

Reports of the Office's Death Have Been Greatly Exaggerated

Featuring:

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Faye Woodhead, *Global Head of Talent Attraction & Mobility and HR Head for Future of Work, MSCI*

Will Robson, *Global Head of Real Estate Solutions Research, MSCI*

Adam Bass (00:03):

This is MSCI Perspectives, your source for insights for global investors and access to research and expertise from across the investment industry. I'm your host Adam Bass and today is May 27, 2021. Today, while there are certainly parts of the world where the pandemic continues its deadly march, greater access to vaccines in places like the US and in Europe, have caused governments to relax or even remove restrictions. We can now see our friends, our kids can go to school and we can go back to the office, but will we?

Will Robson (00:40):

COVID has demonstrated that a lot of what we do in offices can be done at home or at least from somewhere else and the traditional office as we knew it, wasn't an absolute necessity.

Adam Bass (00:53):

That's our first guest today, friend of the pod and MSCI's Global Head of Real Estate Solutions Research, Will Robson.

Will Robson (01:00):

That doesn't mean that the office is dead or anything that. They're probably things that can be done in the office better than they can be at home. And so I think, people are really thinking about what they miss from going to the office, what they do better in the office versus working at home.

Will Robson (01:17):

And that's generally the social interaction. The things that you do, creating, innovating, collaborating, all those things. The weather, the human element is important. I think offices are good places to do that. Working from home gives you privacy and quiet time for getting

concentrated work done, but going to the office just to sit next to other people to do those things doesn't really make sense.

Faye Woodhead (01:45):

I truly believe that it is about the activities in a role. And in fact, MSCI's Future of Work principles and practices state that office is our hub. It's not disappearing. Our whole approach to role flexibility is based on the activity, then that role and where they're best performed.

Adam Bass (02:05):

And that's today's second guest Faye Woodhead.

Faye Woodhead (02:08):

I am the Head of Talent, Attraction and Mobility and HR lead for Future of Work at MCSI. I am also a trustee of 10,000 Black interns and I am an active board member of the Future Talent Council with a focus on DE&I and talent. I'm an ally. I am a full-time working mother of six-year-old twins.

Faye Woodhead (02:35):

We've uncovered that our offices provide formality, a sense of brand and belonging. They provide access to infrastructure, a place for clients to visit us, but also really importantly, a place for our employees to collaborate, to be creative, to have that social interaction, the problem solving and our offices will remain open to any employee who wants to work them.

Faye Woodhead (02:59):

But we do anticipate that the activities performed in those offices will be different to those pre-pandemic. So to highlight, we don't expect employees to sit at their desks and respond to emails all day in the office. Whereas, we do expect our employees to spend time with each other in person and working together in an office.

Adam Bass (03:24):

This all sounds very balanced and reasonable, but we've all seen the articles where a CEO declares that everyone must come back to the office regardless of role. And we've also heard some who say, no one will come back or at least no one has to come back. So how has this actually breaking down across different companies, different sectors?

Faye Woodhead (03:46):

So I'm seeing three responses. The first is, everybody back to the office. That was a bit of a blip, but now we expect employees to be back in the workplace in a similar way to pre-pandemic. Then I think we are seeing a hybrid model emerge, empowering employees to work in the traditional workplace of an office as well as outside of it.

Faye Woodhead (04:12):

And that's where MSCI sits. And then the last response is the fully remote response. There were fully remote organizations prior to the pandemic, but we're seeing more firms move to this. Primarily, I think in the tech space. Previously, it was seen as an anomaly and now it's becoming more the norm and certainly more acceptable.

Will Robson (04:38):

Yeah. I think there's real diversity in approach. I think as we've moved through and we're getting to the stage where the vaccines are being rolled out, it's safer to move back to the office. There are some companies that are quite keen for their employees to get back to the office as soon as possible.

Will Robson (04:56):

And some that are still very open to them working at home all the time, if they want to. But I think the vast majority are somewhere in the middle and they've recognized the benefits of working from home for their employees and for the corporate entity, but they don't know what the right balance is long-term and I think everyone's feeling their way through this and it's going to evolve over time.

Adam Bass (05:20):

And that brings us to our third guest this week.

Joe Gagliardi (05:24):

I am Joe Gagliardi. I am the Global Head of Corporate Services at MSCI.

Adam Bass (05:32):

Part of Joe's job is making sure that MSCI's buildings and office spaces are configured to meet the company's needs, the employees' needs to do their jobs well. Now, while he concedes that this reemergence is a work in progress and he doesn't have all the answers, like Faye, he has to make a call and put a stake in the ground because he has to know where to focus his time and budget.

Joe Gagliardi (05:55):

We've seen through the pandemic that remote work is sustainable and effective. At the same time, this notion that everyone's going to work remotely in the future or want to work remotely in the future all the time, is certainly a fallacy, right?

Joe Gagliardi (06:13):

So I stay in touch with a large number of heads of corporate real estate across a fairly wide cross section of firms. Firms in technology, financial services, professional services sectors

and generally what you see at this point is firms are resetting, I would call it, their real estate footprint to support a hybrid work model to varying degrees.

Joe Gagliardi (06:40):

It's going to mean different things for different firms. It's going to mean different things for different people. It's going to be based on the role that someone has, but it's also going to be based or be influenced, I would say, by the demographics of either the people in the roles, the locations where people are. So a lot of factors will come into play, but we do feel very firmly that hybrid work will certainly be around for an extended period of time.

Adam Bass (07:13):

There definitely seemed to be some consensus among our guests that, at least for now, hybrid is where most companies are likely to fall. But what about the employees? What do they think about going back? I mean, what am I supposed to do with this closet full of sweat pants? I asked Faye that very question. [Inaudible 00:07:31]. Wait, I have to cut in here for a minute. To be clear, the question I asked her was not the one about the sweat pants. Okay. Let's get back to Faye.

Faye Woodhead (07:41):

So when I think about employees, I think they're making a bit more of a binary choice. They will either be in line with our organization's decisions or against them. And this sounds obvious, but let me just explain a little bit.

Faye Woodhead (07:53):

Pre-pandemic, workforce flexibility and employees who worked remotely, I believe were somewhat stigmatized. "Oh, I forgot you are not working tomorrow." "No I'm working from home. It's different," was pretty common place in the workplace. And similarly, negotiating a day, a week from home was something that was done either through head hunters or was snuck into the end of a recruitment process when someone was just deciding whether they were going to accept or not.

Faye Woodhead (08:28):

And it was almost a hush-hush, something that, sadly, I think was seen as a gender topic with most flex workers being women. And that's because it was conflated, very obviously, with caring responsibilities. And now I see it as completely different. It's upfront. It's part of the decision making as to whether to interview with an organization or stay with an organization.

Faye Woodhead (08:54):

I wouldn't consider working for a company that doesn't offer flexibility. I'm certainly not alone. LinkedIn reported a 60% increase in job seekers searching for flexibility in the first wave of the

pandemic last year. So, for roles that have been done successfully out of the office over the past 18 months, employees are asking, why is there a need to go back?

Faye Woodhead (09:19):

And given so many organizations now are offering that flexibility, the talent market's opening up. So, I don't think it's a nice to have anymore. I think it's a must have. I believe firms who do not offer that flexibility, as well as the relevant technology and supportive culture will not be able to compete for top quality, A-plus talent. And neither will they be able to retain it. I'll go a step further and say, organizations now have access to more talent, boundaries have literally been stripped away.

Adam Bass (09:54):

And certainly not alone there. There articles every day, I read one just this morning in The Wall Street Journal on exactly this topic. Where, pretty much word for word what you were saying here, a few people interviewed said, "I will not even consider working for a company that does not offer me this type of flexibility."

Adam Bass (10:14):

So, and it was across industries. It was not just tech. There were some financial firms in there, which I'm wondering about actually, are financial firms handling this differently than some others?

Faye Woodhead (10:31):

I think we are seeing a mixed response. I do think the investment industry or the financial services industry in general, is steeped in tradition. And our culture historically has been built around physically being together in an office environment. Our clients being absolutely central to what we do, mean that historically in-person client relationships have been a key part of our DNA and our success.

Faye Woodhead (11:01):

So, our cultures have definitely benefited, but I think particularly when it comes to accessing and retaining that talent, the financial services industry will need to take a take a look at where it can be more flexible. I would just add there, and I think I mentioned this earlier, not every role can be done flexibly and I think it's really important that we don't just assume that they can.

Faye Woodhead (11:31):

We've been in a pandemic. There's been a threat of death, if we didn't work differently to the way we worked historically. But I do think that some roles can't and some roles shouldn't be done out of an office environment. So across industries, there will have to be some very

thoughtful work, but for those organizations where work can be done remotely and has proven to be successful over the past 18 months, it's time for change.

Adam Bass (12:04):

There's a couple of points here I want to stay on for a bit. First, is Faye's emphasis on the fact that not every job can be done outside the office. We'll get back to that one. Right now, we have to talk about one thing that, unfortunately, did not change during the pandemic. And that's the fact that childcare had an outsized effect on women's jobs compared to men.

Faye Woodhead (12:29):

So I think, unfortunately, it is true. Women are dropping out of the workplace more and more. Between caring responsibilities, homeschooling and the sectors of the job market that have literally been wiped out by the pandemic, women have been hit hardest.

Faye Woodhead (12:46):

McKinsey has published research saying it will take years to regain the lost ground. So, firms have to react to this now more than ever, in my mind, attraction, recruitment, development, retention of women becomes absolutely critical.

Adam Bass (13:02):

But, she went on to explain that at the same time that doesn't tell the whole story.

Faye Woodhead (13:08):

I know several senior and junior women in finance, in teaching and caring professions whose careers have literally taken off over the past year. And I don't think they're alone. For women in organizations that are making positive change, there is opportunity.

Faye Woodhead (13:25):

And if I can bring my own story into this for a moment, I have become a better parent, hopefully a better wife, a better thinker, a role model, a leader and through MSCI's culture of flexibility. And it's not something I expected going into remote working, but it's definitely something I want to focus on and continue as we move into our Future of Work reality.

Adam Bass (13:52):

Again, as all our guests have said, balance. So what about those jobs that need to be done in the office that Faye mentioned?

Joe Gagliardi (14:01):

There are certainly critical production activities. We create hundreds of thousands of indexes and many of those are real time indexes, right? And you need to literally be producing them and generating them and distributing them in real time.

Joe Gagliardi (14:21):

So you want to be able to control the conditions around that, right? You want to make sure that the computers are powered up, that the internet is stable and resilient, you want to provide people the quiet spaces they need to do their work and do it in an uninterrupted way.

Joe Gagliardi (14:42):

So, the people who provide all the technology to support their colleagues, that's also tends to be some of the roles that you need someone going to open up the box of laptops and set them up and make sure they're configured properly and then get them into the hands of your employees, right? So, there're certain activities that you need to be in an office.

Joe Gagliardi (15:04):

When clients want to start visiting us again and want us to visit them, right? Those certainly are in-office type of activities. So there's a host of it. Is it every role in the firm? Certainly not. Is it every hour of every day for those roles? Also, certainly not.

Adam Bass (15:27):

When I spoke to Will about this question, he agreed, sort of.

Will Robson (15:31):

So things around compliance or access to data or to hardware or software technology that can only be accessed in the office, that might be true today with current technical solutions, but I'm not sure how many of those perceptions are always going to be true.

Will Robson (15:52):

And whether technology, different ways of working, different perceptions of senior management might evolve over time. I think, for any bigger shifts over a longer period of time, it's not like you can just move a company that has always worked in an office to working from home for longterm and it's going to be successful.

Will Robson (16:13):

It needs to change its approach to technology, its approach to culture gradually over time to be successful in that endeavor. Because you see some of the companies that are most cheerleading from distributed working, tend to be the technology companies that have set themselves up from day one to be distributed.

Will Robson (16:32):

And the way that they organize themselves culturally, from a HR perspective, from a technology point of view, is set up to be successful in that form of working. So, it doesn't mean that certain sectors of the economy can't do it. It might be easier for some than others, but it's going to take work to move in that direction, I would think.

Adam Bass (16:53):

I've heard that in different senses, in terms of say FinTech versus an old established investment bank, that it's not necessarily a more, quote, unquote, enlightened culture, so to speak, in the smaller firm. It's more that they were set up more recently. So, in so many ways, it's easier to pivot, but also they don't have the entrenched history. It's not so much of a culture change as we might see for some of the bigger firms.

Will Robson (17:27):

Yeah, I think that's right. I think a lot of this is down to culture. Because even before COVID, I think many companies could have allowed more flexible working technology around teams or as human. Those kind of technologies aren't brand new as a result of COVID.

Will Robson (17:40):

They were there before and people were doing it, but it's the cultural change and the acceptance from management that that's a valid of working, that really is changed as a result of the pandemic. And for that to continue after the pandemic and become more entrenched is really a cultural change.

Adam Bass (18:00):

Changing a corporate culture. That is a tall order under any circumstance. While some may say the pandemic has already changed the culture of many firms, making it stick as another story. In finance, investing, you often hear about reversion to the mean.

Adam Bass (18:17):

Most people seek equilibrium and they find comfort in the familiar. If you think about it, you really can't blame a management team for feeling relieved that things can finally go back to normal and that they would just expect everything to go right back the way it used to be in the before times. Or as they may see it, the good old days. And as Joe pointed out.

Joe Gagliardi (18:40):

It's simpler if everyone's just in the office, obviously, for a lot of reasons. You don't have to deal with the different type of technology, the making the experience the same. You don't have to worry about people's behaviors, for lack of a better word, how are they going to treat one another?

Joe Gagliardi (19:06):

Is there going to be a bias towards people who are in the office versus not in the office? Are our managers going to treat their team members differently because they're at home more often than not or they're in the office more often than not?

Joe Gagliardi (19:23):

So, I think there certainly, there is a keep it simple approach to just make them all go back to the office and maybe we don't have to deal with all that. I do think though, that employers as much as they want to influence that, employees want flexibility now.

Adam Bass (19:44):

On the other hand.

Joe Gagliardi (19:46):

If you think about MSCI, we have 3,600 employees. We want to build a sense of collaboration and community. You don't want 3,600 mercenaries, right? Just everyone doing their own thing at their own place and never interacting.

Joe Gagliardi (20:04):

When we started on our journey of thinking about the Future of Work, we emphasize that the client has to be at the center of all this, right? It's got to work for the client. And the client, obviously means our external clients, but it also means our internal clients, right? So if you're interacting with people, how you interact matters.

Faye Woodhead (20:26):

We've built MSCI's Future of Work based on the input of our employees. And what I mean by that is, we've listened to everybody. It's important because we need to build something that works for us, our clients, our shareholders and our employees.

Faye Woodhead (20:42):

We couldn't simply lift and drop from research or other organizations or lift and drop from a small group of people's ideas. So we defined principles that help us in our decision-making. We care deeply about our employees and we are flexible and that will not change. But at the same time we're doing what's right. And not necessarily always what's easiest.

Adam Bass (21:10):

That sentiment, the idea that choices that seem like a question of right and wrong, and maybe, must also make sound business sense. Now, that probably sounds familiar. We've talked about this balance before on the program when we've discussed things like diversity, equality and inclusion.

Adam Bass (21:30):

Corporate net-zero commitments and sustainable investing, generally. Joe spoke earlier about, how preparing for a hybrid workforce requires, what he called, a real estate reset. Yes, certain locations, city centers like London and New York, they remain vital in terms of finding talent and make sense as office hubs, but the needs have changed in terms of overall office footprint as well as other considerations.

Adam Bass (22:00):

And here's where it all comes together, if you were wondering, you can't talk about the Future of Work without also talking about the impact of climate change on corporate real estate decisions and real estate investors. I asked Will about how these ideas intersect.

Will Robson (22:19):

Yeah, it's interesting. I think there's a bunch of different areas where this could overlap, but if you think of ESG more broadly, the S in ESG is around social impacts. And people have been talking about the health of buildings, especially since COVID.

Will Robson (22:41):

How the physical nature of the office building is conducive to healthy working in terms of air quality and all that kind of thing. And the immediate aftermath of people going back to the office, cleaning routines and the materials you use for door handles and all of these kind of things, to minimize virus spread.

Will Robson (23:01):

So I think those kind of things will become important and there're various companies starting up to rate buildings on these dynamics. So, that could play into relative valuations of buildings. I think when you think of climate, there're... If you think of everybody working from home, rather than going to the office, you've got a whole heap of residential properties that are probably being heated or cooled, depending on where you are in the world, during the day more than they would have been if everybody was out at work.

Will Robson (23:31):

So, thinking about the net impact of the heating and cooling cost of all the residential property versus the office buildings against the saving or greater spending on commuting in terms of emissions as well. So, I don't know where the net impact of that is, but you would think it's something to think about.

Will Robson (23:53):

More broadly, I think just understanding the kind of... We talked about the classifications around healthy buildings, about the environmental performance of buildings regulation in that area from a climate perspective. Potentially, if governments are going to start mandating

certain minimum levels of efficiency for buildings to be leased, that potentially, could reduce the supply of buildings into the leasing markets.

Will Robson (24:24):

And if there's a whole bunch of buildings that are not as attractive to office tenants going forward, because they're just not offering the kind of space that facilitates the more collaborative tasks that people want to do rather than just row upon row of desks. Then, I think you're going to end up with a lot more dispersion in performance between the best buildings and the worst buildings.

Will Robson (24:47):

Whether that's the ones that are set up for this hybrid working environment or those that are more healthy buildings or efficient buildings. I think there's going to be a lot more dispersion around the best versus the worst and a lot more data around what makes them the best and the worst.

Adam Bass (25:05):

So many discussions these days seem to come back to the type of regulations, standardization and transparency and disclosure. Feels like that's what we're saying here as well.

Will Robson (25:20):

Yeah, I think so. I think going forwards, whether it's because of regulation or not, I think there's this greater demand from tenants about what makes a good office building, will be driven by lots of different characteristics of those buildings and to understand whether your building is good or not and how that's impacting performance.

Will Robson (25:43):

People will want to know and track information about how a building is performing. Because people won't be demanding office space on a square foot basis as a warehouse for their staff. They want to encourage productivity of the workforce and if people have been a lot more specific about what they're going to do in the office and around collaboration and stuff, owners or landlords of buildings are going to have to be able to demonstrate how they help their tenants achieve that productive workforce and data is going to be key to that.

Joe Gagliardi (26:20):

We've always looked at the quality of the premises across a number of variables. We care about the power and the cooling and the technology and the is it close to public transportation? And is it a good building run by good management company?

Joe Gagliardi (26:42):

Increasingly sustainability is clearly part of that. So, as we look at opportunities to make sure we have the right footprint, right? That we reset based on what our occupancy model tells us it should look like, we're making sure that it checks all of those boxes for sustainability.

Joe Gagliardi (27:07):

I think of it as, if I was a hotel and I provided all these rooms, but most of the time they were empty or if I was an airline and I was flying a lot of empty seats, right? That's just not good business, right? So similarly, if we have offices that we sized because we thought, well, everyone needs a seat every day, that's just not good business, right?

Joe Gagliardi (27:30):

If everyone doesn't need to come in everyday. And will that be more sustainable? Certainly, right? We'll have a smaller footprint, but it's got to be a smart footprint. It's got to be in places where people can get to easily if it's a public transportation or if it's in a place where people can bike. You got to make sure you provide them the right amenities to allow for that. So, we've always focused on these things, but I think it's even more important now than ever.

Adam Bass (28:04):

This time is different. In terms of incorrect assertions, that sentence is right up there with, it's perfectly reasonable to put ketchup on your hot dog. Now I have no doubt, companies that determined that a flexible hybrid model is the best decision, will work hard to achieve that goal.

Adam Bass (28:22):

They'll put policy in place. But the cynic in me, well, he wonders how long that lasts in spirit. This very question came up toward the end of my conversation with Faye. Now I want to be conscious of your time, I know we're a few minutes over, but if you have a moment, I do have one final question that I definitely need to ask, which is, this all sounds fantastic, as an employee.

Adam Bass (28:47):

I like what I'm hearing for sure and I understand it's beneficial for the company, but how do we ensure that a year from now, let's say, we don't start slipping back into old habits? That, that FaceTime, that we talked about, that there are defacto benefits, let's say, to those who choose to come to the office versus those who don't.

Faye Woodhead (29:09):

Yes, it's really important we talk about this. So I'm glad that you've asked the question and I definitely want to make time for this. So, we've seen the pandemic as an accelerant for

change. I think again, there will be firms who, and organizations and industries and even individual managers, who may feel more comfortable in the previous way of working.

Faye Woodhead (29:34):

I would say there is a call to action for everybody to make sure that we don't slip back. So it's upon everybody and the responsibility sits with everybody to ensure that we don't and that we really do take advantage of the benefits that we've seen through the pandemic of working remotely.

Faye Woodhead (29:54):

But we're going to go further than that. And it probably won't surprise you Adam, to know that we use data. So, we are monitoring office usage, we are training managers, we are enabling employees and we're, importantly, rethinking all of our talent processes to account for the Future of Work.

Faye Woodhead (30:13):

And what I mean by that is, we're going to measure the way we attract talent, hire, on board, develop, promote and even move people. And the reason that we're going to be doing that is, we need to ensure employees who are office-based are not prioritized over those who are not.

Faye Woodhead (30:31):

We need to ensure that the percentage of employees who are hired, promoted or even leave the company are not concentrated into a group of hybrid employees or remote employees or office-based employees. So, it's important that we layer that into the way that we build up our talent practices and to do that, we're going to keep listening, we're going to keep learning and we're going to keep adapting.

Adam Bass (31:01):

That's all for this week. Our thanks to Faye, Joe and Will and to all of you for listening. If you like what you hear on Perspectives, please don't keep it a secret. Subscribe, leave a rating, leave a comment. We'd love to hear from you. Until next time, I'm your host Adam Bass and this is MSCI Perspectives. Stay safe everyone.

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