

A Closer Look At Workplace Productivity

A CLOSER LOOK AT 'WORKPLACE PRODUCTIVITY'

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the office



A Closer Look At Workplace Productivity

INTRODUCTION – John Hanlon

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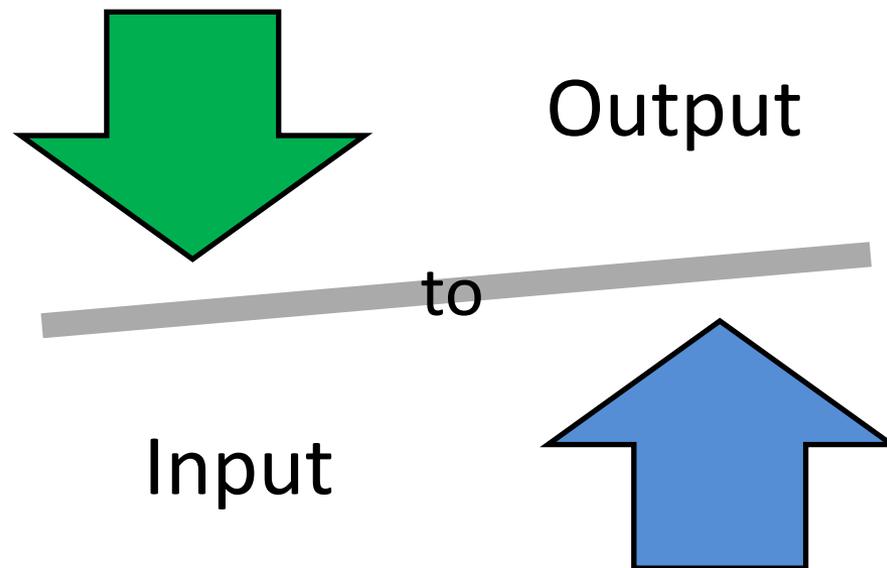
AIM TO DEMONSTRATE

- How the workplace (office) environment effects Productivity
- What the Facility Manager can do to improve Productivity.

Workplace Productivity and the Facility Manager

- So how do we define PRODUCTIVITY ?

RATIO of



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- Input = is expressed in terms of resource, such as time, money & effort (staff costs, facilities costs, etc)
- Output = means to financial income; enhanced staff performance observed through an increase in the QUALITY and/or QUANTITY of the output.

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- Typically the Facility Manager focuses on improving facility performance with the aim of driving down cost.



- *Issue* is that unless the Facility Manager is aware of the relationship between facilities and productivity this can have the opposite effect by reducing Productivity.



Productivity

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- The problem in evaluating office productivity is that facility performance and costs are relatively easy to measure but the outcomes they are contributing to is almost impossible to quantify.

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Lets Test this assumption by looking at a typical management board:

- Chief Executive – shareholder value, turnover profit, growth, image, etc
- Finance Director– spend to budget, cost reduction, etc
- HR Director – turnover rates, recruitment, etc
- Operations Director – output, efficiency of operation, etc

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- This promotes the argument that :

FACILITIES ARE SEEN AS AN
OVERHEAD COST RATHER
THAN AN ENABLER TO
BUSINESS PRODUCTIVITY

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This argument is supported by British Council Offices (BCO) research which indicates:

“Facility Managers are often cut of from the wider and more important strategic business considerations and are rewarded primarily, and sometimes exclusively for cutting costs”.

So what can the Facility Manager
do about this ?

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The Facility Manager needs to understand two things:

1. Economic Argument
2. Relationship between facilities and office Productivity.

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The Logic is Simple:

- Improve the office environment through improved facility management
- Improve office output and reduce staff overhead costs through improved productivity

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Economic Argument – greatest cost to an organisation is the staff costs followed by facilities costs. An example of this (for an existing building) is shown below:

- Typical cost of 200 person office in city is £1,200k
- Average cost of employee is £85k (including; bonus; NI; pensions; overhead support; etc)
- Staff cost = $200 \times 85,000 = £17,000k$

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Cont/d

- Total Cost (£17,000 +1,200k) = £18,200k/annum
- Facilities Cost is 7% of People Cost
- Put into context research shows that this is typically in range 5-10% for existing property

RICS (2008)

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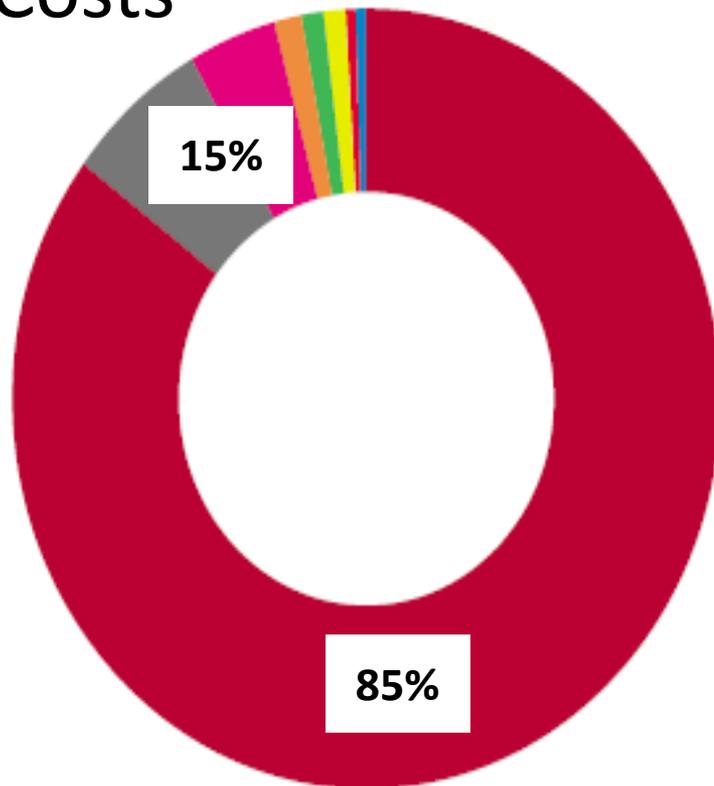
- 15% for new build through life*

* CABE/BCO 2012



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Through Life Costs



A breakdown of business costs

- Salaries of occupants 85%
- Building - construction cost 6.5%
- M&E services - running and maintenance 4%
- Furnishings and furniture - capital cost 1.25%
- Building - maintenance 1%
- Cleaning, security etc 1%
- M&E services - depreciation 0.75%
- Furnishings and furniture - maintenance and depreciation 0.5%

* CABE/BCO 2012

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“Estimated that inefficient buildings cost British business £135bn per year in lost opportunity”

Glensler, (2005)

“1-2% improvement in productivity has a larger economic return than 100% saving in energy costs”

CIBSE, (1999)

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Previous Example 200 person City office
(£17,000k Staff Cost v £1,200k Facilities Cost):

- 1% efficiency = £170k
 - 5% efficiency = £850k
 - 7% efficiency = £1,200k
 - 10% efficiency = £1,700K
- ← Cost of FM

How do we measure the effect that facilities
have on Productivity ?

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Historical Research

Productivity Issue	Source	Impact on productivity
Increased illuminance for paper-based work	Barnaby, 1980	+2.8%
Introduction of uplighting for VDU work	Hedge et al, 1995	+3.0%
Lighting upgrade in drawing office	Romm & Browning, 1994	+13.0%
Sound absorbing material in typing pool	Wilson, 1952	+29.0%
Uncomfortable conditions in typing pool	Wyon, 1974	-40.0%
Increased fresh air intake to dilute pollutants	Kemp & Dingle, 1994	+3.0%
Move from natural ventilation to air conditioning	Sterling & Sterling, 1983	-6.0%
Comparison of natural ventilation to a/c offices	Oseland, 1995	+3.0%
Control over environmental conditions	Drake et al, 1991	+9.0%
Control over environmental conditions	Kroner et al, 1994	+2.8%
Refurbishment of office	Kroner et al, 1997	+12.9%
Bank refurbishment	Romm & Browning, 1994	+15.0%
New furniture	Sullivan, 1990	+15.0%
Properly designed workstation	Springer, 1982	+10.0%
General improvement in office environment	Wyon, 1993	+15.0%
General improvement in office environment	Brill et al, 1984	+15.0%

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- Issue - the majority of this research focuses on the needs of the individual rather than the collective organisation.

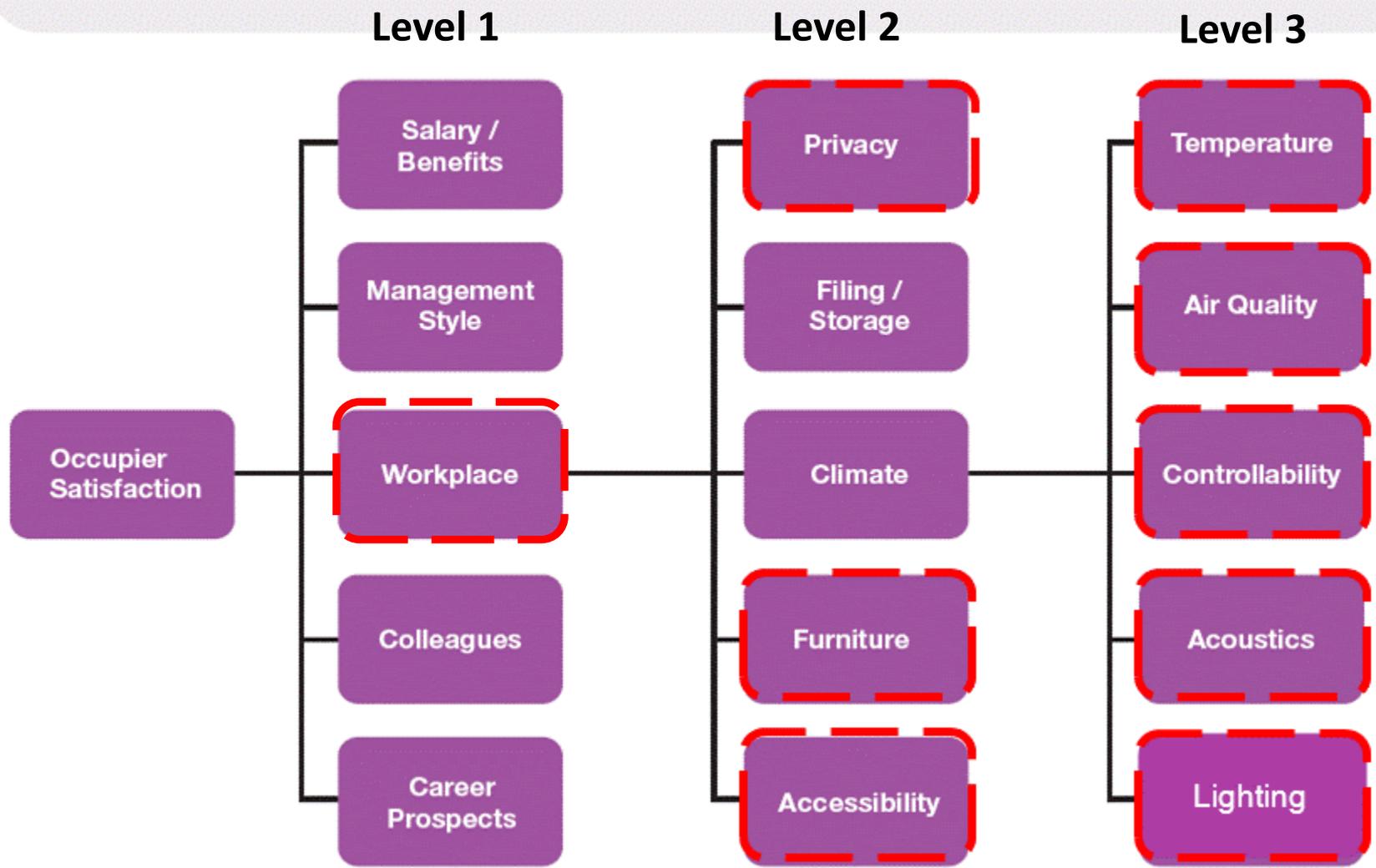
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Recent study of Forbes “100 best companies to work for” identified:

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Attribute	Best places to work typically
Distraction-free work	allow individuals to perform such work through use of privacy partition panels, non-assigned private spaces and ample meeting rooms
Collaboration and interaction	provide ample congregating spaces, cafes, coffee stations, conference rooms, huddle spaces and side chairs at workstations
Undistracted teamwork and meetings	provide various types and sizes of open and informal gathering spaces, conference rooms, dedicated team or project rooms and mobile furnishings
Accommodation of personal workstyles and workstation personalisation	demonstrate this characteristic through use of mobile furnishings and adjustable desks
Attention to thermal comfort	enable individual devices to augment environmental controls and incorporate small heating and cooling zones with accessible thermostats
Access to daylight	provide direct visual access to natural light for the majority of employees
Workplaces allocated by function	continued to allocate size and type of workstation based on hierarchy or title¹
Adjacencies that support work flow	adopt highly efficient and functional planning where most adjacencies are met
Accommodation of changing technology	provide full access to power and data, wireless technology and cable management allowing rapid changes of requirements
Expression of culture	supported and expressed the culture well

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EXAMPLE - Air Quality (Level 3):

- Poor air quality can make it harder to concentrate; headaches; nose dyne; throat irritation; etc
- Directly linked to employee sickness – research suggests in a typical city office that this can be up to 33% of employee sickness.
- Concern of HR Director

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Example of potential savings by £50k upgrade to ventilation/air conditioning system:

- Public Sector – average 9 days sickness per employee
- Middle Manager - £85k (cost including; Bonus, NI, Pensions, Support, etc)
- 253 Potential Working Days
- Productive days less, holidays, training, admin = 200 days @ £425/day
- Year 1 Saving = $£425 \times 9 \times 200 \times 0.33 - £50k = \mathbf{£202,450}$
- Year 2 Saving = $\mathbf{£252,450/annum}$ onwards
- $\mathbf{17\% FM Y1 and 21\% Y2 and onwards}$

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Example of potential savings by £50k upgrade to ventilation/air conditioning system:

- Private Sector – average 6 days sickness per employee
- Middle Manager - £85k (cost including; Bonus, NI, Pensions, Support, etc)
- 253 Potential Working Days
- Productive days less, holidays, training, admin = 200 days @ £425/day
- Year 1 Saving = $£425 \times 6 \times 200 \times 0.33 - £50k = \mathbf{£118,300}$
- Year 2 Saving = $\mathbf{£168,300/annum}$ onwards
- $\mathbf{10\% FM Y1 and 14\% Y2 and onwards}$

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So how does the Facility Manager implement changes to improve Productivity ?

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Change Process:

- Set Baseline (organisation today)
- Identify Areas for improvement
- Identify Business (Productivity) benefit
- Identify Programme/Plan
- Business Case / Approval
- Implement
- Measure Performance

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Informing Your Baseline:

- Time Recording – measure the amount of non-productive time (i.e. admin tasks, travelling, clearing desks, etc) Can cause issues with Trade Unions and individuals; careful briefing required to demonstrate intent to improve employee working environment

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Absenteeism – sometimes difficult to get as ‘staff in confidence’. HR department a good starting point – focus on group rather than the individual and improvements to working environment.

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- Self Assessment by individuals and groups/teams.
- Typically weighted assessment questions (1-10):
 - Access to informal meeting spaces
 - Space for project teams
 - Common areas for personal informal interaction
 - Comfortable temperature and humidity
 - Controllable temperature & ventilation
 - Tidy and visually appealing
 - Conversational & Private workspace (free from distraction)
 - Workstation & Storage space.

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Lessons Learned:

- Keep the stakeholder (employee) fully informed throughout the process; data collection; analysis & implementation.
- Getting the keeping the Management Board's attention & support is critical
- Challenge – what's your current organisation view ?

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Where is your Organisation now ?

- Undertake Self Assessment – what's your current organisation view ?

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Factor	If 'yes', you score	Your score
Do you conduct regular satisfaction surveys of your employees?	5	
Do those satisfaction surveys explore views of the workplace?	10	
Do you measure the productivity of employees (other than through use of timesheets and annual appraisals)?	5	
Do you take steps to improve productivity by involving the staff when proactively reviewing the workplace, and reviewing the results?	10	
Do you involve your workforce when deciding how work is to be carried out?	10	
Do you involve your workforce when deciding how the office environment is configured and fitted out?	10	
Is the facilities management regime, whether conducted by a landlord, third party, in-house, or some combination of suppliers, truly customer-focused?	5	
Is the performance of property or facilities management support related to occupier productivity to any extent?	10	
Do you know those aspects of your working environment that inhibit or support productivity?	10	
Do you consider the impact on workforce output when implementing efficiency plans in the office?	10	
Do you genuinely believe the design and operation of the office can positively impact on productivity?	15	

RICS (2008)

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In very simplistic terms, if you...

SCORED 0-30: your processes for managing the office and its occupiers are in need of an urgent health check, but the potential benefits are very significant.

SCORED 31-50: there is evidence of a clear understanding of the benefits to your organisation by better understanding the workplace, but there isn't a consistent or thorough approach.

SCORED 51-80: your business model is towards the forefront of current thinking and your organisation is therefore likely to be receptive to further ideas to measure and enhance productivity in the workplace.

SCORED 81-100: your approach is a model for others and should be encapsulated in a case study.

RICS (2008)

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“Put the key of despair into the lock of apathy. Turn the knob of mediocrity slowly and open the gates of despondency – welcome to a day in the average office.”

David Brent, The Office



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QUESTIONS