

Integrative Case 2.0

It Isn't So Simple: Infrastructure Change at Royce Consulting*

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The lights of the city glittered outside Ken Vincent's twelfth-floor office. After nine years of late nights and missed holidays, Ken was in the executive suite with the words "Associate Partner" on the door. Things should be easier now, but the proposed changes at Royce Consulting had been more challenging than he had expected. "I don't understand," he thought. "At Royce Consulting our clients, our people, and our reputation are what count, so why do I feel so much tension from the managers about the changes that are going to be made in the office? We've analyzed why we have to make the changes. Heck, we even got an outside person to help us. The administrative support staff are pleased. So why aren't the managers enthusiastic? We all know what the decision at tomorrow's meeting will be—Go! Then it will all be over. Or will it?" Ken thought as he turned out the lights.

Background

Royce Consulting is an international consulting firm whose clients are large corporations, usually with long-term contracts. Royce employees spend weeks, months, and even years working under contract at the client's site. Royce consultants are employed by a wide range of industries, from manufacturing facilities to utilities to service businesses. The firm has over 160 consulting offices located in 65 countries. At this location Royce employees included 85 staff members, 22 site managers, 9 partners and associate partners, 6 administrative support staff, 1 human resource professional, and 1 financial support person.

For the most part, Royce Consulting hired entry-level staff straight out of college and promoted from within. New hires worked on staff for five or six years; if they did well, they were promoted to manager. Managers were responsible for maintaining client contracts and assisting partners in creating proposals for future engagements. Those who were not promoted after six or seven years generally left the company for other jobs.

Newly promoted managers were assigned an office, a major perk of their new status. During the previous year, some new managers had been forced to share an office because of space limitations. To minimize the friction of sharing an office, one of the managers was usually assigned to a long-term project out of town. Thus, practically speaking, each manager had a private office.

Infrastructure and Proposed Changes

Royce was thinking about instituting a hoteling office system—also referred to as a "nonterritorial" or "free-address"

office. A hoteling office system made offices available to managers on a reservation or drop-in basis. Managers are not assigned a permanent office; instead, whatever materials and equipment the manager needs are moved into the temporary office. These are some of the features and advantages of a hoteling office system:

- No permanent office assigned
- Offices are scheduled by reservations
- Long-term scheduling of an office is feasible
- Storage space would be located in a separate file room
- Standard manuals and supplies would be maintained in each office
- Hoteling coordinator is responsible for maintaining offices
- A change in "possession of space"
- Eliminates two or more managers assigned to the same office
- Allows managers to keep the same office if desired
- Managers would have to bring in whatever files they needed for their stay
- Information available would be standardized regardless of office
- Managers do not have to worry about "housekeeping issues"

The other innovation under consideration was an upgrade to state-of-the-art electronic office technology. All managers would receive a new notebook computer with updated communications capability to use Royce's integrated and proprietary software. Also, as part of the electronic office technology, an electronic filing system was considered. The electronic filing system meant information regarding proposals, client records, and promotional materials would be electronically available on the Royce Consulting network.

The administrative support staff had limited experience with many of the application packages used by the managers.

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This case was prepared by Sally Dresdow of the University of Wisconsin at Green Bay and Joy Benson of the University of Illinois at Springfield and is intended to be used as a basis for class discussion. The views represented here are those of the case authors and do not necessarily reflect the views of the Society for Case Research. The authors' views are based on their own professional judgments. The names of the organization, individuals, and location have been disguised to preserve the organization's request for anonymity.

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While they used word processing extensively, they had little experience with spreadsheets, communications, or graphics packages. The firm had a graphics department and the managers did most of their own work, so the administrative staff did not have to work with those application software packages.

Work Patterns

Royce Consulting was located in a large city in the Midwest. The office was located in the downtown area, but it was easy to get to. Managers assigned to in-town projects often stopped by for a few hours at various times of the day. Managers who were not currently assigned to client projects were expected to be in the office to assist on current projects or work with a partner to develop proposals for new business.

In a consulting firm, managers spend a significant portion of their time at client sites. As a result, the office occupancy rate at Royce Consulting was about 40 to 60 percent. This meant that the firm paid lease costs for offices that were empty approximately half of the time. With the planned growth over the next ten years, assigning permanent offices to every manager, even in doubled-up arrangements, was judged to be economically unnecessary given the amount of time offices were empty.

The proposed changes would require managers and administrative support staff to adjust their work patterns. Additionally, if a hoteling office system was adopted, managers would need to keep their files in a centralized file room.

Organizational Culture

Royce Consulting had a strong organizational culture, and management personnel were highly effective at communicating it to all employees.

Stability of Culture

The culture at Royce Consulting was stable. The leadership of the corporation had a clear picture of who they were and what type of organization they were. Royce Consulting had positioned itself to be a leader in all areas of large business consulting. Royce Consulting's CEO articulated the firm's commitment to being client-centered. Everything that was done at Royce Consulting was because of the client.

Training

New hires at Royce Consulting received extensive training in the culture of the organization and the methodology employed in consulting projects. They began with a structured program of classroom instruction and computer-aided courses covering technologies used in the various industries in which the firm was involved. Royce Consulting recruited top young people who were aggressive and who

were willing to do whatever was necessary to get the job done and build a common bond. Among new hires, camaraderie was encouraged along with a level of competition. This kind of behavior continued to be cultivated throughout the training and promotion process.

Work Relationships

Royce Consulting employees had a remarkably similar outlook on the organization. Accepting the culture and norms of the organization was important for each employee. The norms of Royce Consulting revolved around high performance expectations and strong job involvement.

By the time people made manager, they were aware of what types of behaviors were acceptable. Managers were formally assigned the role of coach to younger staff people, and they modeled acceptable behavior. Behavioral norms included when they came into the office, how late they stayed at the office, and the type of comments they made about others. Managers spent time checking on staff people and talking with them about how they were doing.

The standard for relationships was that of professionalism. Managers knew they had to do what the partners asked and they were to be available at all times. A norms survey and conversations made it clear that people at Royce Consulting were expected to help each other with on-the-job problems, but personal problems were outside the realm of sanctioned relationships. Personal problems were not to interfere with performance on a job. To illustrate, vacations were put on hold and other kinds of commitments were set aside if something was needed at Royce Consulting.

Organizational Values

Three things were of major importance to the organization: its clients, its people, and its reputation. There was a strong client-centered philosophy communicated and practiced. Organization members sought to meet and exceed customer expectations. Putting clients first was stressed. The management of Royce Consulting listened to its clients and made adjustments to satisfy the client.

The reputation of Royce Consulting was important to those leading the organization. They protected and enhanced it by focusing on quality services delivered by quality people. The emphasis on clients, Royce Consulting personnel, and the firm's reputation was cultivated by developing a highly motivated, cohesive, and committed group of employees.

Management Style and Hierarchical Structure

The company organization was characterized by a directive style of management. The partners had the final word on all issues of importance. It was common to hear statements like "Managers are expected to solve problems, and do whatever it takes to finish the job" and "Whatever the

partners want, we do.” Partners accepted and asked for managers’ feedback on projects, but in the final analysis, the partners made the decisions.

Current Situation

Royce Consulting had an aggressive five-year plan that was predicated on a continued increase in business. Increases in the total number of partners, associate partners, managers, and staff were forecast. Additional office space would be required to accommodate the growth in staff; this would increase rental costs at a time when Royce’s fixed and variable costs were going up.

The partners, led by managing partner Donald Gray and associate partner Ken Vincent, believed that something had to be done to improve space utilization and the productivity of the managers and administrative personnel. The partners approved a feasibility study of the innovations and their impact on the company.

The ultimate decision makers were the partner group who had the power to approve the concepts and commit the required financial investment. A planning committee consisted of Ken Vincent; the human resources person; the financial officer; and an outside consultant, Mary Schrean.

The Feasibility Study

Within two working days of the initial meeting, all the partners and managers received a memo announcing the hoteling office feasibility study. The memo included a brief description of the concept and stated that it would include an interview with the staff. By this time, partners and managers had already heard about the possible changes and knew that Gray was leaning toward hoteling offices.

Interviews with the Partners

All the partners were interviewed. One similarity in the comments was that they thought the move to hoteling offices was necessary but they were glad it would not affect them. Three partners expressed concern about managers’ acceptance of the change to a hoteling system. The conclusion of each partner was that if Royce Consulting moved to hoteling offices, with or without electronic office technology, the managers would accept the change. The reason given by the partners for such acceptance was that the managers would do what the partners wanted done.

The partners all agreed that productivity could be improved at all levels of the organization: in their own work as well as among the secretaries and the managers. Partners acknowledged that current levels of information technology at Royce Consulting would not support the move to hoteling offices and that advances in electronic office technology needed to be considered.

Partners viewed all filing issues as secondary to both the office layout change and the proposed technology

improvement. What eventually emerged, however, was that ownership and control of files was a major concern, and most partners and managers did not want anything centralized.

Interviews with the Managers

Personal interviews were conducted with all ten managers who were in the office. During the interviews, four of the managers asked Schrean whether the change to hoteling offices was her idea. The managers passed the question off as a joke; however, they expected a response from her. She stated that she was there as an adviser, that she had not generated the idea, and that she would not make the final decision regarding the changes.

The length of time that these managers had been in their current positions ranged from six months to five years. None of them expressed positive feelings about the hoteling system, and all of them referred to how hard they had worked to make manager and gain an office of their own. Eight managers spoke of the status that the office gave them and the convenience of having a permanent place to keep their information and files. Two of the managers said they did not care so much about the status but were concerned about the convenience. One manager said he would come in less frequently if he did not have his own office. The managers believed that a change to hoteling offices would decrease their productivity. Two managers stated that they did not care how much money Royce Consulting would save on lease costs; they wanted to keep their offices.

However, for all the negative comments, all the managers said that they would go along with whatever the partners decided to do. One manager stated that if Royce Consulting stays busy with client projects, having a permanently assigned office was not a big issue.

During the interviews, every manager was enthusiastic and supportive of new productivity tools, particularly the improved electronic office technology. They believed that new computers and integrated software and productivity tools would definitely improve their productivity. Half the managers stated that updated technology would make the change to hoteling offices “a little less terrible,” and they wanted their secretaries to have the same software as they did.

The managers’ responses to the filing issue varied. The volume of files managers had was in direct proportion to their tenure in that position: The longer a person was a manager, the more files he or she had. In all cases, managers took care of their own files, storing them in their offices and in whatever filing drawers were free.

As part of the process of speaking with managers, their administrative assistants were asked about the proposed changes. Each of the six thought that the electronic office upgrade would benefit the managers, although they were somewhat concerned about what would be expected of

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them. Regarding the move to hoteling offices, each said that the managers would hate the change, but that they would agree to it if the partners wanted to move in that direction.

Results of the Survey

A survey developed from the interviews was sent to all partners, associate partners, and managers two weeks after the interviews were conducted. The completed survey was returned by 6 of the 9 partners and associate partners and 16 of the 22 managers. This is what the survey showed.

Work Patterns. It was “common knowledge” that managers were out of the office a significant portion of their time, but there were no figures to substantiate this belief, so the respondents were asked to provide data on where they spent their time. The survey results indicated that partners spent 38 percent of their time in the office; 54 percent at client sites; 5 percent at home; and 3 percent in other places, such as airports. Managers reported spending 32 percent of their time in the office, 63 percent at client sites, 4 percent at home, and 1 percent in other places.

For 15 workdays, the planning team also visually checked each of the 15 managers’ offices four times each day: at 9 a.m., 11 a.m., 2 p.m., and 4 p.m. These times were selected because initial observations indicated that these were the peak occupancy times. An average of six offices (40 percent of all manager offices) were empty at any given time; in other words, there was a 60 percent occupancy rate.

Alternative Office Layouts. One of the alternatives outlined by the planning committee was a continuation of and expansion of shared offices. Eleven of the managers responding to the survey preferred shared offices to hoteling offices. Occasions when more than one manager was in the shared office at the same time were infrequent. Eight managers reported 0 to 5 office conflicts per month; three managers reported 6 to 10 office conflicts per month. The type of problems encountered with shared offices included not having enough filing space, problems in directing telephone calls, and lack of privacy.

Managers agreed that having a permanently assigned office was an important perk. The survey confirmed the information gathered in the interviews about managers’ attitudes: All but two managers preferred shared offices over hoteling, and managers believed their productivity would be negatively impacted. The challenges facing Royce Consulting if they move to hoteling offices centered around tradition and managers’ expectations, file accessibility and organization, security and privacy issues, unpredictable work schedules, and high-traffic periods.

Control of Personal Files. Because of the comments made during the face-to-face interviews, survey respondents were asked to rank the importance of having personal

control of their files. A 5-point scale was used, with 5 being “strongly agree” and 1 being “strongly disagree.” Here are the responses.

Respondents	Sample	Rank
Partners	6	4.3
Managers:		
0–1 year	5	4.6
2–3 years	5	3.6
4+ years	6	4.3

Electronic Technology. Royce Consulting had a basic network system in the office that could not accommodate the current partners and managers working at a remote site. The administrative support staff had a separate network, and the managers and staff could not communicate electronically. Of managers responding to the survey, 95 percent wanted to use the network but only 50 percent could actually do so.

Option Analysis

A financial analysis showed that there were significant cost differences between the options under consideration:

Option 1: Continue private offices with some office sharing

- Lease an additional floor in existing building; annual cost, \$360,000
- Build out the additional floor (i.e., construct, furnish, and equip offices and work areas): one-time cost, \$600,000

Option 2: Move to hoteling offices with upgraded office technology

- Upgrade office electronic technology: one-time cost, \$190,000

Option 1 was expensive because under the terms of the existing lease, Royce had to commit to an entire floor if it wanted additional space. Hoteling offices showed an overall financial advantage of \$360,000 per year and a one-time savings of \$410,000 over shared or individual offices.

The Challenge

Vincent met with Mary Schrean to discuss the upcoming meeting of partners and managers, where they would present the results of the study and a proposal for action. Included in the report were proposed layouts for both shared and hoteling offices. Vincent and Gray were planning to recommend a hoteling office system, which would include storage areas, state-of-the-art electronic office technology for managers and administrative support staff, and centralized files. The rationale for their decision emphasized the amount of time that managers were out of the

office and the high cost of maintaining the status quo and was built around the following points:

1. Royce's business is different: offices are empty from 40 to 60 percent of the time.
2. Real estate costs continue to escalate.
3. Projections indicate there will be increased need for offices and cost-control strategies as the business develops.
4. Royce Consulting plays a leading role in helping organizations implement innovation.

"It's still a go," thought Vincent as he and the others returned from a break. "The cost figures support it and the growth figures support it. It's simple—or is it? The decision is the easy part. What is it about Royce Consulting that will help or hinder its acceptance? In the long run, I hope we strengthen our internal processes and don't hinder our effectiveness by going ahead with these simple changes."

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