



New Leadership
for a *Changing* World

The Future of Hybrid



Hybrid working is not a new phenomenon. In 2019, according to Eurostat, roughly 3% of the 193-million-strong EU workforce usually worked from home. In addition to the 8% of workers sometimes working from home, around 20 million people had at least part-time access to remote work. The hybrid workforce was highly skewed to certain sectors, roles and organisational levels. Remote working was most apparent among workers in sectors such as teaching and IT, and least among clerical support workers. Furthermore, research suggests that a prevalence existed among more senior employees in organisations, who were three times more likely to regularly work remotely than younger, more junior staff.



➤ This was all to change in 2020, with the global emergence of the COVID-19 pandemic. Organisations were forced to embrace remote working on a scale never envisaged previously, in response to Government 'lockdown' initiatives. It was, for most organisations, a challenging time which required significant investment in technology, rapid development of new systems and processes, and often radical changes to working practices.

Fortunately, remote working was embraced by many employees as a potentially favourable alternative to existing working practices.

Looking for a quiet place to concentrate in busy offices, being distracted by office noise and gossip, too much or too little air conditioning were things of the past - workers at home were able to minutely customise their working environment for maximum effect.

Work no longer required an often-exhausting daily commute. It potentially allowed for greater flexibility in other, non-workrelated areas of life.

All were seen as clear and direct benefits to the employee, confirmed by research data generated by academics highlighting perceived improvements by workers in their efficiency, level of control, and work-life balance (*e.g., Ipsen, Van Veldhoven, Kirchner, & Hansen, 2021*).



Pre-Covid, the hybrid or remote option was a potentially attractive carrot for new employees in contract negotiations. Deployed in a limited way, typically for more senior staff, it promised higher levels of productivity and a useful recruitment tool to help attract the best talent.

Given its relatively limited deployment and the clear expectation that senior staff would be using the flexibility in positive and constructive ways, it posed few if any challenges to the operation of the typical organisation and its continued growth and development.





During COVID-19, it proved to be an essential tool for the continued survival of organisations.

Working at home became the new normal, however naturally, this shift required huge changes in working practices and organisational systems and processes to be enabled.

Despite the work involved, there appeared to be some potential upsides for organisations.

In addition to basic survival, it promised the potential of higher employee satisfaction and increased productivity.

Over the longer term, it brought with it the potential of reducing operating costs, as expensive office buildings and extensive business-related travel were no longer necessary for the efficient running of the organisation.



More than anything, it put the concept of flexibility, agility and a more 'personal' perspective at the heart of businesses.

It focused organisations on the needs and conditions of the individual worker, ensuring that their individual circumstances were considered in (re)designing roles and job functions during the COVID crisis.

The potential for increased levels of employee productivity, satisfaction, and loyalty - all hugely relevant in the global 'war for talent' - was clear and highly attractive.

The initial, and largely successful, move to remote working was perhaps inevitably led by those organisations who had pre-COVID experience, in particular larger technology companies.

Their employees were already more likely to have worked remotely in the past and were technologically literate (few required training in how to attend a Zoom meeting).

Many tasks, such as coding, often require relatively little interaction with others and could be completed by an individual working alone with a PC and broadband.

For this reason, organisations including Amazon, Alibaba, Google, Microsoft, and IBM were quick to pivot to large-scale home working during the pandemic.

Today however, these organisations are amongst the first and most vociferous in demanding employees give up the flexibility of remote working; something that many in the workforce have now successfully adapted to (prefer and even expect) and embark on a wholesale return to the office.

In February this year, Amazon’s CEO announced in a memo that all employees were expected to spend at least three days in the office per week from May 1st.

Similar announcements emerged from Apple, IBM, Meta, and Google. Other organisations were even more demanding; financial institutions like BlackRock are expecting employees back in the office at least 4 days a week, and JP Morgan and Goldman Sachs expect 5 days a week on-site. Disney wants to see its workers on-site at least 4 days a week, as does Tesla (the latter expecting its employees to spend at least 40 hours per week in the office).



Q: *So what's changed? Weren't we promised more productive, satisfied, and loyal workforce as they settled further into working from home? What of the prospect of significantly reduced operating costs as we close expensive offices? If we survived the pandemic with empty offices, why are we now forcing staff (who have learnt to expect flexibility in how they arrange their working lives) back into them?*



A: **Perhaps we should start by looking at those organisations most vocal in demanding the 'big return'.**

Research by Microsoft into its own workforce suggested that those working from home were less interconnected, less collaborative and more siloed. This seems to be a common theme. Amazon CEO **Andy Jassy** said: *"Collaborating and inventing is easier and more effective when we're in person."*

While speaking about remote work at a 2021 conference, Goldman Sachs CEO **David Solomon** said: *"I do think for a business like ours, which is an innovative, collaborative apprenticeship culture, this [home working] is not ideal for us... It's an aberration that we're going to correct as quickly as possible."*



For Disney CEO **Bob Iger**, connection in the workplace is key. *“In a creative business like ours nothing can replace the ability to connect, observe and create with peers that comes from being physically together, nor the opportunity to grow professionally by learning from leaders and mentors.”*

JP Morgan Chase’s CEO **Jamie Dimon** said last year that remote work *“doesn’t work for spontaneous idea generation”* and erodes culture.

In a May memo sent by Blackrock’s COO, **Rob Goldstein**, and Head of HR, **Caroline Heller**, the executives wrote: *“Career development happens in teaching moments between team members, and it is accelerated during market-moving moments, when we step up and get into the mix. All of this requires us to be together in the office”*



A conclusion that can be drawn from this is that executives appear concerned that remote working reduces communication, team working and connectedness, ultimately leading to a decline in workforce innovation, creativity, and opportunities for staff development. There may be some evidence to back this up. A recently published academic

study by economists from Harvard, the Federal Reserve Bank of New York, and the University of Iowa suggests that software engineers at Fortune 500 companies received significantly more direct feedback on their performance when in physical colocation with the peers and managers compared to those working remotely.



Some academics like **Art Markman**, a Professor of Psychology and Marketing at the University of Texas at Austin agree, suggesting that being in a physical workspace with colleagues can reinforce corporate and communal goals ('goal contagion'), leads to

“moments of serendipity that can move projects along” and provides a better medium for the transfer of information and learning, given that *“it’s harder for institutional knowledge to make its way around in a remote environment”*.

Executives may see a return to the office as a direct intervention to address what are often considered the downsides of home working for the individual employees, including isolation, increased misunderstandings, decreased interpersonal contact and role ambiguity.

Other studies have found that the work–life balance at home may also be challenged since boundaries become blurry, people work more hours, there can be a lack of support and visible leadership, and there may be less social interaction when isolated and detached from the workplace.

A less charitable perspective might suggest executives are habitual creatures who are used to a particular way of working, don't particularly want to change, and fear losing some level of control over workers, particularly in how they are monitored and managed.

A return to the office is therefore a return to the very familiar. There is a fundamental question here around the degree to which senior executives trust their workers to use the time at home productively and efficiently.

A survey carried out by the Centre for Transformative Work Design (2020) showed that 38 percent of managers suspected remote workers of performing less well than people who work in an office setting (*Parker et al, 2020*).



Others feel that a decision to work from home might be an indication of a lack of commitment to the company on behalf of employees.

Sandeep Matharani, CEO of WeWork suggests that to spot the most engaged employees it is enough to check those who

want to come back to the office: *“those who are least engaged are very comfortable working from home”.*

Does this apply to senior executives as well?

Q: *Is there an emerging disconnect here between executives and their employees on the issue of remote working? Has the psychological contract which existed pre-2020 been irrevocably broken?*

A: Recent CIPD research would suggest that it has, with the latest research report finding a rise in employee relations cases and an increasingly adversarial tone surrounding certain issues. CIPD Good Work Index found 43% of employees now say they work ‘just for the money’, compared with 36% in 2019. The proportion of those who say they would work even if they didn’t need money has dropped from 58% to 55%.

The workplace messaging platform Slack, in their Future Forum programme, surveyed more than 10,000 workers globally in the summer of 2021 and found that three-quarters of all **executives** reported they want to work from the office three to five days a week, compared with about one-third of **employees**. Among executives who have primarily worked completely remotely through the pandemic, **44%** said they wanted to come back to the office every day.

Just **17%** of employees said the same. Certainly, many of the companies most vocal in demanding a return to the office have met with fierce and organised opposition from their workforce, Amazon workers have produced a petition against the move, as have employees at Apple and Disney.



If hybrid working is here to stay for at least the mid-term, embedded as a working pattern and an expectation for employees in all types of organisations, these tensions and disconnections between executive leadership and employees will need to be resolved and the psychological contract renegotiating.



Questions that need asking and answering:

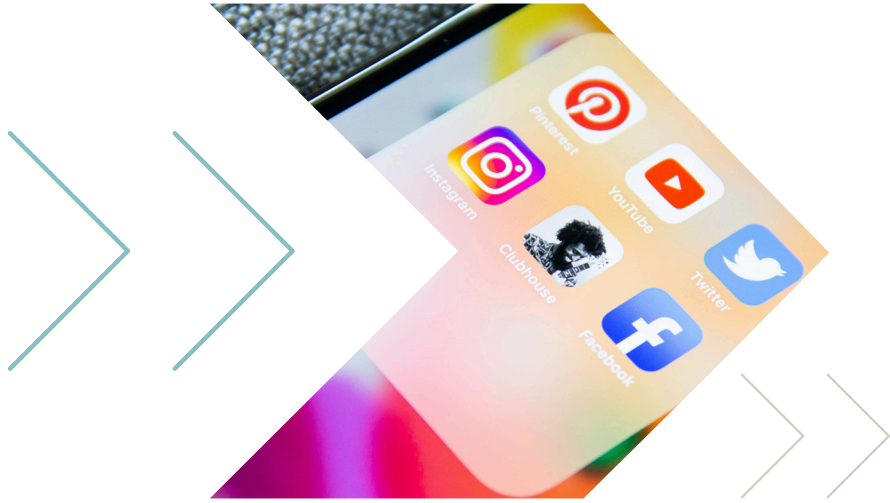


Andrea Trainer, Partner, Public Sector at Miles Advisory asks:



Is hybrid working the permanent ‘new norm’ we believed it to be? What might be the potential downsides of removing hybrid working in terms of attracting and retaining the best talent? What are the implications for those businesses that ‘jump first’?

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Reading List



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