Rethinking the Office

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Before the pandemic, the office was a core feature of modern life. It was prominent in the skyscraper architecture of downtowns, and in the professional attire sections of department stores. And it dominated popular culture, not only in the namesake TV show "The Office," but in the countless shows and movies centered around the workplace, from "The Mary Tyler Moore Show" to "The Devil Wears Prada."

We have now had a two-year experiment with a different, home-based model. As we emerge from the pandemic era, some are abandoning offices altogether. Others are trying to make a full return to pre-pandemic normal. Many of us are in the middle, trying to define and operate a new hybrid model that embraces the flexibility of remote work while reintroducing the features we missed from in-person work.

It will take time for the markets to decide on the winning stance for each sector. But now that the pandemic has shown we can operate remotely, I've little doubt we will see employers offer increased flexibility. Employees value it, and recruiters are finding it an important lever (several examples were in the most recent Beige Book). It is pairing workers and companies that otherwise wouldn't have considered each other (whether due to geography, family duties or health). Increased flexibility could allow for better matches and improved lifestyles. It could pull more workers into the workforce and help businesses increase productivity through improved hiring pools and reduced real estate needs.

But flexibility won't be costless. Offices evolved into the dominant model for good reasons, and companies are rightfully hesitant to lose those benefits. Originally, the benefit was efficiency and productivity — centralization of operations and administrative work. But, over time, it became clear that offices provide much more.

Offices help spark *ideas*. We often hear economists talk about agglomeration economies — the benefits from clustering companies and workers together — in relation to cities. We see those same effects in the office context. Proximity facilitates the exchange of ideas among workers, which fosters collaboration, innovation and productivity.

That innovation is a product of the *interaction* we see in offices. Unplanned lunches in the cafeteria and quick walks to get coffee can build organically over time into friendships and sometimes, even deeper relationships. Small talk at the beginning of meetings or water cooler conversations can evolve into mentor relationships. Relationships build loyalty among employees, and in turn, to the institution itself.

Those interactions provide *information* to management and staff. After two years of online meetings, it may be hard to remember just how much insight we gain from nonverbal cues. Offices help managers and co-workers observe behaviors otherwise hard to track, such as values, development needs, level of effort or emotional well-being. They also help employees with the unspoken rules of the workplace. It's much easier to know how open your co-workers are to questions and feedback if you see whether their office doors are literally open to you. Offices also expose employees to parts of the organization beyond their own teams, providing visibility into potential career options.

All these combine with the physical space to create the organization's *identity.* The office environment can help employees feel connected. The space — and how people move in it — reflects the company. Is the space set up for individual or group work? Does leadership join for lunch? Is it laid-back or fairly formal? Beyond establishing the vibe, as my kids might say, the office is a visible reminder that employees are part of something larger, fostering commitment. Note the investments made in Silicon Valley to design iconic workspaces.

These benefits seem intangible, but their loss could impact business outcomes. Fewer serendipitous encounters could reduce innovation. Lower exposure to best practices could lessen productivity. Less identification with the institution (as well as less fear of showing up to work with suspiciously formal attire) could lead to increased turnover. Poorer relationships could hamper career development.

We should expect innovative companies to develop ways to reduce these potential losses. They will be intentional about both the tools and practices that enhance their time apart, *and* the time they spend together.

Most of the attention right now seems to be on the "new" part of hybrid — how can we best manage technology and the days out of the office? Zoom was a revelation two years ago. But now, in the hybrid era, we are seeing investments in full immersion team rooms, and best practice hybrid meeting protocols in an effort to make in-person and remote experiences more comparable. In time, we may even see organizations find a method for online team building that's a little less painful than virtual happy hours. To me, technological enablement of personal connectivity is the hardest solution to picture, but I'm mindful not to prejudge: After all, my kids are much more connected to their high school friends via social media than my friends and I managed to be with letters and calls.

Companies also need to intentionally reinvent the office environment. The in-person routine in a successful hybrid stance is unlikely to look the same as what works for a full in-person stance.

During my time as a consultant in the mid-80s, I saw what a difference a small amount of intentionality can make. Our work model was 100 percent at our clients. We built great team and client relationships but not enough of a relationship with our firm. Individuals' link to the firm was easily severed when a tempting offer came along. Attrition was sky-high. In response, we started to require consultants to come to the office on Fridays. Importantly, we invested in programming to maximize the value of that time. We saw connections strengthen and engagement levels soar. Attrition fell.

The truth is that the mentorship, relationship and engagement aspects of the office environment have largely been incidental offshoots of time together. With less time in the office overall, and less overlap of those days, companies will need to become more intentional. This will require conscious programming, as the Richmond Fed's research department has launched with its "Core Week" concept which groups a series of conferences, seminars and research collaborations to create meaningful connections. Many organizations are similarly experimenting with more formal mentorship and sponsorship programs.

Enabling more connectivity may require rethinking spending. Some companies are reconsidering their physical footprint and lowering real estate costs as a consequence. They should be thinking about redeploying some of those savings into connectivity spend, including meals and social events in the office, and occasions to bring people together outside the workplace. In a world of less day-to-day personal contact, these investments can enhance mutual trust and relationships.

There’s a lot which we will miss about the old office, just like we miss its TV namesake. But flexibility is here to stay. And if we are honest with ourselves, we know we aren’t optimizing the hybrid environment today. To make it meet its full potential, we need to leverage the power of technology while innovating to recreate the benefits which the office once provided.

That will require real intentionality.