

# STRATEGIC HR MANAGEMENT

## INSTRUCTOR'S MANUAL



### Thompson Technology: A Case Study in Controlling Labor Costs

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### Scenario C: Hot-Desking

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# Thompson Technology: A Case Study in Controlling Labor Costs

## CASE ABSTRACT

Thompson Technology provides software solutions to the financial industry. From its founding in 1988 through the 1990s, the company experienced significant financial success, growing rapidly from a small startup to a publicly traded organization with approximately 800 employees. The recent economic recession and increased regulation of the financial industry, however, have caused Thompson to experience significant decreases in revenue for the first time. This case focuses on the organization's attempts to control labor costs by decreasing expenses.

The case begins with an overview of the organization and is divided into five scenarios. Each scenario includes separate questions (and debriefs) for undergraduate and graduate students to answer. This document contains only Scenario C: Hot-Desking. The scenarios are as follows:

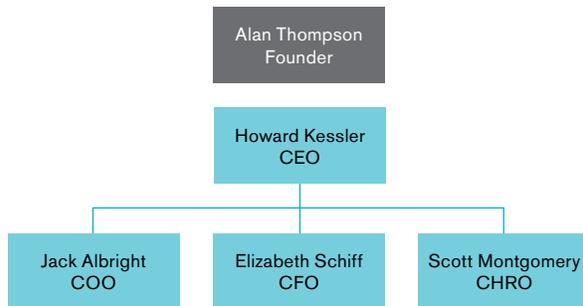
- Scenario A: Restructuring After a Hiring Freeze
- Scenario B: Flexible Scheduling
- Scenario C: Hot-Desking
- Scenario D: Moving Employees to a PEO
- Scenario E: Downsizing and the HR Department



### Teaching note

In order to create a student workbook, please make one copy of pages 2 through 11 for each student.

## Thompson Technology



### ABOUT THOMPSON TECHNOLOGY

Alan Thompson, founder of Thompson Technology, was always an idea man. Whenever something new came down the road, he jumped on it, took it apart, transformed what was there and created something different. He also embraced technology. Thompson was fascinated by its constant evolution, and he understood its creative possibilities well before the rest of us caught on.

Thompson didn't start his career in technology. As a teenager, Thompson worked at the local bank where his father was the branch manager. Banking helped pay his way through college, and although he never liked working there, Thompson admitted that it was the beginning of his career success.

Technology captured Thompson's imagination. He said his real career path started in the cluttered techno cave he carved out of a cramped space in his parent's garage. He set up his first computer on a makeshift table squeezed between the lawn mower and the garden tools. It was there where he tinkered with programming and computer code. He designed simple accounting software at first, but he didn't stop there. Each new innovation made his software better and faster. When he realized his systems were far better than anything available in the banking industry at the time, he knew he was onto something. In 1988, he left banking and launched Thompson Technology. By the mid-1990s Thompson Technology was a major player in the design and maintenance of specialty software for the financial industry; Thompson products were at work behind the scenes at most major financial institutions across the U.S. and Canada.

The early years of Thompson Technology were characterized by innovation and growth, and it was soon known as a great place to work. When the company grew and prospered, employees did too, with generous compensation and benefits that rewarded creativity and employee engagement. When 1999 turned to 2000, Thompson Technology greeted the new century with enthusiasm; it seemed that there wasn't a dark cloud on the horizon.

Thompson Technology made its first public stock offering in 2006. By then, the company had 800 employees and new headquarters in Denver, Colo. As majority shareholder, Alan Thompson maintained control of the company, but he turned the day-to-day management of the organization over to Howard Kessler, Thompson's new CEO. Kessler came to the company with a strong background in international finance, and Thompson believed Kessler was the ideal choice to expand the company beyond North America.

Thompson Technology began to change with Kessler at the helm. He hired Jack Albright as the new chief operations officer (COO), and Elizabeth Schiff became the new chief financial officer (CFO). Scott Montgomery remained as Thompson's chief human resource officer (CHRO). Besides new management, other things were different as well; now there were shareholders to satisfy.

In addition, the company underwent a major reorganization in 2008 that realigned departments and reassigned a number of employees. Some employees saw the reorganization as an opportunity for growth and new energy, but not everyone was happy.

It wasn't just Thompson Technology that was changing. In 2008, the U.S. economy went into a severe recession, and the U.S. Congress responded with increased regulation and stricter scrutiny of the nation's banks. As the financial industry adapted to the new banking practices, demand for Thompson Technology software dropped precipitously. Sales plummeted, and Thompson Technology's culture of easy profits and sky-is-the-limit employee perks morphed into a new era of cost containment and belt tightening. Every department was affected, but employees were hardest hit when a financial analysis showed that labor costs were not sustainable. The year ended with the implementation of a companywide hiring freeze to curtail labor costs and, it was hoped, squelch the need for more drastic measures.

The hiring freeze was successful in reducing the number of employees. By late 2010, business in the finance industry had evened out, but Thompson was still not on easy street; increased competition in the marketplace caused sales to remain flat. Thompson's stock price was falling. To address those issues, upper management held an intensive three-day strategic planning retreat off-site. The retreat included Kessler, Schiff, Albright, Montgomery and all the functional area directors. Before the retreat, the management teams spent many hours cloistered behind closed doors analyzing the various departments' strengths and weaknesses and assessing budgetary and revenue forecasts. Kessler mandated that everyone come to the retreat prepared to make some difficult decisions regarding Thompson's long-term future.

Managers armed themselves with statistical data to defend the viability of their departments.

Employees were on edge, and rumors were rampant because of the uncertainty about the future and the changes that might occur as a result of the retreat. The biggest worry was that the organization would downsize U.S. operations and move jobs offshore, even though Thompson took pride that its products were built and serviced entirely in the U.S. When managers returned from the retreat and remained tight-lipped about the results, employee tension increased as everyone waited for an announcement. Finally, on a Wednesday afternoon, Kessler sent the following e-mail to the staff:

All Staff:

As you are aware, senior managers spent several days in important strategic planning discussions regarding the future of Thompson Technology. It is important that we continue to meet the needs of our shareholders, our customers and our employees as we move through these difficult times. Keeping those needs in mind, we recognize that some changes are necessary at Thompson Technology. For information sharing and discussion of our strategic initiatives, all employees are asked to meet with their area directors on Friday morning at 9:00. Further information will be shared at that time.

As always, thank you for the good work you do and for the outstanding service you provide to Thompson customers. Thompson employees are the foundation of our success.

Howard Kessler  
CEO  
Thompson Technology

The rumor mill was instantly at full speed as heads popped up from cubicles and employees clumped together in speculation. Staff meetings were common at Thompson, but there had never been anything like this before.

“What does it mean?”

“This must be a major announcement. Why else would all departments meet at the exact same time?”

“Have we been bought out?”

“Are we shutting down?”

“I didn’t think things were this bad!”

Productivity plummeted. Except for a lot of talk, the employees accomplished nothing from the time they received Kessler’s e-mail to 9:00 Friday morning.

### 9:00 Friday Morning

Employees met with their area directors as scheduled. Some arrived early, but in contrast to the usual staff meetings, nobody arrived late. Coffee service at staff meetings had been discontinued months ago as a cost-cutting effort, so when coffee and pastries were set out for the morning meetings, it only raised anxiety levels. Speculation continued as employees filled coffee cups and forked pastries onto paper plates. At exactly 9 a.m., everyone dispersed to their designated meeting areas. In conference rooms across the company, chairs were full, speculation ceased and employees waited.

Of course, things are never as bad as rumors suggest. In most areas, relief could be seen in employees' faces as directors reiterated the organization's commitment to employees, but the directors left no doubt that the future would be different. Managers had agreed that further cost-cutting measures would have to be taken. Employees were told to expect changes in working conditions as the company tried to cut labor costs by 10 percent. In addition, efforts would be made to increase sales revenue by exploring new markets. But for now, at least, the company was ready to move forward with no plans to lay off employees.

## SCENARIO C: HOT-DESKING

### Players:

Scott Montgomery, CHRO

Jack Albright, COO

Rick Stephens, facility manager

Vickie Carothers, employee

Dianne Sturgis, employee

Thompson Technology has changed since the hiring freeze was implemented in 2008. The sales numbers are up slightly, and costs have been saved because staff levels are down about 5 percent overall. It has been difficult for some departments; reduction by attrition doesn't ensure that it will occur in the appropriate areas. Some departments lost a significant number of employees, and others experienced little to no employee attrition. Montgomery has worked with the managers to reconfigure departments and reassign staff to balance the workload.

The most significant change occurred when the company moved to flexible scheduling and telecommuting. For nonexempt employees, the standard 8 a.m. to 5 p.m. shift was scrapped in favor of a 12-hour flex time day from 6 a.m. to 6 p.m., with core business hours between 10 a.m. and 2 p.m. when all employees should be on-site. In addition, a number of exempt employees shifted their work off-site and began telecommuting two or three days each week. That resolved most of the persistent absentee problems because flexible scheduling allowed employees the flexibility needed to manage work and family responsibilities.

Now, several months into the new schedule, it is clear that employees love flexible scheduling, but the managers don't. Most of Thompson's managers had never supervised off-site employees or employees with time flexibility, and many were resistant to the change. Montgomery had anticipated that it would be a difficult change for some, but he hadn't expected all the grumbling about the difficulty of managing "invisible" employees. He has been working one-on-one with supervisors who can't seem to let go of the time clock mentality, and he hopes that with time most managers will realize the value of the new schedule.

At least absenteeism is no longer an issue, and morale and productivity are finally improving. "After all," thought Montgomery as he reached to answer his phone, "our employees have been through a lot in the past few years with the hiring freeze and reorganization. It's about time something made them feel better."

The call was from the COO Jack Albright. "Good morning, Jack," said Montgomery.

"Scott," said Albright, "we need to sit down and figure out where we're going from here. I'm looking at maximizing facility use for cost savings, and it's going to affect people. Let's talk about how we can do this to benefit both our areas."

"Fine, Jack," said Montgomery. "I'll stop by your office tomorrow morning."

The next morning, Albright got right to what was on his mind. "Scott, I think flextime and telecommuting is a huge success. It really changed the nature of work

around here. Have you walked through the customer service area or the marketing department lately? There are empty desks everywhere, especially early morning and late afternoon.”

“Yes, I’m very pleased with the results,” said Montgomery. “Our productivity numbers are up, absenteeism is down, and employees seem to be more content. It’s taken a bit for supervisors to get used to the idea, but I think most of them are coming around. I’ve still got a few old-style managers who think they have to police an employee’s time. But if I can get them to let that go, it’s a lot easier for everyone when an employee can take their child to the orthodontist or go to a ballgame without a lot of hassle over scheduling.”

“Well that may be,” said Albright, “but I’m looking at all those empty desks. Have you tracked employees’ new work patterns? Do we have any solid information on which hours employees are here and how many employees are actually here at the same time?”

“We’ve been tracking work hours and productivity levels since the beginning. Most employees are here during the core hours of 10 a.m. and 2 p.m.,” said Montgomery. “And some people work off-site two or three days a week. We don’t have long-term data yet because this is a new process, but we’ve got good numbers so far, and there are definitely patterns and trends emerging that we should consider.”

“Great,” said Albright. “Let’s meet again. I’d like to have a look at your numbers. I’m interested in a better use of our space. I see a lot of empty desks throughout this building, and it seems to me that if we consolidate some of that space, we could save costs and even generate revenue by leasing out what we’re not using.”

“I’ve been thinking the same thing,” said Montgomery. “I’ve already talked with some colleagues in other companies where they use hot-desking for mobile employees.”

“What’s that?” asked Albright. “I’ve never heard of it.”

“It’s a process where mobile employees have no assigned work space. They don’t need a designated space in the office because they do most of their work off-site. On days they work in the office, they use whatever desk is available. They simply find an empty desk, sit down, turn on the computer and go to work. It’s working well in other companies, and I don’t see any reason it wouldn’t work for us,” replied Montgomery.

“I like it,” said Albright. “Let’s go over those numbers and get it going right away.”

Montgomery sent the attendance and productivity data to Albright later that afternoon. He also scheduled a meeting with the facility manager, Rick Stephens, for the next morning. From there, things moved quickly. They identified two floors that could be consolidated into one floor of hot-desk areas. It was decided to proceed with the plan. A project team was formed and an implementation schedule was devised. Stephens’ staff would work with the IT department to make the physical changes during the final weekend of the conversion to reduce business disruption.

Approximately 30 days before the change, Montgomery sent the following e-mail to employees:

All Staff:

I am pleased to report that our flexible scheduling and telecommuting programs have been very successful; a number of employees have taken advantage of the programs. We encourage all employees whose job duties can accommodate flexible scheduling or telecommuting to take advantage of the programs.

Since the programs began, you may have noticed the increased number of empty desks because employees are working different hours and in various locations. Keeping empty desks open for employees working off-site is a significant cost to Thompson Technology. To reduce costs and to better use our physical space, individual desk areas will be eliminated from floors three and four. The fourth floor will remain available for other purposes, and the third floor will be converted to hot-desk areas for staff use when working on-site.

The conversion will take place at the end of the month. All staff members currently on the third and fourth floors are asked to remove all personal effects by the Friday before the conversion. Our IT department and facility staff will make the conversion over the weekend to avoid as much downtime as possible.

As always, your cooperation and support is appreciated.

Scott Montgomery  
Chief Human Resource Officer

### Later That Day

Vickie Carothers stomped into the cluttered fourth-floor cubicle occupied by her friend Dianne Sturgis. “Did you see the e-mail from HR?” she asked.

“No, I’m really rushed today,” said Dianne. “I’ve got to get this project to marketing by 3:00 this afternoon, and I’m way behind. I haven’t had time to look at anything. What is it?”

“Well, it’s another announcement from HR,” replied Vickie.

“What are you talking about?” asked Dianne. “What do they want now?”

As Vickie read the e-mail aloud, Dianne stopped working and turned toward her.

“Are you kidding me?” she asked incredulously.

“No, it’s for real. You’ve got to haul all this stuff out of here by the end of the month,” Vickie replied, punctuating her comment with a wave toward the artwork by Dianne’s six-year-old twins adorning the cubicle wall.

“And then what?” Dianne asked. “I’ve been in this cubicle for five years. How does anyone work at a shared hot-desk?”

“I don’t know, but it looks like we’re going to find out.”

### **SCENARIO C: QUESTIONS FOR UNDERGRADUATE STUDENT TEAMS**

Montgomery realizes that hot-desking will affect not only the physical work space in the company, but also how managers supervise employees. Many of these managers have no experience in managing mobile employees, and he has promised them support in making the transition. He has asked your team to design a plan to help the supervisors transition from traditional management to managing mobile employees. He is meeting with your team this afternoon. Please provide him with answers to the following questions:

1. What challenges should Montgomery anticipate in the transition to hot-desking, and what can be done to ensure success of the project?
2. What support should HR provide to help transition supervisors from managing traditional employees to managing mobile ones?

### SCENARIO C: QUESTIONS FOR GRADUATE STUDENT TEAMS

Montgomery is meeting with the strategic planning team next week to further discuss the move to hot-desking. He knows it will take time to complete the transition, but he wants a transition plan in place right away so it can be approved at the meeting. He has asked your team to work with him on the project. He will meet with you later today and has asked you to prepare written responses to the following questions:

1. Devise a project plan and timeline to move from a traditional work environment to a hot-desk environment. Who should be included on the project team, and who should lead it?
2. Data security is a significant concern to employers with mobile employees. What steps should be taken to protect the company from a data security breach?

## DEBRIEF

### SCENARIO C: QUESTIONS FOR UNDERGRADUATE STUDENT TEAMS

#### 1. What challenges should Montgomery anticipate in the transition to hot-desking, and what can be done to ensure success of the project?

Albright may view hot-desking as a way to free up space and generate revenue, but Thompson Technology should go slowly when implementing the new system. Hot-desking is a major change in the way people work, and it will take time to plan the transition and to train employees affected by the change. It may be helpful to pilot the project in one area of the company before moving ahead with a broader implementation. This would allow time to address employee issues and to work out problems before involving the entire organization. Either way, Thompson should expect resistance; there will be employees who do not want to give up their personal space.

##### *Inadequate Technology*

HR should work closely with the IT department to plan and implement the change; IT support is a significant factor in the success of such a program. To make the process work, Thompson must provide employees with the latest mobile technology. Desktop computers and telephone land lines must be replaced with laptops and cell phones that can be used from any location. Mobile communication must be available to employees regardless of their location. Working with IT staff and area managers, HR must establish appropriate parameters for the use of company equipment and communication devices.

##### *Communication Challenges: Less Face-to-Face Interaction*

If teams normally work a standard eight-hour day and get work done through face-to-face meetings, hot-desking will be a major change in how they will accomplish their tasks in the future. Schedule time for team meetings before the process is implemented so teams can plan how they will interact and communicate with one another to get work done. Communication lines should remain open to enable employees to give feedback and to allow the company to respond appropriately to the feedback. This will not be a quick process; expect ongoing tweaking until employees are comfortable with the new system.

##### *Resistance*

For most employees, working in a hot-desk area will be a major change from working in an assigned personal space. There will be resistance to the new work style. Montgomery, his staff and the managers must be prepared to listen to concerns and address issues as appropriate. They must also assure employees that they will have support from the IT department to make a successful transition. Some permanent space in the hot-desk area should be reserved for administrative assistants and other support staff, so that mobile staff members can be assured of having access to support when needed.

Although open space can generate a more collaborative environment, it will take time for employees to adjust to the change, particularly for those who are reluctant to give up their personal work spaces. Include quiet zones in hot-desk areas to accommodate small impromptu meetings or confidential phone calls.

#### *The Need for New Policies and Procedures*

HR must help managers make the transition from supervising visible employees to managing virtual ones, and this will require training. Time keeping and performance appraisals, for example, must transition to systems that are more appropriate for mobile employees. Many organizations now use online 360-degree feedback to appraise off-site employees instead of a traditional supervisor-managed appraisal process.

The transition to a hot-desk environment will be difficult for some. It is important to remember that, just like there will be employees who don't want to work at a hot-desk, there will be managers who don't want to manage nontraditional employees. Montgomery should expect to have a few managers insist that they cannot manage employees unless they can see them. He should ensure that he listens to and addresses their concerns. Montgomery must remind them that there will be plenty of training on how to manage mobile employees and they will have HR's support as they adapt to the change. Managers and employees must learn to trust one another because the success of the program depends on mutual trust.

The HR department should ensure that open communication is maintained with employees working in hot-desk areas and expect to adapt policies and modify procedures as time goes on. HR and senior managers must understand that it will take time to implement the hot-desk approach.

## **2. What support should HR provide to help transition supervisors from managing traditional employees to managing mobile ones?**

Organizations recognize the benefits derived from a mobile workforce, but a mobile workforce is not without concerns. In one study, executives said their biggest concern was the effective management and supervision of mobile employees (Zielinski, 2011). A recent Booz Allen Hamilton/Partnership for Public Service study showed that within the federal government, managers were the top reason why telework wasn't a widely accepted business practice.

HR must conduct training for supervisors to address concerns and to ensure the success of managers and mobile employees. Thompson must expect that some managers will be uncomfortable with supervising off-site employees because it is a significant change from supervising on-site employees. Managers must understand the differences between managing traditional employees and managing in virtual environments. The key drivers of successful telework programs are training for managers on what telework is and how to use it, helping managers decide which employees are eligible and getting senior managers to accept it.

It is important to acknowledge the discomfort level some managers may experience and to provide support as they make the transition. HR must ensure that managers

and their employees are suitable for the virtual environment. Training will be necessary for all involved so they can effectively use the technology required for successful communication. Employees are moving into a new world of work in which colleagues may not be available on-site for a quick chat or update on a project. Expect the transition to take time.

It is especially important that supervising managers acquire new skills in performance management. Managers must learn to appraise employees based on results, and they need to suspend speculation about how off-site employees spend their time. Performance management will rely on goal setting and outcomes rather than less measurable criteria or hours worked. Thompson may want to tie the acceptance of telework directly to a manager's performance evaluation and compensation. Also, it may be helpful to have managers telecommute at least part of the time. HR must provide ongoing support for supervisors as they move away from the traditional model of control management to one of manager as coach and coordinator.

Employees who work remotely often report communication challenges, so it is vital that open lines of communication are maintained. HR may need to be a sounding board for managers and employees as they work through the change process. HR must plan to regularly review how the new processes are working and make adjustments as necessary. Achieving successful flexibility is a shared responsibility of the organization, managers and employees. Only then can flexibility positively impact workplace effectiveness and the bottom line (Friedman, n.d.).

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## DEBRIEF

### SCENARIO C: QUESTIONS FOR GRADUATE STUDENT TEAMS

**1. Devise a project plan and timeline to move from a traditional work environment to a hot-desk environment. Who should be included on the project team, and who should lead it?**

Montgomery should advise the strategic planning team to go slowly with implementation of hot-desking. There is certainly an opportunity to improve the use of physical space and to generate revenue, but senior managers should be reminded that this is a culture change for Thompson, and it will significantly alter the way employees work. It is important to anticipate and plan for some resistance to the project.

It is important to ensure top management support for the project before moving forward. After ensuring that there is support, Montgomery should select members for a project team. Project teams usually consist of employees from different backgrounds who can contribute knowledge and skills in their areas of expertise. Montgomery should include individuals who can implement the project plan and representatives from all areas that will be affected by the change.

After the team is assembled, a project generally follows a five-step sequence (MindTools, 2012):

- 1. Define.** Identify what will be covered by this project.
- 2. Plan.** Identify who, what, when and with what resources the project will be completed.
- 3. Execute.** Organize people, allocate resources and schedule tasks for completion.
- 4. Monitor and control.** Track progress and take corrective actions as necessary.
- 5. Close.** Complete and evaluate the project.

Successful projects are linked to the strategic and operational goals of the organization. Montgomery may want to lead the team, but he should include managers who will be affected by the plan, including COO Jack Albright and CFO Elizabeth Schiff, on the project team.

A planning grid or matrix should be developed and distributed to all team members. This matrix should indicate who is responsible for completing specific tasks (and when) and a timeline for completing the project. Team members must understand the importance of the project because they are probably fully engaged in other work and may be tempted to put the project on a back burner. It is the team leader's responsibility to keep everyone on task and accountable for results.

In addition to managing the team, it is the team leader's job to manage communication. The team leader must ensure that there is open communication and cooperation in the group. This can sometimes be facilitated by the use of project management software or an electronic bulletin board to post information and timelines.

Montgomery should expect that even when the project plan is completed, there will be an adjustment period for employees and managers who are affected by the new structure. He should plan to evaluate the process and make adjustments as needed. He must also keep the lines of communication open through employee focus groups or coffee meetings and respond to employee concerns.

## **2. Data security is a significant concern to employers with mobile employees. What steps should be taken to protect the company from a data security breach?**

Senior management must understand that the technology required for the success of mobile employees may make the company more vulnerable to security breaches, including the risk of revealing private information and company data. The plan must include requirements about who the equipment is assigned to and how the equipment should be used. Data can be protected by a variety of security tools, such as firewalls, antivirus software and proprietary security solutions.

The use of smartphones must be given particular consideration because they are often used to transmit sensitive company data. They are far more vulnerable to security breaches because they lack the safeguards found in an organization's IT network. Employees must be educated about how to use smartphones to connect to networks, run programs or store sensitive information.

Another concern is the use of an employee's personal computer. Procedures and guidelines must be developed to ensure that personal computers don't infect corporate networks with viruses or expose corporate data through unsecured e-mails. It is important for HR to work closely with the IT department to ensure that security safeguards are in place and that mobile employees understand and practice appropriate protocols to safeguard company information.

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