



# TRANSFORM YOUR BUSINESSES BY COMBINING REAL ESTATE AND OPERATIONAL STRATEGY IN THE HYBRID WORKPLACE

## Introduction

Hybrid working is here to stay. As of this year, 28% of employees in the U.S. have adapted to a hybrid working model, and in the U.K. this figure rises to 44%, according to data from the Office for National Statistics (ONS).<sup>1</sup>

Despite this growing trend, many organisations believe that a higher level of onsite attendance is critical to maintain company culture and ensure productivity. Some continue to update their hybrid policies and invest in their workplace design, in the hope of luring people onsite with comfy seating, barista-made coffee and the odd ping pong table.

Others have reacted by reducing their real estate footprints. Tech giant Meta, for example, recently paid £149 million to terminate their lease contract on a central London office building. But such sums can be unaffordable for many organisations, leaving them with surplus real estate they are unable to exit.

What is clear by the wide variety of strategies being adopted is that organisations are struggling to solve the hybrid working

conundrum. Critically, office attendance remains significantly below pre-pandemic levels, with data showing that U.K. workers on average complete 1.6 days of their workweek in the office, compared to 3.8 days before Covid.<sup>2</sup>

With real estate costs mounting, organisations are increasingly asking how they can optimise their footprints and deliver right-sized offices that fit the changing needs of the business.

The answer lies in leveraging the hybrid working model through a holistic view on operating model and strategy to drive true business transformation. If done correctly, hybrid implementation can enable organisations to quickly transition to a new, more cost-effective operating model, with benefits extending beyond real estate savings towards areas such as talent attraction and retention, diversity and inclusion, productivity and environmental, social and governance (ESG) issues.

In this article, we explore five interlinked solutions that can position hybrid working as the biggest opportunity of our generation to redesign how and where work gets done.

# 01



## Maximise the benefits by viewing hybrid working beyond real estate

The hybrid question to date has been primarily approached from a real estate, workforce or talent management perspective. These are all-important lenses, but many organisations are “leaving money on the table” by not using hybrid working as an operational transformation lever. Organisations should begin to do so by exploring whether they have the right roles and whether those roles are being paid the right wage and are operating in the right way, structure and location.

Implementing a new operating model not only unlocks benefits from within the existing model, but also enables organisations to boost optimisation by combining with other strategic agendas such as ESG. Real estate and workforce behaviour are, in fact, key contributors to the carbon footprint of an organisation, and so by including these objectives in the redesign of work, a wider set of benefits can be achieved.

Early lease breaks, devalued investments and accelerated depreciation create significant challenges for hybrid strategies focused on real estate. However, the benefits obtained through workplace- and capacity-centric models are simply not enough to offset these challenges. Extending the scope to include workforce savings and ESG achievements can attract wider investment pools and generate quicker and larger benefits, improving return-on-investment (ROI) and payback.

In pursuing this solution, organisations must adopt the principle of fix then shift, i.e., determine the right organisational structure required before simply moving roles to new locations. If done correctly, the workforce savings and other ESG benefits realised can be used to reduce the cost of optimising the real estate footprint, creating world class workplaces that empower your workforce and support your ESG goals.

<sup>1</sup> <https://wfhresearch.com/data/>

<sup>2</sup> <https://www.peoplemanagement.co.uk/article/1833600/uk-employees-spend-just-16-per-days-week-office-research-shows>



### Case Study: Footprint and Workforce Optimisation at a Leading Global Bank

By implementing an expanded business case to its hybrid working strategy, a leading global bank was able to achieve significant reduction in real estate and workforce costs.

As part of this holistic programme, the organisation rebalanced its location away from high-cost hubs, increased overall location scale and built a fit-for-purpose workplace that enabled the standardisation of functions and the optimisation of real estate.

#### Benefits included:

- 20% reduction in real estate costs (equivalent to over £180 million).
- 18% reduction in workforce costs.
- Enhanced resiliency due to reduced dependency on key offshore locations.
- Reduced carbon emissions by decreasing overall location footprint, supporting ESG goals.
- Increased productivity through the co-location of functions.
- Enhanced talent attraction, retention, engagement and innovation through world-class workspaces.
- Improved diversity and inclusion.

## 02



### Consider the full real estate value chain when brokering deals

As already noted, hybrid working has left many organisations with surplus office space, yet exiting is unaffordable. Equally, landlords and investors are struggling to find tenants for large, high-end offices in central locations. Canary Wharf, London's docklands financial district, is a prime example. As hybrid working has reduced the throng of office workers descending on the area each day, many of the core tenants — most notably HSBC — have decided to exit.

The landlord, the Qatar Investment Authority, who also separately co-owns the Canary Wharf Group, is now left with the daunting task of finding new tenants. Whilst one option is to shift the focus to residential, this is not always viable in the larger office high rises. This is creating a double-edged sword: occupiers want out of their larger offices, but their hands are tied until leases expire. However, once tenants do exit, landlords are struggling to replace them.

But there is opportunity to broker deals that benefit both parties if occupiers and landlords work more closely together. As we'll explore later, scale is critical for efficient and effective workplaces — smaller, disparate locations simply extenuate the perceived challenges of hybrid working.

At the same time, these smaller locations are much easier to let and/or convert into residential spaces. By being fully engaged and working in tandem, landlords and investors can help occupiers exit smaller locations and consolidate into larger office premises.



# 03



## Optimise the operating models on a local level to create high-performing workplaces

Much investment has been spent on improving offices and their workplace design in the hope of attracting and retaining talent and increasing productivity. Though a suboptimal working environment can hinder talent and productivity, and to some degree dissuade people from coming to the office, it's unlikely to be the sole factor in attracting employees or driving productivity.

Most organisations have offices that are deemed to be “high performing” and those that are not. This is often the case despite the offices being similar in design. When this disparity is analysed, it becomes clear that the attribute required to make an office “productive” is not the physical environment alone, but how optimised the organisation and operating model design is in that specific location.

### An optimal workplace operating model must adopt several characteristics:

1. Have a range of functions and roles present: This expands the personality types in the office, provides career opportunities for higher performers and supports collaboration and innovation.
2. Have all levels of leadership on site: The presence of a corporate ladder in one location attracts and retains high performers with the allure of career, learning and more rapid advancement opportunities.
3. Support diversity: The most diverse (and therefore successful) organisations have consistent diversity metrics on both local office and organisation levels. Therefore, diversity and inclusion should be considered when building an optimal workplace operating model, including when making layout, facilities and location decisions.
4. Encourage mobility: Cross-fertilisation and movement of resources across roles within a location break silos and communication barriers, creating a unity of purpose and common brand identity.

Creating scale and co-locating activities are vital to optimise operating models on a local level. Scale supports a strong culture and more senior levels of management, which are critical to a high-performing office. Co-location of tasks, processes and functions accelerates issue resolution, decision making and innovation. It also reduces bureaucracy by empowering individuals and teams to rapidly innovate, akin to a start-up environment.

To ensure success, organisations should look to establish location metrics that track not only traditional workplace and talent KPIs, but also organisational indicators associated with that location — such as leadership presence, functions and capabilities fragmentation, skillset and job families, spans and layers — as well as metrics reflecting diversity and mobility.





# 04



## Enact a transformation approach to meeting effectiveness and managing teams in distributed locations

Measuring individual productivity, especially in the services industry, can be challenging and no uniform formula exists. There is a belief that measuring productivity in the “old days” was easier, as you could simply observe your employees at their desks. However, the subjective view of “time in the office” instilled a culture of presenteeism, a culture that persists today and drives much of leaderships’ frustration with hybrid working — if your staff can’t be seen, how do you know they are being productive?

Employees on the other hand, increasingly view their task-based outputs as the right way of measuring productivity. In fact, many believe that flexible working positively impacts productivity, with 51% of employees feeling more productive when working from home.<sup>3</sup>

What is certain is that this new way of working has highlighted the challenge of measuring productivity. As with all performance measurement, productivity is multi-layered: input, process and output measures all have a role to play.

Employers today are still focusing on input measures (attendance, hours worked). Meanwhile, employees are looking at a narrow set of output measures (tasks performed) rather than the broader set driving the success of the organisation (i.e. skills and knowledge transfer, team coaching), many of which naturally come easier in a face-to-face environment.

Hybrid working has also shone a light on meeting effectiveness, with the common belief that meetings are simply unproductive. Yet, pre-pandemic, most large organisations had teams spread over different locations and it was common for individuals to attend remotely from another site. This was not seen as an issue with the “way of working,” but a reality for large organisations with distributed footprints. But now, if that same colleague’s location is their home, rather than another office, then some believe productivity to be lower.

The growth in hybrid working has actually led to an increase in the volume of meetings. A study by Cambridge Judge Business School and the Vitality Research Institute of Wellness and Financial Services found that the average number of meetings has increased by 7.4% since the pandemic. However, the uncomfortable truth is that for most organisations, many meetings — whether physical or online — are suboptimal. Therefore, one could argue that it is not the channel that is the issue, but how the meetings and team working are organised and managed.

To optimise productivity in a hybrid environment, it is vital that organisations focus on the root cause — i.e meeting management, decision-making processes, facilitation skills and the management of distributed teams — rather than the symptom, i.e., where everyone is physically located.

<sup>3</sup> <https://www.ipsos.com/sites/default/files/ct/news/documents/2023-10/RingCenter%20Ipsos%20Wave%203%20Questionnaire%201.pdf>



# 05



## Drive onsite attendance by reinforcing the importance of leadership presence

Attendance analysis suggests a strong correlation between leadership attendance and team attendance. Whilst many firms are now mandating office presence, some are requiring junior staff to come in more than their leaders in order to develop their skills.

But this raises an obvious question: how can junior staff learn the knowledge and skills of their seniors without leadership presence? In essence, if organisations need their teams to be onsite, clear incentives and directives for leadership attendance will be more effective and justifiable than complicated policies.

In addition, workplace design and amenities offerings should not be seen as a substitute for leadership and coaching. Whilst these physical improvements may help with talent attraction and productivity, there is little evidence to suggest they alone can drive attendance.

Overall, organisations should reinforce the importance of onsite leadership presence, measure leadership attendance, ensure key performance reviews are in-person and highlight office-based leadership interactions. Doing so will not only stimulate attendance but support a culture of inclusivity, equity and empowerment.

## Conclusion

Hybrid working, the ability to work from anywhere, sounds appealing, and so it should. Nevertheless, many organisations are blaming this new way of working for lost productivity and surplus, under-utilised office space. They continue to (attempt to) tackle the apparent challenges from a pure real estate and workplace perspective.

But this needs to change. As we've explored, hybrid working presents the ideal opportunity for organisations to reinvent their operating models, ensuring they have the right roles in the right locations. Undertaking a more holistic and strategic approach to footprint optimisation by incorporating organisational and operating model design together with portfolio optimisation will help organisations achieve a wider set of goals — from attracting and retaining diverse talent to maximising productivity, all within an office footprint that is cost effective, fit for purpose and ESG-aligned.



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