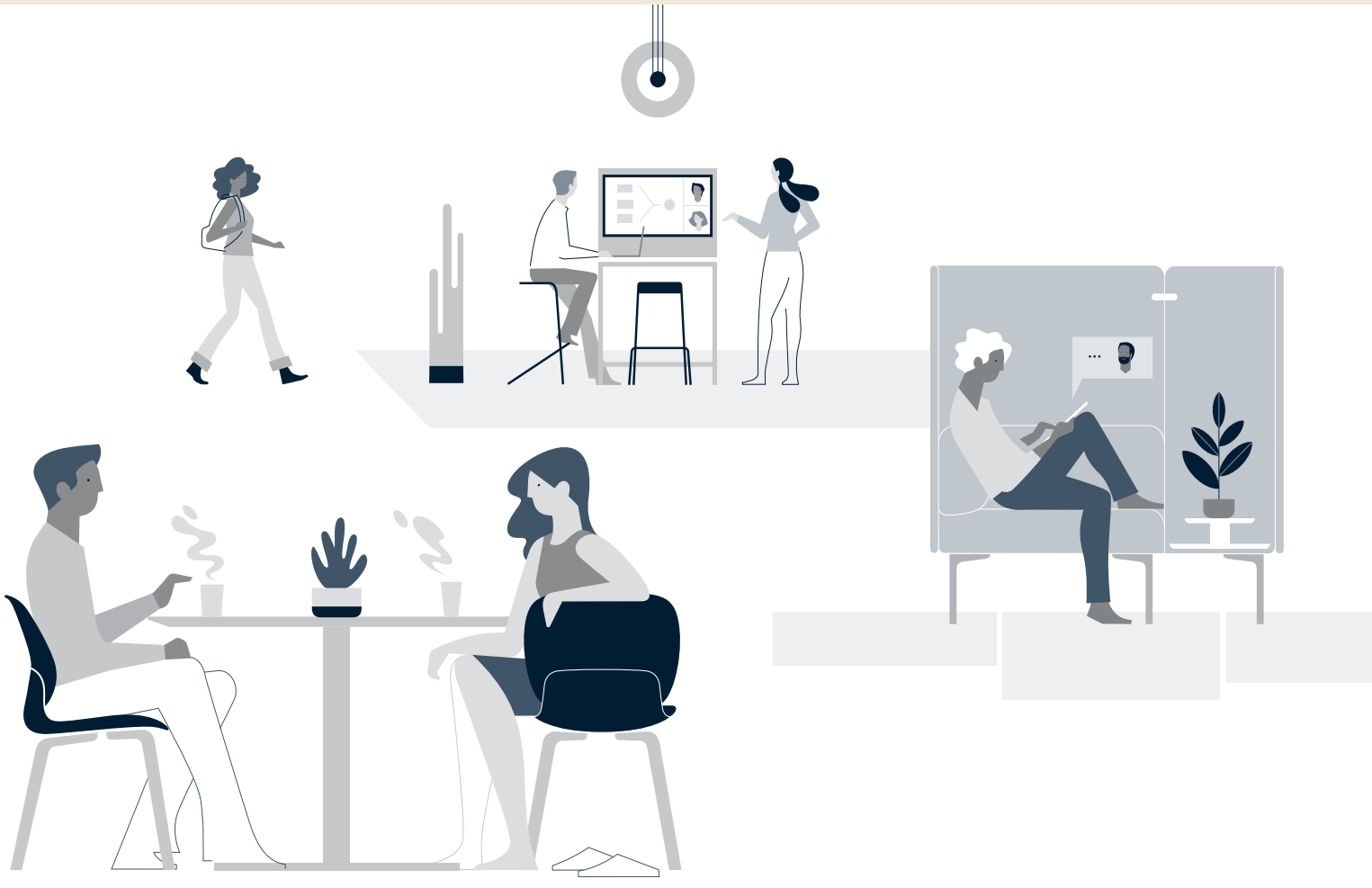
HAWORTH

Creating Organizational Cultures That Thrive on Change

February 2021



Why Is Culture Important to Organizations?

In a world where the one constant is change, culture has become even more important to the success of organizations—especially when a pandemic challenges global economy and the ways we work. Culture is an asset that should be managed and leveraged in support of strategy and goals, yet requires a nimbleness when crisis occurs. Top performing organizations demonstrate healthy cultures that thrive on change—this healthy foundation is what enables them to adapt. When culture and business goals align, your workforce is best empowered to perform and innovate.

Culture Is How—and Why—We Behave

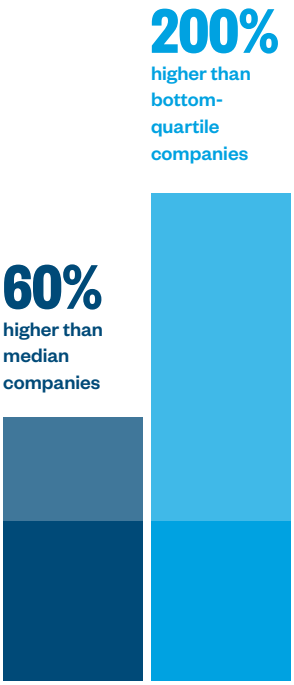
Evidence from a McKinsey Organizational Health Index survey with over 1,000 organizations—encompassing more than three million individuals—reveals that culture correlates with performance.[1]

> "Culture starts with *what* people do and *how* they do it. In any industry, what people do may not differ dramatically, but high-performing organizations distinguish themselves in how they do it. This cumulative effect of what is done and how it is done ultimately determines an organization's performance."[2]

Source: McKinsey & Company

What McKinsey emphasizes is that culture correlates to people's behaviors within an organization. It's also how they perform these behaviors, driven by their beliefs or values.

Organizations with top quartile cultures post a higher return to shareholders.



Source: McKinsey Organizational Health Index

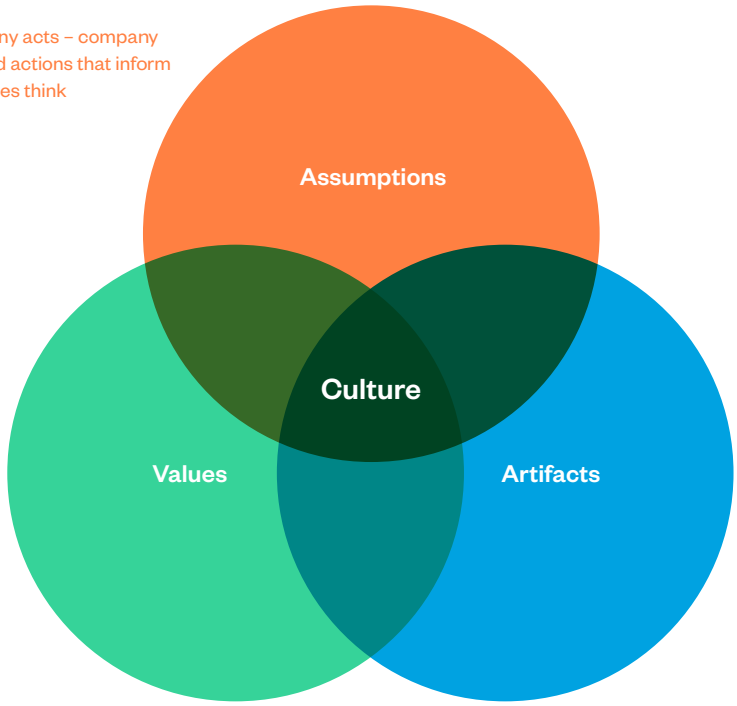
"Peter Drucker says 'Culture eats strategy for breakfast.' This implies that the culture of your company always determines success regardless of how effective your strategy may be."

John DeGraff
Managing Partner, Innovatrium

1. McKinsey & Company, 2018
2. McKinsey & Company, 2018

At Haworth, we help our customers align people and space for optimal performance. Of the three intersecting elements of culture—beliefs (or assumptions), values, and artifacts—space is the most visible artifact and people are the most valuable.

Assumptions
How a company acts – company processes and actions that inform what employees think



Values
What a company believes – its mission, behaviors, and how it represents itself

Artifacts
What a company represents – products or services produced, publications, workplace

Work from Anywhere: The Role of Culture

Many business leaders are concerned that extensive remote work will eventually impact the well-being of their employees and weaken organizational culture. In spite of perceived productivity increases, remote work has created a potential cost in long-term productivity, corporate culture, and innovation and creativity. Office workers feel disconnected from their organization, personal well-being has suffered, and employees feel that they've had fewer opportunities to learn, especially through informal mentoring.[3]

An organization's success is rooted in how well people work together to accomplish goals, coordinating collaborative efforts with individual work. We know that there will be a mix of in-office and remote work options to maximize employee and organizational performance. Both collaboration and individual focus work are essential ingredients to employee productivity and organizational innovation.[4] The office will remain the epicenter in a work-from-anywhere ecosystem that includes office, home, and third places. An aligned culture unifies and motivates a workforce, represents the employee and customer experience, and reflects an organization's brand. It leverages the most valuable asset—people—and how the workforce aligns with real estate space for optimal performance.

"The hardest thing in COVID has been the difficulty, other than virtually, to connect with people. More people may work at home when this is over, but in reality, if you're going to maintain a culture, you have to have people connecting with each other, and there's no real substitute for doing that in person.".

John Mackey
CEO, Whole Foods Market

One-half of employees struggled to feel connected with their company's culture and colleagues during the COVID-19 remote work experience.



Source: Cushman & Wakefield

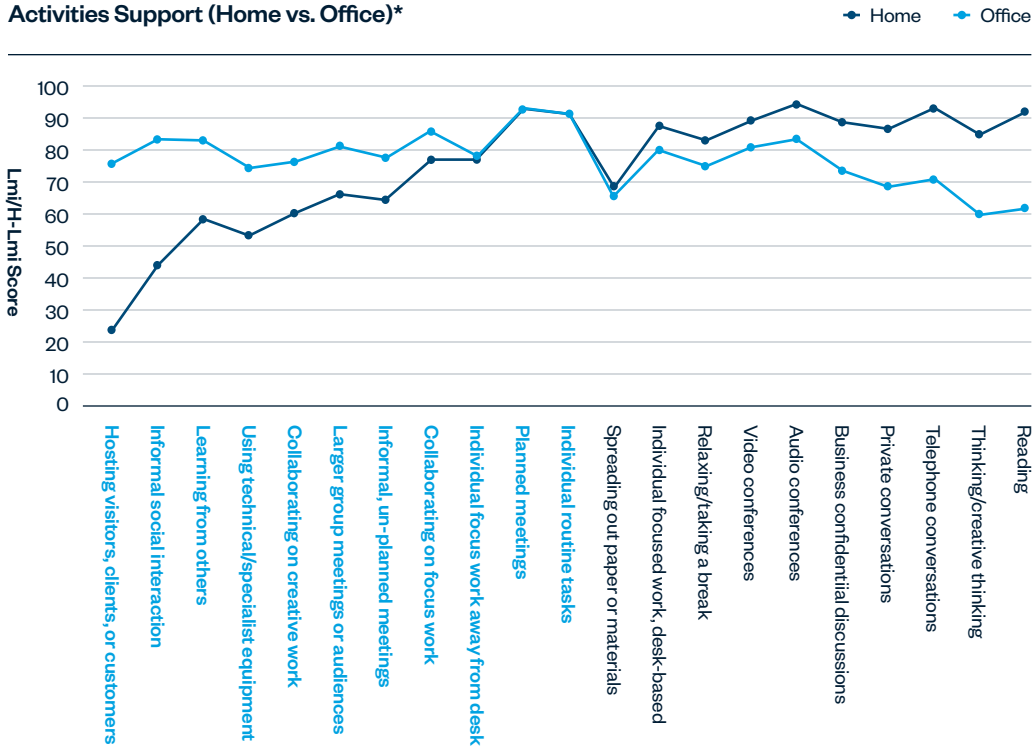
3. Cushman & Wakefield, 2020.
4. Johnson and Scott, 2017.

People Are at the Center

Millennials (ages 25-40 in 2021) are on track to become the largest cohort in the workplace.[5] We know that younger employees reported lower satisfaction working from home during the pandemic than older generations and a majority of them miss the office.[6] Their loneliness level has increased by 10 percent.[7] In fact, Gen Z (born roughly between 1995 and 2000) highly values opportunities for close connections to their superiors and strongly desires mentorship for personal and professional skill development.[8] According to a Deloitte survey in 2020, job loyalty for Millennials and Gen Z increased as needs were being met, including mentoring.[9]

Time magazine reports, "there is stress linked to this feeling of being lonely." Biological factors such as stress hormones and the immune system are affected by loneliness,[10] and lead to chronic conditions. Social interaction is just as important in reducing stress as physical activities and behaviors that promote well-being.

Activities Support (Home vs. Office)*



The foundation for organizational culture is the people who create it. Culture serves as a guidepost for people's needs and organizational goals. To enhance their performance, it's important to understand cultural implications—what people value and how it affects space.

35%
of the US labor force is made up of Millennials.

Source: Pew Research Center, 2018

44%
of younger workers miss human interaction with colleagues.

65%
of young professionals miss the office.

Source: JLL

71%
of Millennials already reported some level of loneliness.

81% **say that loneliness increased as a result of the pandemic.**

Source: Time magazine, 2020

5. Pew Research Center, 2018.
6. Leesman, 2020.
7. *Time* magazine, 2020.
8. Haworth, 2020.
9. Deloitte, 2020.
10. NCBI, 2019.

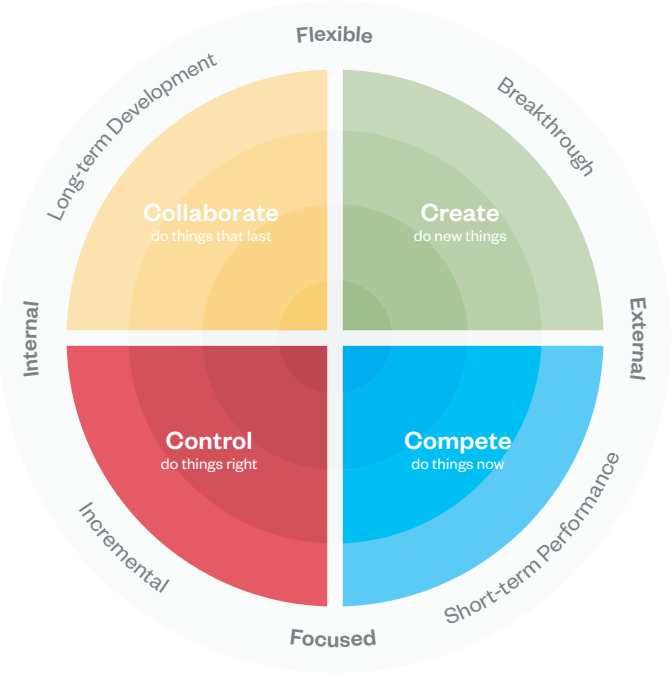
Determining Culture

Haworth has an exclusive partnership with the Innovatrium, an organization based out of Ann Arbor, Michigan, to leverage their business model known as the Competing Values Framework™. This model has been around for almost 40 years and was first developed by business professors from the University of Michigan. Recognizing that organizations work differently, pursue results in different ways, and have different definitions of success, the Competing Values Framework was developed to help organizations diagnose and facilitate change in organizational culture. Haworth uses this model for design planning purposes.

"It is important to understand how an organization works, its culture and competencies, before you can effectively design a workspace where innovation happens."

Jeff DeGraff, PhD
Professor, University of Michigan
Ross School of Business
and Founding Partner of the
Innovatrium

Competing Values Framework



Leveraging the Competing Values Framework, we look at organizational and individual needs by culture type: Collaborate, Compete, Control, and Create.

Each quadrant in the framework represents those features an organization feels is the best and most appropriate way to operate—in other words, what people do and how they do it. None of the quadrants—Collaborate, Create, Control, or Compete—is inherently better than another, just as no culture is necessarily better than another. And, while all organizations will have a predominant culture, it is natural and necessary to have subcultures.[11] But some cultures might be more appropriate in certain contexts.[12]

11. Burrows, Johnson, and Scott, 2020.
12. Cameron, Kim S. and Quinn, Robert E., 1999.

Identifying and Changing Organizational Culture

Identifying culture establishes a starting point for positive change. An organization that doesn't understand its own culture is like a person without an identity. To encourage change and positive growth, the first step is to analyze the existing culture. Even if an organization is relatively satisfied with its culture, assessment is still important to provide a common language for a conversation about current culture, workspace, and direction for the future. It's typical to discover a difference between existing and preferred culture, so diagnosis is critical in order to effectively implement a space that both supports desired culture and helps create ideal working environment.

Knowing the current culture allows workplace change to be enacted at a reasonable pace without alienation or resistance. A cultural diagnosis might also point to specific groups or departments—or sometimes even an entire organization—already in accord with the goal. Even in cases where the existing culture is satisfactory, it may still be possible to improve cultural alignment through targeted changes to values, behaviors, and workspace. Cultures vary from organization to organization. In order to create a profile, it's useful to lay the values, assumptions, and artifacts of a company into a framework that reveals its basic tenets. The Competing Values Framework provides this structure and has proven to be a valuable tool.

Aligning Culture and Space

Once we understand the organization's preferred culture type, we can create spaces to align and help achieve business goals. Workspace design in the form of common areas, meeting spaces, and individual workspaces are artifacts that can either help or hinder a company's effectiveness. Because architecture and design are intertwined with culture, the Competing Value Framework's categories are helpful as a foundation from which to create appropriate workspaces.

For each of the four culture types defined by the Competing Values Framework, see how the design implications are applied in space designs that incorporate the culture's unique attributes.

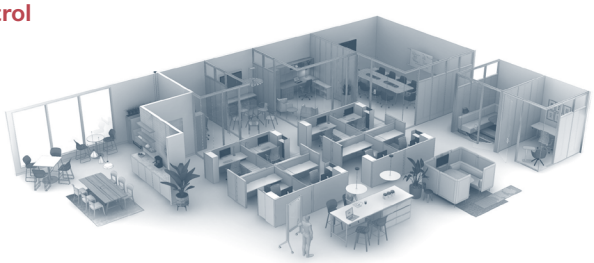
Collaborate



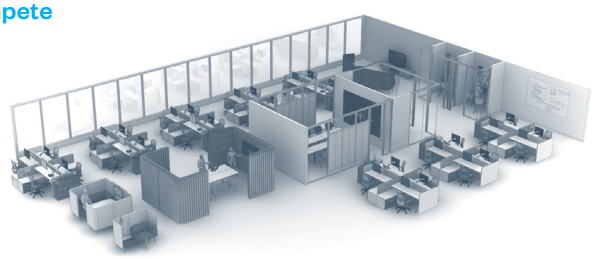
Create



Control



Compete



Collaborate Culture

The primary purpose of a Collaborate culture is to generate knowledge and nurture a strong community. The constituents of a Collaborate culture often act as counselors and mentors while all have a strong sense of belonging and team orientation. As an organization with a drive for learning, access to coworkers is essential.

Dominant Industries[13]
- Education
- Healthcare
- Nonprofits

Typical Departments
- Human Resources
- Training & Development
- Customer Service

Design Implications
- These teams reflect a high degree of information sharing—knowledge is key.
- It is important in this culture to keep all workers connected—physically and virtually—including providing technology for remote workers.
- Teams are highly interruptible, visible, and transparent, so they prefer social spaces embedded in their team space for spontaneous interaction.



Space Preferences

1. Collaborate cultures prefer spaces that allow workers to connect to each another socially. These cultures tend to be open and friendly, where people share a lot of themselves—driving cohesion and building morale for the organization.
2. Spaces that support group activities and communication allow this culture to stay connected—both physically and virtually.
3. Easy access to inviting comfortable spaces is key for Collaborate cultures, so that they can easily connect to share knowledge and build community. Group spaces that support interactions are highly desired, as most processes happen collaboratively.

13. Innovatrium, 2018.

Compete Culture

A Compete culture's purpose is to generate profits and do it faster than competitors in the market. These cultures are made up of highly competitive dealmakers judged on short-term performance. For these workers, getting the most current, complete, and correct information from external sources is essential.

Dominant Industries[14]
- Financial
- Energy/Utilities
- Consumer Products

Typical Departments
- Finance
- Brand Management
- Business Development/ Sales

Design Implications
- Technology plays an important role in tracking performance and gleaning external (market) information.
- They will seek out space for concentration as needed but are interruptible as they make quick decisions that impact results.
- Groups frequently hold informal stand-up meetings adjacent to their workspaces to quickly exchange information and receive updates.



Space Preferences

1. Compete cultures prefer spaces that allow them to quickly gather information with access to individuals (and tools). The fast-paced environment should provide the type of spaces to focus, collaborate, and strategize all at the same time. Unassigned spaces support employees who spend most of their time within their markets and value a place to touch down and reconnect.
2. This culture helps to drive market share, goal achievement, and profitability for the organization. Informal spaces for quick connection and sharing information are critical to the success of this organization.
3. Compete cultures also prefer spaces that function like war rooms, where opportunities can be quickly explored, action plans developed, and results tracked. War rooms support small teams engaged in dynamic activities dependent on external information.

14. Innovatrium, 2018.

Control Culture

A Control culture is driven to improve efficiency and quality with a focus on doing things right. These cultures are made up of problem solvers, engineers, and professionals. The data-driven decision-making that these teams need to accomplish is an important part of dependable delivery, smooth scheduling, and cost management. To achieve their purpose, they put systems and structures in place to adhere to their organization's or industry's standards. Control cultures prefer to use charts/graphs to track their progress and help to identify any errors or opportunities for improvements.

Dominant Industries[15]
- Engineering
- Construction
- Manufacturing
- Government

Typical Departments
- Engineering
- Legal
- Information Technology/ Information Services

Design Implications
- These teams tend to utilize internally generated information (charts, reports, etc.)
- Their individual work and group work are consistently conducted adjacent to one another—efficiency is key.
- Groups are more formal and are non-interruptible so acoustic performance is important.



Space Preferences

1. Control cultures prefer spaces that allow them to focus on incremental process improvements while developing standardized procedures. Formal rules and policies hold the organization (and Control sub-cultures) together.
2. Focus work is the primary task at the workstation, as most group interaction is scheduled and supported by formal group spaces.
3. Designed to enhance concentration and minimize distractions, a private office may also be designated as a small conference room while the occupant is away.
4. Visuals can be shown digitally or manually on a wall adjacent to where the team is working for direct visual connection. Group work is more formal and planned in enclosed meetings rooms with expected norms and rules.

15. Innovatrium, 2018.

Create Culture

A Create culture's purpose is to generate innovation and growth. To do so, Create cultures are stocked with visionaries, entrepreneurs, artists, and designers. Their practice is characterized by an open system that is adaptable and widely disseminates external inputs and influences. The brainstorming and conceptual design development that these teams need to do are an important part of transforming an idea to an innovative product or service.

Dominant Industries[16]
- Architecture & Design
- Technology (consumer electronics and software)
- Media

Typical Departments
- Design & Strategy
- Product Research & Development
- Marketing

Design Implications
- These teams have a high need for displayed thinking (vision dependent), so vertical display space is important.
- They often shift frequently between concentration and collaboration, so both space types are important.
- As a team, they are inherently interruptible but prefer to work and brainstorm in spaces that are delineated from external distractions.



Space Preferences

1. Flexibility is key so Create cultures can quickly pivot and reconfigure as needed to support a new direction or initiative. Mobility is required as a project evolves, while the space provides ample vertical display opportunities for connecting concepts and ideas.
2. Create cultures also prefer to use both digital technology and analog tools (e.g., whiteboards for drawing and sketching) to develop new ideas. Team workspaces should be flexible enough to offer insulation from others to limit distractions while supporting heads-down work.
3. Opportunities for both individual respite and interactions with colleagues are important for Create cultures.

16. Innovatrium, 2018.

The Constant Is Change

More than ever before, organizations must adapt to the external influences that affect their processes, people, and real estate. Culture has become even more important to the success of organizations—as the driving force that keeps people connected, especially during flux. Committed employees improve organizational performance. To engage workers in a fluid ecosystem that enables work from anywhere, it's necessary to create environments that entice people to interact, collaborate, focus, and work efficiently. These spaces are designed to adapt to flux and people's needs as they evolve. Successful organizational cultures are intentional by design, aligning with strategies and goals to optimize performance and support the behaviors that shape how people work and interact—today and in the future.

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