requires a significant amount of collaboration to achieve optimal results. AWS-style work spaces that foster collaboration have been found to increase the rate of innovation. One participant noted that it is best to locate people based on who they work with rather than by the formal organizational chart. Another noted; “It really is about changing the way we work – real estate is just an ancillary benefit.” A representative from the GSA pointed out that frequent reorganizations cause costly churn when people are in individual assigned workstations and must be moved in order to be located with their new colleagues. Since employees are already mobile with AWS, churn costs can be greatly reduced.

### Companies who have successfully implemented AWS included human resources and information technology in the planning process

#### Step 2: Form a powerful guiding coalition.

A coalition that includes powerful representatives from many parts of the organization must lead the change effort. Private sector discussants stressed that it is important that the coalition be led by someone with enough power to take action and own the process. As one corporate real estate leader noted, “if support is centralized, you have a bigger hammer”.

Although the guiding coalition must include leaders of the organization, many participants emphasized that it is also important to create a diverse team of champions comprised of the varying stakeholders that need to be involved in the change process. Companies who have already successfully implemented AWS programs included members from corporate real estate, human resources, and information technology – IT participation is critical because technology enables AWS. A participant from the federal government noted that unions have been a major stumbling block to implementing AWS and increasing utilization. The advice from the private sector companies who have unions is to involve the unions early in the process and to have a representative in the guiding coalition.

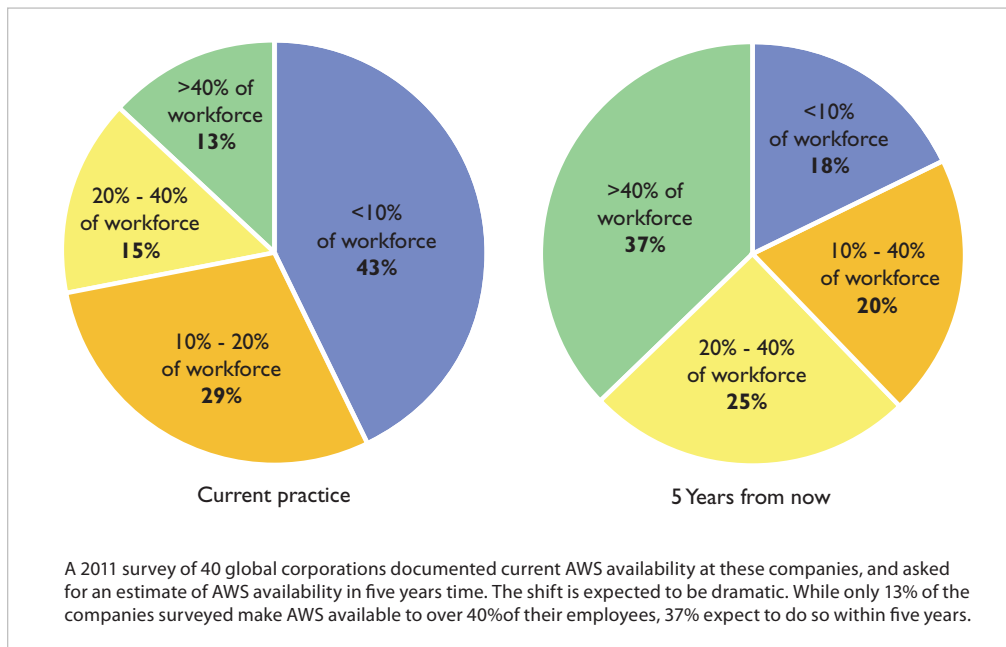
### Allow each part of the business to see what is in it for them

#### Step 3: Create a vision.

The guiding coalition must develop a clear picture of what the change will entail that is easy to communicate and has broad appeal. “If you can’t explain it in less than five minutes, you’re losing,” suggested Dr. O’Mara. To create a simple and clear message, one company hired an architect that conducted “visioning sessions” with key managers to help develop a vision for what their new space would look like. This exercise ultimately allowed the company to roll out the new workplace design more quickly. The vision must be flexible enough to appeal to different motivations, allowing each part of the business that is affected to see what is in it for them.

Once the vision is created, it is important to use multiple strategies to communicate the vision to employees. The most common question that the corporates receive is; “What will

Figure 1: AWS Availability Among Global Corporations



it look like?" To help employees visualize AWS, one company is working on a "Day in the Life" video. Another company created a "pilot" demo space featuring the new workplace design to use as a visual test case. Branding campaigns result in greater understanding and recognition of the program. Examples of branded pilot program titles include "Evolving Workplace", "My Work" "Flex Office" and "CWS – Customized Workplace Solutions".

#### Step 4: Communicate the vision.

Every vehicle possible should be used to communicate the new vision at all levels of the organization. One participant pointed out that the more frequently people are exposed to new concepts, the more receptive they are to change. John Kotter's research observed that buy-in from about 75% of management is required for a successful transformation over time.

Industry participants found that it is important to seek trade-offs and focus on the benefits of the program to gain support for AWS. One participant emphasized that it is important to respond to the question: "What is in it for me?" To get people to participate in the program, which requires them to give up an assigned workstation at the office, one company highlights the benefits that eligible employees receive and provides a "calculator" to show how much employees can save per month on commuting and other costs. Specific company incentives include up to \$1,000 in technology purchases and reimbursement for phone and internet.

All agreed that communication helps build the trust that is required to achieve buy-in. Listening to concerns and responding with creative solutions generates trust. One participant explained how employees at their company expressed reluctance to give up their individual offices. However, after discussing different options with them, they became comfortable with the idea because they liked having a wider variety of workspaces in the new arrangement. Demonstrating that you have done your homework and explaining the rationale of the program also builds trust. At one company, once senior management was on board, corporate real estate approach individual business unit leaders and developed a charter agreement with each that addressed their particular business concerns.

Listening to the concerns and responding with creative solutions builds trust

Continue communication once AWS gains traction

Another company shared how poor communication led to a failed roll-out of their initial AWS effort. The guiding coalition did not take the time to explain why the company was transitioning to AWS other than saying “the CEO wants this” and moved for change too quickly. Because they didn’t create a clear vision and adequately communicate it, they did not achieve the level of support required. It is imperative for employees to feel they are stakeholders in the overall change process and achieve their buy-in prior to investing in physical workplace changes.

Participants also stressed the need for continued communication once the AWS program gains traction. Most of the companies provide training on how to work and manage in an AWS environment. These training sessions not only help facilitate a smooth transition to AWS, they also help companies re-communicate the vision to the team. Communication also helps clarify misconceptions that many employees have about AWS, a common one being that AWS is just a work from home program rather than flexible work in a variety of locations.

#### Step 5: Empower others to act on the vision.

At this point in the change process, the guiding coalition should focus on work processes and identify functions that could most benefit from AWS to serve as early adopters. One company suggested that a group of 200 to 500 employees is a good target. Early adopters can help make the vision a reality, but expect that the overall implementation process can take two to three years. However, labeling early adopters as “pilots” can undermine the overall message of AWS as a permanent change in how the workplace is used.

Job functions in the private sector that are well-suited for AWS include administration, technology, staff support, and engineering. For example, in the first few years, one company worked with information technology employees as early adopters. Another found a work group that was already asking for more flexible working arrangements which helped create momentum. Their consulting division was requesting a work from home option. While management was initially concerned about morale and productivity, they gave it a chance due to the significant real estate pressures they were facing. These employees were able to work from home and retained hoteling space in the office, allowing the company to exit some leases and significantly reduce their real estate footprint.

#### Step 6: Plan for and create short-term wins.

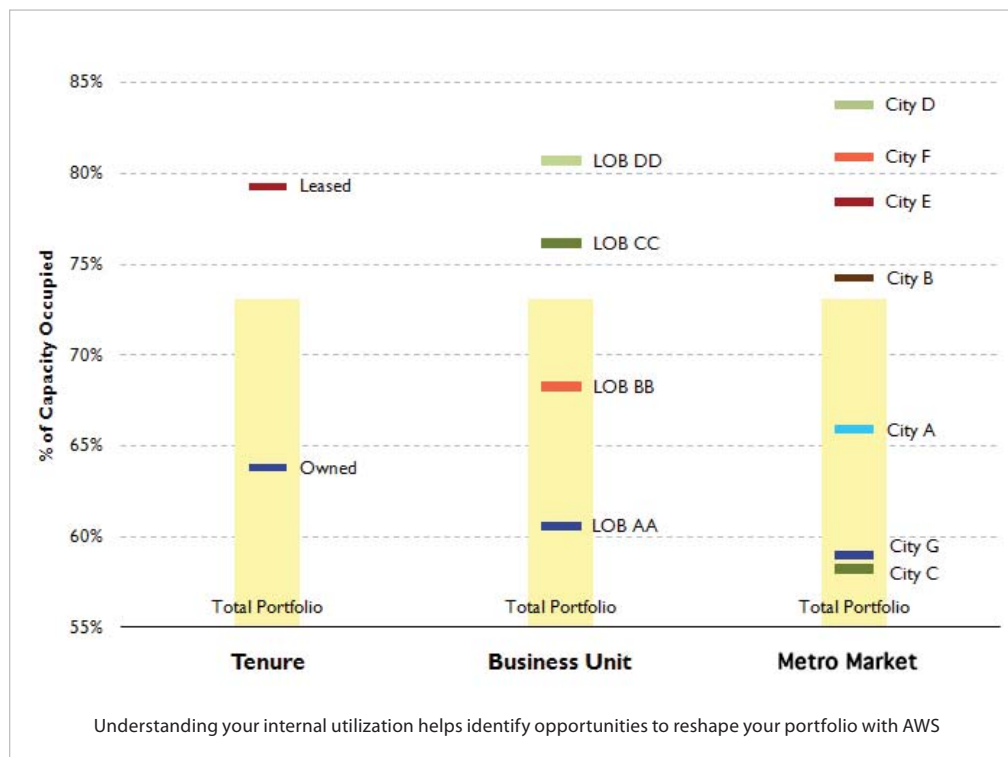
Deliberately plan for short term wins to create visible performance improvements. It is important for companies to document and communicate the benefits achieved by early adopters to help generate excitement and momentum. Kotter advises leaders to recognize and reward employees involved in the change process at this stage.

Several of the companies at the workshop described how their early initiatives produced results that catalyzed their programs. During one company’s initial project, the first 1,500 people who transitioned to their AWS program reported higher job satisfaction, had higher retention and performed better or as well as similar workers who remained in conventional office settings. Other companies experienced similar results. In addition to saving money, employee productivity and satisfaction both increased. All corporates agreed that multiple sources of performance measurement – individual, organizational, and real estate related, must be applied. Further, with more collaborative and less individual space, the new workspace better meets the needs of how people actually worked together in that group. As one participant observed; “High utilization breeds collaboration, while high vacancy breeds more vacancy.”

Labeling early adopters as “pilots” can undermine the overall message of AWS as a permanent change to the workplace

Employees in AWS had higher retention and performed better or as well as similar workers in conventional offices

Figure 2: Benchmarking Internal Vacancy in the Portfolio



### Step 7: Consolidate improvements and produce still more change.

At this point in the transformation process, Kotter warns that business leaders should not be satisfied by early wins and must continue the change process until it becomes the normal way of doing business. Kotter suggests that leaders can use the increased credibility they gain to change systems, structures, and policies that do not support the vision. He suggests that leaders consider hiring, promoting, and developing employees that are able to implement the vision. Finally, leaders should look for ways to reinvigorate the process with new projects, themes, and change agents.

At this point, all of the corporate participants at the workshop are rolling out AWS to additional business units in their companies. One company estimates that about one-third of their workforce is currently eligible for AWS, but it takes time to roll out implementation. All are carefully looking for ways to continually improve their alternative workplace strategies as they expand their programs. A discussant observed that group managers at their company always asked for more space than what they end up using. Therefore, they now build-out less space than is actually requested and wait for actual demand to be documented before they build additional space. Another company became concerned that mobile workers weren't fully integrated into the culture and is now implementing policies such as requiring employees to come into the office a certain number of times per week or for certain meetings. Others realized that there are geographical differences in how people use drop-in spaces. One participant noticed that different issues come up when transitioning new or existing employees to AWS and that policies are needed to respond to both types of employees. Also, some employees may never adapt to AWS even though their job fits the profile. Such individuals may still be valuable to the company and must be accommodated.

Look for ways to continually improve your AWS strategy as you roll out implementation

Labeling early adopters as “pilots” can undermine the overall message of AWS as a permanent change to the workplace

#### Step 8: Institutionalize new approaches.

This final step of the transformation process focuses on institutionalizing the changes. During this step, Kotter advises leaders to focus on articulating the connections between the new behaviors and corporate success. Private sector participants agreed that there are certain milestones that will indicate when change becomes permanent. One business leader said that day would come when having an individual dedicated workstation would be the exception, rather than the norm. At another company, the ultimate goal is not to have any dedicated work spaces.

All workshop participants agreed that AWS is a constantly moving target. As technology and work practices continue to evolve, so will the workplace. Therefore, CRE leaders will have to constantly assess their strategy and adjust their programs to remain relevant. A number of the companies represented at the workshop are looking forward ten years to try to understand what the workforce might require and how physical and infrastructure requirements may evolve. Though none claimed to have a crystal ball, all are trying as best as possible to plan further into the future. One company has “innovation labs” in both the US and overseas to test new ideas and products related to mobility. Others are looking for inspiration from their international locations where space and energy is far more costly than in the US today.

#### “TakeAWsSs”

Experiences drawn from both failures and successes in the implementation of alternative workplace strategies validated Kotter’s observations that the change process is continuous, can take years to realize, and that trying to skip stages or rush the process often results in failure. Focusing on AWS as a change management process that improves work processes, employee satisfaction and asset utilization, rather than as a real estate cost reduction play, improves the likelihood that AWS will become an integral part of the organization and an enabler of competitive advantage.

We sincerely thank the corporate real estate leaders who generously gave of their time and expertise to help our government achieve its goals of a more efficient and effective workplace, and thank the Public Buildings Service of the US General Services Administration for hosting the workshop.

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