

Workforce
segmentation:
Connecting workplace
supply and demand



EY

Building a better
working world



Abstract

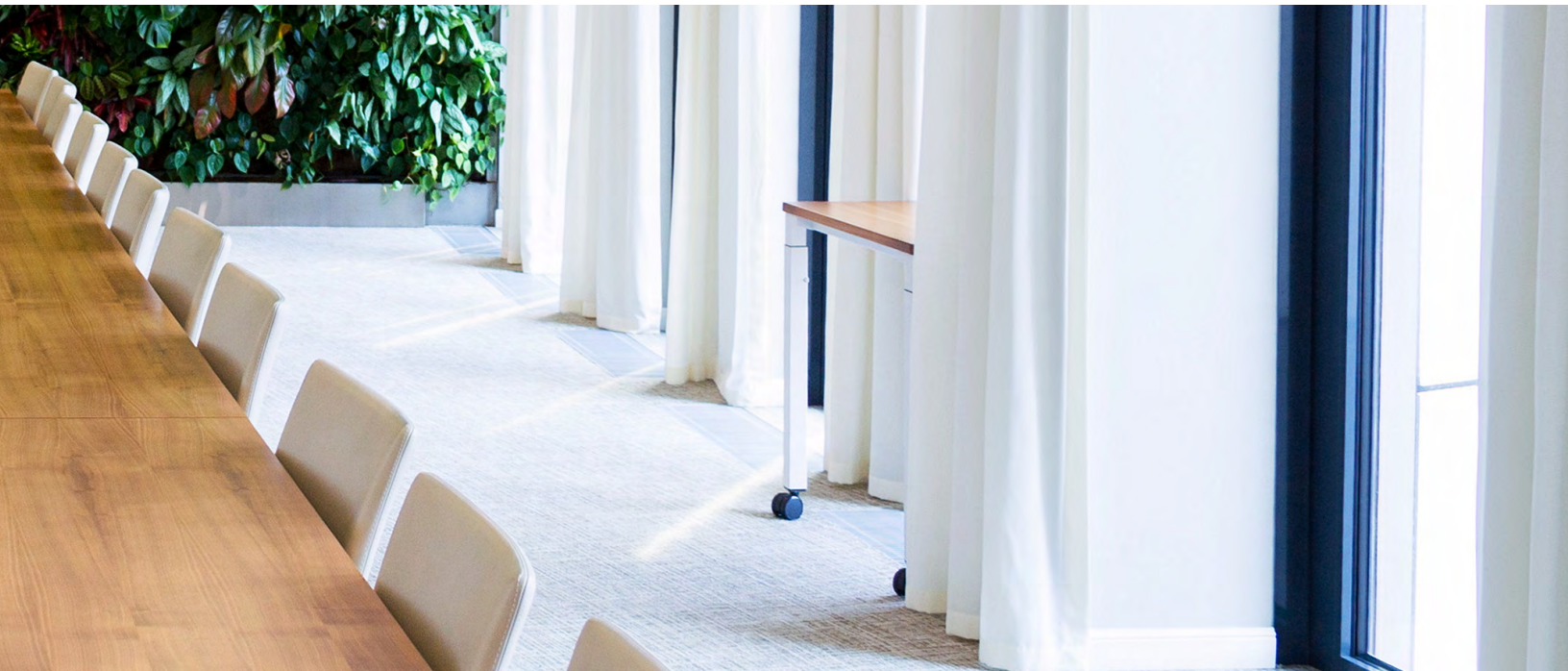
It is important that real estate space planning be highly responsive to workforce planning. As workforce demographics, behaviors and needs change, real estate should support these changes accordingly. Pre-pandemic, there were many organizations who over-provisioned space (e.g., 1:1 people to seats, high ratios of individual to collaboration space, low utilization) and operated in a business-as-usual approach when it came to facility planning. Innovative real estate solutions are rooted in

a thorough understanding of the workforce and are designed to reflect how an organization needs to work to be successful. The pandemic has revealed that a greater level of job flexibility is sustainable and desirable for many, meaning that workplace strategies will account for a broad spectrum of work locations and arrangements moving forward. With this added complexity, conducting workforce segmentation analysis is a key first step toward a more defined plan for real estate needs.

This article articulates the benefits of using workforce segmentation as a tool to support real estate decision-making. In addition, it outlines a segmentation process that organizations can institute to memorialize the unique needs of their employees and better gauge how their workplace can support them. Finally, it provides examples of how organizations have leveraged the segmentation process to better understand the demand for space and accurately evaluate footprint requirements and long-term strategies.

Key words

- ▶ Employee segmentation
- ▶ Work styles
- ▶ Future of Work
- ▶ Flexibility
- ▶ Workforce
- ▶ Workplace



Introduction

It is important that real estate space planning be highly responsive to workforce planning.

As workforce demographics, behaviors and needs change, real estate should support these changes accordingly. In general, the most impactful real estate solutions are rooted in a thorough understanding of the workforce and are designed to proactively, not reactively, support how an organization needs to work to be successful. While workplace strategies have historically had a human-centric approach, the focus of the past has typically been on supporting an in-person or primarily on-site workforce. The COVID-19 pandemic has shifted perspectives across the globe from science, to mental health and well-being, to the value of corporate culture and connectivity, to how employers empathize and value their employees. The pandemic has also revealed that a greater level of job flexibility is sustainable and desirable for many, meaning that workplace strategies will account for a spectrum of work locations and arrangements moving forward. With this added complexity, conducting a workforce segmentation analysis is a key first step toward a more defined plan for real estate needs.

Coming out of the pandemic, 87% of surveyed executives expect to make changes to their workplace portfolio, including shedding real estate or aligning the workplace with the needs of the shifting workforce.¹ During the pandemic, many employees were able to remain productive remotely; 83% of employers indicate that the shift to remote work at their companies has been successful.² As a result, many employers have experienced a greater demand for increased levels of job flexibility. However, a one-size-fits-all approach to employee needs will neither support the workforce nor allow accurate real estate demand forecasting.

This article describes the benefits of using workforce segmentation to support real estate decision-making. In addition, it outlines a segmentation process that organizations can deploy to understand the unique needs of their employees and better gauge how their workplace can support the needs of their population. The segmentation process is a key first step in evaluating the supply and demand for real estate leaders to assess footprint requirements and long-term strategies.



Business Case for Segmentation

Workplace design has evolved since the end of the 19th century, continuously responding to new types of businesses, advancements in modern technologies and desires for efficient and cost-effective real estate.

The next evolution of workplace strategy, accelerated by the COVID-19 pandemic, will focus on supporting hybrid working environments in which employees may work from a variety of locations and geographies. A majority of HR leaders and employers are preparing for hybrid working and actively working to launch hybrid work programs by the end of 2021.³

Hybrid working, however, is not a universally applicable structure – it will look different for every organization based on culture, business needs, size, locations, and a variety of other factors. Real estate functions within an organization cannot independently predict how the structure of the organization will evolve, nor can they tailor solutions to every individual within an organization in order to set and implement real estate strategies. Employee segmentation is an important tool for supporting real estate decision-making, allowing an organization to determine needs at a level of depth that is both broad enough to support high-level strategy while also detailed enough to capture the diverse needs of the workforce and allow for responsive planning.

What is employee segmentation? Segmentation is a process by which employees within an organization are categorized into a few key segments, or groups, whose similarities in terms of how they work, activities they perform, and key contributors to productivity result in similar physical space needs. With this approach, employee work needs drive space allocation. Typically, an organization may have three to five segments which capture the range of space-use indicators from those working nearly 100% in the office to those working nearly 100% out of the office. With an understanding of what your organization's segments are, what the associated space needs are, and how many employees are in each segment, real estate demand for an organization can be appropriately captured. In contrast, the traditional method of office space allocation is often based on hierarchy, with more senior ranks often getting larger, dedicated, enclosed offices and lower ranks often getting smaller, open cubicles or dedicated workstations regardless of how frequently they use the office space or the tasks they need to accomplish there. This can result in a misalignment of space with job needs, as well as inefficient space use or low space utilization.

Employee segmentation provides a direct benefit to an organization's real estate function by improving the accuracy of space demand forecasting, allowing supply-related decisions to be informed and have longer-term positive impacts. Due to lease terms, length of construction, availability of funding, and other factors, real estate changes take time to implement. Segmentation allows real estate teams to get ahead in the process and predict where an organization is heading based on new workforce policies and practices. In general, office space accounts for roughly 1%-5% of revenue in run-rate costs for a typical organization; enhancing workplace utilization can have a significant impact on financial performance.

Segmentation has additional benefits to the organization as well. By aligning space to an organization's work processes, productivity can be positively impacted by ensuring employees have the right spaces and tools to do their best work. Similarly, by aligning the overall experience of the space to employee needs, employee engagement can be enhanced, driving or maintaining employee retention and supporting attraction goals for top talent. Engagement has been linked to 21% greater profitability for businesses due to increased productivity and focus on customer needs and processes.⁴





Approaches to Segmentation

There are a variety of different ways that organizations choose to approach segmentation.

Timing, availability of data, resources, and organizational culture are all factors that influence choosing an approach. Generally, approaches to segmentation fall into three main categories: (1) leadership driven: a top-down approach where decisions are made at high levels of the organization based on what is deemed best for all aspects of the business, (2) engagement driven: an employee-centric approach where employees and leadership are both engaged to provide feedback on long-term goals/visions, preferences, and work styles to drive decisions, (3) HR driven: HR leverages workforce data/knowledge to define a people strategy, which then influences how the rest of the business (facilities, tech, etc.) responds (see Figure 1). This section outlines a four-step process applicable to any segmentation approach and highlights some of the benefits and challenges of each approach as well as leading practices.

Approach drivers	Segmentation approach		
	Leadership driven	Engagement driven	HR driven
Leadership perspective	X	X	X
Employee perspective		X	
Workforce data		X	X
Organizational culture	X	X	X
Business goals	X	X	
Length of process	Low	High	Moderate
Resources needed	Low	High	Moderate
Process confidentiality	High	Low	Moderate

Figure 1: Perspectives and data driving segmentation approach

Source: Ernst & Young LLP.



The Four D's of Workforce Segmentation

While the pandemic has put the importance of workforce segmentation in the spotlight, it is not a new concept. An analysis of eight EY workforce segmentation engagements by the authors of this article identified an overarching four-step process (see Figure 2). Whether an organization chooses a leadership-, engagement-, or HR-driven approach, the following process can be applicable; however, it may vary slightly based on an organization's needs.

This process enables organizations to make informed decisions to develop, integrate, and adjust segmentation as needed for success.

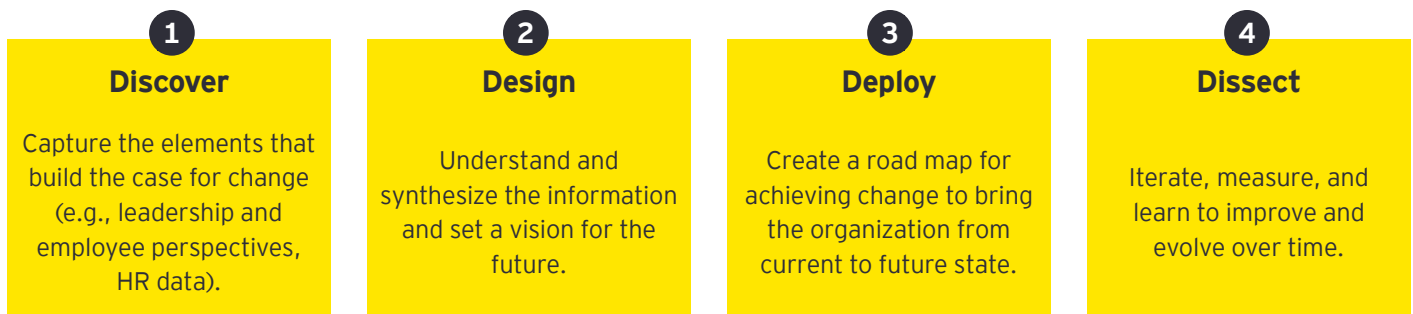


Figure 2: The Four D's of Workforce Segmentation

Source: Ernst & Young LLP.

1

Step 1: Discover

Understanding the current state at the outset is key to setting a baseline against which to compare future change. Obstacles to implementation in later steps can be avoided by an organization understanding where it is today, and which changes will be most welcome, disruptive, difficult, impactful, or lengthy to achieve. Whether pursuing a leadership-, engagement-, or HR-driven approach, capturing some level of data on employee sentiment is critical. Rethinking the workplace experience through a human-centric lens means employees should have more control over their future work environment.⁵ Starting with a focus on what matters most to employees and their performance means that decisions can be linked to business outcomes in the future.⁶ Overall, the goal of this phase is to capture all data elements necessary to build the case for change (see Figure 3). Leveraging current state findings allows organizations to have clear messaging to the workforce during the change process: we are making this change because these specific things are happening within our organization.

Data collection by segmentation approach		
Leadership driven	Engagement driven	HR driven
<ul style="list-style-type: none"> ▶ Executive visioning ▶ BU leadership interviews ▶ Policies and cultural norms 	<ul style="list-style-type: none"> ▶ Voice-of-the-employee: surveys, interviews, focus groups, workshops ▶ Executive visioning ▶ BU leadership interviews ▶ Workforce data (e.g., HR/people data) ▶ Space use data (e.g., utilization data) ▶ Space data ▶ Policies and cultural norms 	<ul style="list-style-type: none"> ▶ Workforce data (e.g., HR/people data) ▶ Policies and cultural norms ▶ Executive visioning ▶ HR business partner interviews

Figure 3: Data collection by segmentation approach
Source: Ernst & Young LLP.



The key questions addressed during this Discover phase are:

What is the makeup of the workforce and workspace?

Current state data sets a firm foundation for future planning. Workforce data from HR systems includes demographic information, core job functions, and location. Workspace data includes current space allocation and space use data, such as utilization data from a security badging system. Those involved in the segmentation process need access to accurate workforce and workspace data.

What do employees need?

The data collected will surface current state needs and challenges, as well as desires for the future. Depending on the segmentation approach, collecting this information may include direct interaction with employees or it may come from HR or leadership input. Interactive, facilitated workshops are often an effective means to collect useful feedback from employees or leadership (see Figure 4).

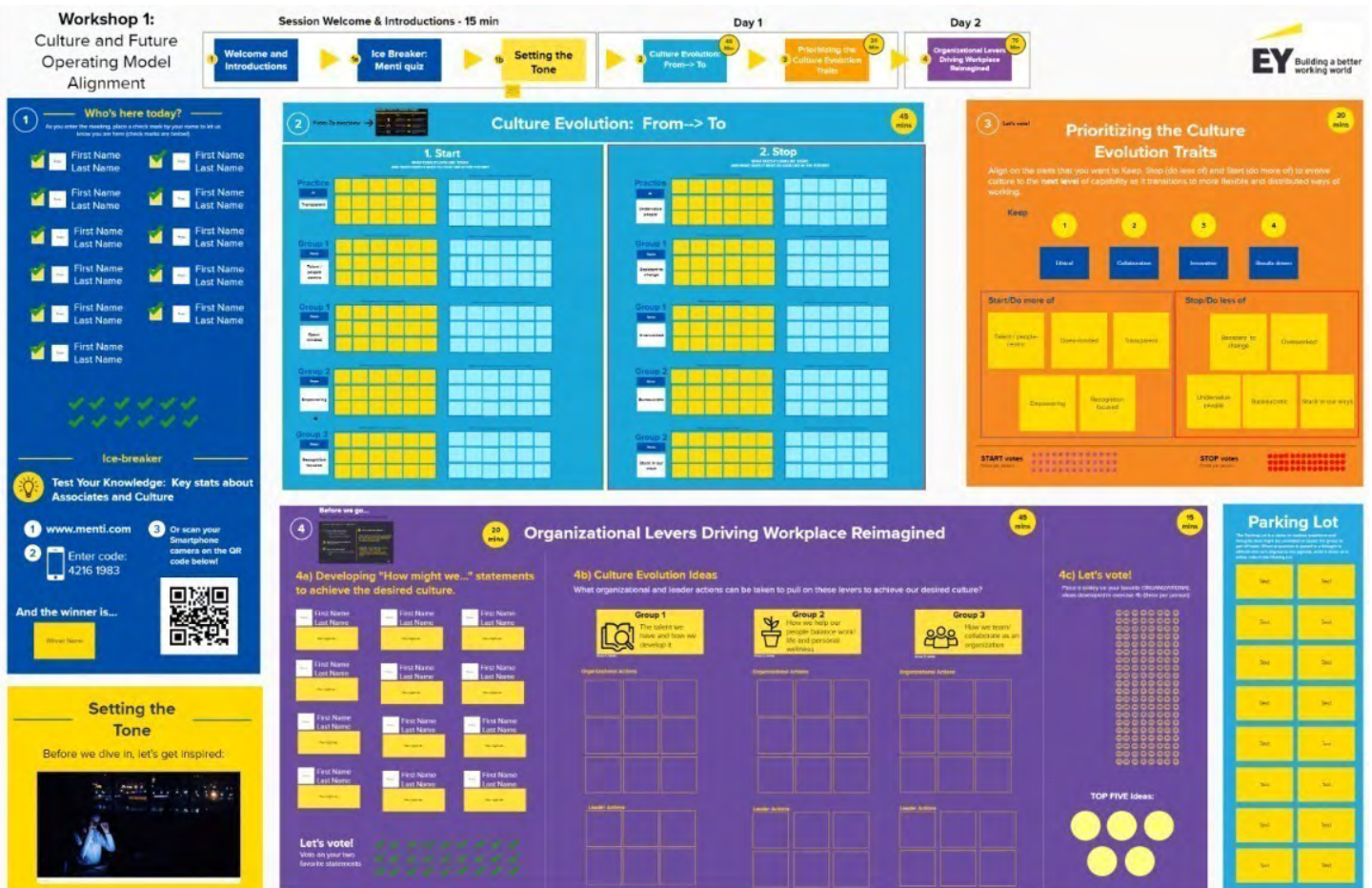


Figure 4: Example digital whiteboard for a leadership workshop
 Source: Ernst & Young LLP.



What does the organization need?

Determine leadership's vision for the future, view of the current state, and what the organization needs to shift to achieve future goals. An organization should ask itself what it wants to be in the future and what it wants to achieve, and then ask if the current workplace is in alignment with those objectives.

What is the operating structure?

Understand the current state and future vision for how business functions interact, how teams are structured, and the essence of how work gets done.

Common pitfalls and tips for success during this phase

Common pitfalls: an incomplete up-front picture may lead to decisions being questioned or re-evaluated as new information is learned late in the process. Thoughtful consideration is needed when analyzing survey data or other feedback with employees' current perspectives; it is difficult for those who have never experienced different ways of working to imagine themselves in a drastically different future state. Including multiple sources and viewpoints, such as leadership interviews, manager focus groups, an employee survey, and utilization data, will help inform a balanced perspective.

Tips for success

Gain leadership buy-in for the segmentation project early so necessary data or resources can more readily be made available during the process.

Additionally, establish a champion or point of contact deputized by leadership to shepherd the process and carry leadership's message and mission forward.

2

Step 2: Design

After collecting information on the current state, the second phase seeks to understand and synthesize that information. The insights from the discover phase become tangible: what is the information telling you? Design starts by setting a vision for the future, building the case for change, and defining workforce needs for the future state. As organizations focus on redesigning the employee experience in a new way, there are other successful design processes from which to learn. For example, customer experience (CX) approaches can be applicable to employee experience (EX) design. CX design has historically leveraged segmentation to create relevant and relatable experiences, and this can be applicable to employee experiences as well by assigning specific needs and expectations to segments of employees.⁷

Personas are related to segments but are generally more detailed and look to summarize a broader range of attributes. An organization may have a greater number of personas, approximately eight to ten, that capture key characteristics, behaviors, and attributes, as well as unique preferences, and learning, development, and change management needs. In addition to space needs, personas may drive a variety of decisions (HR, tech, benefits, policy, etc.) across the organization. Often, personas are used as a baseline for employee segmentation, in which multiple personas with similar space needs are rolled up into one segment. In both cases, the development of personas and segments is based on the analysis of qualitative and quantitative information to resonate with employees across the entire organization.

The key questions addressed during this Design phase are:

What is the case for change?

The case for change is the “why” for the program, presenting the gap between the current state and future state vision as well as the benefits for progressing to the future state or the risks of inaction. Data-informed cases for change build a solid foundation for developing the future solution and for gaining the support of stakeholders (see Figure 5). It is often helpful to put a specific organization or initiative in context with the competitive landscape. This external view requires additional market analysis data in addition to the internal data collected in the Discover phase.

Elements in the case for change		
The vision	Guiding principles	Success measures and KPIs
▶ The “why,” the highest-level goal or objective driving the formation of the project	▶ The “how,” tactics to help the team achieve the vision	▶ The “what,” specific targets indicating the project fulfilled its objectives

Figure 5: Elements in the case for change

Source: Ernst & Young LLP.

In addition, a sound case for change proactively identifies potential challenges or areas of resistance. For example, leaders in an organization undergoing a workplace transformation may have predetermined assumptions or opinions on how often employees need to be or should be in the office or remote. Employees may assume that greater flexibility is at the expense of their assigned workspace, which may cause resistance. Addressing assumptions and areas of resistance up front can help prepare stakeholders to more objectively consider a data-supported case for change and future state solution.

What are the needs, behaviors and attributes of the future workforce?

With the future state objectives identified, workforce needs, behaviors, and attributes can be assessed. Evaluating these is necessary to segmenting the workforce. To do so, it can be helpful to first develop personas (fictional characters representing the needs, behaviors and goals of groups of employees⁸) (see Figure 6), or use other methods to capture key characteristics, behaviors, and attributes, as well as unique preferences and learning, development, and change management needs. This exercise accounts for the current population but is framed to address the probable future state job roles, skills, locations, and behaviors that are necessary to support sustained success. It is often beneficial to collaborate on the creation of personas with HR, IT, and other business functions as the personas can then become a common foundation for understanding and talking about the workforce. Personas may drive a variety of decisions (benefits, policies, technology, etc.) across the organization.

Executive Persona: Senior Leader Sandy



Overview

AGE: Gen X or Baby Boomer
POSITION: Executive team member
TENURE: >1 year to 20+ years
COMMUTE: 25 min to 2 hours



DESCRIPTION: Ready-to-Lead Sandy is interested in working with her team to find the right mix of working onsite and offsite. She encourages working virtually and believes in the benefits it provides, while also understanding the challenges. As a supervisor, she is willing to work with leadership to determine solutions to remote work challenges, lead by example, brainstorm new ways of working that may include the use of new technologies or processes, and reimagining the purpose of the office.

Motivations

- + Save time and money on commute
- + Better work-life balance
- + Increased productivity
- + Team engagement and retention
- + Lead by example

Frustrations

- Delays in adopting new processes
- Difficulty getting leadership onboard
- Undefined strategy for headcount growth in the current workspace

Degree of change and difficulty to implement virtual work overall.

1 - low degree of change; 5 - high degree of change

	Degree of difficulty	Degree of change	Days onsite	Use of technology
High degree of change	5	5	5	5
	4	★ 4	4	4
	3	3	★ 3	3
	2	2	2	★ 2
Low degree of change	1	1	1	1

What is changing and how will this affect Sandy?

How does Sandy behave and feel now?

- She meets regularly with her team to review deadlines and address any issues/concerns
- Pops into other leaders' offices to quick discussions
- Meets with leadership regularly and occasionally schedules 1:1 meetings with leaders as needed
- Onboards team members based on what has been done in the past

What is Sandy afraid of, or what will be hard?

- Managing back-to-back meetings and being a leader
- Monitoring team's performance virtually
- Unsure how to successfully onboard new employees virtually without the right tools and training
- Balancing necessary focus work and many meetings
- Feeling overwhelmed balancing personal matters and work responsibilities with longer work days
- Fears burnout managing virtual and onsite teams
- Worried organizational initiatives like diversity & inclusion will be harder to maintain

How do we want Sandy to behave and feel?

- Structure her team as she sees fit while maintaining productivity
- Be open to team members' preferences for return to office protocols and onsite vs. remote schedules
- Advocate for new processes or technologies that make things easier for her team or the organization as a whole
- Create career development opportunities for team members, both informal and formal
- Openly discuss with leadership return to work concerns and respecting of boundaries

How can we make Sandy's experience better?

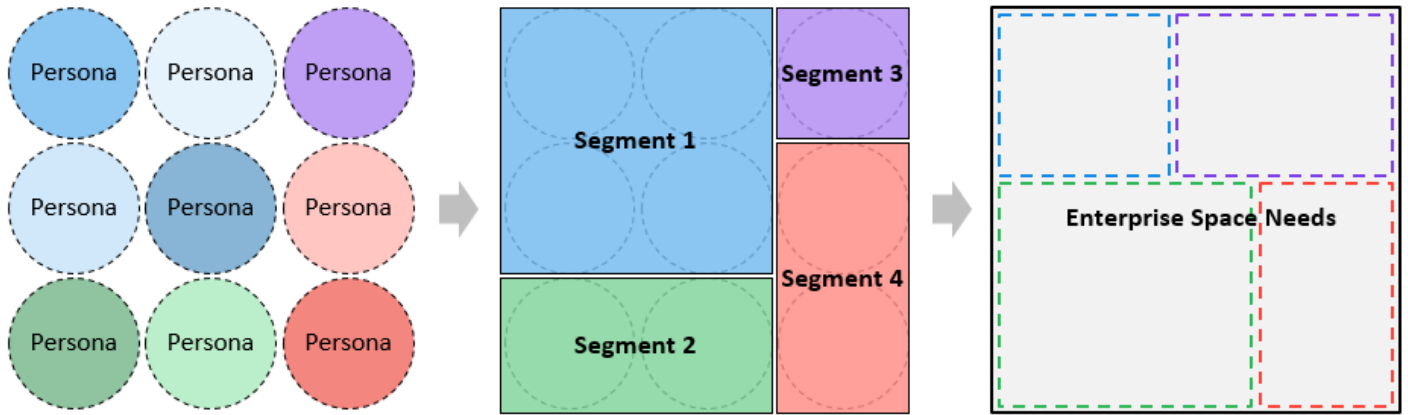
- Provide tools and resources for managing work schedule for self and team for wellbeing and work-life balance to reduce burnout
- Conduct virtual trainings to improve employees' abilities
- Set appropriate meeting cadence, create ways to run effective meetings
- Encourage her to set up time or take time in meetings for informal chit-chat
- Establish best practices for managing virtual and onsite teams
- Institute project management tools to track progress of important organizational initiatives

Figure 6: Sample persona
 Source: Ernst & Young LLP.

How does workforce segmentation inform real estate and workplace needs?

Often, personas are used as a baseline for employee segmentation. An organization may develop many distinct personas based on variations in needs, values, and behaviors, but some of those personas may ultimately have similar physical space needs and can be rolled up into one segment. Segmentation brings together personas with similar needs into larger categories, and can enable efficient space design that still feels personal.⁹ Segments can then be used to forecast space requirements (see Figure 7).

Illustrative representations relationship between personas and segments across an employee population, informing overall enterprise space needs



Personas encompass various needs, backgrounds, motivations, frustrations and observed behavior patterns. *Most* employees are represented by one persona.

Segments group personas by preferred work styles, activities performed, and key contributors to productivity resulting in similar physical space needs. All employees are associated with a single segment.

Enterprise space needs: Segments will be used to estimate total enterprise workspace needs and potentially to allocate workspace to individuals.

Figure 7: Relationship between personas, segments, and enterprise space needs

Source: Ernst & Young LLP.

There are several key attributes to define for each segment to inform space needs. These attributes are defined by leveraging information from each persona as well as from information about the departments or functions that are most likely to fall into each segment (see Figures 8 and 9).

Key attributes to define for each segment		
Future work behaviors and characteristics	Space needs	Technology and other support needs
<ul style="list-style-type: none"> ▶ Days in/out of the office each week ▶ How time is spent working (alone, collaborating, etc.) ▶ Primary work tasks (transactional, teaming, creating, etc.) 	<ul style="list-style-type: none"> ▶ Workplace experiences and functional needs ▶ Spaces that will enhance each segment’s work ▶ Guidance on ratios/quantities of space types needed to support that work 	<ul style="list-style-type: none"> ▶ Individual technology necessary to support each segment ▶ Appropriate tools and technology for collaborative and common areas ▶ Workplace management tools to support segments

Figure 8: Key attributes when defining segments

Source: Ernst & Young LLP.

Illustrative example of employee segments with distinct space needs



Figure 9: Illustrative example of employee segments with distinct space needs
 Source: Ernst & Young LLP.

An understanding of how much space is required for each segment, and how many employees belong in each segment in the future, improves accuracy when estimating future space needs (see Figure 10).

Segmentation process for real estate planning	
1	▸ Determine how many employees fall into each segment (typically captured at persona level across organization, work with HR and business functions)
2	▸ Determine space needs per segment
3	▸ Extrapolate overall organizational space needs from employee counts and segment space needs
4	▸ Determine potential for reduction or increase of space and investment required
5	▸ Road map specific actions and interdependencies from other functions in the organization: priority target buildings, lease timing implications, change needs

Figure 10: Segmentation process for real estate planning
 Source: Ernst & Young LLP.



What support is needed to activate?

While segmentation allows real estate teams to forecast demands with greater accuracy, the space needs identified through segmentation are often based on the expectation of changes that extend beyond the physical space. Therefore, real estate cannot fully act on real estate changes until there is full support from all stakeholders. Buy-in from Executive, IT, and HR are specifically needed, as well as leaders of key business units to ensure that they will also invest in the changes needed to support the space change.

Common pitfalls and tips for success during the Design phase

Common pitfalls: detailed evaluation by individual with mapping to personas and segments is a lengthy process and not necessary to set initial space estimates and strategic goals. Using initial information collected and HR or leadership input to estimate how many employees fall into each persona and segment is sufficient to set the initial organizational direction and strategy.

Tips for success

Level-set with all stakeholders that designing to meet specific needs means that everyone will likely not be supported the same way. One financial services organization used the phrase “fairness isn’t equity” to remind themselves that they should strive to create a fair and level playing field for all types of employees, but that doesn’t mean that everything needs to be equal.



3

Step 3: Deploy

Deployment is a fully integrated cross-functional effort. Team members from real estate, human resources, technology and business, at a minimum, should come together to provide the detail required to implement change. Lasting change requires a robust plan and the ability to iterate along the way as successes or challenges are revealed through this process.¹⁰

The key questions addressed during the Deploy phase are:

What is our organizational change road map to support new ways of working?

The organizational change road map for implementation should capture the interdependencies across the organization (real estate, HR, IT, etc.) so that it reflects an accurate picture of key milestones, decision points, specific resource needs and timing, and employee communication timing. To ensure timely deployment, identify clear owners of each area of the road map and milestones. This road map should be socialized with leaders across the organization to create buy-in and prevent future conflicts that could stall progress.

What are the next steps for real estate?

In most cases, real estate will need its own road map that outlines the sub-steps required to achieve the real estate milestones outlined in the organizational change road map. Putting as much detail into the plan at the beginning of the process allows your organization to identify areas of deployment that may be particularly challenging, additional decisions that will need to be made, and additional personnel, resources, and funding that will be required up front so that those needs do not slow down the process later (see Figure 11). Increased hybrid working in the future can have real impacts, such as potentially reducing real estate costs by 30%.¹¹ However, reducing space may be only part of the story. Leadership will also need to buy into the additional investments are likely required to support hybrid working.¹²

When creating a road map, it is important to continue leveraging the insights from the segmentation exercise to balance trade-offs between space costs and employee performance. A global design firm studied the connection between workplace design, construction, and operational costs, as well as employee engagement based on different types of workspaces, and found trade-offs between them all. More flexible, high-density workplaces required higher operational costs to support employees while more traditional, low-density workplaces with more enclosed space had higher initial construction costs. Employee engagement was maximized with planning at a moderate density.¹³ An organization’s individual priorities will help balance these trade-offs.

Aspects of real estate implementation road map		
Portfolio strategy	Sequencing and timelines	Level of investment
<ul style="list-style-type: none"> ▶ Overall goals for how real estate will be used in the future ▶ Site-by-site plan for the future (e.g., keep, close, renovate, acquire, expand) 	<ul style="list-style-type: none"> ▶ Identification of priority sites and actions ▶ Key target dates ▶ Critical dependencies that affect other implementation actions 	<ul style="list-style-type: none"> ▶ Level of construction and reconfiguration appropriate ▶ Identification of budgets and investments for operations and other functions (e.g., technology from IT)

Figure 11: Aspects of real estate implementation road map
Source: Ernst & Young LLP.

What are the impacts to talent and recruitment?

Once the organizational direction is determined, aligning the workforce strategy to the location strategy and understanding the impact to individual employees is important. Employees will be anxious to hear what the future looks like for them. Real estate decisions such as moving, closing, or relocating a location will impact an employee’s daily life and could potentially impact retention.

The physical amenities and benefits provided to employees must also be aligned with real estate goals. If an organization wishes to incentivize employees to return to the office, amenities and spaces should be both well-functioning and get employees excited and make them feel safe. Employees want to choose, rather than be told, to return to the office. For organizations hoping to draw employees back to the office, segmentation can be a guide for realigning amenities and technology with the characteristics of each segment to support that group’s purpose and flexibility.¹⁴

Segmentation leverages the current employee base to support decisions for the future; however, as the employee base changes in the future, this will need to be actively managed. The real estate organization needs to stay in conversation with the HR organization and business functions to understand shifts in expected hiring numbers and future workforce needs and HR should review hiring requests from departments to ensure they align with overall organizational objectives.

What are the training and onboarding needs for employee success?

An organization that is re-evaluating its future and segmenting its employees to develop a new strategy is going to encounter a significant amount of change at all levels of the organization. Addressing change head-on and providing resources to support change will help ensure success with new ways of working. Training and onboarding materials are needed for both existing and future employees to support working across different employee segments of on-site, hybrid, and remote populations (see Figure 12). Training needs may evolve over time and require periodic evaluation to ensure employees find them relevant and useful.

Common types of training and onboarding needs		
Leadership	All employees	New employees
<ul style="list-style-type: none"> ▶ Skill development for managing remote teams ▶ Guidelines for “leading by example” ▶ New performance metrics 	<ul style="list-style-type: none"> ▶ Expectations or policies for coming to the office ▶ New technologies ▶ New cultural norms ▶ How to build and maintain relationships 	<ul style="list-style-type: none"> ▶ Expectations for ways of working ▶ Resources available for support

Figure 12: Common types of training and onboarding needs
 Source: Ernst & Young LLP.

Common pitfalls and tips for success during the Design phase

Common pitfalls: once the change road map is collectively defined, don't disperse for each function to independently follow through. Establish a regular cadence for a steering committee to meet and stay on track.

Tips for success

Deployment is a lengthy process, and business needs and priorities may shift over time. Updating the road map as needed along the way is necessary so that the overall process remains timely and on track. A high-level version of this plan should also be shared with employees, along with updates on progress.



4

Step 4: Dissect

The initial implementation of new ways of working will provide many opportunities for collecting feedback and lessons learned for the future. It is likely that initial plans will require adjustment as the organization settles into new space and new ways of working. Have a plan for how to collect ongoing feedback and how that feedback will be leveraged and prioritized.

The key questions addressed during this Dissect phase are:

How will success be measured?

Each organization will have different measures of success. Ideally, success metrics or key performance indicators (KPIs) tie directly back to the business and workplace strategy’s overall vision and objectives. Evaluate which people, space, and business metrics will be most meaningful to understanding the success of the strategy (see Figure 13).

Example success measures		
People	Space	Business
<ul style="list-style-type: none"> ▶ Productivity (perception or outcomes) ▶ Talent attraction and retention rates ▶ Employee engagement scores 	<ul style="list-style-type: none"> ▶ Attendance (quantity of people at the office) ▶ Utilization (frequency of space use) ▶ Employee satisfaction scores 	<ul style="list-style-type: none"> ▶ Business unit performance ▶ External recognition and awards ▶ Product time to market

Figure 13: Example success measures
Source: Ernst & Young LLP.



Utilization is a key metric for real estate organizations to understand if their office space is being well-used – an indicator that good alignment has been reached between real estate supply and demand. Manual space walk-throughs are still the primary way that workplace utilization is measured, although digital means such as VPN, Wi-Fi, and network connectivity tracking are expected to become the primary method in the next three years. In addition, combining utilization metrics with qualitative data on how and why spaces are being used will be impactful.¹⁵

How will changes be addressed?

Putting a framework in place for capturing metrics early ensures that these are not forgotten or cut from the process in the future. The change road map may extend beyond implementation and capture the process for collecting feedback and responding to it. Gathering the data associated with KPIs may require laying groundwork for new tools, including the addition of new technology (workplace utilization), new processes (new reporting structures), or new information capture (new data entry fields). Addressing these changes as part of the overall implementation strategy is important so that the same level of buy-in for implementation is carried through to measuring success.

As an organization, evaluate how frequently data will be collected and reported (this may not be the same for each KPI), the timeframe to realize statistically measurable change after implementation (e.g., 6 months, 12 months), and the process for responding to the feedback. For example, an organization with a large real estate portfolio may choose to track detailed metrics for a few sites and then apply the learnings to future sites without tracking full portfolio KPIs.

How should the segmentation strategy be enhanced for the future?

Segmentation can be an iterative process. After initially segmenting and studying the resulting KPIs, organizations have the opportunity to adjust the segmentation strategy or the associated people, workplace, and technology support. Criteria for segmentation may need to be adjusted across one or all aspects of the process (see Figure 14).

Considerations for adjusting segmentation		
People	Behaviors	Space needs
<ul style="list-style-type: none"> ▶ Are the right functions and groups captured in each segment? 	<ul style="list-style-type: none"> ▶ Did employees adopt the desired behaviors? Why or why not? ▶ Do expected behaviors need to be adjusted? 	<ul style="list-style-type: none"> ▶ Has space been efficiently utilized? ▶ Has employee feedback indicated that the right types of spaces are being provided?

Figure 14: Considerations for adjusting segmentation
Source: Ernst & Young LLP.



Key Findings and Lessons Learned

The authors of this article analyzed eight EY engagements focused on employee segmentation in the last year and identified three key takeaways. For each organization, the discover, design, deploy, and dissect processes were analyzed to uncover common themes of success.

Takeaway 1

All segmentation approaches are valid, if leadership is aligned early

Whether an organization has decided to pursue a leadership-, engagement- or HR-driven approach to segmentation, the outcomes of that approach can all produce valid, defensible, and valuable segments that can drive strategies and decision-making. However, the success of the approach hinges on early alignment of leaders around the methodology and the data that will be used to support it. When that alignment happens early, and the full range of data is provided to support the desired approach up front, decisions can be trusted and approved with greater efficiency. If leadership has not bought into the approach, or if there are key data gaps in the initial planning, then the entire segmentation strategy is left open to criticism, differences of opinion, or at-risk for revision - slowing down the process and potentially invalidating previous work.

Case story – Company A

When Company A approached its segmentation, it had several lease expirations approaching and did not have the time to conduct segmentation with employee engagement. It chose to let HR drive the process, which led to an efficient segmentation process and clear real estate decision-making. However, misalignment with a key business unit leader left the success of the initial segmentation and its real estate impacts in question. An additional month was needed on top of a one-month segmentation process – double the length – to bring that leader into alignment, delaying initial actions.

Takeaway 2

Work from macro- to micro-scale in order to have appropriate weighting of business priorities

Set the organizational strategy first, then consider the specific needs of individual employees. While current employees are key to understanding the needs of the organization and the type of talent the organization wants to attract and retain in the future, the strategy of the organization should transcend the employee desires of one specific moment in time. Time spent considering every unique employee need will create a significant delay in establishing an overall strategy and preliminary implementation. It may also lead to a very fragmented segmentation in which there is a seemingly endless list of “unique” considerations to accommodate.

Case story – Company B

While developing personas, Company B was hesitant to make assumptions about the workforce segmentation based on distinct categories; there was concern that unique employee requests needed to be considered. In order to drive the segmentation and real estate strategy without a detailed and lengthy mapping of each employee to a persona, a set of persona “amplifiers” was created (e.g., new hire, socializer, commuter) to take into account potential employee needs that may have a different (or temporary) space need than their persona and segmentation captures.

Takeaway 3

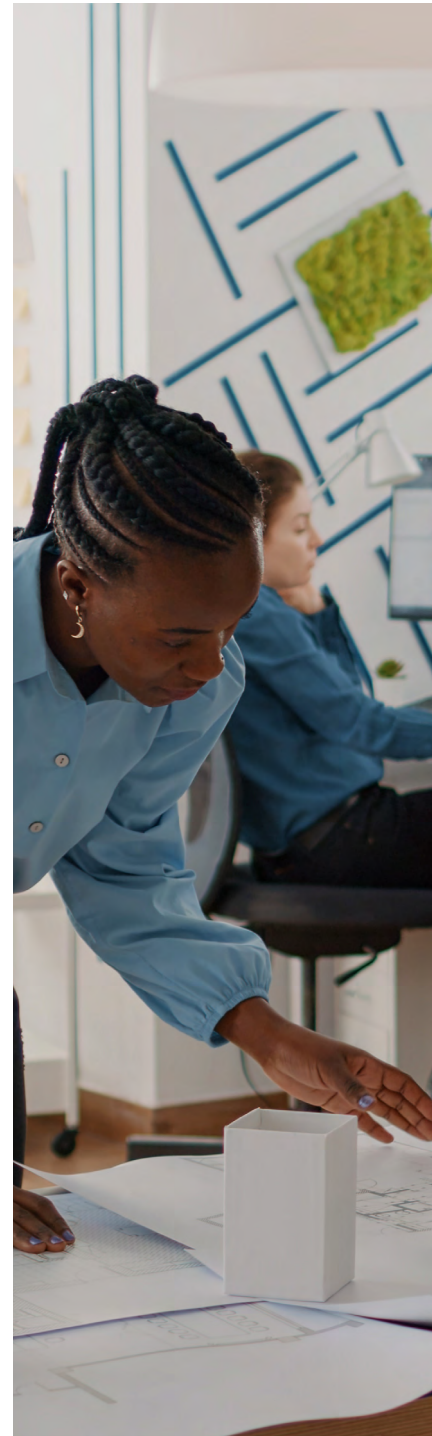
Segmentation is most beneficial when it is part of a larger toolkit, including pilot programs

Segmentation helps drive strategies for workplace shifts and assessing real estate and workplace needs, but segmentation is not a “crystal ball” by itself. As global organizations use segmentation to reinvent the way they work, there is often limited data available on the success of new strategies. Segmentation can create a robust foundation for workplace and real estate strategies, but greater accuracy in planning and better results for employees and the business will result when segmentation is part of a larger “toolkit” of analysis and verification.

Pilot programs are growing in popularity as organizations look to learn from and validate proposed workplace changes in real time. Pilot programs mitigate risk by creating platforms to test, receive feedback, and iterate on ideas. From the employee perspective, they signal change and demonstrate the organization is actively working to evolve and learn, hopefully supporting employee engagement in the process. From the perspectives of the leadership and real estate organization, pilot programs provide valuable insights on the solutions, spaces, or support required in the future. In this way, the time taken to pilot ideas is often a worthwhile trade-off when making long-term and capital-intensive workplace or real estate strategies changes. Reducing the size of a location assuming the long-term success of remote working, or heavily investing in new amenities before confirming they will be an employee draw, are not decisions easily undone and could result in significant re-investment.

Case story – Company C

Company C developed a new approach to working through an objective and business-led approach. Going through the segmentation design process, the stakeholders noted that culture would be a key and sensitive area for leaders and employees. Resistance was anticipated. Therefore, the company decided to pursue a pilot at select sites across all geographic regions. Key metrics to be tracked during this pilot were: a. workplace culture score (percentage of employees open to new ways of working, promote empowerment of flexibility, take pride in team accomplishments), b. adoption of operating model (people leaders feel prepared to manage, associates are productive), c. talent imperative (attrition, offer acceptance rate, feelings of inclusion).







Conclusion

Segmentation is a critical initial step in a workplace transformation for providing a people-centered and data-driven approach to real estate strategy. Segmentation is a springboard, helping to build momentum, but it will not and does not need to answer every question about the future of work.

For real estate teams, the greatest benefit of leveraging segmentation is more accurate forecasting of real estate demand and supply. Additionally, developing sound workforce segmentation requires the support of many others in the organization, most notably HR and executive leadership. This means that the initial strategy will inherently reflect business and financial needs, as well as high-level employee needs, desires, and expectations.

Real estate teams should be aggressive in demonstrating to their organization how segmentation can serve as the mechanism to closely align people, workplace, and technology. A successful segmentation process, where supply and demand are well aligned, can build an organization's confidence in the real estate team, so that it remains a key player in driving organizational change in the future.

Author's note

The views expressed by the authors are not necessarily those of Ernst & Young LLP or other members of the global EY organization.

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