



Corporate Coworking

Conjunctured Coworking LLC

Challenge and Opportunity

In his 2009 *Harvard Business Review* article, "What Every Leader Should Know about Real Estate," Mahlon Apgar IV suggests that, despite the fact that for many companies their real estate commitments are one of their biggest costs, companies' real estate portfolios are rarely managed strategically as a set of assets.¹ Rather, like *human* resources,

¹ Mahlon Apgar IV, "What Every Leader Should Know About Real Estate," *Harvard Business Review*, Nov. 2009.

workplace resources are seen more as a cost to be managed and rationalized than as an opportunity to drive growth and innovation.

We see this across the corporate landscape, where now 24% of American workers work from home at least some of the time each week,² and 70% of corporate offices are open-plan offices.³ The rationale given for moving to open-plan offices centers around communication and collaboration, but often what is actually happening is that more and more people are squeezed into smaller and smaller spaces. The result, sadly, are loud offices where distractions prevent focused and effective work and the lack of privacy creates tension and dissonance in the workplace.

The growing commitment to telecommuting programs, specifically, is a double-edged sword. On the one hand, anytime/anywhere work programs such as Best Buy's Results Only Work Environment (R.O.W.E.) *do* empower employees to organize their work schedules around their own needs while *also* saving the company millions of dollars annually through the elimination of poorly utilized space. On the other hand, by viewing space primarily as a cost to be managed rather than as a potential driver of collaborative culture and innovation, a huge opportunity is lost.

Marissa Mayer recently made headline news when she announced that Yahoo's remote-workers were being required to come back to the office to do their work. Some observers reacted quite negatively to the news, suggesting that Mayer is simply out of touch with a Millennial, mobile/social workforce. But is she really out of touch? Is it possible that she is on to something?

Lessons from the Global Coworking Movement

Take the global coworking movement as an example. Coworking spaces are shared office environments where freelancers and telecommuters work on their own individual projects in a shared space. Members belong to the spaces in a gym-membership model, coming and going as

² Mary Noonan and Jennifer Glass, "The Hard Truth About Telecommuting," *Monthly Labor Review*, June 2012

³ Venessa Wong, "Ending the Tyranny of the Open-Plan Office," *Business Week*, July 2013.

they choose. What started as a single coworking space in San Francisco in 2006 has grown into a global movement of over 3,000 spaces around the world.⁴

But how is the coworking movement relevant to the management challenges facing large firms? What can freelancers and small-scale entrepreneurs teach their corporate counterparts?

Members of coworking spaces have maximum choice regarding when and where they work. Many can and do work from home. Increasingly, though, as the data from coworking suggests, after six to nine months, untethered knowledge workers crave...other people. Not only are humans a social species, but working co-present with others often leads to serendipitous interactions, collaborations, and innovation. This seems to be what Marissa Mayer is up to at Yahoo!.

Consider the question: What percentage of corporate employees, if given the choice to work anywhere, would *choose* to go to their company office? What kind of office environment would a company need to design and present to its employees to entice them to *want* to be there on a regular basis?

Activity Based Work

The Dutch workplace consultancy, Veldhoen + Company, has over the past decade brought the space design, flow, and cultural ethos of coworking to its growing roster of corporate clients in Europe and Australia- BankWest, Commonwealth Bank, Macquarie, Robobank, Interpolis, Microsoft Netherlands, ERA Contour, Marsh Netherlands, Achmea.

Activity Based Work (ABW) environments are grounded in the following principles:

- No one (including the CEO and other top management) has a private office. Rather, everyone is armed with a laptop and a locker for storage.
- People can come and go when and where they choose, working in one of the company's 'neighborhoods' or cafes.

⁴ Carsten Foertsch and Remy Cagnol, "A History of Coworking in a Timeline," *Deskmag*, September 2013.

- There is ample provision for the Four Modes of Work- solo/heads down, collaborative, social, learning- and individuals match the activity they are engaged in at the time with the space they need for that work.
- Space utilization reaches up to 85%, much higher than standard utilization rates that range between 40%-60%

In ABW environments, the space becomes a driver of culture transformation. Anthony Henry, head of design at Australia's Macquarie Bank, says that what started as an effort to create a great workplace quickly morphed into what he calls a "business transformation project."⁵ He says that "often there is a command/control type of leadership system, which the conventional workplace reinforces." By removing the overt markers of status and hierarchy, a much more egalitarian work environment is created. In the end what ABW creates is an observable shift in the company's culture, not simply a more efficient usage of space. In their new ABW environment, utilization rates at Macquarie top 80%. Even though they aren't required to be at the office all the time, Macquarie employees *do* come into the office most of the time because they *want* to be there. Through their commitment to ABW, Macquarie has created, effectively, a corporate coworking space on a massive scale.

Again, why should other large firms really care about ABW experiments half-way around the world?

Talent

Even though the current recessionary environment keeps employers in the driver's seat in the employer-employee relationship (leading to what many people call the jobless recovery), talent remains a key differentiator for top firms. Simply put, firms that are able to attract the best and brightest in their industries are in a better position to make their strategies succeed in establishing and maintaining a competitive advantage.

How do you create a truly compelling employee value proposition and employment brand in such a way that you become an employer of

⁵ Jane Chang, "The Fifth Annual Smart Environments Award- Macquarie Bank," *Metropolis*, Feb. 2011.

choice? That is, how do you get top talent in the future to *want* to be a part of your company's vision and strategy?

At Conjunctioned, we see the future of the dynamic, high performing workplace looking more like ABW environments and coworking spaces than like the traditional fixed-workstation offices (cubicles or open-plan) or conventional teleworking arrangements. As Marissa Mayer rightfully says, people need space and they need interaction with colleagues. This is particularly true of Millennials, who, at some 70 million strong, will soon be the dominant generation in the workforce. They don't necessarily need fixed work stations where they work every day on everything. Nor do they want to work alone in their apartments. Increasingly, they need and are demanding:

- Choice and flexibility
- Autonomy
- Community
- Meaningful work
- Opportunities to innovate and grow

If managed properly, these demands will be critical drivers of innovation and business success. But how to do this? How does a large, legacy company go from 'business as usual' today to a corporate coworking/ABW type of environment?

Our Process

There are three stages through which companies must pass to get from point A to point B.

1. Research & Assessment
 - Observational research and employee interviews. What do users (employees) need and want in this specific company?
 - Space Utilization and Analysis
 - Culture Score. How does the company score according to the 4 Key Drivers of High Performance Cultures (see below for more detail)
2. Design & Implementation
 - Pilot Floor Implementation
 - Furniture and technology requirements
 - Community management platform
3. Monitor & Measure (3 month, 6 month, 12 month)
 - Repeat Culture Score assessment
 - Repeat Space Utilization assessment
 - Productivity & ROI

As Intuit's founder, Chairman (and former CEO) Scott Cook suggests, the future of effective innovation lies not in 'break the bank' commitments into the unknown, but rather in building a "culture of quick, cheap experimentation where ideas can prove themselves through user feedback and data."⁶ With respect to ABW and corporate coworking, the process necessarily starts with, as BankWest's Anthony Grassi calls it, a "pilot floor" where associates are given an opportunity to experiment with working in an ABW environment. Grassi recalls that when they implemented their 'pilot floor' they knew instantly that it was a winning strategy because the space filled up with people and energy straight away. According to an internal survey they administered after a year of full implementation, 98% of employees reported that "they could never go back to working in the old way."⁷

Culture

As our Culture Score assessment tests for, the ABW process challenges companies to look closely and critically at the four foundations of performance in their company:

1. Purpose & Strategy
2. Context & Space
3. People & Peers
4. Climate & Policies

Some of these cultural elements are, of course, changeable only in the long-term. However, if firms are going to move the needle towards evolving their employment brand and culture to be relevant and dynamic in a Gen Y driven business world, engaging in quick, cheap experiments, as Intuit's Scott Cook advocates, is a great place to start.

This returns the discussion to where we began. Rather than viewing and managing space as a resource/cost to be rationalized and minimized, space should be viewed and managed as a powerful definer and driver of a company's culture and brand. As former Merck CEO Dick Clark once

⁶ Scott Cook, "The Boss is No Longer the Caesar," Commentary, Evidence-BasedManagement.com.

⁷ Anthony Grassi, "Activity Based Work @ BankWest," *Veldhoen + Company* website, Case Studies.

famously put it, “culture eats strategy for lunch every time.”⁸ It seems, then, that despite all of the naysayers, Marissa Mayer may actually be on to something. The challenge for Yahoo! and other firms, ultimately, is: What types of spaces and experience will you offer your people when they show up at HQ? This is a question that all forward-thinking companies need to ask themselves.

About Conjunctured

Conjunctured Coworking is a coworking community and consultancy based in Austin, Texas. Conjunctured is one of the oldest and most established coworking companies in the world, having opened in 2008. We have grown in the past year to include competencies in management consulting and management education. We have developed the world’s first corporate coworking program, where we deliver workspace/workforce solutions to companies seeking to build more innovative and adaptive cultures.

⁸ Professor John Weeks, “An Unpopular Corporate Culture: Do Not Destroy Your Best Strategy,” *IMD School of Management Research Journal*, Sept. 2008.

