

CHAPTER 2

The \$1 Trillion Black Hole

Culture is hard to measure and it can't fit in a spreadsheet. For that reason investors, particularly those with a value bent, often totally ignore it. That's a mistake . . .

—Warren Buffett

The number one resource of any company is *engagement*. Businesses must have people who volunteer, speak up, collaborate, go the extra mile, work late as needed, and challenge everyone around them to be better. We know from the Case4Space research that engaged employees take 10 times fewer sick days, make 37 percent more sales, and stay in their jobs five times longer than disengaged employees.¹

Yet *disengagement* is baked into the traditional workplace. And we all know it. We joke about it and it resonates for us as a basis for humor on TV and in movies. The popular television series *The Office* ran for nine seasons on the premise that work is a soul-killing enterprise and that it requires daily insanity to survive.

Why are we so disengaged?

The people who work for or around you live in centrifuges. Their lives spin so fast—working two jobs to make ends meet, driving kids to sporting and school activities, caring for aging

parents, and the like—that they are pinned to the outside wall of their existence. Because of the centrifugal force, they have no freedom, and cannot rise to creativity or initiative. Many have given up; they are zombies. And many of them really need the workplace. We all know those who see their job as a respite, an oasis. Think of the recent widower who just wants to bury himself in work. Or the cancer patient who needs to be productive and part of a team so she can get her mind beyond the war raging in her mind and body.

However, when those people stumble through the front door of the workplace, they get hit by what Jason Fried, author and founder of 37Signals (now Basecamp) calls the “time Cuisinart.” Their working days are sliced and diced into little moments that replace the long strides of planning, quiet, and uninterrupted work, and the rhythms essential for effective collaboration. In short, their lives are fragmented. They cannot find meaning, satisfaction, or a sense of achievement in their work or in their lives. And that adds to the pervasive stress.

A Constant State of Stress

One episode of the television series *World's Deadliest* shows a herd of impalas grazing peacefully at night on an African savannah, but alert to potential danger. All is quiet and still. But then the camera slowly pans to reveal a stalking lion hidden in the high grass. Suddenly the closest impalas look up; their heads jerk from side to side and their tails begin swishing rapidly. Like a synchronized chorus, all of the others quickly do the same. When one suddenly bolts, they all run.

Fear is universal and trans-species. Threats trigger the release of adrenaline to provide maximum response to danger. But when adrenal glands stay open for long periods, the result is stress. Imagine: Humans don't do their best work when they're stressed out. Simon Sinek, best-selling author and TED presenter, makes the case that the stress of the workplace sets our adrenal system on

overload. This degrades our health and has caused the rise of chronic diseases in our time.

Just as the story of the impalas and the lion reflects, when one person in an office senses a threat, his or her behavior triggers a ripple effect throughout the workspaces. That “noise in the system” comes from the tension in the atmosphere, whispered lunchroom conversations, cryptic e-mails and texts, and so forth. Noise drives managers crazy. Frantic and frustrated management denials that jobs are threatened actually have the reverse effect; they *increase* anxiety. The herd has a mind of its own.

American business loses a trillion dollars a year because we do not know that life is integrated.² Personal health, safety, marriage, family, commuting, finances, and other burdens and crises are integrally related to our ability to achieve and produce. We can gaze at a herd of impalas and clearly see that the “compartments” of their individual and collective lives harmonize. Anything that threatens their food, water, dwelling, offspring, or safety constitutes a lethal hazard to their whole existence and future.

By contrast, for decades we have been building the structures of our lives as silos, cubicles, bubbles, and other isolating pods. We’ve thus created cultures of disconnection. When we noticed the effects, we started having concerned conversations about lighting, ergonomics, buildings, budgets, and better designs. Of course, those are not the truly relevant topics and we’re therefore not having the right conversations.

The Power of Layout

In most offices the layout says volumes about our lack of integration and cohesion. Management tightly controls the information flow—there is no dialogue. Managers look safe because their private offices and meetings with other managers suggest that they are a herd unto their own. Off in their isolated area, marketing scrutinizes management’s messages and creates talking points to assure that everyone is on the same page. They really believe that a

unified message is the antidote to corporate noise. They don't seem able to grasp that the noise cancels out their signal. The herd flinches at the pulses of danger.

That's why part of a leader's job is to provide a safe place for employees. A safe place is marked by relief, hope, focus, and achievement. By offering safety from the dangers of the external jungle, they help employees find a collective focus on the mission. Leaders who fail to understand this soon find that they have both an external jungle and an internal jungle to deal with. Their people feel on full alert all the time.

As the Case4Space team traveled around the country visiting companies, we looked for work environments that were safe places. We found them at Google, Cummins Inc.'s Commons Office Building, W. L. Gore, the Haworth headquarters, Balfour Beatty's Western and Eastern Region Offices, Cousins Properties's headquarters, FOX Architects, Idibri, Autodesk, Red Hat, the Bill & Melinda Gates Foundation, the Los Angeles CBRE office, the GSA's 1800 F Street headquarters modernization project, and many more. These organizations practiced a highly engaged design process that translated into a noticeably engaged work culture. We, as outsiders, were very impressed with the positive energy and focus people there have for their work and with one another. After visits to more than 100 companies, including many still clinging to the past, these safe companies were so vivid and distinct that we felt like we were entering a foreign country.

Space as a Proxy for Culture

In our visits to these highly engaged companies, we began to understand that space is a proxy for culture. In other words, the spaces—the actual designed places for work, conferencing, exercise regimens, eating, walking, and the like—reflected the values of the company, and also shaped the patterns of behavior and interaction. Naturally, when you change the space, you disrupt those patterns. And that can set off fireworks. Why? Because every organization has an official

culture and a shadow one. The official one is engraved and printed, but the shadow culture actually runs the place. Changing the space will always reveal “the way things are around here.” Because it disrupts, unmasks, and threatens the real power center (the shadow culture), changing the space can produce resistance and defiance.

For example, many companies place mission and values statements on their websites, on prominent walls, and in print media. These statements usually carry ideas like integrity, service, teamwork, diversity, dignity, empowerment, and partnership. But the designed spaces may reveal a strong shadow culture of hierarchy, control, command, and fear. By moving the space into alignment with access, collaboration, and value to the company, the true culture will be exposed. Trust me; it will not give up without a fight.

The old patterns and attitudes of space design were once acceptable and perhaps necessary norms for the command and control enterprise. In that world it was important to know each person’s position and station in the order of things. But in a network-based workplace, position is replaced by capability and station is overshadowed by one’s value to the mission and to others. We no longer need a designated floor, corner, or row of offices to know where to get a decision—we all have smartphones.

“For too long we have relied on relics of past practices as the foundation of our current processes. This is carried forward with myth and folklore and presented as fact. This must change. We must collectively discover new ways . . . and places to accomplish our work and begin an insurgency of innovation.”

—Chuck Hardy, Chief Workplace Officer at GSA Public Buildings Service

If your office reflects past attitudes about work, no matter how often your company hosts town hall meetings, provides improved team dynamic training, or offers employee engagement workshops,

you can't overcome the habits of how you live. Winston Churchill said, "We shape our buildings, and afterwards our buildings shape us."³ Think about it for a moment. Where did you go this week? How did that coffee shop, movie theater, convenience store, meeting room, office lobby, hotel, park, house of worship, fitness center, doctor's office, or airliner affect you? How did each place shape, enhance, or detract from your experience, attitude, energy, focus, or level of interaction? Space matters!

A Day in the Life

Matt Traub, former director of sales at Four Seasons Hotels and Resorts, understands that management must put themselves in the shoes of their stakeholders. He told me, "If an arriving guest had a frustrating day, found the parking lot confusing and difficult to park in, waited in a long line to check in, and then found the person at the reservation desk disinterested or bored, that guest's stay at the hotel will be the sum of these experiences." In the same way, leaders are beginning to go upstream in order to understand the jungle their employees face before they even arrive at the workplace. Google has learned how to push back some of the external jungle. They, like the hospitality industry, understand and embrace looking at work through the employee's experience. Many are now creating "day in the life" scenarios of what employees and guests experience before walking through the door.

Many people go to work with their lives in shreds. They are barely hanging on. Whoever you are and wherever you work, people around you seriously struggle with special-needs kids, long commutes, economic pressure, teenager and marriage problems, health challenges, single parenthood, aging and infirm parents, and so forth. Many people are stressed even before arriving at the workplace. What they need is a safe place that offers some relief, hope, meaning, and accomplishment. That is, of course, *if* you hope to get engaged and inspired at work. But when they transition from one jungle outside to another inside the office—with their

bodily systems already compromised—they operate on a very raw edge of life.

I'm one of those that would simply say, "We're a business! We're not here to solve the world's social problems." This is a logical but untenable reaction. Look at the risk of that position. Can you succeed with a 70 percent disengagement level? Can you survive the toxic 20 percent within that large majority who actually harm your organization? Can you count on your personal assistant giving his best when he has to leave in an hour to drive his father to the kidney dialysis center? You can't avoid life outside the company walls. Yet at the same time you can have a significant positive impact that will influence and improve the life of the people that spend half of their waking day carrying out the mission of your organization.

The workplace—the actual space—creates the landscape for that safe zone! The nature of the "where" of work has an intrinsic relationship to the way people associate. It forms a basic platform holding and shaping the who, what, when, why, and how of work.⁴ We have seen organizational cultures change, and dramatically, in several companies that see their facilities as an extension of how they value and care for their people.

The professional and social cost of our stress-driven work and home lives has washed onto the shores of business and is not going away. Wise leaders have already started to have completely different conversations around the ideas of risk management, human resources, facilities, and engagement.

How Much Is That in Dollars?

Clearly, employers no longer have the luxury of living with a clear demarcation between the workplace and home. The lines are forever blurred. More of what happens outside encroaches more deeply into the domain of the workplace. Providing a productive place where people can find temporary sanctuaries, connections, meaning, and accomplishment will quickly evolve from a perk to a prerequisite for corporate resilience and sustainability.

Ignoring these real-world problems is a very expensive mistake. The toxic bottom 20 percent of employees costs U.S. businesses \$550 billion a year, stress drains another \$300 billion,⁵ chronic health conditions balloon to over \$1 trillion,⁶ and working in sick buildings adds another \$60 billion.⁷ That totals 13 percent of the U.S. Gross Domestic Product (GDP).

“Space, place, environment, policy set the stage for achieving some sort of end state. So why expend effort, time, and resources on delivering a building or space that does not make people happier, more engaged, and more focused on the broader organizational goals?”

—Mark Pleskow, principal at Jacobs

Those leaders who do not actively provide a safe and productive workplace, and do not cultivate high engagement, will face great losses through disengagement, technology drains, and health risks.

Engagement Is the Issue

At the beginning of this chapter, I wrote that engagement is the number one resource of any organization. Engagement is that optional effort that employees (or volunteers) add beyond just following instructions. It is that sense of alertness and care—giving a damn!—that makes them seek clarification, ask questions, offer an alternative, or go the extra mile. Those people add a personal voluntary touch with a customer. They choose to improve their skills and become a more valued resource. In short, they love their job and they bring their best game to the workplace every day.

For the past 15 years, numerous studies have revealed a disturbing statistic: Over 50 percent of people in the workplace would rather be somewhere else—“anywhere but here.” And maybe that’s a good idea—the same studies indicate that you would be better off

paying another 20 percent of your workforce *to stay home* rather than to come to work and share their toxic effect.⁸ These folks are CAVE dwellers—employees who are Consistently Against Virtually Everything (see Figure 2.1). You know exactly who these people are. If one of them calls your phone, you think twice before answering. If a CAVE dweller is in your path to the coffee area, you take the longer alternate route. If you have to interact with this person, you have already thought through two or three exit strategies. As incredible as it may seem, nearly 2 out of every 10 employees are CAVE dwellers and are draining the life out of every workplace!

Think about that. If you have 10 people on your team, 3 are enthusiastic and will go the extra mile. Five will do a decent job if you tell them what to do, how to do it, and then follow up to make sure they did it. Two will drive you nuts with the friction and distractions they create, and the maintenance they require. Spread this dynamic across a large company, and it is easy to understand just how damaging



Figure 2.1 C.A.V.E. Dweller

CAVE dwellers can be. A 100-person firm has 20 toxic employees. In a 10,000-employee company, 2,000 are tearing your business down. At what scale does this horror show grab your attention?

How about this? Of the 140 million employed workers in the United States⁹ as of October 2013, 42 million are actively adding value, 70 million are just trying to stay out of the way, and 28 million are actively draining the economy at a rate estimated between \$450 to \$550 billion dollars a year!¹⁰ Peter Farrell, blogging for the *Harvard Business Review*, describes “presenteeism” (present at work, but mentally absent) as the 800-pound gorilla in the office place. The cost to business from the harm done by CAVE dwellers is roughly 3 percent of GDP.¹¹ That cost is equal to the size of several industries including commercial construction, entertainment, and twice the cost of public education.

The ratios are worse when we look outside the United States. Only 1 out of 10 international employees are invested, 6 are coasting, and 3 are actively working against their companies. Tragically, these numbers have not budged since 1997.

Chronic disengagement shows up in a wide range of other statistics. For instance, data from Gallup states that while 96 percent of engaged employees trust their companies, this drops to 46 percent with disengaged employees.¹² Imagine a third of your company questioning your motives with every new initiative, announcement, change, or attempt to promote the good things that takes place.

In many offices people can and do hide. They are invisible. You see them, but have no idea what they do. They effectively get paid to write their novel or edit their movie. Nielsen reports that 25 percent of employees watch pornography at work.¹³ Scott Adams, creator of the cartoon *Dilbert*, has captured this below-the-radar work ethic. The ones that hide and are ignored are twice as disengaged as the ones that receive negative attention.¹⁴ But they like it; they enjoy coming to work. In fact, 42 percent of companies report that these low performers actually report high levels of satisfaction!¹⁵

The Dilbert effect plus CAVE dwellers are killing the command and control organization. In addition to the \$550 billion drain each

year, companies with low engagement suffer from a 32 percent decrease in operating income, an almost 4 percent decline in net income, and an 11 percent reduction in earnings. Up to 3 percent of a company's gross revenue is lost in turnover.

Technology Drains

“Does anyone here expect someone to sleep well if they're interrupted all night? I don't think anyone would say yes. Why do we expect people to work well if they're being interrupted all day at the office?”

—*Jason Fried*¹⁶

We've all been caught in a restaurant with our spouse, family, or friends and felt that inevitable buzz in our pocket. Instantly it jerks us away from our lives; soon we're tapping out a stream of texts or giving other responses to the urgent message. Too few have the kind of discipline to make the boundaries between work and life clear and protected. We seem “always on call.”

Jason Fried is relentless when it comes to eliminating complexity and distractions. For example, he promotes “No Talk Thursdays,” a sanctuary of quiet to allow people to do focused work. This is certainly not for everyone, but the underlying principle is! We must have the time and space to do our critical work.

Of course, technology is essential to life and work. But it can also outstrip our social protocols if we let it. Too often it can and has become the tail that wags the dog. We must build boundaries and norms in our workspaces so that technology serves rather than controls us.

That is why many companies, having adopted an open work environment, are finding the need to rebalance and provide more breakout rooms with doors or quiet zones for people who need focus time. I know that when I undertake a project, I need at least 2 hours of uninterrupted time to go from context, to thinking about what-ifs, to

drafts or prototypes, and finally to synthesis. The general rule of thumb is that it requires 20 minutes after an interruption or a distraction to return to workflow when focused on a complex task.

I know that e-mail is an easy target, but it remains a serious technology drain. The incessant flow has created a condition that I call the “six-minute twitch.” We check our mobile devices about 150 times a day, requiring an hour or more just to keep up with the data flow.¹⁷ E-mail and mobile devices consume more than half of our attention. The distraction of the Internet tacks on another half hour a day on average per employee. That doesn’t sound like much, but add it all up and 35 percent of employees are browsing and watching between 1 to 2 hours a day.¹⁸ Obviously, when people are focused on e-mail and the Internet, they are not focused on work. So our information waterfall has washed attention right out of our places of work. That is why the workplace has become a key laboratory for business to begin defining how we can live and cope with ubiquitous technology.

Of course, space is a powerful tool in that defining process. It can help us avoid the tyranny of technology. Space can craft new habits and norms. For example, the more open office environments reduce the ability to hide, and they offer more engaging venues through the workspace. That space flexibility fits the work mode required at the time. Some organizations like CBRE, Google, and GSA are defining space by the *kind* of work: quiet zones, private room for focused work, small interactive spaces, larger coworking spaces, and so forth. CBRE’s Los Angeles office went from 4 work venues in the old traditional space to 16 in their 2013 renovation. In addition to offering more choice, the new workspace is also shaping new, more productive behavior.

Health Risks

Beyond the technology concerns, today’s companies have larger and more alarming worries related to the crisis of employee health. Health insurance companies are forcing policyholders to adopt preventive

health and wellness programs. Without the conviction needed to move from “health programs” to a wellness culture, compliance efforts amount to little more than poking a finger in a cracked dam. When Simon Sinek says, “Our jobs are killing us,” what do we not understand? His exhortation should trumpet a national call to action.

There is no separation of work and life when it comes to chronic health conditions. Ten percent of your workforce is taking antidepressants.¹⁹ Fifty to 70 percent of primary care doctor visits are for stress. Simon Sinek claims that 83 percent of employees are stressed at work. Remember: Stress leaves that adrenal gland open all day. Harvard Medical School found that the high-pressure demands on senior leaders create a feeling of burnout among 96 percent! One-third describe it as extreme burnout.²⁰

This problem is greatly compounded by obesity. Chances are you are overweight or obese, and your workplace is a major contributor. About 25 percent of the workforce is overweight, but more than 40 percent are obese (body mass index of 30 and above).²¹ Obesity and sitting both lead to high blood pressure, diabetes, and heart disease. Megan Mcardle cites in an April 2010 *BloombergBusinessweek* article that the enzymes that help break down fat drop 90 percent when sitting.²²

Thirty percent of Americans must manage high blood pressure.²³ Almost 1 out of 10 adults has diabetes, but half are pre-diabetic. Obesity is the cause of almost half of diabetes, 40 percent of certain cancers, and a quarter of coronary artery disease.²⁴

And many people live with great pain. Pain is one of the gauges on the dashboard of life. It tells us that something is wrong under the hood. The real cause for pain is usually stress. Today, it is flashing red for too many people. I went too long with a torn rotator cuff limiting my activities, robbing me of sleep, and creating mental distraction. Finding relief can be vexing, time consuming, and soul deadening. Because pain is invisible, it is often misunderstood by those who don't experience anything similar. It's easy to discount the distraction and all of the workarounds a person with chronic pain must devise. No wonder pain can quickly lead to depression.

Simplifying the Challenge

Firms like Google are now looking upstream in the working routines of their employees (who, reflecting their strong culture, are called “Googlers”). Doing so leads to a different conversation among human resources, risk management, corporate real estate, and facilities. For example, the wellness movement is an important early indicator of companies shifting their risk paradigm. Personal health is forcing employers to dive deeper into the lives of their employees. This further blurs the traditional lines between employer and employee, and it is only just beginning. Once the wellness movement builds momentum, the next breakout firms will not simply manage the risk, but will seek to own it completely by moving from health programs to wellness cultures.

Google is redesigning its campus to spread out exercise spaces to create more reasons to walk and talk. The company is also redesigning the food displays in the micro-kitchens so that healthier foods are readily available. Google sees their workspaces as a powerful tool for addressing and cultivating a wellness culture.

Ever wonder how the problems of the workplace became so complicated and so big so fast? This complexity crisis has forced companies to add the ever-expanding “Chief” roles (CEO, COO, CFO, CIO, CMO, CTO, etc.) in an attempt to stay even with increasing demands. The focus makes sense on paper. However, these new roles within the context of all of the other functions simply add to the complexity, battles over role and turf, and competition for resources. All of that makes coordination exponentially more difficult.

Part of the answer is not to add more single-focus initiatives and roles, but rather to reduce and integrate. When leaders regain both a common touch and common sense, the effects can be transforming. One of the best vehicles for rebuilding a deep level of intimacy with the culture and flow of the organization is direct involvement in redesigning how the people in an organization will work and live together.

The new awareness around health and wellness will change the way leaders lead. If you have ever reached a point where your doctor warned you to change your lifestyle and adopt healthy habits “or else,” you understand how it begins a cascade of new discoveries and an awareness that everything either contributes to or threatens your health. You may start by dieting, then monitoring your weight, then shifting from dieting to eating healthfully, adding exercise, becoming more aware of your sleep, managing stress, and seeking more work–life balance. We learn that health is inter-related, not compartmentalized. So what looks at first like a complex matrix of interventions soon turns into a life-rhythm, and habit then resolves its complexity.

As most of you know, in commercial real estate, the cost of building is known as “sunk costs”—those costs that can never be recovered. That mind-set has influenced the way we think about space. We see it as a cost always to be minimized, regardless of other factors.²⁵

But what if we thought of it as compound interest? If we could see it as the way to shape culture, we might begin to understand that it grants a great return on investment. And it compounds the return! For example, as I shared in Chapter 1, a water pipe burst and flooded several floors of CBRE’s new Los Angeles office. Yet incredibly, they were fully operational on Monday morning.

That happened because CBRE had moved beyond the sclerotic thinking of sunk costs. They designed their space as a flexible, open, and engaging workplace. Their files were digitized and stored in the cloud. All offices were “free address,” meaning that working space was chosen according to the needs of the task rather than assigned by position, and everyone was well-trained in using their new digital tools. There were no file cabinets, desktop computer towers, or other relics from traditional office design. There was absolutely no loss of productivity. Client information remained intact and secure. Employees continued to operate and communicate efficiently. Had they been trapped in the old design, they would have been inoperative or handicapped for months.

That is the immeasurable beauty of receiving compound interest on an investment rather than viewing it as a sunk cost.

Summary

In this chapter we have considered the soul-killing world of work that many employees experience and the environments that reinforce it. And we also looked at the staggering cost—\$1 trillion a year—of our stressed, fragmented, disengaged workplace. We seem to not know that life is integrated. Why else would disengagement be baked right into the traditional workplace?

“There is a powerful business case for employee engagement. It is the only way to achieve high profit while meeting corporate mission goals and caring for your people.”

—Craig Janssen, managing director, Idibri

We also introduced several companies that positively changed their culture through a linked process of strategy and changing their space. They discovered the compound interest of making great investments in space design. Later, we will discuss exactly how to use space as a tool to reveal, understand, refine, or reset culture.

We all know that our organizations face new threats. Success is no longer a matter of speed and scale; it also requires navigating complexity and dealing with unpredictability. The next chapter addresses those conditions. We will examine why most companies have yet to understand the peril that is rapidly approaching them, and why they still follow obsolete business structures, practices, and thinking. Chapter 3 will resonate loudly with companies that feel they need a major reset but face legacy issues and entrenched cultures that make such changes almost impossible.