



# Transforming the Workplace at Scan Health

by

Diane Coles Levine, Charles Graham, James Ware



**IFMA**<sup>TM</sup>

International Facility Management Association

Empowering Facility Professionals Worldwide

800 GESSNER ROAD, HOUSTON, TX 77024-4257 USA

PHONE: +1-713-623-4362

COMMUNITY.IFMA.ORG

## Executive Summary

The very nature of work is changing; most of the institutions and business models that supported industrial-age businesses are crumbling—rapidly. Think of General Motors in bankruptcy, Lehman Brothers closing its doors, the rise of China as a world economic giant, high rates of unemployment in the United States.

It's now time to rethink the way we house and support knowledge workers. The office as we've known it can no longer be taken for granted. Today a creative workplace strategy can be a major source of both cost reduction and productivity improvement. Work-at-home and mobility programs enable companies to reduce their space needs significantly, while also increasing occupancy density.

This document describes a major re-design of a “standard” corporate office environment at SCAN Health Plan.<sup>2</sup> The focus of the redesign process was to (1) reduce the cost of occupancy; (2) improve employee satisfaction with the work environment; and (3) provide a more agile workplace to accommodate future needs.

The project deployed three strategies simultaneously. First, the development of a “work at home” program enabled the company to consolidate the real estate portfolio and enable greater density in the re-designed space. Second, the remaining space was re-designed by shrinking and—in many cases—eliminating private offices, concentrating storage space, and providing standardized “neighborhood”-based work areas. Lastly, an innovative “policy in pictures” process was developed that helped to engage employees in the workplace design and provisioning process.

The results of the transformation project were measured over an 18-month period:

- 40% return on investment of funds for the program development and deployment
- 38% reduction in cost of workplace support
- 18% increase in productivity
- reduction in provisioning time from 12 weeks to 3 days
- decrease in travel to work by 20% for program employees

It is clear that prudent investment in new design and provisioning processes can contribute directly—and almost immediately—to the corporate bottom line. In addition, facilities management can (and should) lead the development of a strategically-focused real estate operation that can be adapted to corporate needs as companies contract their workforce, expand into new market areas, and/or place more emphasis on attracting and retaining talent, as opposed to a more narrow cost-optimization approach.

---

<sup>1</sup> This Proceedings was prepared for Worldwide Workplace 2009. It draws heavily on—but goes beyond—Chapter 5 of the forthcoming IFMA Foundation book, *Cut It Out!*

<sup>2</sup> <http://www.scanhealthplan.com>

## The AWESOME Project at SCAN Health Plan

SCAN Health Plan was founded in 1977 by a group of seniors who were frustrated by their lack of access to medical services and who wanted an organization that addressed their specific needs. These forward-thinking senior citizens formed the “**Senior Care Action Network**,” now known as SCAN Health Plan. The overarching goal of the organization then was the same as it is today: to continue to find innovative ways to enhance seniors' ability to manage their health and to continue to control where and how they live.

The mission of SCAN's facility management organization is providing leadership in the integration of real estate, information technology, and human resource assets. This role is somewhat unusual for a facilities management function. However, the Executive Team has explicitly tasked the department with that goal. *The department's basic objective is to reduce overall operating costs while preserving the capability of the organization to attract and retain key talent today and be prepared for the future.*

The SCAN Health Plan Workplace Services department led a fundamental reshaping of the way the company's work environment is designed and managed by bringing together SCAN's Human Resources (HR) and Information Technology (IT) departments with Workplace Services to jointly develop a workplace strategy called “The AWESOME Project.”<sup>3</sup>

The project involved three major changes made at SCAN:

1. A **flexible work program** that now enables several hundred SCAN employees to work from home or other locations several days a week;
2. An **aggressive redesign and repurposing** of the workplaces within the company's corporate headquarters facility; and
3. A **fundamental redesign of the process** by which individual and team workplaces are configured and provisioned.

### *Enabling the Work-at-Home Program*

The initial pilot program, involving twenty work-at-home employees, was launched in December 2007. After careful evaluation that included workforce surveys, separate focus group meetings with work-at-home employees and their managers, and formal productivity measurements, the pilot was deemed a success by the executive team in April 2008. The AWESOME project was then launched in full force in April 2008, while the new space concept at the corporate headquarters building was approved in July 2008.

SCAN provides AWESOME telecommuters with a desk, chair, and laptop, as well as a telephone and Internet cable service. AWESOME participants must work a minimum of two days a week at home in order for SCAN to realize the associated real estate savings. Department leaders determine the amount of days individual employees can telecommute.

---

<sup>3</sup> AWESOME is an acronym for “**A**lternate **W**orkplaces **E**ngaging **S**taff & **O**ffice **M**anagement **E**fficiencies”

## *Space Concepts Redesign*

After reviewing SCAN's 2012 Strategic Plan, the Workplace Services team, led by Diane Coles with expert assistance from architect Manuel Urquiza (founder and President of The Urquiza Group, Inc.), realized that the existing space design was not aligned with the corporate vision. While the executive team was interested in breaking down silos, fostering teamwork, and becoming an adhocracy, the space design fostered exactly the opposite behaviors.

A series of design charrettes (focus groups) was led by the principals of the Work Design Collaborative<sup>4</sup> and Manuel Urquiza. The charrettes included representatives from all the major departments at SCAN. The common themes that emerged in the charrettes included the need for better acoustics and lighting, freedom of choice (in equipments and space layouts), and the ability to work anywhere. Using this feedback, the workplace services team created a "village" concept in which staff are able to move throughout different "neighborhoods," working in many different places, including "townhouses," single-occupant spaces, touchdown café's, libraries, the "post office," copy centers, and conference rooms—some of which are furnished with casual, "living room" furniture.

Each townhouse is a "home" for approximately four to six employees; the "residents" choose their own furniture (from an approved list) and its placement using an interactive whiteboard (Smartboard 600i series). With flexible components, a townhouse can be reconfigured within 24 hours, given that the needed components are available in stock. Using the Smartboard, departments and Workplace Services can quickly redesign a townhouse, print a picture of the layout, confer with IT, and easily make the desired changes

For those employees who still work full-time in the corporate facility, the power of choice in their workspace has been very well-received. This "self-design" approach has actually made the daunting task of space planning fun. Townhouse resident teams are asked to think about how the workplace configuration will affect their productivity as they experiment with the placement of their furniture. Productivity measurements are being taken regularly to improve the company's understanding of how space design impacts employee productivity.

A number of technology initiatives were also a key part of the "work anywhere" space concept; without them SCAN would not have been able to reduce its real estate costs. The technology initiatives included adding wireless technology in all offices, increasing available bandwidth, migrating to laptops from desktop computers, and offering cell phones, cordless phones, scanning, IP Softphone, web meetings, and instant messaging to most SCAN employees.

---

<sup>4</sup> <http://www.thefutureofwork.net>

## *The Provisioning Process*

They say that a “picture is worth a thousand words” and SCAN’s new workplace “policy in pictures” is living proof. In order to manage the change to a “work anywhere” concept, the team created the new workplace policy (using an interactive whiteboard, or Smartboard®) that almost completely picture-based. This new approach provides quicker recognition and understanding during change management sessions with departments. Once the pictures are shown, employees immediately understand the concept.

## **The Program Details**

The AWESOME program increases SCAN’s flexibility to adapt to future uncertainties with health care reform. Recent healthcare legislation, and the prospect of additional healthcare reform as we go to press has made SCAN’s future revenue outlook highly uncertain and more variable. The AWESOME project’s contribution to reduced administrative costs has allowed SCAN to maintain its level of health care service to its 110,000-plus customers without increasing customer costs.

AWESOME “has fundamentally changed the way that SCAN looks at its business model,” according to Hank Osowski, Senior Vice President, Business Development. The project has laid the foundation for SCAN’s entry into new markets by putting in place three key processes to promote corporate agility:

1. the performance measurement system;
2. working conditions that attract and retain employees in a very tight health care labor market; and
3. a more efficient, lower-cost facilities change process.

As of July 2009, there were 130 AWESOME employees at SCAN who were working a minimum of two days a week from home. However, the use of flexible space impacts **all** of SCAN’s 950 employees. The flexibility of the new space concept coupled with the design of contemporary collaboration spaces and the power of choice in arranging individual workspaces improves everyone’s productivity and fosters creativity and innovation by breaking down departmental silos. In addition, the AWESOME program has been at the heart of a subtle but important shift in SCAN’s corporate culture.

The change in corporate culture over the last year resulted from aligning the workplace design to SCAN's 2012 vision by incorporating three components of the vision:

1. Breaking down silos and building collaborative spaces;
2. Eliminating bureaucratic space standards; and
3. Building spaces that foster creativity, innovation and brainstorming.

AWESOME introduced quantitative performance measurement practices into the company that are now being rolled out and adopted for *all* employees in all departments. SCAN's Human Resources department has now taken the lead in promoting the use of individualized quantitative measures of performance at all levels throughout the organization.

In combination, the ability to work from home and the redesign of office space due to the AWESOME project have also helped make the company a magnet for talent. SCAN now enjoys a competitive advantage in the tight health care labor market because of it offers flexible work options. Many new employees have reported that they chose to work for SCAN because of the AWESOME project. Others have said they would leave the company if they weren't allowed to participate in the program.

### *The Impact*

**Efficiency – Making the most of the space.** A comprehensive telecommuting cost/benefit analysis, which included not only facilities costs but also technology, human resources, and productivity, initially showed a 30% return on investment. The actual ROI is now much higher at 40%.

The creation of the new space concept and the re-engineering of the planning process in combination have reduced workplace planning, configuration costs, and timeframe by approximately 38%

The real estate footprint is being reduced; four satellite offices were closed as staff was absorbed into the headquarters facility, saving \$388,367 in annual rent in 2008 alone.

**Effectiveness – making the most out of the people.** To participate in AWESOME, departments complete a readiness plan and create staff performance measurements. Staff productivity is measured before they begin working from home to establish a baseline, and is then monitored on a monthly basis through the Key Performance Indicator (KPI) process that includes regular reports to the executive team. The data clearly shows that employees who work from home a minimum of two days per week are, on average, 18% more productive than they were when they were in the office on a full-time basis.

**Expression – making the most of the mission.** SCAN executives take great pride in the fact that employees believe in the SCAN corporate mission. AWESOME participants are asked to take an employee engagement survey prior to working from home, and then every six months afterwards. The data shows that on average employees are equally, if not more, engaged working from home as they are working in the office

## Cost and Time Savings

In summary, a cost/benefit analysis of this new approach has projected savings of more than \$7 million dollars over six years, or a 38% savings in the cost of workforce support. This conservative analysis shows that the flexibility of the townhouse setup reduces the number of steps in furniture reconfigurations. This reengineering of the process produces a significant savings in architectural services, dealer services, furniture, electrical, cabling, moving, and modular furniture storage costs. This analysis was approved by SCAN's Finance department; it is reviewed on a regular basis at executive team meetings.

## Workplace Policy Evolution

The SCAN experience amply illustrates that the role of the facility manager (FM) is changing. We found that there were nine key areas in which the role of FM has evolved at SCAN. We outline those areas here, along with repeating the impact that each of these role changes has had on the company's bottom line.

**Communication skills.** AWESOME broke down silos between the Facilities, Human Resources, and Information Technology departments; those functions are now aligned strategically. By empowering employees with the ability to "work anywhere," coupled with the design of contemporary collaboration spaces that are designed to foster creativity, innovation and break down silos, AWESOME has improved communication throughout the company.

**Leadership and management.** Every facility manager dreams about getting into the boardroom. Not only did the AWESOME program achieve that at SCAN, but it also became the business case for a new strategic initiative within SCAN's 2012 vision. And, in 2008, the AWESOME program's achievements directly impacted all executive bonuses!

**Finance.** The AWESOME program has reduced SCAN's operating costs by \$1.1 million a year to date. We project that over the next five years the continuing workplace redesign and reconfiguration efforts will produce over \$7 million in operating cost reductions. The project's contribution to reduced administrative costs allows SCAN to maintain its level of health care service to its 110,000-plus customers without increasing their costs.

**Human and environmental factors.** AWESOME participants value the reduction in commute time and the flexibility they gain so much that they now consider these working conditions a core component of their relationship with SCAN. In 2008, employee travel miles were reduced by 450,000. AWESOME has improved employee quality of life, attraction and retention, and employee engagement with the company.

**Maintenance and operations.** AWESOME introduced quantitative performance measurement practices into the company—measures that are now being rolled out and adopted for all employees in all departments. The AWESOME project data shows that employees who work from home a minimum of two days per week are, on average, 18% more productive than they were before AWESOME. The creation of a new space concept and the re-engineering of the planning process have reduced workplace planning, configuration costs, and cycle times by 38%

**Planning and project management.** AWESOME demonstrates how Facilities, Human Resources and Information Technology working together can make a positive impact on the bottom line while also improving employee engagement, attraction, and retention, and preserving the capability to respond to changing market conditions.

**Quality assessment and innovation.** The impact of AWESOME “has fundamentally changed the way that SCAN looks at its business model.” The project has laid the foundation for SCAN’s entry into new markets by putting in place key processes to promote corporate agility.

**Real estate;** Annual rent in 2008 was reduced by \$388,367. The density of occupation in the corporate facility increased by 16%. Further reductions will be realized as SCAN systematically reduces real estate assets and even more employees participate in AWESOME.

**Technology.** To create the ability to “work anywhere,” AWESOME prompted new technology initiatives such as wireless networks within corporate facilities, increased bandwidth availability, and a movement to laptops, cell phones, cordless phones, scanning, IP Soft Phone, web meetings, instant messaging, and interactive electronic whiteboards.



## Summary

We understand that most businesses are pressured these days to achieve dramatic improvements quickly. However, we encourage you to truly embrace the strategies and tactics deployed by SCAN Health and start down the pathway to developing a fully integrated “strategy of place” program, using short-term gains to demonstrate what you can achieve and thereby justify more significant investments in long-term gains.