

Culture First

A cultural framework for
activity-based working

WINTER 2022

OpenWork Agency
Drew Jones, PhD



Culture First

A cultural framework for activity-based working (ABW)

Executive Summary

As organizations continue to strategize their RTO and hybrid working futures, leaders are looking for fresh approaches that satisfy all relevant shareholders. This paper suggests that the dynamics of culture have shifted since the Covid-19 pandemic, and that designing sustainable employee experiences requires a fresh approach to managing culture. Specifically, it is suggested that Activity Based Working (ABW) is most closely aligned with the emerging needs of employees. A simple framework for integrating culture with workplace is presented.

“This is an unbelievable opportunity to remake culture. It is rare in a leader’s lifetime to have such a clean drop for reshaping how you run the place.” Bill Schaninger, McKinsey

Introduction

In the aftermath of the Covid-19 pandemic, organizations around the world continue to struggle with how they will approach hybrid working. On the one hand, it is generally acknowledged that some amount of remote working makes sense for most organizations. On the other hand, there is currently a stalemate between managers and employees regarding who controls scheduling and what the right mix of employee choice and management control is appropriate for each organization. (1)

The challenge, as is outlined in this white paper, is how to balance three competing objectives at once:

1. The needs of management to know where their teams are and how they are performing
2. The needs of employees to retain choice and flexibility with respect to their work routines
3. The needs of organizations to build cultures that drive performance in a hybrid working environment

Our research at OpenWork suggests that these three seemingly incompatible objectives can be met by adopting a *culture first* approach to hybrid working. The pandemic has presented an unprecedented opportunity for organizations to rethink, redesign, and re-operationalize their cultures in a way that meets all three of the above objectives.

McKinsey's Bill Schaninger frames the opportunity in the following way: "This is an unbelievable opportunity to remake culture. It is rare in a leader's lifetime to have such a clean drop for reshaping how you run the place." (2)

Unfortunately, many organizations have become stuck on the logistical details:

- *Hybrid Scheduling*: How many days per week should employees be at the office? Which days of the week?
- *Hybrid Tools*: Which desk and office booking tools are the right fit? How to sync up employees' calendars so people know where their colleagues are working?
- *Remote Monitoring Software*: The recent growth of remote monitoring software to monitor at-home workers demonstrates management's anxiety regarding productivity and performance, but what does this say about trust and accountability in organizations?

While the tactical aspects of hybrid working are important, none of them do anything to seize the cultural opportunity proposed by Schaninger. That is, such approaches to adapting to hybrid working leave the most important factor in flexible/hybrid working—culture—unaddressed. That is a crucial error, one that continues to prove itself as the standoff between management and employees worsens. (3)

A Culture-First Approach to ABW

One of the most important lessons learned through the pandemic and its aftermath is that employee experience matters. The rare experiment in remote working, which lasted over a year, introduced knowledge workers to unprecedented levels of freedom and control. And despite other specific drawbacks associated with working at home, it is no surprise that during the pandemic employee engagement increased. (4)

This suggests that workers' reconnecting with their home lives, even under duress, clearly resonated. Data from 2021 show just how deep the Great Resignation was. Over four and a half million people quit their jobs per month for the entire year- totaling around 56M resignations. (5) Indeed, 83% of workers today want to work in some sort of flexible, hybrid working arrangement. (6) Any approach to developing a hybrid working strategy that ignores this cultural dynamic, while only focusing narrowly on logistical details, will fail to win the hearts and minds of employees. Below we outline a culture-first framework that can serve as a starting point for responding to the hybrid culture opportunity.

83% of workers today want to work in some sort of flexible/hybrid working arrangement.

The current hybrid working challenge provides an unprecedented opportunity to rethink how *culture* and *workplace* are aligned within a single framework. First, though, a few introductory comments on ABW.

Space

More so than perhaps any other existing approach to designing workplace experience, ABW is predisposed for the hybrid moment. ABW offices assume many of the flexibility-dynamics that companies today are dealing with:

- Addressless officing-- desk and office sharing (booking, scheduling, etc.)
- Multiple work, meet, and gather zones
- A mixture of at-office and at-home and at-third place working
- Employee choice at the center of the experience
- Spaces used for specific activities during a given day, week, or month
- Maximally flexible scheduling
- Digital-first working philosophy
- A reduction in the desk-to-worker ratio

-
- A reduction in overall real estate footprints

Culture/Space Alignment

An entire corporate culture consulting industry has evolved over the past forty years, and American companies spend around \$10B per year on change management projects. (7) However, the outcomes of those efforts often fall short:

- Employee engagement has hovered around 30% for over sixty years (8)
- 70% of change programs fail to achieve their stated objectives (9)
- Between 70-90% of mergers and acquisitions fail, often because of poor culture-integration (10)

Designing company culture in concert with workplace strategy necessitates a new approach to culture. This requires a break from the standard corporate culture consulting approach. That failed approach starts with an organization-wide culture survey that informs the company what ‘type’ of culture it currently ‘has,’ which is placed next to the ‘type’ of culture the organization ‘wants.’ Then the organization is supposed to simply close the gap between the two.

Such an approach is top-down and based on abstractions. Management, not employees, decide what ‘type’ of culture is desired. This approach falls apart, roughly 70% of the time, because it puts the onus on employees to change *their* values, beliefs, and behaviors to close the gap.

Whether the organization is trying to become ‘a culture of innovation’ or a ‘culture of performance’ or a ‘culture of integrity’ or a ‘culture of customer-service,’ such notions are, from an employee perspective, abstractions. When the organization fails to ‘close the gap,’ many culture change programs are quietly abandoned and are never heard from again. Employees rightfully become cynical.

Employee engagement has been stuck around 30% for over sixty years. And change management programs fail around 70% of the time.

Five Question Framework

An employee-centered approach to building and sustaining company culture focuses less on top-down managerial proclamations and more on the day-to-day experiences of employees. To this end, a more realistic and effective way to organically build culture is to focus on five simple and straightforward aspects of employee experience, from *their* perspective:

1. Why? What are the purpose and vision of the company, and how does this resonate with employees? Is there a unifying story that ties people together?
2. What? What specific projects and tasks are people working on? Are employees engaged in repetitive tasks aimed at scale or cost cutting, or are they experimenting and innovating and using their creative muscles?
3. How? How are people working on their projects? Are they allowed relative freedom and autonomy to self-organize and make important decisions, or are they micromanaged in a low-trust environment?
4. Who? What is the employee experience with company leadership? Do leaders walk the talk of stated values, and do managers and leaders trust employees and foster a growth mindset across the company?
5. Where? What are the company's workspace and workspace strategy like? How compelling is the workplace experience? Does company policy allow the flexibility and choice that employees want?

Summary View of the Five Question Framework:

Question	Medium	Outcome
Why	Strategy & Story	Purpose
What	Experimentation & Innovation	Growth
How	Autonomy & Self-Organization	Accountability
Who	Leadership & Management	Trust
Where	Spaces & Policies	Flexibility

Table 1

Few models of company culture explicitly include the *where* of work. Most focus more on the shared values and behaviors of employees, which are indeed important. However, from the

employee perspective, and particularly since the pandemic, *where* one is working is an increasingly significant aspect of any employee experience.

Workplace Culture + Strategy

The post-pandemic opportunity outlined by McKinsey’s Schaninger can be seized by integrating a new approach to culture with an organization’s workplace strategy. By starting with culture, organizations can then conceive of and design its workplace and workplace strategy to reflect and amplify how employees work best.

Workplace and workplace strategy pertain to the *where* of work discussed above. The key to aligning culture and workplace within a culture-first mindset is to relate each of the other four questions to the ‘where’ question. As indicated below, tying each of the four questions to the where of work, one at a time, provides a method for integrating the two.

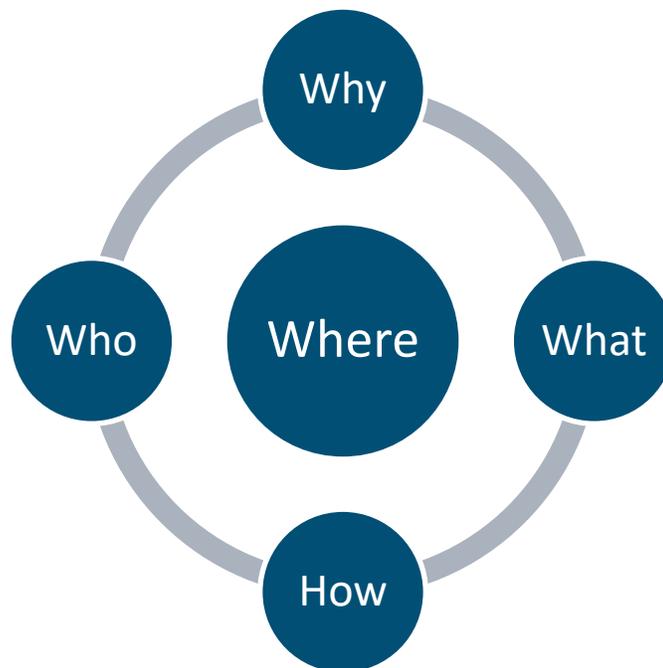


Diagram 1

Putting the Five Questions to Work

The Five Questions Framework provides an alternative to the standard Survey->Current Type->Gap Closing->Desired Type cycle that has proven itself so ineffective. To help reset culture around the needs of *employees*, conducting a qualitative assessment in which the following four sets of questions are posed to employees is a great place to start.

In combination with on-site observational research and first-hand shadowing, conducting open interviews organized around these questions can help elucidate the expectations and needs of employees. That qualitative data, in turn, provides an indication of what type of activity based working strategy will be right in a particular organization.

Why

Are the company strategy, vision, and purpose clear and compelling? Does the company strategy and purpose resonate with employees? How does leadership communicate this across the company? Is there a unifying narrative that binds people together? To what extent does being on campus strengthen a shared sense of purpose? How is that done, tangibly, at the office? And, to what extent is this already being done using technology and asynchronous communication?

What

What specific projects, and 'activities,' are employees engaged in most of the time? Has the organization conducted a thorough 'activity audit' to determine what the most appropriate types of spaces are to conduct those activities most effectively? To what extent do these activities need to be conducted at the office? Which can (and from the employee perspective, should) be easily done at home? And which would benefit from co-presence and on-site collaboration?

How

To what extent do individuals and teams control how projects are done? Are teams self-organizing or are they on a tight leash with managers? Are teams empowered to make important decisions on their own or are all key decisions made by management? This is particularly

important when it comes to hybrid working. To what extent can employees and teams choose when and where they work? Can they decide which activities are best done at the office, and which are best done at home or at a coffee shop?

Who

Do leadership trust employees to experiment in the search for innovation? Do leadership cascade a growth mindset where employees are allowed to take small risks without fear of punishment? Do employees trust that leadership makes decisions that are in their best interest? What is the nature of collaboration in the organization, and how important is it to the organization? Is the organization committed to mentoring and individual and organizational learning, and how much of that takes place at the office? How much is conducted via technology?

Customizing ABW for Your Organization

Not all organizations will be ready to make the transition to ABW. However, as a set of workplace typologies, it is extremely well suited to become a new norm in how offices are designed and experienced. ABW has been implemented and tested around the world since the mid-1990s, and there is ample data to demonstrate that it is an effective organizing principle for workplace strategy. ABW consistently yields:

- Higher levels of employee engagement, satisfaction, and retention
- Higher levels of employee productivity
- Increased value of employment brand
- Higher levels of space utilization
- Significantly reduced real estate footprint and costs (11)

ABW consistently yields higher levels of employee satisfaction, engagement, and productivity than other workplace experiences. It also delivers higher rates of utilization while reducing real estate costs.

With the Five Questions approach to ABW, an organization can accomplish four important things simultaneously:

1. It reorients the culture development process around the needs of employees, allowing them greater voice over the 'what,' 'where,' and 'how' of their work.
2. It allows companies to customize their specific approach to ABW, based on what that company needs
3. It can strengthen the organization's employment brand by enhancing the work experience- measured by increases in engagement and retention.
4. It can potentially achieve the above human gains while significantly reducing costs through real estate rationalization

Summary

The Covid-19 pandemic has introduced as many opportunities as it has problems. Data clearly indicate that employees have embraced many aspects of the year-long work from home (WFH) chapter. As organizations return to the office (RTO), both in the short term and long term, it has become apparent that some amount of hybrid working will become the norm in many organizations.

Exactly what that looks like in each organization, though, will be quite different. Whether the overall design typology will be in the spirit of ABW or not, it seems as though we are entering a new era of employee choice and flexibility. As suggested throughout the paper, this is "a clean

drop for reshaping how you run the place.” Or, as Dropbox CEO Drew Houston puts it, “we’ve gone through a one-way door.” (12)

From a workplace strategy perspective, our focus is often on real estate assets and how those can be managed most efficiently. In most organizations this falls within the purview of the CRE or facilities management function. However, in the post-Covid workplace environment in which we operate today, HR necessarily becomes part of the solution as well. The rapprochement between CRE and HR is well underway, but there is still work to do.

The Five Questions Framework introduced here is an invitation to all stakeholders—management, employees, FM, CRE, HR—to participate in the co-creation of a holistic approach that bridges the cultural and physical dimensions of employee experience. More than simply adapting existing culture to a hybrid working schedule, a culture-first approach presents a fresh opportunity to revisit the *culture management* challenge that so many companies already struggle with. Perhaps the outcome of a CRE/HR collaboration will be the emergence of activity-based cultures (ABC) in organizations that embrace the culture-first approach to workplace strategy.

Sources

- (1) Christian, A. (2022) “Where the boss-worker power struggle goes next,” *BBC Work Life*, <https://www.bbc.com/worklife/article/20220912-where-the-boss-worker-power-struggle-goes-next>
- (2) McKinsey Podcast (2021) “Culture in the hybrid workplace,” *McKinsey & Co.*, <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/culture-in-the-hybrid-workplace>
- (3) McGregor, J. (2022) “In The Return-To-Office Standoff, Many Workers Say They Face Few Penalties For Staying Home,” *Forbes*, July 20, <https://www.forbes.com/sites/jenamcgregor/2022/07/20/in-the-return-to-office-standoff-many-workers-say-they-face-few-penalties-for-staying-home/?sh=738679437188>
- (4) Harter, J. (2020) “Employee Engagement Continues Historic Rise Amid Coronavirus,” *Gallup*, <https://www.gallup.com/workplace/311561/employee-engagement-continues-historic-rise-amid-coronavirus.aspx> (Accessed 9/15/22)
- (5) Smith, M. (2022) “40% of workers are considering quitting their jobs soon—here’s where they’re going,” *CNBC*, <https://www.cnbc.com/2022/07/20/40percent-of-workers-are-considering-quitting-their-jobs-soon.html#:~:text=they're%20going-.40%25%20of%20workers%20are%20considering%20quitting%20their%20jobs%20soon,here's%2>

[Owhere%20they're%20going&text=More%20than%204%20million%20people,going%20to%20quit%20anytime%20soon.](#)

- (6) Shaw, D. (2021) “How to solve a new equation in the future of work,” *Accenture*, Oct. 13, <https://www.accenture.com/us-en/blogs/business-functions-blog/hybrid-workforce>
- (7) Petersen, E. (n.d.) “Adapting for Success- A Guide to Change Management,” *Toptal*, <https://www.toptal.com/finance/interim-cfos/change-management>
- (8) Harter, J. (2022) “US Employee Engagement Slump Continues,” *Gallup*, April 25, <https://www.gallup.com/workplace/391922/employee-engagement-slump-continues.aspx>
- (9) Ewenstein, B., Smith, W., Sologar, A. (2015) “Changing change management,” *McKinsey & Co.*, July 1, <https://www.mckinsey.com/featured-insights/leadership/changing-change-management>
- (10) Kenny, G. (2020) “Don’t Make This Common M&A Mistake,” *Harvard Business Review*, March, 16, <https://hbr.org/2020/03/dont-make-this-common-ma-mistake#:~:text=Diversification%20only%20works%20if%20customers%20want%20the%20new%20product.&text=According%20to%20most%20studies%2C%20between,integrating%20the%20two%20parties%20involved>
- (11) (2020) “New Research by Veldhoen + Company finds that companies experience an average 17% increase in overall workplace satisfaction post-transition to Activity Based Working,” *PR Newswire*, <https://www.prnewswire.com/news-releases/new-research-by-veldhoen--company-finds-that-companies-experience-an-average-17-increase-in-overall-workplace-satisfaction-post-transition-to-activity-based-working-301084922.html>
- (12) Miller, R. (2021) “Dropbox is reimagining the workplace experience with Dropbox Studios,” *Tech Crunch*, July 8, <https://techcrunch.com/2021/07/08/dropbox-is-reimagining-the-workplace-with-dropbox-studios/>

About OpenWork Agency

OpenWork is a boutique workplace strategy and culture consultancy. We work with real estate developers and tenant organizations to create flexible working solutions that empower employees to do their best work. We are a research-driven agency and have helped clients build flexible workspaces in the US, Asia, Africa, Latin America, and the Middle East. We are based in Austin, Texas.

Where to find us:

<https://openwork.agency>

contact@openwork.agency