

# The **REAL** truth about **OPEN OFFICE SPACES**

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In a recent study conducted on open office spaces that was published in the Harvard Business Review, the key takeaway was that collaboration decreases by 70% for firms moving from a closed office space to an open one.<sup>1</sup> The study was supported by extensive data gathered from wearable devices to gain insight into face-to-face engagement and physical movement, as well as data collected from messaging tools, emails and phone calls. In addition, the study looked at two different companies over two different time periods. With the first company, the study collected data for three weeks before the redesign, starting one month prior, and for three weeks roughly three months after it. With the second company, the study collected data for eight weeks before the redesign, starting three months prior, and for eight weeks roughly two months after it. Certainly a compelling assessment, right? How can one argue with a Harvard-based study using unbiased measuring devices, expansive data collection, two different companies and two different time periods? How could one draw any other conclusion other than open workspaces don't work?

One word: **CULTURE**

# TRUTH 1: It's not just about the space. It's about culture.

Moving to an open workspace is not just a physical transformation, it's a cultural transformation. And more importantly, cultural transformations do not happen in weeks, they happen over years. The reality is that the study actually provides insights into how a culture will initially rebel against a physical transformation by retreating into our comfort zones or acting out as a means of reflecting the negative reaction to the change.

The study was perfect in showing how a culture initially reacts to this physical transformation. But what it failed to show is how the physical transformation materially transforms a culture, because that takes time. The physical move upended the beliefs, assumptions, values and ways of thinking that define an organization's existing culture. It eliminated the natural hierarchies represented with offices, larger cubicles or tables. It put everyone on the same playing field – whether you were a new hire with two weeks experience or a veteran of 22 years – when they weren't used to feeling that way. It broke down physical barriers to privacy and introduced new rules for engagement and conversation. All of the norms and rules of human interaction were upended, and the employees – whether they liked it or not – were dealing with the change (or avoiding it) however they could.





IMAGE  
CIRCA 1997

## **TRUTH 2:** Speaking from experience, it takes time.

At SEI, we transformed our business from the closed offices of a traditional financial services company to an open architecture space before it was even in vogue, back in 1997. We weren't doing it because everyone else was, but instead to transform our culture and reinvent our company. We needed to get out of our own way of ineffective hierarchies and lack of communication and collaboration, and ensure everyone's ideas were heard. We wanted to walk the talk that it's everyone's responsibility to innovate, and you can't achieve that without a truly open and collaborative culture. We did away with executive offices, administrative assistants and the traditional perks that came with being a veteran of the organization. Everyone had the same desk, on wheels, in the open – from the CEO down to the new college hire. The effect on our culture was “shock and awe” for every employee, at every level. Those who worked their careers aspiring for the corner office and an administrative assistant were now out in the open, exposed and left to fend for themselves for copies, meeting scheduling or travel arrangements. Those who had been working their way up the proverbial corporate ladder had the ladder pulled out from under them, so to speak, and were now “just like everyone else.” This is a material culture shift, and it takes significantly more than just eight weeks for the culture to normalize (the maximum observation duration in the Harvard study). Culture takes time to evolve, and transformative physical changes to a once-closed floor plan impact a significant portion of the existing cultural norms of a company and create many new ones.

## **TRUTH 3:** You need the right people leading the charge.

At SEI, our CEO sits at a desk no different than every one of our 3,800 employees. He's in the open, out among every other employee. People can, and do, walk right up to him with ideas, which is fine with him. "When I had an office, I had a wall phone so I could sit in the doorway and watch people, and I was in the action," says Al West, CEO of SEI. Sitting out there among the employees signals that everybody's idea is equal. For context, SEI is not a 20-person startup that's renting a cool office space where everyone wears a dozen different hats. This is a public financial services company with a \$10 billion market cap.<sup>2</sup> At SEI, entitlement and egos are left behind, and collaboration and a relentless focus on delivering shared value reigns supreme. You don't get that by having an executive row, glass offices and administrative assistants. You get that through servant leadership, open communication and a collaborative culture that drives innovation.

Using a transformation to an open environment as a catalyst for a cultural transformation is not easy, and it certainly doesn't come with results overnight. When SEI transformed back in 1997, there was some turnover as a result. Some who worked their entire careers for the corner office and an assistant could not evolve their thinking to the open environment and culture we were trying to instill. Those people ultimately left SEI. While many felt overwhelmed by the change, others felt liberated. The open workspace creates increased ownership and accountability for decisions. It allows (and encourages) employees to unplug, gather their belongings and arrange their desks as they see best to promote engagement and collaboration with their teams. The point of the "managed chaos," according to Al, "was to make (employees) feel they had to make decisions. It does come down to the individual."



**“When I had an office, I had a wall phone so I could sit in the doorway and watch people, and I was in the action.”**

**– Al West**

# TRUTH 4: Open environments send important signals to prospective and current employees.

Over time, our open workplace and culture have become a screening mechanism of sorts, sending strong signals to prospective and current employees, clients and investors. Because the culture is so deeply integrated into the physical workplace, it signals to new and existing employees that the company is committed to creativity, collaboration and innovation. And it signals to our clients and investors that we're unconventional and willing to take risks.

Over time, our recruiting and hiring practices accounted for the SEI culture. Candidates seeing the space were either super excited about the environment or hesitant and full of questions. Some would ask:

- › “Where are the offices?”
- › “Are there different desks for more senior people?”
- › “What if you want privacy?”

As part of our culture, we saw many employees adopt and thrive in the open environment, while others struggled with the cultural norms that come with it. We have found employees either love it or hate it, and there's very little middle ground. We have equally found that an open environment changes the dynamic of new employee training as well as ongoing coaching. Training and coaching become organic versus prescriptive, where managers and leaders – because of the open environment – naturally engage with insight, constructive support and feedback without it feeling forced or formal.

The conclusion from the study seems, at least on its face value, to be premature at best. At the same time, open physical workspaces are not for every industry and every type of company. More importantly, transforming to a new physical workspace will be disruptive, especially to a company's culture. Whether that disruption is by design or simply a byproduct of the change, having that awareness will help with a successful transformation.



# SOME CLOSING THOUGHTS

for those with open office spaces or those considering the move to one:

- › Culture is a critical component for consideration – either the present culture or the culture you wish to achieve – as it goes hand in hand with the physical spaces employees engage within.
- › Be aware that there will be mixed reactions. The culture you're trying to instill won't appear as soon as you remove walls. There will be people who embrace it and people who don't, but think beyond the first eight weeks after the change.
- › Leaders at all levels must model the desired culture and set the tone for others to follow. They must model the collaborative and open engagement that the workspace enables. Without strong leaders authentically embracing the change, the transformation will falter.
- › At SEI, our transformation to the open workspace and desired culture took several years to evolve. Organizational patience as well as diligence to not allow the closed workspace characteristics to seep their way back in are critical for long-term success.

## QUESTIONS?

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<sup>1</sup>Harvard Business Review, "The Truth About Open Offices," November 2019.

<sup>2</sup>As of February 7, 2020

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