

Amrop Talent Strategy Series

The Re-invention Of Office Space A Leadership Challenge

By
Dina MEDLAND



Amrop

Leaders For What's Next

The Re-invention Of Office Space

A Leadership Challenge

Executive Summary - When Strategy Becomes Physical

Corporate leadership has to think in much broader terms today – not just about business strategy and people, but also about how those people engage and interconnect. This includes the physical space they inhabit: the office. The way in which it is structured for operation, and meets the needs of a diverse group, are increasingly recognized as critical to business performance.

Open Offices Can Create Walls

After over a decade of accepting ‘open plan’ offices as the new virtue, it has become more complicated. In *The Transparency Trap* (2014), Harvard Business School professor Ethan Bernstein describes his findings: that too much transparency can leave employees feeling exposed. As a result they may conceal what they are doing – even when making improvements – reducing productivity and, paradoxically, transparency. Professor Bernstein’s solution was a template for companies to create four distinct ‘zones of privacy.’

Office Design is About Business DNA

Companies across very different industry sectors are having to navigate their own unique way forward when it comes to ‘office design’. Not just about architecture, it is about developing new ways of thinking about the business and its aims. Rapid technological change, market uncertainty, and for many, the need for a mobile workforce, have added to a sense of urgency. Coca-Cola’s new office space in London, for example, aims to blend organizational

inheritance and future purpose. Described by its Human Resources Director as “an inspiring, collaborative and modern space”, she says “it manages to reflect the values and culture of our company today, but it also celebrates the 128-year heritage of the Coca-Cola brand.”

Architecture Builds Brands

As sustainability is increasingly deemed to be a ‘must have’, new office space is also, inevitably, in part a branding exercise. Deloitte has made a lavish statement about being at the cutting-edge of sustainability (and innovation) with its new shared headquarters The Edge in Amsterdam, with offices looking down in to a 15-storey atrium. Some 60% receive natural light, and employees can directly access public transport, a high-speed rail link and the cycle route, with 500 bicycle spaces and entirely wireless connectivity. At The Edge’s opening, a drone bearing its sustainability certificate descended through the atrium in front of a large audience.

Office Space Reflects Sectoral Changes

The financial services sector has long been characterized by a dichotomy of open plan offices and hidden hierarchies. The Dutch bank ING’s CEO Ralph Hamers recently instigated a redesign of its headquarters, replacing one floor of traditional corridors and offices with an open-plan layout of beanbags, swing chairs and white boards. This was done simultaneously with a financial restructuring, a change in staff working, and a preparation for a digital revolution in banking. At Credit Suisse, the Smart Working

programme has a mandate for all non client-facing areas: eliminating assigned desks, reducing the emphasis on job titles, installing a floor with project zones, quiet, home and garden zones– which have more plants, and privacy, with space intending to foster collaboration.

Human Diversity Is The Driver

Human beings are always changing and evolving, but businesses sometimes struggle to keep up or demonstrate they are out of touch by creating office space that does not 'work' and fails to cultivate demographic diversity. This can be risky, leading to a pitfall of absolutes. It is counterproductive to press people into operating in a uniform way without taking different personalities and preferences into account.

Change Must Be Piloted

Changing office space is a dramatic shift in an organization's life, requiring diligent planning and execution. While employees have to embark upon a potentially difficult process of changing habitual behaviour, businesses all the way up to the boardroom must be prepared for significant (and sometimes unpredictable) reactions.

It is critical, therefore, to carefully structure each phase of the process, factoring in time to harvest- and process - employee feedback, and distinguish fleeting, from more fundamental, concerns. Furthermore, people's expectations must be managed: with incremental change unless health and safety is at stake.

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The Re-invention of Office Space

A Leadership Challenge

Corporate leadership is being asked to think in much broader terms today – not just about the strategy of the business and its people, but also about how they engage with one another and interconnect. This includes the very physical space that those people inhabit: the office. The way in which it is structured for operation, and how it meets the needs of a diverse group of individuals, is increasingly recognized as playing a critical role in business performance.

And yet, after more than a decade of accepting a seemingly radical assumption that ‘open plan’ offices were the new virtue, it has all become rather more complicated.

In his book *The Transparency Trap* published in 2014, Harvard Business School professor Ethan Bernstein argued that privacy is just as important as openness at work.

He found, through field research and experiments, that too much transparency can leave employees feeling exposed. As a result, he wrote, they may actively conceal what they are doing – even when making improvements – reducing productivity and, paradoxically, transparency. Professor Bernstein’s solution was to offer a template for companies to create four distinct ‘zones of privacy.’

But companies across very different industry sectors today are finding they have to navigate their own unique way forward when it comes to ‘office design’. Inevitably, it is not just about architecture, but about developing new ways of thinking about the business and what it aims to achieve. A backdrop of rapid technological change, market uncertainty, and for many businesses the need for a mobile workforce, has added to a sense of urgency.

Coca-Cola has recently built an iconic new office space in London, using a 1920s building which has been refitted throughout. It is set over four floors, covering 66,000 square feet and features a roof terrace, café, meeting rooms, open plan office space and hot desk facilities.

The interior of the building was designed by award-winning architectural-designer MoreySmith and is described by the company as “a celebration of Coca-Cola’s heritage and place in popular culture.”

“The new office creates an inspiring, collaborative and modern space for us all to work in, and that was our main aim. It manages to reflect the values and culture of our company today, but it also celebrates the 128-year heritage of the Coca-Cola brand” said Sarah Hutton, Human Resources Director, Coca-Cola.

Branding and the 'New Look' Office

The refit at Coca-Cola has also been done with a watchful eye on sustainability and a hope that the office will achieve the SKA Gold rating in recognition of the work undertaken to fit out the building.

While sustainability is increasingly deemed a 'must have' for any business, the creation of expensive new physical office space is also in part a branding exercise. At Deloitte, the professional services firm, Rotterdam-based Ronald Meijers, Partner for Transformation, Leadership and Governance in the Financial Services practice, says: "Deloitte wants to make an impact on society as a whole, and not just for its clients."

The company has certainly made a lavish statement about being at the cutting-edge with its new shared headquarters (with AKD) in Amsterdam, opened last year.

The Edge, designed by PLP Architects, provides 40,000 sq m (430,000 sq ft) of office space, with offices looking down in to a 15-storey atrium. Some 60% receive natural light, and employees benefit from access to public transport, a high-speed rail link and the cycle route network. There are 500 bicycle parking spaces on-site, while connectivity is entirely wireless, reports Gizmag.

According to Philips, one of the companies working on The Edge, the building has achieved Building Research Establishment Environmental Assessment Methodology (BREEAM) Outstanding certification. This recognizes that best practice has been used to ensure that the building is designed, constructed and operated to high sustainability standards.

The Edge had a theatrical new opening, complete with the certificate arriving by drone in a packed atrium in front of an audience of employees and clients.

"We want to be seen as leaders but to trigger others to join – and in fact, to surpass - us in a drive towards sustainability . And of course, we also want to be seen to be innovative as a professional services firm" says Mr Meijers.

But branding aside, he is also adamant that first and foremost, the building is "a home where employees can proudly invite their guests." "It is about having everything you need to meet, perform and be inspired" he adds.

The Edge had a theatrical new opening, complete with the certificate arriving by drone in a packed atrium in front of an audience of employees and clients.

The financial services sector has long been characterized by a dichotomy of open plan offices and hidden hierarchies reflected most dramatically in pay, which remains a closely guarded secret. But the changes in its office space reflect critical changes in the industry as a whole.

Innovation And The Future

All businesses need to rethink office space for flexibility and agility and to be “in tune with the speed and depth of change” Mr Meijers suggests. “Today, your workforce has different demands and you demand different things of your workforce. As a result you have to build strong affiliation with your team and office space can define that flexibility” he adds.

The creation of office space is also increasingly being designed to ensure flexibility for the long-term future. “The building will be there long after you are gone, and you need to think about what else it could be used for” says Mr Meijers. Mobile furniture – on wheels – allows for a mobile workforce, and also for rooms that can be changed quickly for the needs of inhabitants at any given time.

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Ralph Hamers, CEO of the biggest Dutch bank by assets, ING, has created a stir since he took charge in 2013. A pioneer of digital banking, ING under Mr Hamers has instigated a complete redesign of its red brick headquarters in a suburb of Amsterdam. In an experiment, one floor of traditional corridors and offices has been replaced with an open-plan layout featuring beanbags, swing chairs and white boards, the Financial Times reports.

It isn't just about interior design. Mr Hamers has simultaneously led financial restructuring, a change in staff working, and a systematic preparation for a digital revolution in banking.

In the airline sector, Ryanair's recent creation in a nondescript office building of a 'digital lab' – complete with white boards and collaborative spaces to encourage creative ideas and innovation - pointed to an effort to drag the business forward in an atmosphere of customer complaints. Its late move into digital, including its changed thinking on office space, appears so far to have paid off in both customer traffic and profits.

The Human Factor

The quest to create collaborative office space is a common aspiration in business, but it is easier said than done. Large organizations that rely on confidential consultancy services have an added challenge. At Deloitte, for example, the transaction services practice in The Edge has a separate lock on the door.

“There is an extra glass wall with special glass that provides confidentiality: you can see the people, but you can’t see who they are. Transparency in itself is not an absolute,” says Mr Meijers.

In financial services organizations, people in the investment banking divisions are the most resistant to change, say observers. “They (investment bankers) are the ones who are out of the office the most, and they are very protective of their home environment. It is hard to get them involved in any systematic roll-out of uniform office space” says the office restructuring lead at a major European bank.

Irrespective of sector, senior leaders embarking upon strategic workspace initiatives must keep a firm grip on employee engagement. This is a critical driver for office redesign, and without it, change can be doomed to expensive failure.

To compound matters, there can also be difficulties in attempting to promote consistency across differing geographies. “The two big challenges of the American market are that it tends to be title intensive and space intensive in financial services” says a property design specialist. One’s office space is “a subject that goes deep to the heart of how people think about themselves and their value, and you tinker with it at your peril” he adds.

There is much anecdotal evidence on differences in culture when it comes to office convention. One banker says: “In London we eat at our desks. In Switzerland definitely not, it is strictly forbidden.”

Credit Suisse run a ‘Smart Working’ programme and looking at improving the design of their offices at a global level. David

Office space is “a subject that goes deep to the heart of how people think about themselves and their value, and you tinker with it at your peril.”

“No one has an assigned desk and job title does not matter. We have a floor with a project zone, a quiet zone and home zones – which have more plants, and a better sense of privacy. We (aim to) foster more collaboration through use of space”

Crew’s title at the bank is revealing. He is ‘Director of Global Workplace Strategy, Planning and Innovation.’ “Our Smart Working programme has a mandate for all non client-facing areas. No one has an assigned desk and job title does not matter. We have a floor that has project zones, quiet zones, home zones and garden zones– which have more plants, and a better sense of privacy. We (aim to) foster more collaboration through use of space” says Mr Crew.

Like many other large organizations today, Credit Suisse also offers ‘Office Meets’ – a cross between an office and a meeting room, which employees can book as needed. The furniture sits on wheels, and can be moved around.

Mr Crew says Credit Suisse is challenging the way office space is delivered to all their employees. But the process has to be sensitive to employee preferences. Older, and often more senior employees, can be hard to lure out of their private offices but there is a strong move to have senior managers on open floors to encourage access to leadership. ‘Huddle spaces’ are provided, walls that can be written on – and everyone has a smart card that will bring up their own information on any computer, aiming to encourage people to move around.

...And The Perils Of Ignoring It

“They must often change, who would be constant in happiness or wisdom”, Confucius allegedly said.

Human beings are certainly always changing and evolving, but businesses sometimes struggle to keep up. Either that, or they demonstrate being out of touch by creating office space that does not ‘work’ and fails to cultivate the demographic diversity which businesses increasingly seek to nourish.

Jose Carrillo, Amrop’s Managing Partner in Mexico, visited the PepsiCo offices in Monterrey, Mexico recently and was very struck by what he found. He described it as: “A forward looking, very modern environment, with open offices, movable furniture, meeting rooms with various approaches that create some privacy, but mostly allow

remote video connections, giving Pepsico employees the capability to conduct face to face meetings over long distances, with all kinds of technical facilities.”

Writing in El Norte, Mr Carrillo reported that Eduardo de la Garza, VP of Human Capital at PepsiCo, and part-creator of this transformation and responsible for these changes, highlighted “the big savings achieved in travelling expenses, being able to perform virtual meetings with everyone without travelling.”

However: “I told Eduardo I would find very difficult to feel at ease myself in this environment. His response was even more revealing. He said – ‘Of course, this environment is not designed for you. This allows us to attract *young executives who feel at home in this environment.*’”

When the BBC created a double atrium newsroom at its £1bn revamped BBC New Broadcasting House headquarters in central London, it was supposed in part to represent the ‘opening up’ of the corporation as the glass-plated newsroom made the journalists visible in the background behind the presenters. In reality, it drew widespread complaints as journalists trying to work said they felt like “pandas in a zoo” and referred to it as “The Pit.” The very public scrutiny led to reports in the national media of health and safety issues.

“There is a clear link between office space and psychology,” says Henrik Elsig Andersen, Partner for Amrop in Denmark, and a Member of Amrop’s Global Executive Board. As a business psychologist, he draws attention to just how deeply workplace change can affect people and performance.

“Some people have no problem speaking on the phone with others present, some do. Some need structure, others like ambiguity. If you imagine an extrovert, highly vocal population and multiply that by 1000, you get chaos. You need to avoid absolutes – pressing people into operating in a uniform way without taking personalities and preferences into account. People also need to be helped to do different things at different times, to explore themselves and develop. Diversity is vital, and the office space should reflect that” says Mr Elsig Andersen.

But the combined challenge of physical change and individual diversity itself is constantly evolving, he adds. “We are highly influenced by our environment and the people around us. When you put people into a new setting, surprising things can happen. As changing office space is a dramatic shift in an organization’s life, it must be carefully structured, planned and executed. It requires changing habits, one of the most troublesome things that can happen to a human being. Boards must understand that this is a massive move and that significant reactions are likely.”

He said – “Of course, this environment is not designed for you. This allows us to attract young executives who feel at home in this environment.”

Mr Elsig Andersen stresses that it is critical to allow staff to voice their reactions. “Processing feedback takes time. And you can’t anticipate what it will be. In one organization, we went from a traditional space to ‘hot desking.’ You might have assumed that those who were most out of the office would least need a place of their own. Yet they most needed an office ‘home’” he says.

Changing the work environment “is a complex thing” that cannot be rushed, he adds. “For the first month, people need to understand that no changes will be made, (unless health and safety is at stake), that this is a planned phase for collecting experiences and feedback. Some objections will be short-lived, some more enduring. It is important not to (bring about) change too soon” he adds.

“The over-arching question” he concludes: “is, what do you need to do to ensure that your whole value chain works? It’s all about balance.”

The Human Factor - Management Messages

- 1 The over-arching question for Boards: what is needed to support not only the strategy of the business and its culture, but the whole value chain and the functions involved in delivering on it?
- 2 When designing office space it is critical to avoid absolutes, (pressing people to operating in a uniform way without taking account of diversity)
- 3 Boards must understand that the move is a dramatic shift in an organization’s life, as it requires changing habits, one of the most troublesome things that can happen to a human being
- 4 The change process must be highly structured, in terms of planning, installation, and critically, follow-up.
 - Processing feedback will take time
 - It will be difficult to anticipate what that feedback will be
 - Corrective steps cannot be rushed, and expectations must be managed.

From Drawing Board to Boardroom

The nature of office space may seem to many to be a cosmetic matter. But one only has to consider the example of Google to appreciate the magnitude of its potential value – the tech giant managed to create a working environment that also became a marketing tool.

“It is vital to assess the culture an organization needs in order to deliver on strategic plans and targets. Office space creates culture, people create culture, if you can work on both, you have a good likelihood of succeeding” as Mr Elsig Andersen puts it.

Decisions around the nature of office space for any business today need to involve a broad range of issues at its core, and to be taken seriously by boardrooms.

While technological change and changes in lifestyle affect every individual in an immediate and direct manner, it may be that their overall effect on a business as a whole is not immediately apparent. The delay could be an expensive one for any business that is experiencing any sort of a 'disconnect' with its employees as a result of poor two-way communication.

The physical architecture of a business – and technology via the means of communication it offers – can both serve to change the parameters of internal conversation. But the third factor critical for success is the leadership that recognizes new tools may be needed for changing times.

Wireless connectivity, mobile office furniture, mobile offices and nomadic workers are also 'ideal' images promoted by the technology businesses that promote their own products, in the name of greater collaboration. (See Condeco video – A Day In The Life Of A Connected Enterprise).

But a non-permanent element of office space can also have its downside in the reduction of the 'clutter' that human beings often like to surround themselves with.

Deloitte's shared building The Edge has been described as 'a computer with a roof' with fabulous views and toilets that flush with rainwater. But we have to be careful, says inhabitant Ronald Meijers, not to do away with the importance of the individual.

Thinking about old style private offices with personal 'clutter' such as family photos on the desk, he asks: "Do people who have just seen a photo of their children make more honest decisions?"

Just when you think you have the answer on office space, he suggests, it may be time for innovation to start again.

"Do people who have just seen a photo of their children make more honest decisions?" Just when you think you have the answer on office space, it may be time for innovation to start again.

Further Reading and Links

<https://hbr.org/2014/10/the-transparency-trap>

<http://www.gizmag.com/the-edge-amsterdam-philips-connected-lighting/33134/>

<http://www2.deloitte.com/nl/nl/pages/deloitte-analytics/articles/the-edge-digital-first-gebouw.html>

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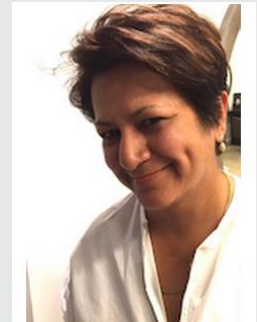
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Author: Dina Medland

Dina Medland is an independent writer, commentator and consultant and joined the permanent staff at the Financial Times after starting a career in media at the BBC. In recent years she has been a regular FT contributor. Since 2013 she has been a Forbes Europe contributor on corporate leadership, the boardroom and corporate governance.

Dina worked as a Special Consultant to Laura d'Andrea Tyson, then Dean of London Business School, helping with a report on non-executive director recruitment. She also worked in executive search in London at senior levels in ICT and for boardrooms, and spent three years on the first Cambridge University Alumni Advisory Board.

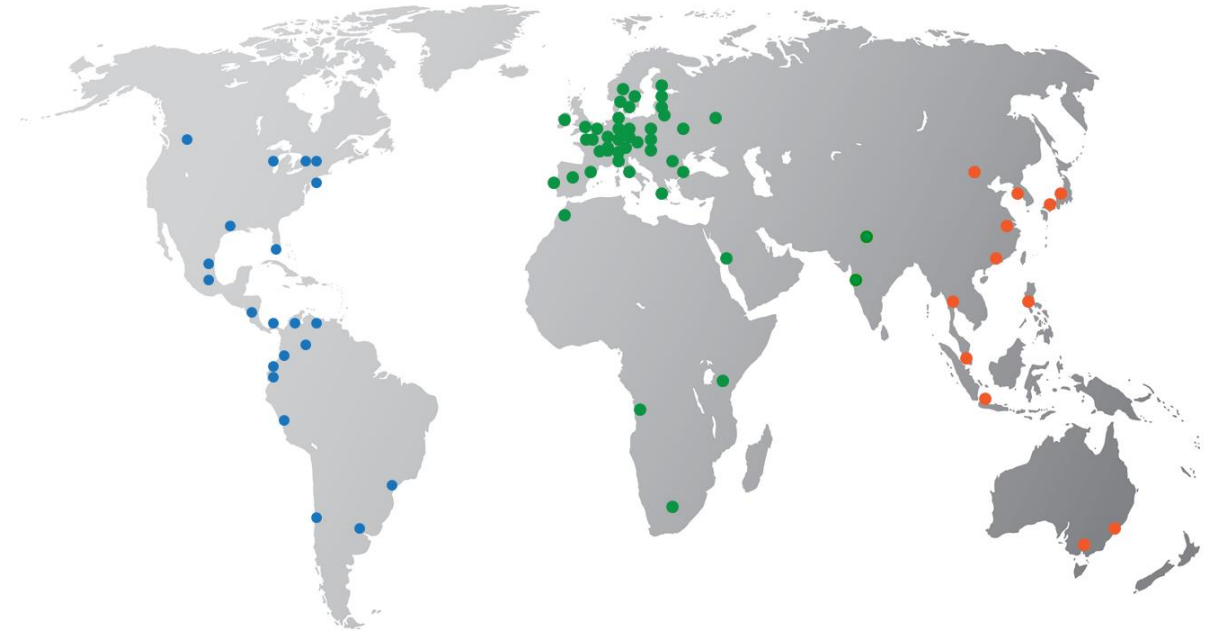
Born in India, Dina grew up in Washington DC and was educated at Wellesley College in the United States, Somerville College at Oxford and Trinity, Cambridge. Dina writes regularly for Amrop.



About Amrop

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Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.



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