The UK's productivity crisis:

Can workspaces contribute
to improved employee engagement
and productivity?

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1.0 Introduction

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For the last decade, the UK has been in the midst of a productivity crisis (Leesman Index, 2018; Plunket-Chekemian et al., 2016). The problem is more acute than in any other western country, and shows no signs of improvement (Giles, 2018). In the decade since the financial crisis, annual growth in productivity rates has fallen from 2.3 per cent to 0.4 per cent (Giles, 2018). On an individual level, the average UK worker is 26% less productive than a worker in Germany, and 23% less productive than the average US worker (O'Brien, 2018). The concept of productivity is notoriously difficult to define; broadly, it is the value that is produced divided by the cost, either financial or time, required to do so (Fuller, 2016). Perhaps a more straight-forward definition though, is that productivity is how much we achieve in the time available (Kakar, 2017). In addition to these organisational perspectives of productivity, another viewpoint is that of an individual's perceived productivity. Despite the difficulty in defining it, one thing that can be agreed is that improved productivity is a good thing. Not an easy thing, but a good thing.

The link between productivity and employee engagement is gaining traction, and studies are emerging that demonstrates the link between the two concepts (O'Brien, 2018; Skirmuntt, 2018). Employee engagement is no less difficult to define or measure - there are several competing and inconsistent definitions; however, all have some commonality in that engagement is viewed as a desirable condition, and typically connotes involvement, enthusiasm, and commitment (Macey and Schneider, 2008). In the seminal MacLeod review, employee engagement was defined as 'a workplace approach designed to ensure that employees are committed to their organisation's goals and values, motivated to contribute to organisational success, and are able at the same time to enhance their own sense of well-being' (Macleod and Clarke, 2009, p. 9).

It is argued that engaged employees will be more likely to work harder, be happier, and be less likely to leave – all contributing to improved productivity (Koch, 2018). Many employers believe that engaged employees outperform others, and are more likely to 'go the extra mile'

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(Gatenby et al., 2008). This suggests that better engaged employees can only be a good thing in addressing the productivity crisis. However, a recent study found that as little as 15% of adults are engaged in their workplace (Gallup, 2017), highlighting that there is significant room for improvement, and potential to improve productivity in the UK through a more engaged workforce.

To date, the national debate on productivity very rarely mentions the physical places in which people work. Whilst not the silver bullet, research suggests that 2-3% improvements in productivity could be realised simply by improving the office environment, and with two-thirds of UK workers based in offices, there is potential for a significant cumulative impact (British Council for Offices, 2017). Despite that potential, according to the Leesman Index, only 53% of respondents agree that their workspace currently supports their productivity (Plunket-Chekemian et al., 2016). The challenge of course is how to create a workspace that supports engagement when the world of work is changing so rapidly. If the world of work is changing, it follows then that the places in which that work takes place would also change. The unprecedented transformation in the way that people work is primarily a result of the ever-increasing flexibility afforded by technology, and the subsequent desire, and indeed expectation, that work can happen anywhere (Polycom, 2017). However, many interventions in the physical workplace fail to have the positive effects hoped for, in many cases because the focus instead is getting more people into less space (Leesman Index, 2018).

To prevent the waste of significant sums of money, it would be wise if practitioners could better understand what makes a workplace productive. Can workspaces be re-imagined as a tool for improving employee engagement, and contributing at least part of the solution to the productivity crisis? Intuitively, it makes sense that a fit-for-purpose workspace would contribute to the productivity of the staff within it (Plunket-Chekemian et al., 2016).

2.0 Workplace

Increasingly, work can take place anywhere, so the workplace could well be an office building, but it might equally be anywhere with access to an electronic device (Kelway, 2013). There is a growing acceptance that the workplace can be both 'somewhere you go' and 'something you do', and that space and culture are intrinsically linked; space can shape culture, and culture can shape places (Pinder and Ellison, 2018). Organisations are increasingly using the workspace as a way to convey messages to staff and visitors about the culture of the organisation (Harris, 2015). Such messages are usually silent, but help to portray the values and mission of the organisation (Myerson, 2018). Given these dual roles as the place that work happens, and the purveyor of culture, it is important that workspaces are effective. A recent report highlighted that workspace was second only to inspiring leadership, in terms of the most important factors impacting upon productivity (Area, 2018). Whilst the importance of leadership is not to be underplayed, it could be argued that the workspace could take on even greater significance if it is viewed both as the place that work happens, and the physical manifestation of the leadership culture.

The office has evolved beyond all recognition from its origins at the end of the 19th century when the steel frame was invented, enabling the construction of larger open plan offices (Malm and Strömbäck, 2015). In the 1930s architects were criticised for their lack of focus on the employee environment, and thus reacted by designing cellular offices (Malm and Strömbäck, 2015); this approach to office design changed little in the 30 years that followed, until in the 1960s the concept of Burolandschaft broke up rows of desks into more organic groupings with the aim of creating flexibility (Williams, 2017). More recently, this concept of flexibility has become increasingly profound as a result of the impact of technology, with the office becoming the place that people interact and collaborate with a broad range of settings; this new way of working is described as agile working, or activity based working (Harris, 2015; Roth, 2017).

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The concept of flexibility as a trend has grown not just in terms of mobility of staff, but also in the way that people and organisations manage real estate. There has been a shift from managing buildings to managing people with spaces that provide a high level of service and experience to staff (Harris, 2015). This increased demand for experience may well be attributed to the growth in the last decade of co-working spaces (Leesman Index, 2018). One study found that people had chosen to make use of co-working spaces because they believed their performance would improve in such spaces; the results of this single study suggested that 75% of people reported an increase in productivity since joining a co-working space (Waber et al., 2014). Many of the respondents in this study reported improvements to their social circle, and a decreasing sense of isolation as some of the benefits (Waber et al., 2014).

Staff productivity is not normally considered to be the preserve of the FM department, and even if it were, FM so rarely has a voice with the executive where the issue ought to be discussed (O'Brien, 2018). This further strengthens the rationale for bringing together the dual concepts of workspace and employee engagement to ensure that the importance of workplace is elevated to the organisation decision-makers.

3.0 Employee Engagement

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Employee engagement repackages various concepts covering motivation and commitment, whilst emphasising employee wellbeing and performance (Gifford, 2017). At its most basic level, it is about the relationship between the employee and employer, and can be the key to unlocking productivity (Macleod and Clarke, 2009). The concept of engagement, or disengagement, at work was made popular by Kahn (1990) who set out a continuum from personal engagement to personal disengagement. At the one extreme, Kahn describes engagement as the phenomena of task behaviours which are aligned and consistent with the individual's preferred self or values; whilst on the other extreme is to withdraw internal energies from the task in physical, cognitive and emotional sense (Kahn, 1990). It stands to reason that disengagement causes a loss in productivity, making it essential for business leaders to address the drivers of engagement (Kumar and Kumar Sia, 2012). Despite almost two decades having passed since Kahn's article, there is still no standard definition of employee engagement, however, there is widespread agreement in the practitioner literature that engagement is 'both emotional commitment and a willingness to give your best at work' (HR.com, 2018).

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Macleod and Clarke (2009) set out four enablers of engagement:

- Strategic narrative – a strong and clearly visible culture in the organisation, which makes it clear to employees how their role fits with the vision and aims.

- Engaging managers – managers who appreciate the efforts of employees and treat staff as individuals. Engaging managers ensure employees are valued and have the tools necessary to do their job.

- Employee voice – the opinions of employees are sought and listened to, and people believe their opinion will make a difference. Effective communication throughout the organisation builds a culture of listening and responsiveness.

- Integrity – the belief of employees that the values espoused by the organisation are lived, building a sense of trust.

Employees cannot be viewed in isolation from their working environment, and indeed it can be pivotal in enabling employee engagement (Kumar and Kumar Sia, 2012). There is evidence to suggest that improvements in engagement correlate with improvements to performance (Macleod and Clarke, 2009) reinforcing the justification for focussing on this area as a way of addressing the productivity challenge.

0.4 Bringing Workplace & Engagement Together

13%
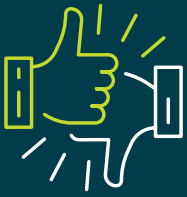
of staff who were both highly satisfied with their workplace, and highly engaged

A recent study suggests that the work environment can both help or hinder efforts to improve employee engagement (Steelcase, 2016). This study confidently asserts that those who are highly satisfied with various aspects of their workplace, also demonstrate higher levels of engagement; however, the inverse is also true, and there is a concern that the small number of disengaged workers may well be cancelling out the efforts of the 13% of staff who were both highly satisfied with their workplace, and highly engaged (Steelcase, 2016). The findings make for worrying reading, and demonstrate the significant scope for possible improvement to the workplace, engagement, and productivity (Borghero, 2018).

All of this suggests that there may be elements of workspace that are considered to be hygiene factors – without them staff will be dissatisfied but providing them does not increase engagement or motivation. Facilities such as toilets, and somewhere warm and dry to sit, may all fall into that category. The question is whether there are other elements of the workspace that can act as motivators; elements such as providing a choice of settings and the freedom/flexibility to choose may contribute to a sense of autonomy, trust and control – all key antecedents of employee engagement.

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What appears to be a common theme among the trends outlined in this paper is that workplace has the potential to be more than just a physical space. The workplace can be seen as the interconnectedness of people, place, and technology (Plunket-Chekemian et al., 2016), however, it has been argued that there has previously been a failure to bring together theoretical stances on organisational theory and design to create a cross-disciplinary basis for facility management (FM) theory (Cairns, 2003).

This paper is seen as an opportunity to contribute to this area by bringing together the themes of employee engagement, normally considered by HR managers, and workspace, usually the preserve of facility managers (FMs), and it is for this reason that this paper considers workplace not just in the context of the physical environment, but also as a conduit for the more traditionally HR aspect of enhancing employee engagement, which in turn can improve productivity.

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> As part of our commitment to evidence-based research and strategy, Henigan Consulting Group will be exploring the themes outlined in this paper over the coming year
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5.0 What next?

From the analysis of the practitioner literature, it is clear that any contribution that workspaces can make to the productivity crisis are worthy of consideration. As part of our commitment to evidence-based research and strategy, Henigan Consulting Group will be exploring the themes outlined in this paper over the coming year. The aim and objectives of our research project can be seen below:

Aim:

To contribute to UK PLC by demonstrating the positive impact workspace can have on improving employee engagement, and by association improved productivity.

Objectives:

• Utilising case studies, explore the links between workspace satisfaction and engagement scores, before and after refurbishment / relocation projects with a view to understanding which elements of the workspace impact upon employee engagement

• Develop a framework that helps organisations to improve employee engagement, and/or reduce disengagement, through their workspace

How can you help?

We are looking for interested parties to join us in our research endeavours. Whether you work in an organisation that could be used as a case study, would like to participate in one of our thought leadership workshops, or could review the practicalities of our findings, we'd love to hear from you. Please get in touch with Dan Wakelin, Senior Consultant, by emailing dan.wakelin@henigancg.com.

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