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Alternative Workplace Strategies in the Current Economy

Results from New Ways of Working's Benchmarking Study, April 2010

by: Joe Ouye, Ph.D., Gabor Nagy, Ph.D., Bas Singer, and June Langhoff

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Leading organizations have been employing alternative workplace practices (AW) for over two decades—as far back as 1989 when IBM began piloting AW options—and long before the word “Internet” became part of the common lexicon. But for many years they were mainly the practices of a select few companies. They remained mostly experimental and retained their unique identities. Today, however, alternative workplace may be shedding half its name, and becoming simply “workplace” as such practices become mainstreamed in many organizations. This is the conclusion of a study released last month by New Ways of Working (New WOW), a member organization focused on holistic solutions for new ways of working.

Alternative Workplace Strategies in the Current Economy: A 2009 Global Benchmarking Study by New Ways of Working showed that recessionary pressures are expediting the adoption of alternative strategies in the workplace. Based on a global survey of 103 organizations including Fortune 100 companies, representing over 4.5 million employees, New WOW's research reveals how leading corporations are employing alternative workplace strategies to keep their edge in a challenging economic climate. This online study was a collaborative effort of experts from leading companies and research organizations globally and was open to any company or organization. Now in its second year, the survey assessed types of alternative workplace locations and work options used, status and length of program, business drivers, provisioning, barriers, change management, values, benefits, and recessionary impacts.

AW DEFINED:

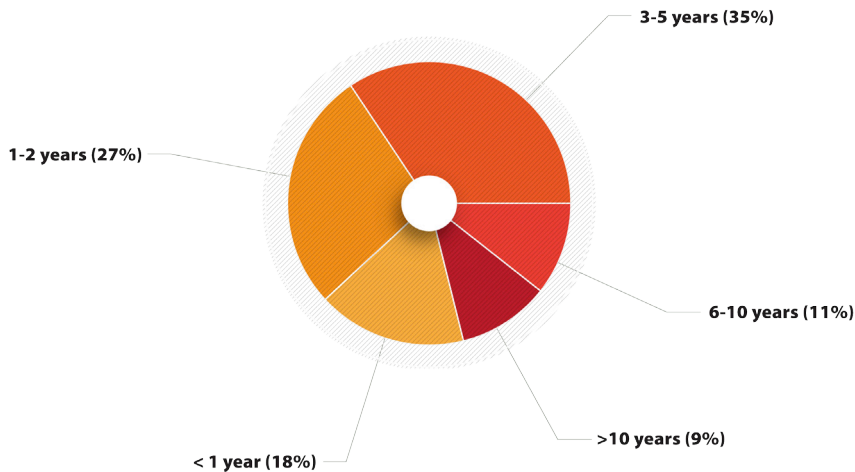
The study defines alternative workplace (AW) as the combination of nontraditional work practices, settings, and locations that supplement or replace traditional offices.

Successful AW programs incorporate Human Resources (HR), Information Technology (IT) and Corporate Real Estate (CRE) practices. If AW is not supported by all three domains, success is less likely. Most companies get the technology right, however the other two aspects of AW (practices and places) are often misunderstood or underutilized. Options for alternative work practices (such as management practices, performance evaluations, work flexibility), and options for alternative workplaces (such as touch-down, hoteling, work from home, etc.) are just as important as technology. This study explores all three domains.

KEY LEARNINGS

Our study revealed AW trends in a number of areas:

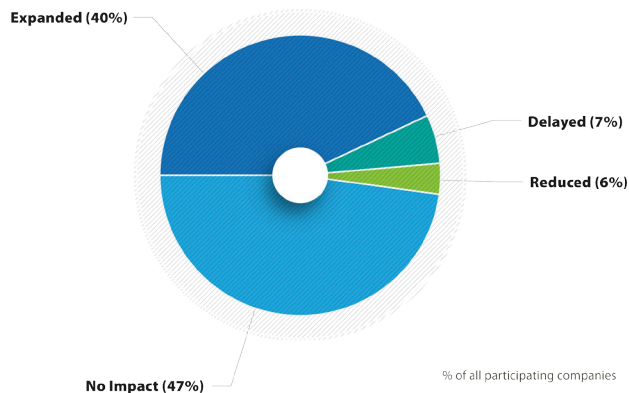
- Escalating adoption
- Reaction to recessionary pressures
- Expanding workplace flexibility
- Shifting priorities
- Underutilized space
- Need for tracking
- Changing sponsorship
- Stubborn barriers
- Widely variable management methods



PROGRAM LENGTH

ESCALATING ADOPTION

In the past five years, AW practices have escalated. Fortyfive percent reported in this study that they had started their AW programs within the past two years, and 80% within the past five years. In the study, the percentage of employees using AW averaged about 21%. Also, in some leading organizations, AW is becoming standard practice.



IMPACTS OF THE RECESSION

RECESSIONARY PRESSURES

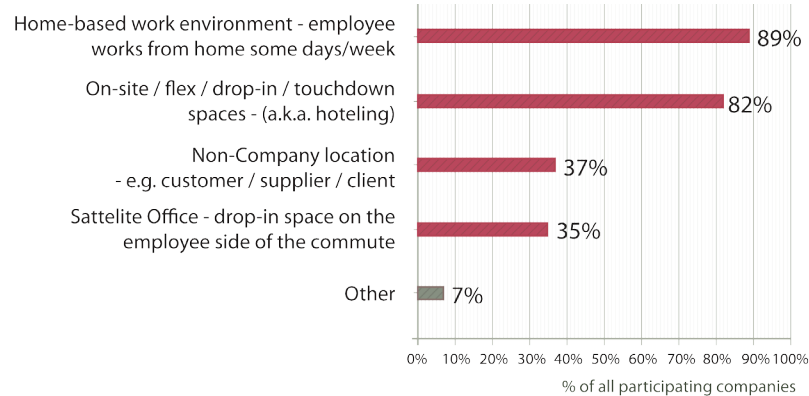
Survey participants identified the recession of 2008-2009 as a significant impetus for AW adoption. While some companies reported that the current economy delayed (7%) or reduced (6%) their AW programs, many expanded their programs (40%). Almost half (47%) reported no impact. The recession also pressured companies to reduce overhead expenses, such as travel and real estate, and encouraged worker mobility and other remote work options. When asked to assess the lasting impacts of the recession, four out of five organizations reported an anticipated increase in remote collaboration and continued reduction in business travel while over sixty percent reported replacing assigned one-to-one workplace seats with AW.

EXPANDING WORKPLACE FLEXIBILITY

Respondents reported using a variety of workplaces. These included offsite locations such as home-based workplaces (89%); on-site flexible or unassigned drop-in spaces (82%); noncompany offices such as client sites (37%); and satellite offices (drop-in spaces on the employee side of the commute) (35%).

Analyzing the data, those with formal programs, supporting policies, tools, and technologies in place tended to use each type of alternative workplace, while companies with ad-hoc practices tended to use only home-based (89.5%) and on-site/flexible/drop-in spaces (79%). Compared to 2008 findings, home-based work usage increased (78% to 89%) and all other types of alternative workplace uses decreased.

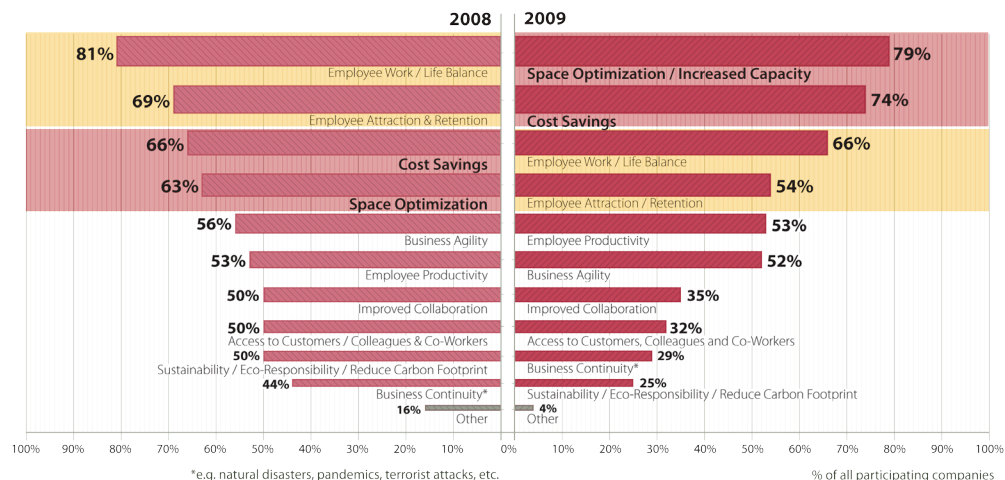
TYPES OF ALTERNATIVE WORKPLACES USED



SHIFTING PRIORITIES: A SWITCH FROM "SOFT ISSUES" TO "HARD MEASUREMENTS"

Compared to last year, the primary business drivers of alternative workplace have shifted toward "hard" economic issues--cost savings and real estate flexibility--and away from "soft" employee-centric ones--greater work/life balance, increased employee productivity, and improved employee attraction/retention. Sustainability (eco-responsibility and reduced carbon footprint) was ranked as one of the lowest business drivers for AW adoption. This leads us to believe that many organizations have not yet made the connection between the opportunity for sustainability through AW. AW practices, such as reducing square footage, fewer commutes, travel reduction, less office space, and reduced paper use (digitalization), can have a large, positive impact on sustainability.

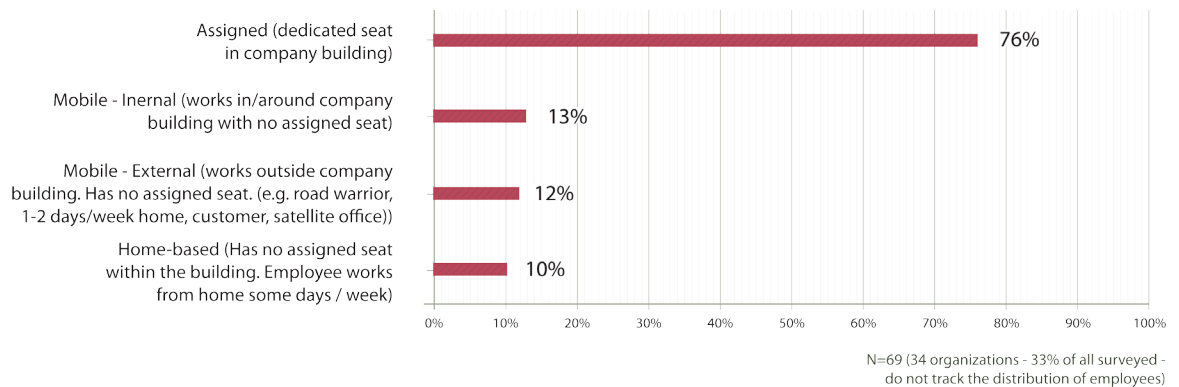
ALTERNATIVE WORK APPROACHES: BUSINESS DRIVERS



UNDERUTILIZED SPACE

Though many employers have leveraged alternative workplace options, organizations continue to leave workspaces underutilized. Study respondents reported that 76 percent of their AW employees continue to use assigned workspaces while 35 percent of the employees use alternative locations. This indicates an 11 percent overlap of workers who use alternative workplaces, but still occupy an assigned workspace. Last year's study yielded similar results. This suggests that some companies still provide assigned workspaces for those with alternative options to lower the cultural resistance to "losing one's desk."

DISTRIBUTION OF AW WORK CATEGORIES FOR PARTICIPATING EMPLOYEES



TRACKING NEEDED

One third of the companies surveyed did not track the distribution of how their employees use alternative workplaces. In addition, almost half did not track participants of AW programs by function, department, or business unit. We can't help but wonder how organizations can evaluate AW program effectiveness, plan for the future, or gauge employee mobility if they don't know how their workplaces are being used.

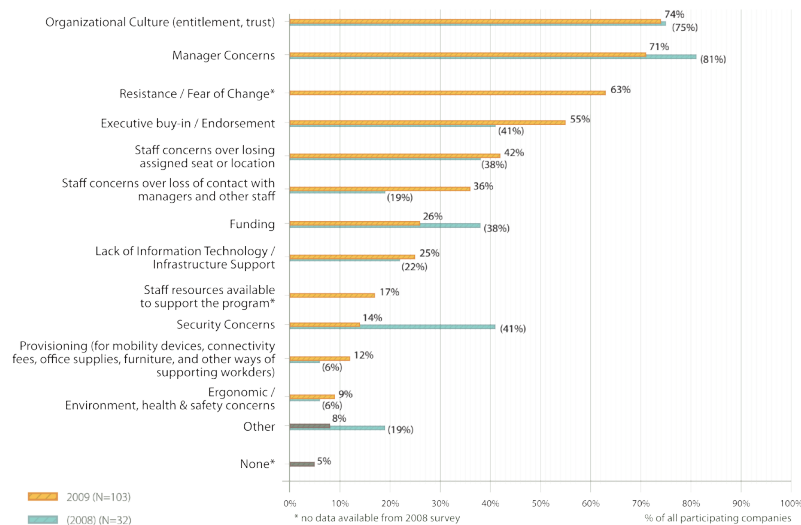
SPONSORSHIP MOVING UP THE LADDER

A surprisingly large number of companies (29%) reported executive sponsorship for their AW programs. This may be in part due to the realization that strong leadership is needed to effect cultural change and reorient organizational mindset.

BARRIERS REMAIN

Obstacles remain for the wider proliferation of AW. The most prominent were organizational culture, management concerns, resistance/fear of change, and executive buy-in / endorsement— all of which are similar to the previous year's results. This year's drivers were focused on cost, while the barriers continued to focus on people issues. This argues for more evaluation of the impacts of AW programs on attraction/retention, satisfaction, and engagement so that organizations can have evidence-based measurements of program effectiveness. Both veteran organizations (three or more years' experience with alternative workplace practices) and novice companies (those with less than three years' experience) face the same barriers.

BARRIERS TO PROGRAM DEVELOPMENT & EXPANSION



HOW ORGANIZATIONS MEASURE SUCCESS

This year, organizations measured success with hard numbers, reflecting the change in business drivers. Topping the list were footprint reduction and cost reduction. These preceded “soft” measurements such as employee satisfaction and employee engagement. Organizations with formal programs in place measured 1) footprint reduction 2) cost reduction and 3) employee satisfaction (ranked as top 3).

About a third of companies measure employee productivity as a measure of AW success. The most often used are employee satisfaction¹ with workplace and systems, and management appraisal of achievement of performance targets, followed by employee self-appraisal of productivity. Direct measurements of worker productivity, such as measuring improved work processes, practices and behaviors and meeting budgets and schedules, are used less frequently, no doubt due to the difficulty in measuring them.

MANAGING THE CHANGE PROCESS

While most organizations help prepare their employees for the changes involved in AW programs in some manner, almost one fifth (18%) of the companies—mostly in the manufacturing sector— provide no help with managing change. Of the organizations that involve their employees in the AW program planning process (35% of all companies surveyed), 81% involve employees in ongoing program evaluation and 64% include staff in program planning.

PLANNING FOR THE FUTURE

AW is expanding in almost all organizations included in the survey. Their plans varied widely and included improving online collaboration systems, adding more drop-in centers, supporting collaborative work, and improving metrics (seat use, badge-in data, etc.).

¹Strictly speaking, employee satisfaction with available tools and the workplace environment is not a measure of employee productivity, but is often used as an indirect indicator of productivity. The assumption is that employee satisfaction leads to better productivity.

PLANS SHARED BY SURVEY PARTICIPANTS:

- “We started with a prescriptive, formal program. We found that after the early adopters signed on, it was too prescriptive to be rolled out widely. The result is that we have enabled flexibility to be adopted as a business as usual practice. This means that we are benefiting more from the HR perspective than we are from a real estate perspective.” — Financial company
- “Having formally operated a company virtual office program since 2003 that includes a website, FAQs, registration process, program marketing, and a Hoteling Center reservation system, we are finding that the mobile work style has become mainstream. We are shifting emphasis from pushing the program out to the managers and employees to a more stable self-service model.” — Aerospace company
- “AWE program is intended to become a normal part of space planning activities, expanding the set of solutions offered to better meet the needs of business.” — Medical technology company

LESSONS LEARNED

- **Question assumptions.** Do employees really need two workspaces? Perhaps duplicating workspaces initially is necessary to ease acceptance, but organizations should revisit this question as working from alternative places becomes accepted as a normal way of doing business.
- **Develop metrics to measure success.** Monitor both the workforce and the workspace. To justify investments in AW (and to ensure continuing executive support), you need good data. Track facility usage, work patterns, equipment, remote user connections, etc.
- **One size does not fit all.** Traditional work environments do not adequately support the way today’s mobile workforce operates. Provide a wide variety of workspace types and offer more choices in how employees use current and new workspaces.
- **Home-based work attracts.** Don’t overlook the value of enabling work- fromhome or third places outside the corporate facility. Working-from-home programs can help companies achieve real estate savings, reduce commutes and associated CO2 emissions, and improve work/life balance. And remember, work-from-home doesn’t have to equate to full time tele-commuting. Employees and employers get the “best of both worlds” even if employees work from home 1-3 days/week.
- **Incorporate the three domains.** The best AW programs holistically integrate new combinations of work policies/practices, technologies and workplaces, and consequently require the collaboration of business groups, human resources, IT and CRE. Create a core team with CRE, IT, and HR represented for best results.
- **Executive champions needed.** Secure executive endorsement for AW initiatives to champion and resource program development and growth and lead necessary organizational changes.
- **Change is complicated.** Workplaces are expressions of organizational culture and it takes time to change attitudes towards them. For change to be successful, it takes a shared vision of the organization, agreements on management, work practices, supporting technologies, and places. In addition, it’s important to, include employees during the process.
- **Remain flexible.** AW programs are not static. Businesses and their environments continue to evolve. Organizations should continue to reflect and refine their AW programs.

IN CONCLUSION

"We don't even give it a name. It's just the normal way of working here," observed one survey participant, representing a veteran company that had replaced traditional offices with a variety of workplaces and supporting practices. These results leave little doubt that alternative workplace programs are becoming valuable and perhaps critical initiatives as organizations strive to be more competitive by lowering their costs while attracting and retaining the "best and the brightest." Such practices are no longer just the leading edge representing pioneers or early adopters, and are clearly becoming mainstream. But AW programs are also evolving and adapting in diverse ways--different sponsorship, management, alternatives, drivers, perceived values, support systems, and measurement systems--to suit the unique needs of each organization. Finally, ongoing economic and competitive pressures continue to shape AW solutions.

About the study

The study, *Alternative Workplace Strategies in the Current Economy: A 2009 Global Benchmarking Study* by New Ways of Working summarizes the results of a benchmarking survey conducted in December 2009 of alternative workplace practices in 103 organizations including several Fortune 100 companies. Key decision-makers were invited to participate. Funding was provided by Smart Technologies Inc., the industry leader in group collaboration tools and Tekes, the Finnish funding agency for technology and innovation, as well as in-kind consulting support from Haworth, a global leader in the design and manufacture of office furniture and workspaces. Report preparation was supported by Microsoft, the worldwide leader in software, services and solutions that help people and businesses realize their full potential, and Haworth, who provided copyediting and graphic design. The 2009 study was open to the public, and the CoreNet Global Workplace Community, Euro-FM, and the Workplace Productivity Consortium encouraged their members to take the survey, and the survey link was posted on several sites in the internet with public access. The previous study in 2008 study was only a quarter of the size of the 2009 study and was by invitation only. This potentially biased some of the results.

In order to obtain the full report, your organization must be a member of the New Ways of Working. Haworth is a corporate sponsor and member. Please contact Al Stojanovich (al.stojanovich@newwow.net) for further information or visit www.newwow.net.

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New WOW plans to continue this study on a biannual basis. Organizations that participate will receive a detailed report. To learn more about the study or to participate in the study in 2011, contact Joe Ouye (joe.ouye@newwow.net)