

CRET Quarterly

Innovation AND the Workplace.

Pronunciation: \,i-nə-'vā-shən\ ¹

Function: noun

Date: 15th century

1: the introduction of something new

2: a new idea, method, or device

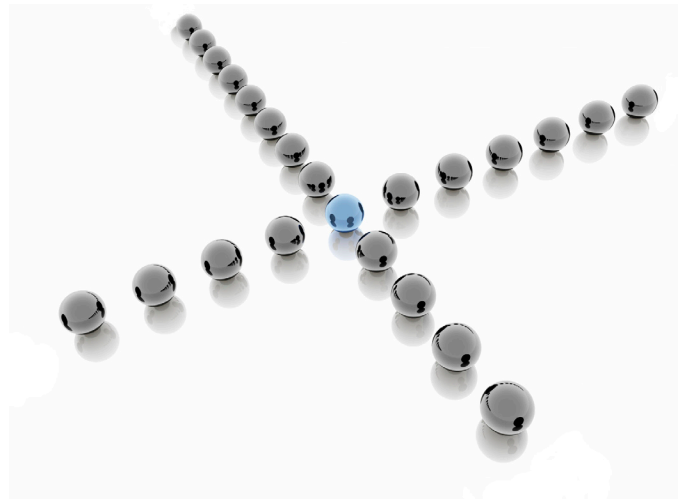
Innovation, as defined, seems simple and straight forward — creating something new, generating a new idea, method or device — and yet it is so elusive. In business, we have seen that this usually means an invention with a commercial benefit, generating growth or profitability for a company that discovers, nurtures and brings forth the commercial viability of a new product, service or idea. And this specific definition is why companies have an interest in innovation.

While the interest is there, fostering innovation is as much art as it is science. Innovation is hard work² and does not always follow a planned path. At its core, innovation requires three key ingredients: the right talent, the right culture and the right infrastructure. Innovation usually results from collaboration, constantly infusing the problems at hand with new perspectives and having access to the proper tools, processes and support. And most importantly, innovation requires a supportive culture that values and rewards experimentation and questioning the “tried and true” processes, methods and technologies to create new commercial inventions.

Consider the following common denominators of creative organizations and projects:³

- Creative discontent with current situation;
- Tolerance for uncertainty and ambiguity;
- Cross-fertilization of ideas from different fields of knowledge;

- Willingness to take risk and strong culture of experimentation, constantly trying and testing small improvements;
- Participation in richly connected social networks;
- Questioning accepted knowledge, testing/search for true cause and effect;
- Reversing a process, willingness to examine problems from many perspectives; and
- Culture of learning.

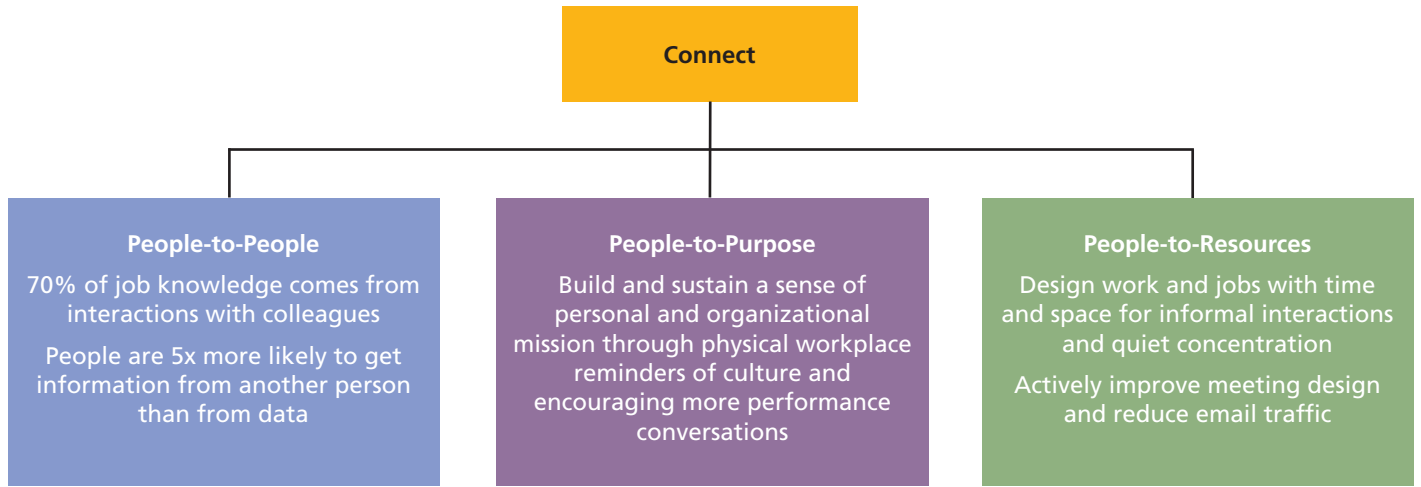


¹ <http://www.merriam-webster.com/dictionary/innovation>

² *New York Times* February 8, 2008 - Eureka! It Really Takes Years of Hard Work, by Janet Rae-Dupree

³ <http://www.industryweek.com/ReadArticle.aspx?ArticleID=12048>

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Source: *Connecting People to What Matters. It's 2008: Do You Know Where Your Talent Is?* Deloitte Research (2007).

Companies striving for corporate growth, differentiation and outperforming competition in turbulent markets are exploring all facets that have potential to contribute to innovation. How about harnessing the workplace to contribute to the innovation agenda?

One may ask: “what does innovation have to do with the workplace?” For some, the notion of innovation conjures up images of a recluse working in some lab and coming up with the big ideas. However, as we are well into the third decade of knowledge-based work across industries, we know that innovation happens through collaboration, building on ideas iteratively and often in collaboration with people coming together physically or virtually. Therefore, as a company seeks to extract the fullest potential from its employees, it is critically important to find ways to connect people to a common purpose, to other people and to resources in order to innovate and be productive.

We broadly define the workplace as an organization’s integrated approach to aligning its people, process, technology and space agendas to support the workforce. We believe the work**place** can contribute to connecting the work**force** to do high quality work and to innovate by providing work**spaces** that meet their needs.



Connecting People to Purpose

- Does your workplace clearly communicate the purpose of the company?
- Is there a consistent physical articulation of your brand and culture across sites and divisions?
- Do your virtual and remote work policies align with the purpose?

The workplace is a physical manifestation of the brand and purpose of the company. It can speak volumes about the culture, the values and the beliefs of a company through its designs. Where, when, and how employees work can also demonstrate the trust and value the organization places on its knowledge workforce and can largely contribute to engagement or commitment by its employees. As technology becomes more embedded and integral to getting work done, a company’s policies towards virtual and remote work in the home or other settings can be another indication of its ability to connect its employees to the company purpose.

Connecting People to People

- Does your workplace effectively connect people to people?
- Are workspaces designed to support the new “social contract” that Gen Y (and soon Gen Z) expect to do knowledge work?
- Are there settings that promote planned and serendipitous interaction?

With increased mobility, the connection of people to people becomes multi-faceted. As mobility and technology become ubiquitous and much more integrated, settings that gather people for collaboration become more valued and increasingly important. When employees are in the office or on-site, how do the workspaces or sites foster connection and promote collaboration? Does your workspace in fact inhibit interaction? Are the workspaces designed such that interaction is planned and behind closed doors?

Patterns of adjacencies and internal traffic can promote interaction and chance meetings between functions. Co-locating functions that typically don't interact can have positive outcomes, and can lead to better understanding of diverse functions, improved idea generation and out-of-the-box thinking.

In addition to connecting people to people in the physical workplace, how does your organization connect people through the virtual workplace? What technologies exist to enable virtual collaboration and knowledge connection and creation? Are social networks enabled in the corporate settings and also closely tethered in the knowledge databases and collaborative technologies?

Connecting People to Resources

- Does your workplace make it easy or difficult to find the resources one needs to get the job done?
- What support centers, supplies, or amenities/services are effectively delivered to make work easier and more enticing for the knowledge worker?
- Does your workplace offer hospitality services instead of facilities services?

While cost reduction and management have received laser focus in real estate, facilities and workplace agendas in the last decade, we believe the focus for the coming decade should be about enabling growth and innovation. Moving beyond the 'brick and mortar' delivery of real estate services, workplace organizations and enabling functions (such as HR, IT and Finance) need to rethink their strategies on supporting the workforce and deploying the most effective services they can collectively offer.

As stewards of the workplace, your function should no longer take a reactive stance to providing the space when asked. You must proactively seek ways to elevate your real estate, facilities, and workplace assets to support the innovation agenda of your company. These strategies may include:

- Seeking better ways of planning workplace settings within corporate offices to increase interaction and productivity.
- Seeking better ways of fostering collaboration and innovation in R&D or engineering spaces.
- Providing hospitality-like services to the workforce.
- Creating a network of locations within your portfolio to balance the need for group-work with individual need for reduced commutes and better work-life balance.
- Working with HR to identify ways of rewarding innovation through space and services, while removing biases associated with out-dated mindsets around remote work.
- Working with IT to enable productivity and innovation through mobility and collaboration technologies.
- Continuing to build culture change leadership through dialog with the C-suite on the power of the workplace as an enabling function that can provide strategic competitive advantage and increase shareholder value if appropriately managed.
- Continuing to stay abreast of industry innovation change through external alliances and benchmarking.

Finally, as the saying goes "steal shamelessly" and learn from other companies that have pushed their physical and virtual workplace envelopes in the spirit of supporting innovation. For more information on how to jumpstart your organization for innovation using the workplace, please stay tuned for details about Deloitte's first annual Innovation Workplace Summit coming next Quarter.

George Bouri's Point of View on Innovation and the Workplace:

Interest in innovation has brought forth a surge of interest in workplace innovation. As companies seek to speed time-to-market, foster innovation and shorten development cycles, and tap into shrinking global pools of knowledge workers, they are looking to various fronts to support these desired outcomes. George Bouri, Principal, Deloitte Consulting LLP, shares the insights he has garnered from various experiences and client engagements:

What are the business drivers for workplace innovation?

Mr. Bouri: Workplace innovation appears to be driven by several common business drivers and trends, and Deloitte is witnessing the convergence of those common business drivers and trends in the marketplace. While in the past the business drivers have been primarily about cost management (margin, asset efficiency, improved utilization, etc.), more recently the drivers are about enabling growth (revenue growth, improving employee productivity, etc.) and improving shareholder expectations (good will) while capitalizing on mobility trends from the knowledge workers. This has been manifested in the type of engagements Deloitte is pursuing and delivering, as many opportunities and projects are in the workplace innovation and sustainability arena.



“The components of workplace innovation are not new as they’ve been around since the early 1970s when high-tech companies began foreseeing mobile workers. CRE, HR and IT have each transformed since that time and evolved to more advanced ways of delivering services and products. However, an increasingly integrated approach to address the business drivers makes the current wave of workplace innovation so compelling and has created dramatic momentum.”

According to Mr. Bouri, key business drivers for workplace innovation include:

- Confluence of technology advancements, emphasis on knowledge-based work, competing labor market dynamics and continued interest in being more cost effective.
- Attraction of critical workforce segments; having the desired brand and market presence.
- Talent management and retention of desired workforce by offering flexible, mobile ways of working.
- Spreading risk and supporting business continuity by having the ability to work anywhere, any time, and through a variety of tools & technologies.
- Better leveraging of capital investments in infrastructure and real estate through coordinated efforts between CRE and IT.
- Increased fragmentation and distribution of business processes to remote locations.
- Evolving generational expectations of performance-based work and the decreased need for face-time.

Why is Workplace Innovation so popular, why now?

Mr. Bouri: The components of workplace innovation are not new as they’ve been around since the early 1970s when high-tech companies began foreseeing mobile workers. CRE, HR and IT have each transformed since that time and evolved to more advanced ways of delivering services and products. However, an increasingly integrated approach to address the business drivers makes the current wave of workplace innovation so compelling and has created dramatic momentum.

Mobility can be a disruptive phenomenon for corporations that are built for the industrial age. As knowledge workers proliferate, primarily

Gen Y and soon to be Gen Z, companies are struggling to adapt to these new ways of work that discard the traditional notions of work such as experience matters, age matters, titles and hierarchy matter, etc. While these are still important attributes, our new workforce is bringing a meritocracy mindset to an out-dated workplace infrastructure (think people in power get the larger offices) and technologies (think only executives get laptops and PDA’s). Instead, the new generation of knowledge workers demands and expects an entirely new “social contract” from the companies that employ them, one that reflects their way of working, not the other way around. Most companies simply are not ready to embrace the change and do not have the appropriate processes, policies and procedures or management infrastructure to turn these new ways of working into competitive business advantage. For those companies, this mobility wave will put them at a competitive disadvantage on many fronts.

What distinguishes Deloitte from other firms?

Mr. Bouri: Deloitte brings to bear an end-to-end and multi-disciplinary approach that is high quality in the consulting industry. Since these trends have little to do with brick and mortar, and more to do with the integrated forces mentioned above, we can help our clients in their efforts to “programmatize” these disruptive forces into a new way of doing business. Effectively, we can help our clients capitalize on these trends as a way to transform their corporate culture, their business models and the enterprise as a whole. Deloitte has the ability to leverage our Capital and Real Estate Transformation service lines to help clients in the development of the entire approach and solution sets, our Human Capital service line for organization and change issues (culture transformation and change strategies), the Deloitte Tax LLP service line for remote and virtual work implications, our IT consulting service line for knowledge networks and enterprise information management and mobility tools, and our Construction Advisory service line for program management through implementation. We can help our clients in their efforts to translate strategies and benefits/impacts into shareholder value and business context that resonate with the C-Suite. This workplace innovation approach can help push the agenda to a level where CRE has not operated traditionally, where the workplace is an agenda item on the CEO, COO or CIO’s slate.

What are some tangible values and key benefits that companies have realized through Workplace Innovation?

Mr. Bouri: Recent projects we have been involved with at Fortune 100 clients quantified tangible values in the range of \$100’s of millions of dollars in recurring annual benefits on a global basis, through cost reduction of lease expenditures and capital investments. Beyond quantified benefits, our clients have indicated that transformation supports a different culture and creates a buzz and brand of the workplace that is attractive to the workforce of the future. Certainly the business case is not always about cost reduction. As the CEO of a Fortune 5 company recently shared with me, “I will give up 10% of cost reduction for a 1% increase in productivity or innovation.” That message supports the hypothesis that it’s time for CRE to create true value for the shareholders of their companies. Is your company ready?

Project Spotlight: Workplace Transformation for Fortune 25 Manufacturing Company

The Challenge

A Fortune 25 company, facing pressures to reduce operating costs, engaged Deloitte to help them determine how Alternative Workplace Methodologies (AWM) could be used across its global real estate portfolio to simultaneously reduce costs and improve the way space supports business units. The project team included members from their real estate/space planning, information technology, and human resources business units, working collaboratively to design an integrated solution. With the potential impact to the business units, it was also critical that the project team was closely aligned with senior management.

The Approach

Following an initial assessment phase to help the client determine the scale of the savings opportunity, the Deloitte team helped the client model the preliminary business case and design a plan to develop the detailed strategy. Input was solicited from business units and a detailed review of the real estate portfolio was conducted to identify cost savings and exit opportunities. In executing this plan, the combined Deloitte/client team performed a number of key activities:

- **Leadership Engagement** — To support awareness and facilitate buy-in, members of the combined team met with key business leaders and provided standard communications materials for them to introduce the data gathering methods to their divisions.
- **Field Data Collection** — Following review and approval of the tools, the combined team deployed an online work pattern survey, conducted focus groups and leadership interviews, and conducted observational studies.
- **Pilot Workspace** — Taking advantage of space that was scheduled for interior finish and furniture refresh, the combined team incorporated various AWM concepts into a pilot to help test various components and gather feedback from occupants and visitors.
- **Develop Workplace Provisioning Scenarios and Refine Detailed Solution** — Based on leadership direction, data collection, and pilot feedback, the combined team developed specific standards and guidelines for space use, technology provisioning, and HR practices.
- **Refine Financial Analysis and Business Case** — In light of the above, the combined team revisited the financial analysis and business case, and refined its recommendation to senior management.
- **Implementation Plan** — The combined team prepared an implementation approach, including the initial steps proposed to move from recommendation to action quickly and to improve savings opportunities if possible.
- **Change Management and Communications** — Deloitte provided change management and communications support to help the client achieve consistent messaging, with the goal of improving employees' abilities to adapt throughout the project.

The Results

At the conclusion of this phase of work, the client achieved three key results:

- **Client Positioned to Execute** — They were positioned to act on the recommendations with the goals set forth to reduce space, achieve cost savings, and improve the way employees are able to work both in and out of the office.
- **Knowledge Transfer** — Due to the collaborative approach of the combined Deloitte/client team, Deloitte was able to effectively transition much of their project knowledge to client team members so they could carry forward key activities into implementation.
- **Business Unit Engagement** — As a result of the employee and leadership engagement throughout the project, supported by consistent messaging, many employees and business units were better prepared to begin the change process upon implementation.

Project Spotlight: Workplace Transformation for a Fortune 100 Services Organization

The Challenge

Generational expectations, talent management issues, and rising real estate costs pose challenges for many of our clients. This client used an approach toward the workplace as a strategic lever for talent management that needed to be updated to more appropriately reflect its culture and practices to more effectively position itself for the future.

While our client had experienced significant growth, it sought to better manage its margins. Impacting the client's profitability were fixed financial burdens resulting from rising real estate costs. Due to energy price increases, supply constraints, and global market for construction activities, costs had risen steadily for the last five years. At the same time, our client's workplace also did not adequately support current and future work processes using advancements in mobile technologies and changing work patterns.

Deloitte was engaged to help the client in their efforts to develop a Workplace of the Future strategy and program, and to implement the solution. This effort required a cross-functional project team, including members from our Capital and Real Estate service line working collaboratively with our Information Technology and Human Capital service areas to help the client design an integrated solution. With the potential impact to the business units, it was also critical that the joint Deloitte/client project team stay closely aligned with senior management.

As the CEO of a Fortune 5 company recently shared with me,
“I will give up 10% of cost reduction for a 1% increase in productivity or innovation.”

The Approach

The project used a structured and inclusive approach by taking input from nearly 10% of the client's workforce. Change management was integrated into key activities of the project phases. Key project activities included:

- **Data Collection:** The combined team deployed an online work survey, conducted focus groups and leadership interviews and observational studies. The data analysis included leveraging Lessons Learned from the client's recent renovations and office moves. The combined team collected real estate portfolio and related financial information and developed a baseline set of Key Performance Indicators (KPI). These KPIs were used to benchmark against industry standards. Data collection also allowed the combined team to establish contact with stakeholders and build awareness to the basic scope of the Workplace of the Future (WOF).
- **Analysis and Findings:** The combined team identified work styles, workplace behavior patterns, preferences, and attitudes by analyzing the data. The analysis yielded findings that resulted in a set of Emerging Guiding Principles, which articulated the Vision and Strategy for the WOF.

The client's Vision was to "Create workplaces that greatly increase people's abilities to collaborate, innovate and team, while nurturing the brand and driving cost efficiencies."

The combined team presented the analysis and findings, along with the vision and strategy to the stakeholders to tie the impact of WOF as a critical linkage to the future financial results of the company.

- **Workplace Solution Development:** The combined team developed a solution criteria and space program based on the findings. The solution criteria were used to develop three scenarios, each of which was laid out based on architectural interpretation and full-floor test fits. These three test fits helped the combined team to engage the leadership to select the final program scenario and architectural concept that met the WOF vision, strategy and key performance measures.

- **Model Workplace Mock-up:** To help socialize the selected design, the combined team constructed a mock-up. Stakeholders were given tours of the mock-up and the design was refined based on the feedback. This revised design was finalized and published as the organization-wide workplace guidelines.
- **Implementation Plan:** The combined team developed an implementation plan that included a detailed business case and change management plan, to help the client implement the WOF design across the portfolio and communicate the benefits and features to promote support and buy-in.

The Results

The WOF achieved three key results:

- **Interaction and Collaboration:** The WOF design produced an open office layout that promotes interaction by providing visibility across levels and increasing collaboration.
- **Improve the Company Brand:** The WOF design improved the brand by driving more sustainable "Green" workplaces that better align with the organization's culture and appeal to existing and future workforce.
- **Improve Cost Effectiveness:** The new design allowed for space to be utilized effectively and reduced the amount of occupied space by adjusting to the increased mobility of the workforce.

Resources and Links:

Check out these great web site links featuring innovation, workplace ideas and to learn more:

<http://www.svc.edu/pr/lectureseriessp07.html>

<http://www.kmworld.com/Articles/Column/Future-of-the-Future/The-future-of-the-future--The-future-workplace-15811.aspx>

<http://www.eweek.org/site/news/Eweek/workplace.shtml>

<http://www.upenn.edu/pennpress/book/13913.html>

<http://www.microsoft.com/presspass/features/2002/Sep02/09-26ciw.mspx>

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