Thriving in a Disruptive World

SMITHGROUP

2016 Client Advisory Board Summary

At SmithGroup, we believe it's imperative that our design approach is aligned with our clients' missions and real-time interests. Our Client Advisory Board was created as a forum to ask questions and explore ideas with organizations on the leading edge of the business world. We learn from these exchanges and energize our design process with our shared experiences, evolving our practice towards more creative engagement with their business models. Our 2016 Client Advisory Board's theme was *Disruptive Mobility: Implications from our Cities to the Workplace.* We had an engaging exchange of ideas focused on disruptive mobility and innovations, exploring the impacts on urban design, corporate real estate, and workplace environments.
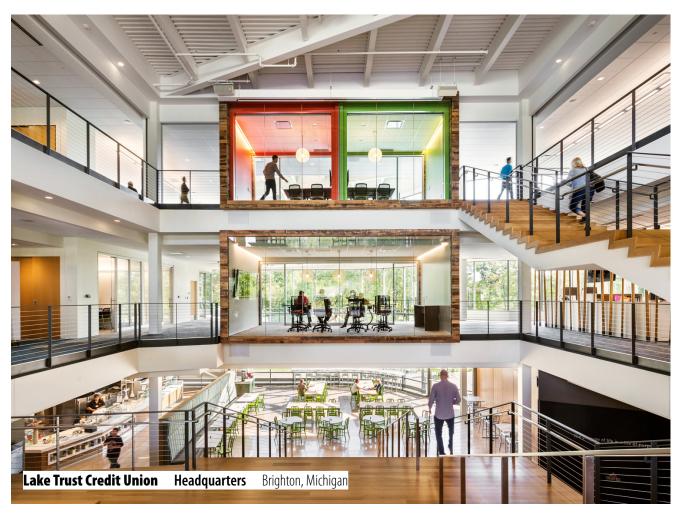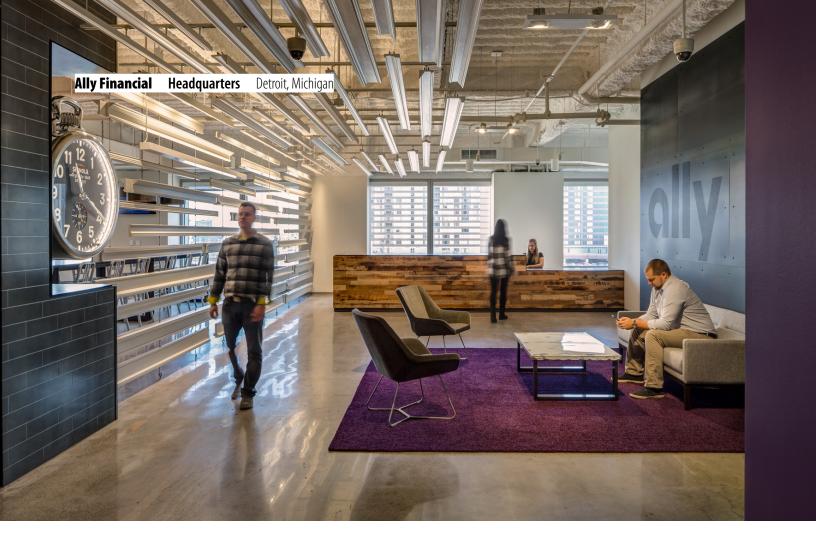
Thriving in a Disruptive World

We expect change. We welcome innovation. But in today's business world, disruption has become the new norm. Disruptive forces don't simply improve an existing product or service, they displace it, creating something new in its place. While technology enables this disruption, by providing greater connectivity and access to data that changes how we live, work and play, it's the spaces we create that have the power to drive the innovation that's required for organizations to evolve and remain relevant in today's disruptive environment.

Disruptive forces are at work all around us. The sharing economy has changed the hospitality industry (Airbnb); the taxi industry (Uber, Lyft); and the investment banking industry (Crowdfunding, Kickstarter). Cyber learning is shifting the future of higher education. Technology companies are shaking up financial services and the automotive industry. Social media is reshaping journalism.

Participants at SmithGroup's 2016 Workplace Practice Roundtable shared the key disruptors in their field, and discussed how the workplace can prepare organizations to be resilient and agile in this disruptive new world. After all, in the words of Charles Darwin, "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change."

Lake Trust Credit Union   **Headquarters**   Brighton, Michigan

Ally Financial   Headquarters   Detroit, Michigan

Key Takeaways

- Mobility disrupts traditional patterns of how, when and where work happens. Work boundaries have blurred. The workplace is untethered.

- Greater connectivity disrupts traditional channels of communication. As crowd sourcing and the sharing economy demonstrate, there's a freer flow of information in all directions. Change comes from top down, bottom up, inside and outside the organization. Ideas cross-pollinate.

- Disruption accelerates every industry. Successful organizations execute more quickly, accept the fluidity of change, and are willing to take a big leap when needed.

- The workplace can encourage the culture needed to survive—and thrive—in this continually shifting paradigm. It is the greatest tool for driving the agility required for today's disruptive world.

The **Untethered** Workplace

Because work can happen anywhere, it happens everywhere. The office is no longer the only place for work but rather one of many options people utilize to get work done. Competing with coffee shops, WeWork and the home, the "office" has become a floating space where work can be done at all different times. On a macro level, this has disrupted how and when people move through an urban area. Shared vehicles, autonomous vehicles, and fewer vehicles traveling at traditional "rush hour" times have implications across many fronts. Bloomberg predicts auto sales may drop by approximately 40 percent in the next 25 years as shared, driverless cars force slashed output by automotive manufacturers. Land-use patterns will change as parking needs decrease.

For automotive companies, society's greater mobility is certainly a disruptive force. But enhanced connectivity, new sensor technology and big data analytics enabled Ford and General Motors to look at themselves as disruptors. They are shifting the paradigm from automobile company to technology company specializing in mobility.

On a micro level, changing work patterns have de-emphasized the distinction between office, residential and retail spaces. Organizations seek spaces that reflect greater work/life integration, suiting emotional needs as well as practical ones. Offices feel more residential; quality amenities matter more than large footprints. Bryan Boyer of Dash Marshall noted there may be missed opportunities if an organization becomes too internalized by providing all amenities under one roof. It may unwittingly isolate its workers from outside interactions and exchanges that bring a diversity of thought.

The Advisory Board Company   **Headquarters**   Washington, DC

The **Sharing Economy** of Ideas

The sharing economy that is disrupting our cities at the macro scale is also influencing the micro scale of the workplace. Rather than enhancing individual workspace, companies report improvements to their bottom line when shifting their investment into the shared spaces that are critical for innovation. Organizations are discovering that the most valuable spaces foster chance encounters. At the Lake Trust Credit Union Headquarters, designed by SmithGroup, a grand staircase creates a natural intersection and place to pause for conversation, which has improved communication and innovation. Author and journalist Greg Lindsay calls this "engineering serendipity." It has been so successful, Lake Trust plans to bring some of these design principles to the design of its banking branches.

Serendipitous encounters help break down the isolated silos of information and ideas that can exist within an institution. Breaking down silos helps organizations discover their "unknown knowns" and frees them up to view their world in a different way. It is creating the spaces where disruption can happen.

The untethered workplace and the sharing economy lead to new ways of thinking about real estate. While co-working spaces first arose over a decade ago, a growing trend extends this concept to the development of a new real estate typology, in which an entire, large scale building is shared among multiple organizations to their mutual benefit. Organizations lessen their investment in real estate, yet still have access to conference rooms, food service, fitness centers and other amenities. They remain flexible and agile regarding their space needs while eliminating the daily responsibilities of operating a building. Real estate becomes a service, and organizations become members.

For Brilliant Collaborations Company, one of the biggest benefits of co-working became serendipitous encounters with other organizations—the opportunity to mingle and "cross pollinate" across industries. Co-working opened up their world to new clients, new hires and new ideas. Greg Lindsay shared a study from CBRE Research user survey (November 2015) that reported that more than a third of its co-working clients have no expectation of ever signing a traditional lease.

Transurban   **US Headquarters**   Alexandria, Virginia

AT&T Performing Arts Center   Dallas, Texas

1700 New York Avenue   Washington, DC

Ramping up the **Rate of Change**

Disruption accelerates the life cycle of an organization, and concentrates the rate at which it must be able to adapt. According to Chris Kelly of Convene, in the 1920s, the average lifespan of a Fortune 500 company was 67 years. Today, it's just 15 years. More than half of the Fortune 500 companies of 2000 are no longer on the list.

The message is to accept the fluidity of change. It doesn't always need to be transformative. It often is iterative: Look for, encourage, and accept the stream of change everywhere, and be willing to shift the paradigm constantly. To do so successfully requires a talented workforce and stable infrastructure.

Sometimes a disruptive environment demands a bigger change. Participants made the case for being brave and taking the occasional big leap. One participant acknowledged that when her company restructured it hadn't formalized all of the details of the plan. The company trusted that its employees were talented enough to figure it out as they went along.

The mathematical concept of the Sigmoid Curve also applies to organizations, suggested SmithGroup's Arnold Levin. Organizations operate in a natural cycle of introduction and implementation, then growth toward a pinnacle, then decline. Companies that understand this process are better prepared to recognize when it's time to reinvent, to move onto the next curve before the current curve bottoms out.
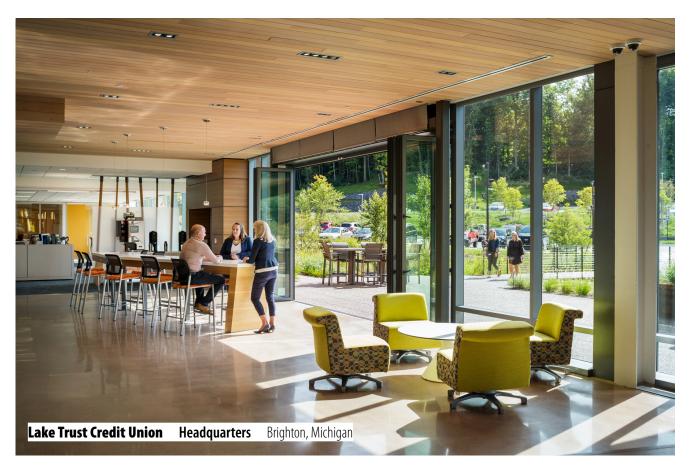

General Motors   **IT Innovation Center**   Chandler, Arizona

The Workplace as a **Value Driver**

The workplace can foster the kind of culture needed to succeed in this volatile environment. Convene's Chris Kelly suggested that real estate's highest and best use is as a strategic human resources tool: to attract, retain and inspire talent. Companies are realizing what a powerful weapon it is in the talent war for millennials and Gen Z. Even with higher salaries, Goldman Sachs found itself losing people to Google, perceived to have a stronger environment of innovation. After its Austin office renovation designed by SmithGroup, The Advisory Board Company found its acceptance rate of new hires climbed from 65 percent to more than 95 percent.

Ironically, one of the challenges participants faced was getting the support of human resources. Many felt that HR within their organizations was slower to accept changing work styles and work spaces. They saw the need for human resources to more closely align with information technology and facilities management for workplace changes to succeed.

Many participants agreed that the most desirable workplaces provide choice. People want more control over their environment, with hyper-configurable and "hackable" work spaces they can continually customize and rearrange. They not only decide where they want to work each day, but with whom. Tracking systems can provide real-time data to help companies understand how and where interactions are occurring, so they can eliminate hindrances and encourage serendipity.

SmithGroup's Lise Newman advocates infusing design thinking into the conversation, creating opportunities out of disruption rather than surprise. Such thinking will unlock more value from our workplaces and unleash more innovation from our coworkers as organizations make the transition from surviving disruption to thriving amid disruption—and becoming the disruptors themselves.

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