

Public #3

Work Life

Edited by James Calder



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Measuring performance in the workplace

James Calder
Colin McPherson

business objectives

mobility

flexibility

air flow

space

functionality

productivity

optimisation

A business leader’s role is divided between the “long term” – establishing and communicating the organisation’s vision, purpose and strategies – and the “short term” – achieving targets and market reporting. For both sets of responsibilities a leader needs to consider a broad range of stakeholders – such as shareholders, customers, staff, partners and the community – as well as business specific factors like sustainability, corporate image and brand, markets, products, competition, risk and the financial performance. Access to timely, accurate and reliable information on the business’ performance in these areas is critical to its ability to successfully respond to changes to key internal or external influences.

Major corporations today employ specialist in-house resources to manage their property portfolio but it is, perhaps, ironic or instructive, that these Corporate Real Estate (CRE) managers are rarely accorded a place in the senior management team of larger organisations. In smaller organisations, responsibility for managing the property requirements are typically assigned to executives in addition to their main management role – who may have no particular skills or interest in leveraging the potential benefits available.

Furthermore, the ‘lumpy’ nature of property decisions due to leasing cycles tend to focus management attention for only a year or two every decade, whereas a more consistent approach to monitoring property performance is essential.

Performance measurement in financial terms

In most major businesses, the Corporate Real Estate (CRE) function is responsible for a significant component of the business’ overall cost base, often in the order of 10% of total costs. Historically, property was a key tangible asset reflected in an organisation’s market value, whereas in more recent times it is more typically regarded as a fixed overhead and best approached with a view to minimising cost. Accordingly, CRE managers have been explicitly or implicitly compelled to develop performance measures based on financial metrics to communicate their own performance to the business, typically in terms of metrics adopted by the property industry, such as dollars per square metre.

In addition, as most organisations do not occupy sufficient property to either warrant the development of unique systems or to establish valid “best practice” benchmarks for their particular organisation, a range of ‘standard’ CRE sector metrics are adopted. These CRE sector-focused metrics (rather than business-focused metrics) often do not adequately support the diversity of organisational expectations and requirements, work practices and processes and financial systems.

This approach has enabled CRE managers to compare their organisation with local and international benchmarks for “best practice” outcomes. Unfortunately, further investigation and analysis of the workplace’s contribution to achieving specific business goals and its longer term success, commonly generates material which indicates only how effective the CRE team has been in achieving or surpassing CRE sector benchmarks. They offer little guidance about its contribution to business performance - “what is easy to measure gets measured.” Overall, the financial performance criteria developed for and by the CRE sector typically reflect simple measures of financial performance and are of limited value to business leaders, often lagging the business needs by a decade or more.

Employee feedback as performance measurement

As the workforce became recognised as key to achieving a sustainable competitive advantage, performance measures were developed to evaluate the attitudes and behaviours of employees. While a range of approaches to gathering employee feedback is available, the most common is surveys, as they readily permit each member of the workforce the opportunity of providing input rather than limiting input to selected representative groups.

Measures of staff satisfaction or, more recently, engagement surveys became common practice in large organisations. The emergence of the focus on the value of the workforce created the opportunity for CRE managers to adopt equivalent tools to quantify the impact of the workplace on an individual’s attitudes and behaviours, both to align with the changed organisational focus and to “reposition” CRE as a value-add which deserved to be optimised, rather than as a cost to be minimised.

Property industry survey tools for building owners and occupants focus on building location, quality, vacancy and utilisation rates, rent and fitout costs, whereas CRE surveys typically focus on the workplace - occupant’s perceptions of satisfaction with individual and shared space allocations and layout, the comfort afforded by furniture and environmental services, health and safety factors and, increasingly, on the degree of alignment between current work practices and the workplace design.

While workplace surveys provide alternate performance measures which may be used with financial measures, they also typically evolved around industry-centric rather than business-centric metrics which – like the financial performance measures – limits their potential to inform and guide business decisions.

Rather than address this limitation directly, the common response of the CRE sector has been to utilise an assessment of “productivity” as a proxy for business focus, through the addition of specific survey questions on the impact of a workplace on an individual’s productivity or the use of statistical analysis to establish suitable correlations between employee ratings of satisfaction and perceived performance levels. Not surprisingly, the resultant metrics struggle to pass critical scrutiny and rarely gain any standing with business leaders as robust performance measures.



Moving to a “business-oriented” performance measurement approach

To be relevant to business leaders, the information on property and workplace performance provided by CRE managers – and therefore by the industry professionals who support them – must measure factors which affect business performance directly. It must start by urging business leaders to identify how the workplace contributes to the business imperatives and conclude with the provision of results which inform decision-making to improve performance. And the timing of the results must be aligned to the business planning program.

The best ‘business-oriented’ workplace performance measurement processes aim to utilise a consistent, efficient and robust data-gathering methodology that also allows the surveys to be customised to individual businesses to ensure the results are readily actionable by each organisation. While the results for the key outputs will provide relative rather than absolute measures of performance, they reflect the view expressed recently by a CEO of a top 20 ASX listed company when referring to the need for advice on workplace issues ...“I am not after absolutes, just that we are heading in the right direction”.

Case study

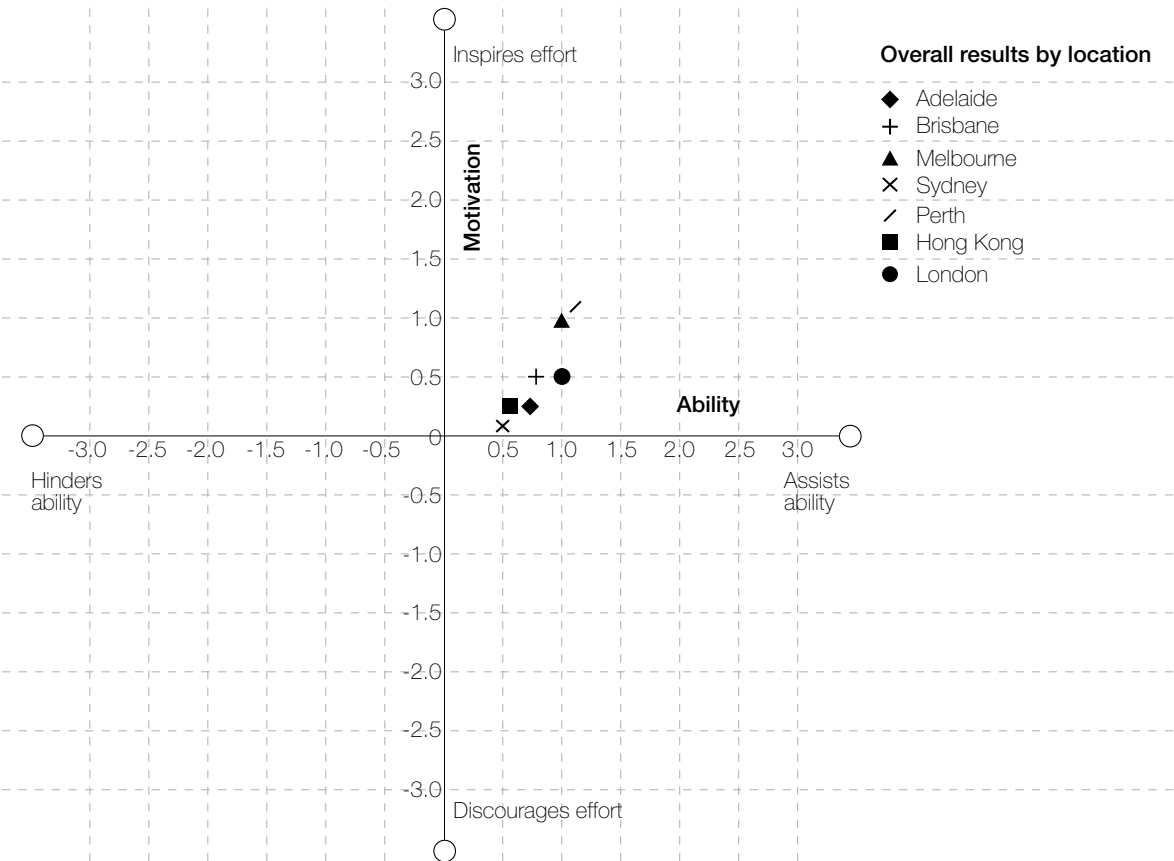
The Woods Bagot Evaluation Survey was recently deployed across a number of office locations for a medium sized knowledge-based organisation. While the results for individual offices were diverse, as was expected given the geography and condition of the workplace environments involved – from relatively old and due for replacement or upgrade, to relatively new and recently occupied – they also illustrate some interesting traits of using a ‘business-orientated methodology’.

Most surveys on workplace performance have been based on asking staff about satisfaction, even though it is widely known that satisfaction is actually a poor determinant of performance. However, surveys that ask about motivation and ability (e.g. Woods Bagot, 2006) have discovered a few critical points with the regard to the business performance of space:

- all workplaces have some aspects of underperformance that would improve business effectiveness if corrected;
- overall, workplaces are better in terms of providing functionality than they are at motivating staff.

If we agree that staff performance is a factor of ability and motivation, we need to focus more design attention on creating more motivating environments.

Business leaders do seem to think that the workplace can have a positive impact on business performance, and this is consistent in the UK, Hong Kong and Australia. However, it is recognised that current workplaces have mostly not been designed for business performance, but more for efficiency and flexibility.



**leadership
understanding**

**employee
motivation**

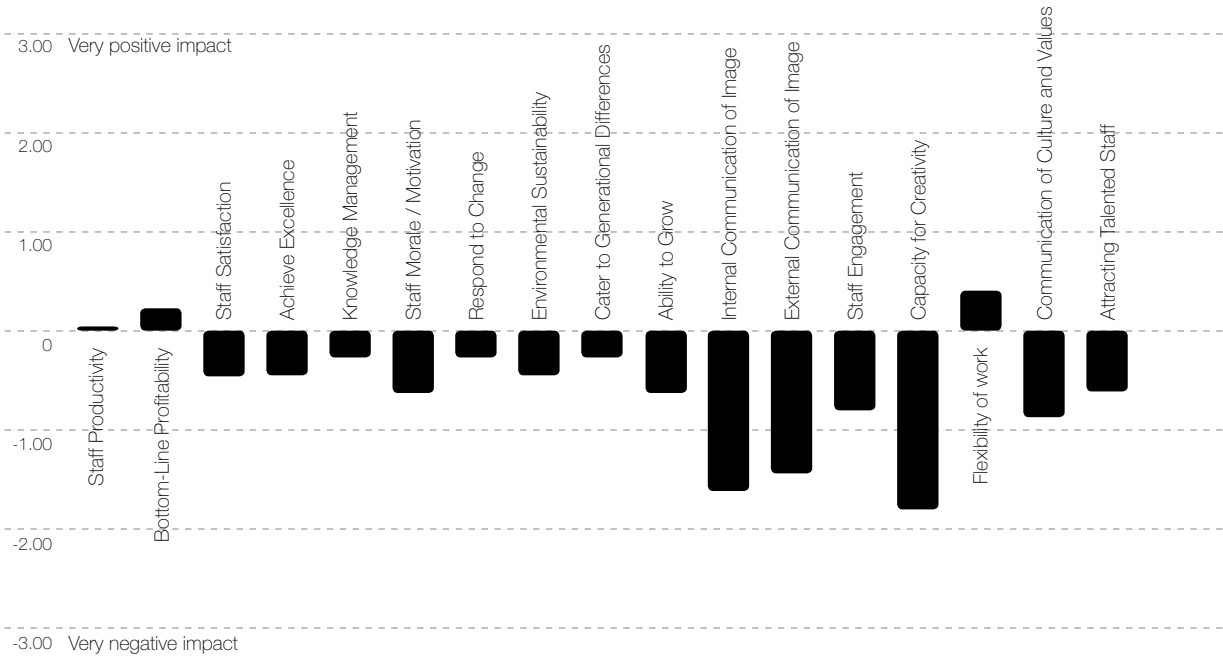
**workplace
responsiveness**

**business focused
measurement tools**



**superior
business
performance**

Business leader views of the impact on performance of their current workplace



These results indicate that there is growing support at senior level for workplaces that are not only functional, but are motivating for staff as well.

The future

It has been forecast that organisations will increasingly need to seek to distinguish themselves from their competitors, and to attract and retain the loyalty of customers and employees alike. The physical workplace environment has the potential to be a key strategy to achieve this aim, implicitly and explicitly expressing key messages to everyone who comes into contact with its workplace. This potential can only be fully realised when the key drivers for the design and evaluation of the workplace cease to be simple financial or industry-oriented metrics. The development of a robust, business-oriented evaluation methodology will be essential to deliver distinctive environments that optimise the business benefit of the physical workplace.

New tools are seeking to lead the development of this new approach, which provide both business leaders and designers with accurate and reliable information to support decisions on the workplace. CEO's will be able to better understand the value of their property and workplace decisions and the effect on employee motivation, corporate culture, sustainability and shareholder value.

INDIVIDUALS NEED TO BE CONNECTED TO COLLEAGUES
WHEN THEY CHOOSE TO AVOID UNWANTED DISRUPTIONS



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