

2020

HYBRID WORKING

Risks, opportunities and the importance of balance.



Is working from home the new standard?

Physical, online or a combination of both?

How do employees feel about all this?

Preface

PREFACE

IS WORKING FROM HOME THE NEW STANDARD?

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CBRE published a comprehensive research paper in March 2020 which covered ten work trends that, taken together, would usher in an era of 'Responsible Real Estate' from 2030 onwards. Less than two months later, we reported that COVID-19 has accelerated this transition by about ten years. One thing is for certain now that we are another few months on: flexible working is no longer a goal or choice, but a long-term imposed necessity which has far-reaching consequences. The question is not whether working from home is yet to become a permanent part of your workplace strategy; it's about how to implement balanced and carefully considered measures

UNPRECEDENTED TIMES

It may still be too early to draw definitive conclusions, but there is increasing relevance to the matter of how to properly facilitate this new situation. Organisations face many more similar questions – like how long physical distancing will remain the norm; when a safe and effective vaccine will be approved for general use; and what a significant economic downturn could mean for us all. These are understandable concerns with no easy answers. They do result in confusion given that speculation abounds about these issues – often with less than sunny projections.

Practices

WISHING AND HOPING

For digital pioneers like Facebook and Google, it seems like a logical conclusion that their employees will now work remotely. These companies are already busy restructuring their organisations, insofar as they had not already done so earlier. There is a dawning realisation for a small group of companies that they will have to fundamentally change their approach in the aftermath of the pandemic. This group is reconsidering their work processes and their accompanying physical workplace strategies. However, the vast majority of organisations are only doing what they absolutely have to do: splitting up teams and having employees work from home using digital tools to enable that, at least functionally. These organisations are wishing for better days and hoping to see how much the 'new normal' will resemble the 'old normal'.

LOGICAL SAVINGS AND SATISFIED EMPLOYEES

CBRE has found that the combination of great insecurity and the predicted recession has, broadly speaking, resulted in two reactions. Firstly, plans are being made in many boardrooms to offload square meterage. Secondly, recent studies have shown that the average employee – for various reasons – is actually feeling fairly positive about the new work situation. In summary: now that the global labour force has spent the last months figuring out how to deal with the destabilising combination of corona-related measures and

threats, a picture is beginning to emerge of real estate cost-savings and contented employees working from home.

SEARCHING FOR BALANCE

The question now is whether the current situation has a positive effect on the fundamental success factors as company culture, the power to innovate, productivity and socio-professional cohesion. An in-depth look at employee satisfaction surveys also reveals worrisome trends. CBRE sees decreasing floor space as an understandable and sensible response to the current situation. However, we also see long-term risks, particularly when reducing workspace is the only intervention instead of a combination of measures that are carefully considered and implemented in a logical fashion.

This article highlights the possible consequences of a one-sided approach in real estate cost savings. In addition, we are also looking at the positives and negatives of working from home in the way that many organisations and their employees are doing now with reasonably good levels of success. CBRE's goal is to inform you and help you along the bumpy road toward a mixed reality where cost control, productivity and vitality work in concert.



Is working from home the **new** standard?

According to European sources, 37% of the labour force works part time and from home. In the CBD this number constitutes 45%. This mainly involves knowledge workers in the tech, finance and professional services sectors. Working from home is not a new development for workers from these sectors, however the questions raised by these percentages are. For instance: how do we continue to be innovative? Is our culture changing now that everyone is working from home? How do we keep employees engaged, both with the organisation and with each other?

THIS ISN'T GOING AWAY ANYTIME SOON

Many organisations expect that this pandemic – however far-reaching it may be – will not ultimately be able to completely change a way of working that has lasted for almost four decades and that working from home will become the definitive new standard. What they do tend to recognise is that this virus is not just a media creation, but they simultaneously wonder just how high of an impact that ‘a year of corona’ will have. According to some media sources, the impact will be significant. In short, COVID-19 is an absolute game-changer.

IT'S ALL IN THE MIX

Over a third of the UAE labour force mostly worked from home in the past few months. And with the recently reinforced measures, most office floors will remain empty for the time being. Many management teams are struggling with the question of whether working from home is a temporary sign of the times or something that's here to stay. The answer will differ between organisations. Of course, the type of work, personal preference and physical facilities are all important factors, but management style also plays an important part. One manager may prefer to bring their team back to the office as soon as possible; another may consider working from home to be a standard part of their management style in the future.

“ The first order of business is for an organisation to thoroughly define and/or redefine their processes, culture and goals – and to find a lasting and healthy balance between home and office from there.

Wouter Oosting



It is important to consider that for both working from home and working at the office there is no ‘one size fits all’ solution. A balanced combination of both contributes to a useful realisation of the concept of ‘work’ as a whole. In many discussions about this topic, the primary focus is placed on where this work ought to be done. It would be useful to let go of this fixation. Rather, look at how this happens and who is doing it. In summary, the first order of business is for an organisation to thoroughly define and/or redefine their processes, culture and goals – and to find a lasting and healthy balance between home and office from there.

Physical, online or a combination of both?

The best place to work is often framed as a binary and mutually exclusive choice: either being physically present in an office or working remotely from home. CBRE sees that differently; we see working together from home or the office as a strategic choice for that particular moment in time. In other words, it's about a preference for sitting around a physical or 'digital' table. The best-case scenario is that synergies are created, in which the employee and manager set tasks and objectives together, decide who does what type of work, from where and for what reason – in that order. However, this is not the reality we see around us.

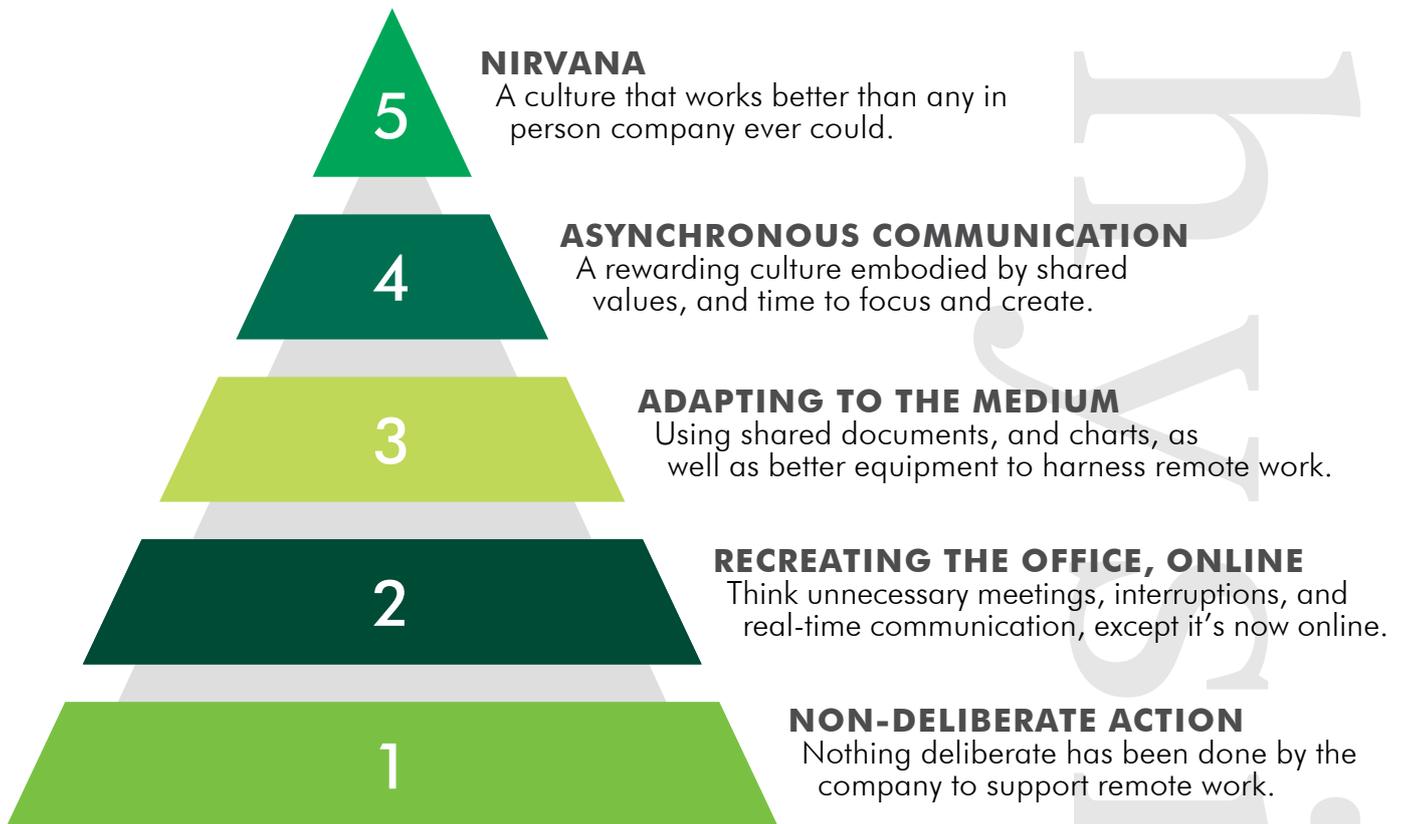
MAKING THE BEST OF THE SITUATION

Currently, most offices employees are working from home. From home, each employee then does what can reasonably be done remotely. The word 'remote' has two meanings here. It's not just about the geographical separation from the office, which implies that the 'real' work is done there. It is also about the emotional and psychological distance. This is the distance from what is, at least according to the prevailing view, the essence of work: achieving something together from a place of engagement that helps the organisation, its customers and stakeholders move forward. Right now, this ideal seems to be far off. Despite helpful tools like phones, email, instant messages and video conferencing, it is

seen as 'playing office online', to put it crudely. The result is that crucial projects which require extensive collaboration are completed either at a bare minimum or postponed until a post-corona era.

FIVE ONLINE LEVELS

American internet entrepreneur Matt Mullenweg (b. 1984) proved with his multi-billion dollar company Automattic that working together online involves much more than email, computers, apps and zoom. The founder of WordPress has nearly 1,200 employees from all corners of the world (as of May 2020). Importantly, they have no physical offices – and not because the corona crisis forced him to do so, or because his people are better at video



Source: Matt Mulenweg, Automatic

conferencing. It was a deliberate decision. He succeeded in connecting people, engaging them, and building online working relationships by dividing online work into five levels – and to grow within this framework. He may never reach nirvana, but at level 4, he is doing considerably better than most other organisations that tend to get stuck at level 2: temporarily doing exactly what you used to do at the office online and from home, but with varying degrees of success.

ACQUIRING REAL ESTATE IS NOT THE HIGHEST GOAL

The question is not whether you can work at home on a basic level. As a country, the UAE proved in recent months that it can do so quickly – and well – and it seems poised to continue doing so. That is precisely why it is important to examine the way that this happens, and its long-term effects. Many organisations

find it difficult to transition from the binary ‘either/or’ situation toward a sustainable symbiosis of working online combined with work from a physical office. The potential damage is high if they don’t make that leap. This has everything to do with a brake on innovation and the gradual erosion of a major corporate asset: Social Capital. It is invaluable, yet difficult to quantify.

From an organisational perspective, the acquisition of real estate is often seen as a necessary capital expense: expensive walls and meterage. CBRE believes that the fair value of real estate is represented by what happens within those walls and square metreage. Further still, who works within those walls and in what way. The intrinsic motivation to head to an office each day has less to do with production, outputs and targets than the desire for belonging and to be

part of a greater whole. It matters to people to create or invent something with like-minded folk. To build and maintain networks, build a career and gain and give confidence as a professional.

AVOID BUILDING EMPTY SHELLS

The sum of these needs and the expectations represented by social capital is much more valuable in the long-term than real estate is. The arising question is precisely where this capital is to be maintained and developed. By definition, this is a place where people come together physically to discuss, exchange innovative ideas, solve crises, show mutual interest, tell stories, and test and practice their shared values. Those who give up too many square metres for cost reasons will probably pay a considerably higher price over time. Simply consider what's left behind: on a functional level, some tables and

chairs; on an aspirational level, a corporate vision. There is no room left for the people who have to give shape these visions and aspirations. This development bears a serious risk: the office as an empty shell.

“ If everyone works, lunches and drinks at home, you might as well divest your restaurant and café space. But how do employees connect? Where are they part of that larger whole? ”

Wouter Oosting



SOCIAL CAPITAL

Social capital is a measure of the value of resources, both tangible (e.g., public spaces, private property) and intangible (e.g., actors, human capital, people), and the impact that these relationships have on the resources involved in each relationship, and on larger groups.

How do employees feel about all this?

According to Gartner, 75% of American CFOs see corona as an ideal opportunity to permit employees to work from home structurally and thus save on space - and costs. That seems understandable with a recession forthcoming and workplaces that are largely empty. The question is how these employees find working from home – and they appear to be rather enjoying it, judging by several surveys. The explanation for their relative contentment seems obvious: no commutes, practical technological aids, more productive working days and a sense of flexibility. In addition, it's naturally better for the environment to avoid traffic jams every day.

VALID BENEFITS OR CLUSTERS OF DRAWBACKS

CBRE fully recognises that working from home does indeed have a number of obvious advantages. However, one detail emerges from the same surveys: even though two thirds of employees are satisfied, a logical conclusion is that one third are less than satisfied, or even dissatisfied. This certainly raises questions, if not concerns, at least from an HR 'human-centric' perspective. Furthermore, the results are averages and the 'average employee' does not exist. If you place the individual at the centre, you include their personal well-being; not that of a large, anonymous group.

The timing of these surveys also raises questions. Several months may seem like a long time but not for such drastic changes. Finally, where respondents live and work also matters a lot. For instance, 98% love working from home in London. That's unsurprising, if you no longer have to sit in the metro for four hours a day. In short: people who are working from home are still celebrating the advantages wholeheartedly, but there are certainly disadvantages lurking below the surface. And not even that deeply, as in some cases they are already apparent. we make a list of the three most important ones:

Risks of working from home

①

LONGER WORKING HOURS

Employees indicated that they feel more productive, and that is certainly accurate: they are working 1.2 hours longer per day than usual. The fact that they exchange commutes for work time 1-1 is a plausible explanation. Many have noticed this significant increase, but there have also been added complaints about fatigue.

②

WORK-LIFE BALANCE UPSETS

Commuting is useful, because it disconnects your working day from your private life – even though no-one likes to be stuck in a traffic jam, force their way into a full train or cycle through the rain. Many employees no longer feel a healthy distance between the two worlds now that they have merged into one; but that's certainly not the same for everyone. One person may happily push aside their laptop to eat with the family, another may take their work into the bedroom. This may happen literally, to play catch-up during the day because of domestic bustling. Or indirectly, through added worry or lack of sleep.

③

STRESS

Tension may be the most devastating consequence of working from home in the long run. There may be several causes. One is practical, due to technology faults or domestic frustrations. Another is peer contact, along with the fear of becoming disconnected with what is happening in the office – a sort of professional FOMO. Self-imposed feelings of unease may also arise from the pressure of having to constantly prove to others than one is indeed productive while working from home.



CBRE is not questioning the veracity of the positive results taken from employee surveys. However, we do look at them in a nuanced way: more from an individual employee's interest and projecting further into the future. We note that these results are very diverse, with the emphasis still placed on the fresh achievements of working from home. There is very little attention given to the risks such as stress and a lack of social cohesion, but they are certainly present. These factors may damage the vitality of employees if they were to increase and may lead to drops in productivity and commitment to business objectives.

“ I ask managers: are your people tech-savvy enough to work remotely in such a way that you can measure and adjust your teams' output? And can they still learn from each other, when everyone is at home? ”

David Armstrong

What happens **next?**

For CBRE, taking a different view of work and how it is organised is the way forward. The binary choice of home vs office/online vs physical is no more but instead should be taken as multiple and symbiotic.

Anyone looking for hybrid forms will quickly end up with asynchronous and distributed collaboration. Who works when and from where no longer matters, whether that be in the same room or in different places, at the same or at different times. As long as everyone knows what needs to be done and when it needs to be done by. Employees should make agreements about what tasks they perform at the office and at

home by discussing among themselves or with their manager. And when it comes to real estate, employers can also easily manage to maintain their social capital. The building only facilitates matters and tasks that require the simultaneous and physical presence of several co-workers.

*A great start:
asynchronous
collaboration*



Conclusions and recommendations

CBRE's conclusions are, in summary:

...that many organisations now wonder whether working from home will become a permanent part of their workplace strategy. This will almost certainly come to pass, but the only question is how to organise and to facilitate this situation in a better way.

...after more than six months of mandatory working from home, most organisations are no further than level 2 of Matt Mullenweg's Five Levels of Remote Work: doing (online) at home what you once did (physically) at the office.

...this implementation of working from home is at the expense of the social capital of organisations, which in time will erode their social cohesion, productivity, resilience and innovation.

...the average employee still feels positive about working from home, while the first risks are already visible on an individual level: working longer, an upset work-life balance and more stress.

...asynchronous and 'distributed' collaboration is the way forward. Co-workers only need to know who is doing what and when the deadline is. The rest can take place anywhere, anywhere, anytime.

...shedding square metreage may be a necessary part of a hybrid workplace strategy, one which preserves the benefits of working from home whilst eliminating its potentially harmful drawbacks.

BRICKS, BYTES, BEHAVIOUR

Based on these conclusions, CBRE would like to demonstrate to organisations that the real estate challenges of tomorrow have been fused with profound technological and organisational issues for some time already. We therefore argue for an integrated approach along three axes:

BYTES

The home office is now often a duplicate (online) office. It is therefore unsustainable in terms of productivity, well-being and vitality. In that case, letting people work from home means scaling up in the online domain.

That may be with a monitor or further training. Firstly, investigate whether both the individual employee and the entire organisation are 'tech-savvy' enough to work responsibly both online and also physically. For instance, by asking if the employee has the correct physical set-up. – this can be easily achieved with a location scan by an expert and the proper guidance. These investments are insignificant compared to subsequent costs due to possible psychological and physical complaints from employees.

BRICKS

Facilitate productivity, well-being and balance in employees' division between home and office. If necessary, choose a third way in the form of a HUB & SPOKE: a workspace located between the head office and a private address. For instance, this could be a satellite office or rented from a flexible operator.

BEHAVIOUR

Everyone organisation has developed its own way of working, in the same way that everyone has developed their own lifestyle. It's not easy to change ingrained personal habits, and the same is true for working styles. Changes in behaviour are not a quick fix but require patience and good guidance – both from an organisation as a whole and from those who work there.

CHIEF OF WORK

Real Estate, I.T. and H.R. have traditionally been separate departments led by separate decision-makers. A radically different or new way of working requires integration of these disciplines. More and More organisations are recognising this and are making room for a new C-level position: **chief of work**. Their role is to oversee the broader playing field of real estate, technology and behaviour and to make well-considered choices based on new knowledge.

IN CLOSING

CBRE sees a hybrid working strategy as a condition for success in the post-corona era because short term gains from a cost-saving

reflex will almost certainly lead to long term losses. However, just as there are no average organisations with average employees, there is no ready-made real estate solution. Workspaces – at home or in the office – are one piece of a complex puzzle, along with cost control, compliance, responsiveness, flexibility, productivity and vitality. The correct configuration of these factors differs per organisation and requires close cooperation between management, HR professionals and real estate experts.

In summary: first monitor for balance, then save on costs.



Contact

At CBRE, we work together with our clients to find innovative solutions to meet the common challenges we face with offices. In this framework, we are developing a range of tools, products and services to help our customers meet today's greatest challenges, which include:

- Helping employees to remain productive while working from home
- Preparing to return to a physical office location
- Assessing remote work possibilities and the impact that may have on your real estate portfolio
- Build resilience within the organisation for the future.

If you'd like to share your thoughts and ideas about any of these topics with us, please contact us today.



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