

Alternative Workplace Strategies: Building the Business Case

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Although many companies have explored alternative workplace strategies (AWS), most have failed to develop portfolio-wide programs because of a lack of buy-in from real estate, HR and IT executives – and in some cases, employees. Failure is also because of the inability to quantify the major benefits of AWS: employee productivity, innovation, retention and recruitment, and network security. This article sums up the fact-based business case for key functions and provides necessary evidence for implementing AWS based on best practices drawn from a diverse range of companies.

Emerging Trends

The newest mobility, work force composition and AWS adoption rate patterns make it more pressing than ever for global companies to align their

workplaces with the trends. Worker mobility is rising globally, but the U.S. will remain the most highly concentrated market, with 75 percent of the work force being mobile in 2013, essentially reaching a saturation point. West Europe will experience a steady growth in work force mobility. Mobility is increasing at the highest rate in Asia Pacific, with 62 percent of the world's mobile work force in terms of total numbers based there (Chart 1). In light of these statistics, failure to enable mobility will have a profound impact on a firm's global competitiveness.

The composition of the work force is also changing. Fifty percent of the new jobs created coming out of the recession will be contingent, and 25 percent of the total work force will be contingent in the near future. This implies that office space needs to accommodate an increasing number of temporary workers (Chart 2).

While many firms have implemented

AWS in North America and Europe, most have not in emerging markets. The combined mobility and development trends presented previously clearly indicate that the greatest opportunity indeed lies in emerging markets, especially in Asia (Chart 3).

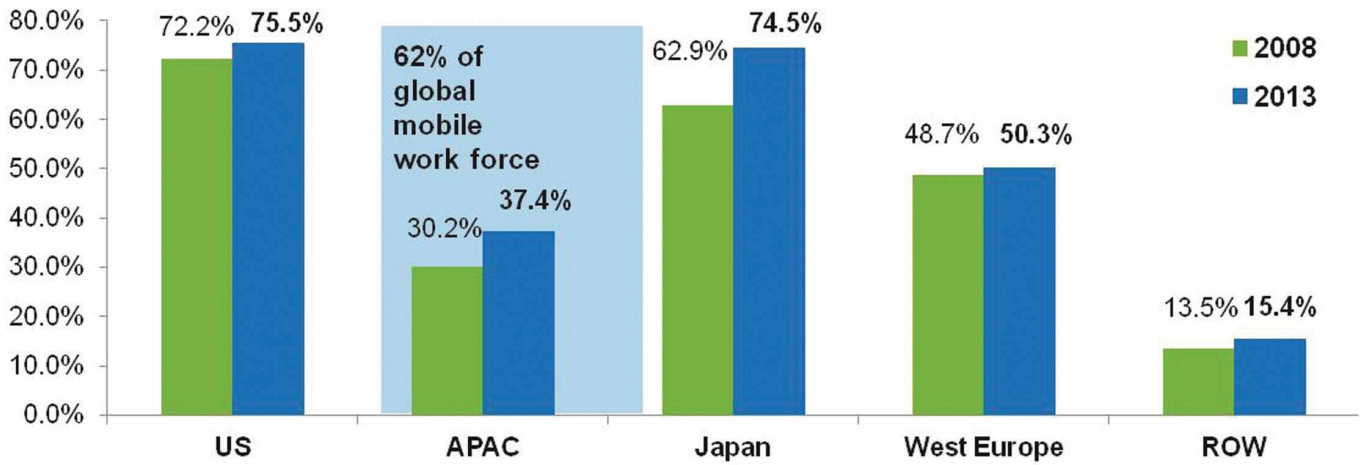
Best Practices

Cisco's Connected Workplace (CCW) is now the global standard for all of its future workspace deployments.

"Ensuring C-suite support for AWS through obtaining buy-in directly from individual executives after presenting a proof-of-concept and a robust change-management plan has proven to be the critical factor for success," said Alan McGinty, Director of Global Workplace Solutions for Cisco.

As the company relies heavily on knowledge work and innovation, the CCW is a highly adaptable workplace supported by advanced technology. CCW

Chart 1: Penetration of Mobile Workers by Region



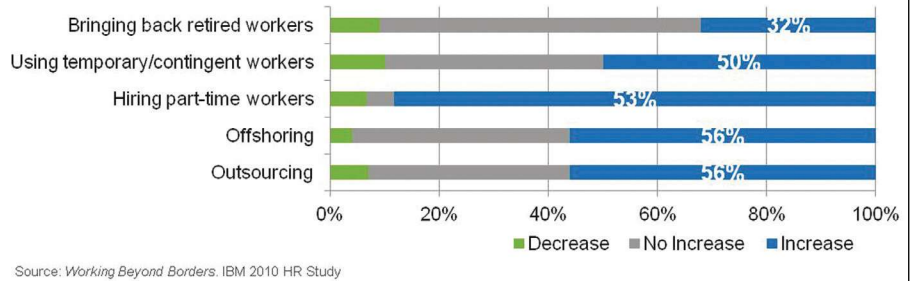
emphasizes collaboration, providing a variety of spaces to support flexibility for evolving and diverse work styles with an 80 to 20 percent collaborative to individual space ratio. Portfolio optimization and flexibility, as well as sustainability, have been equally important motivating factors. The program has resulted in a 37 percent reduction in corporate real estate (CRE) and workplace service costs, a 50 percent savings on furniture, 60 percent less cabling and increased employee satisfaction.

Lenovo embraces flexible work practices to accommodate its international and mobile work force. The company prioritizes maximum flexibility for business changes and employees, as well as cost savings. Lenovo has established international design guidelines to enhance collaboration by providing 80 percent shared space and to ensure flexibility to accommodate change and reduce churn cost.

“In addition to the employee productivity and real estate agility benefits of AWS, after the earthquake in Tokyo in 2011, we supplied every one of our employees there with a laptop PC, enabling them to work off site as part of our updated disaster recovery strategy,” said Deidre Buzzetto, Director of International Real Estate for Lenovo.

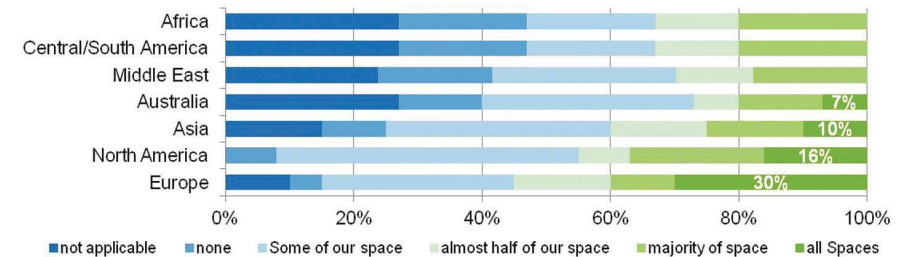
In recent years, Brocade has invested in several high-quality LEED buildings to accommodate growth. Now, rather than continue to expand its footprint,

Chart 2: Work Force Composition: The Rise of the Contingent Worker



Source: Working Beyond Borders. IBM 2010 HR Study

Chart 3: AWS Implementation by Region



Source: Ratekin Consulting, 2011

Brocade is developing a business case for an AWS pilot at its San Jose, Calif., campus to establish proof of concept and support a comprehensive, portfolio-wide program.

“We are committed to optimizing

our work environments through a deep understanding of our employees’ work patterns and needs. To support this, we have two key objectives – improve collaboration and productivity and increase space utilization,” explained



Michael Hirahara, Vice President Global Real Estate and Facilities at Brocade. “We also believe that the best solutions for productivity improvements are a combination of IT, HR and real estate infrastructure and processes, which is why collaboration across those disciplines is important. Our pilot program will help us analyze our alterna-

tives and is instrumental in our change management process.”

When making the business case for AWS internationally, executives account for local context and thus adjust proposed deployment regionally. In North America, the most popular options are working from home, in a car or at a client’s site. Therefore, the

business case focuses on the advantages of working off site, formalizing existing mobility patterns and enhancing space utilization. In the European Union, the closer proximity of work, home and civic activities; a robust transit system, and clearer separation of family and professional life result in greater focus on collaborative work environments rather than home-based work. For example, Ernst & Young and GlaxoSmithKline have emphasized the creation of core business centers and innovation hubs. In the Asia Pacific, home-based work is also a less-viable option because of smaller homes and the status associated with working in an office, therefore, shared work environments and working from different offices are the two most popular AWS options in that region.

Business Benefit by Department
 AWS programs are often led by CRE executives who must to work closely with HR and IT to succeed. To secure their colleagues’ cooperation, CRE exec-

Table 1: Business Benefits by Department

RE	HR	IT
<ul style="list-style-type: none"> • Optimized RE; increased agility • Reduced costs • Reduced GHG emissions • Enhanced brand and reputation 	<ul style="list-style-type: none"> • Increased productivity • Increased collaboration, innovation • Enhanced wellbeing • Improved employee attraction and retention • AWS regulations 	<ul style="list-style-type: none"> • Enhanced network security • Reduced IT infrastructure and operating expense • Showcase technology

Table 2: Shared Space Allows for Work Force Growth

	Traditional	100% owned	50/50	100% shared
Workers supported	79	90	96	120
Workstations	79	90	64	60
Sq. ft	11,600	11,600	11,600	11,600
Sq. ft for "I"	7,173	5,384	2,969	3,356
Sq. ft for "we"	1,467	1,482	4,097	5,278
Circulation	2,960	4,734	4,535	2,966

Table 3: The Minimal Cost Increase of AWS-adopted Space is Offset by Space Efficiency

Item	Distributed Work Impact
Average conventional operating cost per sf	\$20
Average operating cost (distributed work)	\$21.4 (+7%)
Average conversion cost per sf from conventional to distributed work	\$96

Chart 4: Space Utilization Standards by Region



Table 4: Barriers to AWS and Solutions

Barrier	Solution/Response
Real Estate • Lack of endorsement	<ul style="list-style-type: none"> • Average occupancy is 50%; elimination of unneeded space and consolidation is most direct means for cost-savings • Savings in CRE can be reinvested in higher-quality, strategically located offices
Human Resources • Lack of endorsement • Employee productivity • Damage to group culture, team dynamics legal, safety, health concerns • Tax implications	<ul style="list-style-type: none"> • Telework assignments/agreements • Training, education • Goal-centered dialogue, performance reward systems • Greater satisfaction because of AWS increases productivity (10-40%) • Scheduled meeting times, group activities • New networking technology, including social media AWS attract and retain high performers • AWS allows recruitment of top talent regardless of location • AWS pilots help identify and resolve any concerns • Tax returns, work permits account for home-based and off-site work • Training and education
Information Technology • Lack of endorsement • Technology costs • Bandwidth costs • Data security	<ul style="list-style-type: none"> • Formalizing AWS ensures network security, access • RE savings can be reinvested into technology • Bandwidth is cheaper than ever; CRE savings can offset costs • Deploy technology for all employees developed for mobile workers
Executives’ concerns about organizational culture and resistance to change	<ul style="list-style-type: none"> • New technology and management practices keep culture intact • AWS formalize and facilitates needed change management • High-performing employees expect change • Surveys (employee, manager, space usage) allow for feedback loops and adjustments
Employees • Concern about losing space	<ul style="list-style-type: none"> • Redesign office rather than remote work in places (Middle East, Asia) where cultural norms are different • CRE savings can be reinvested in higher-quality, collaborative office space and amenities • Technology and social media vs. dedicated desk allow for new expressions of personal identity • Collaboration is not lost but enhanced through mobility and technology
Funding • Provision of equipment • Administering, implementing AWS	<ul style="list-style-type: none"> • Provision of cell phones and laptop – common practice even for traditional workers • Savings exceed costs
Existing, older, real estate • Hard to modify and upgrade	<ul style="list-style-type: none"> • Accelerate elimination from the portfolio • Explore all possible cost-effective redesign options; focus on remote work options

utives demonstrate the business benefits by department and then present an integrated evaluation of the quantifiable and associated benefits of mobility programs to senior management (Table 1).

1. Real Estate Benefits

Executives adopt AWS to optimize their portfolios by reducing total square footage, consolidating and relocating existing functions and maximizing off-site work locations. Companies are therefore able to continue to grow their work force while shrinking their CRE footprint. Many are increasingly moving toward leased, multi-tenant rather than owned or single-tenant space and prefer five- to seven-year leases over longer leases to ensure greater agility.

Executives are also re-designing office spaces. In addition to shrinking individual space, they are shifting from individual, owned to collective, shared office space. The latter increases space efficiency and reduces total costs. Shared space supports up to 40 percent more employees than conventional space. Savings from CRE footprint reduction and increased employee productivity more than offset any cost associated with workspace redesign for AWS (tables 2 and 3).

Many global corporations have found that 40 to 60 percent of the work space is empty at all times across office locations (Chart 4). Executives adopt AWS to enhance space utilization 80 to 100 percent. Increased space utilization leads to great reduction (35 to 50 percent) in CRE costs. Cisco reduced its costs by 37 percent and Nortel by 50 percent. Dow Chemical has saved more than 30 percent on non-real estate costs.¹

Reduced GHG emissions as a result of reduced CRE footprint, operations, business travel and commuting is of growing importance to companies and consequently to CRE executives. Global firms use these reductions as a key measure of AWS success. Gensler’s study indicates that if 40 percent of U.S. companies had a mobile program, in 10 years the U.S. could save 1.2 billion metric tons of GHG emissions.² Cisco’s telework program reduces auto GHG emissions by 30,435 tons.³