CBI Economics

The Revolution of Work

A survey on the world of work post-COVID-19

July 2021

Contents
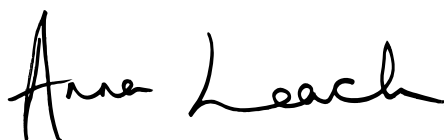
Foreword CBI

Interest in the future of work and the economy has shot up during the course of the pandemic. From city centre retailers, to commuter network planners, companies are seeking insight into the future world. We've all seen the steady stream of companies in the media announcing their hybrid working plans for the post-COVID-19 world. These have been coming through since the spring, with a huge range of approaches and decisions showcased – from a full return to the pre-COVID-19 status quo, to staff being able to choose where they deliver their work from, and many examples in between. Where workers spend their time and money has a significant bearing on spending patterns and where activity needs to locate.

COVID-19 has had a profound impact on the workplace. From closing a myriad of workplaces entirely, through to adaptations to social distancing guidelines and mask requirements, to lateral flow tests and beyond, businesses have adapted at pace. And research has followed. In October 2020, the CBI undertook research with Ipsos MORI into which post-COVID-19 business practices were likely to last. Move forward to this spring, and CBI members were increasingly sharing their perspectives on the future working environment. Then in March 2021, the CBI published a hybrid working guide for CBI members to support their deliberations.

This report focuses on a survey which CBI Economics has undertaken on behalf of Nexus, drilling into the full experience of remote working felt by companies, and how that's shaping their future plans. It explores the themes of innovation, workspace and community, enabling the creation of the analysis which follows into how the COVID-19 pandemic has changed and will change the future of work. It provides a fascinating insight into how different types of work will be conducted and delivered in the future.

Anna Leach
Deputy Chief Economist, CBI

Foreword Nexus

The past 16 months have been challenging for most organisations, with COVID-19 being the biggest disruptor to the way we work in all our lifetimes. To understand exactly how seismic this shift has been, we have partnered with CBI Economics to explore this topic and provide solutions to help businesses prepare for the Revolution of Work.

Whilst it has been a difficult time all round, the pandemic has allowed some organisations to turn crisis into opportunity and this has been the mantra for many, as they have pivoted products and services to respond to fast-moving or new market needs. The pandemic has also accelerated the adoption of technology and new working practices. We're now seeing these changes taking effect, with only 5% of businesses planning to return to the office full time.

The report finds that the majority of firms are already implementing a hybrid working practice and assessing the cultural shift required to support this. One area of concern highlighted for organisations is collaboration and innovation, and this is something that we have first-hand experience of at Nexus. The Nexus community and the workspace that supports it was conceived to create connections for businesses, our community and the people within it. Going forward, communities like Nexus, can offer an environment for businesses that stimulates and de-risks innovation and nurtures growth.

As we work to rebuild economies post–pandemic the role of universities to support research and innovation as a tool for growth will be crucial. The complexity of the emerging needs and challenges of society will demand cross-disciplinary thinking and problem solving. Tech-enabled collaborative workspaces are well placed to support businesses with this, as they transition to the permanent implementation of hybrid working by encouraging collaboration, boosting innovation and driving economic growth.

Dr Martin Stow
Chairman and Nexus Director, University of Leeds

Executive summary

COVID-19 has had a seismic impact on the world of work with millions of people told to work from home, engagement with clients and networks going virtual and business models rapidly shifting to meet different customer needs. But whilst the pandemic continues to pose severe challenges, it has also uncovered a wealth of opportunities for businesses to thrive in a post-COVID-19 world.

This report is based on a survey of UK businesses carried out by CBI Economics, a consultancy, with Nexus, the University of Leeds' innovation hub. The survey was designed to examine the impact of COVID-19 on innovation, collaboration, use of workspace and future ways of working. This report reveals key insights from the survey on the experience of businesses during the pandemic and their expectations for the future, including:

- Radical change as 93% of firms plan to adopt hybrid working models, with employees working both in a physical office/workplace and from their home. Only 5% of businesses surveyed expect to work entirely from an office.

- Employees being placed at the heart of that change – with firms citing employee preference and wellbeing as key drivers and 86% of survey respondents saying employee satisfaction will be used to measure success.

- Businesses cited clear benefits of remote working in terms of less travel, more 'diary time' for colleague and client meetings, enhanced productivity and the potential to attract a wider pool of talent.

- But there remains a clear role for physical offices and workspaces in a post-COVID-19 world with businesses recognising the need for interaction in a physical workspace to build teams and networks to collaborate, and to innovate and grow. 70% reported that remote working had a negative impact on brainstorming sessions and 83% reported a negative effect on those valuable 'water cooler' moments.

- UK businesses are implementing change at speed, with around a third already rolling out post-COVID-19 hybrid working models and three quarters expecting to have those models underway by the end of the year.

The survey findings present clear opportunities and challenges for businesses, including:

- **Making the most of hybrid working models:** Businesses want to exploit physical workspaces to enable innovation, creativity, and collaboration, so should consider making use of tech-enabled workspaces, increasing collaborative space in their existing workspace, and making use of business communities, resources and collaborative research projects to get the best support.

- **Building and maintaining a strong company culture:** Businesses should consider consistently communicating their commitment to hybrid working models to employees, role-modelling key behaviours, and making use of shared workspaces.

- **Overcoming barriers to innovation:** Businesses can access well-established innovation ecosystems, make use of funded partnership and grant schemes, and take action within their organisation to fuel digital transformation.

Introduction

The COVID-19 pandemic has fundamentally changed the way we think about work and the workplace, shifting expectations of what is possible for both employers and employees.

CBI Economics and Nexus (University of Leeds) undertook a survey to understand more about those changes, uncovering key insights into the experience of UK businesses during the pandemic and the challenges and opportunities they face for the future.

This report presents those insights and discusses possible solutions, referencing other relevant publications and thought leadership, both by the CBI and other organisations, to add wider context. This includes the CBI's March 2021 *Adapting to hybrid working*[1] publication – a 'how-to' guide which the CBI prepared to support CBI members in adapting their business models.

The research explored three key themes relating to the impact of COVID-19 on the work environment:

- **Workspace** – the impact of hybrid/remote working and future intentions for office space.

- **Innovation** – the impact of COVID-19 on business innovation.

- **Community** – the use of business networks and communities.

In this report, 'flexible working' is a catch-all term for ways of working that suit employee needs, including having flexible start and finish times, compressed hours, working from home or working part-time. A 'hybrid working model' is one component of flexible working in which employees spend some time working both in a physical office or workplace and from their home.
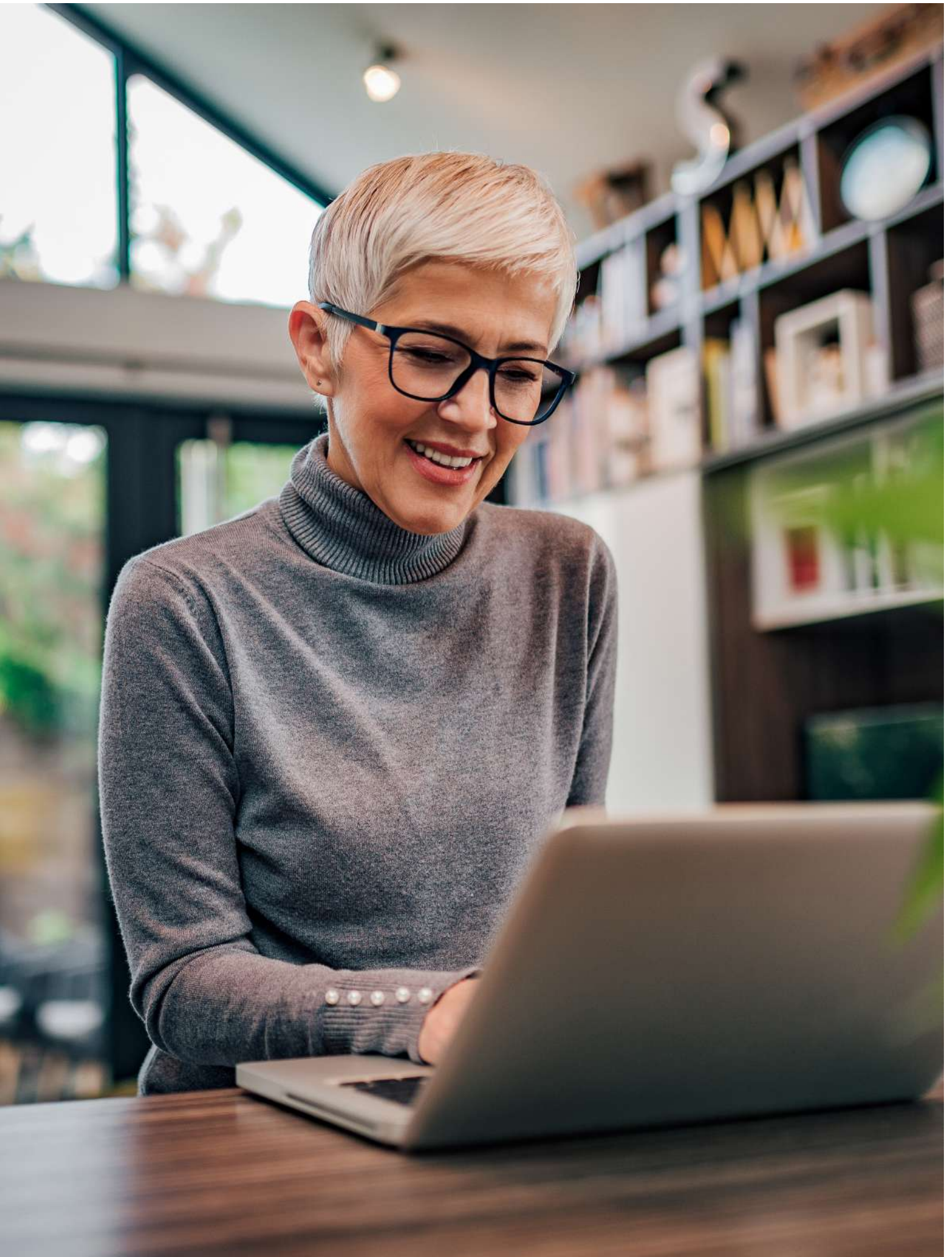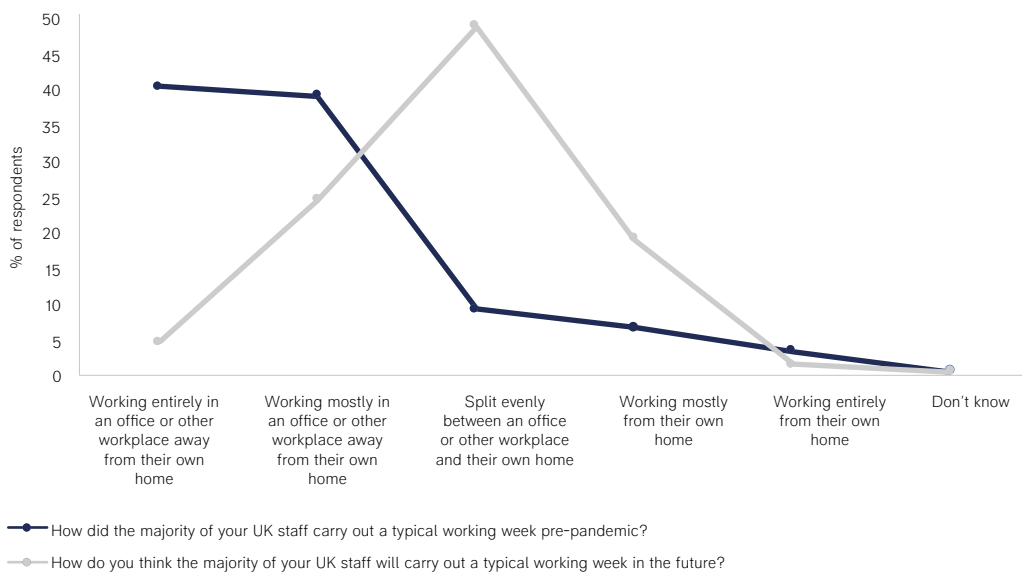
Key survey findings

The future is hybrid

Key finding:

Only 5% of businesses surveyed expect the majority of their staff to work entirely from a physical office/workspace post-COVID-19.

80% of businesses surveyed said that, pre-pandemic, the majority of their staff were either working entirely or mostly from an office/workplace away from home. Post-COVID-19, as shown in **Exhibit 1**, the future of work looks set to be hybrid: only 30% of companies expect the majority of workers to work entirely or mostly from an office/workplace away from home, with 93% of businesses expecting the majority of workers to undertake work from both a physical office/workplace and from their home. The office clearly maintains an important role in a post-COVID-19 world.

Exhibit 1 Past and expected future working arrangements

How did the majority of your UK staff carry out a typical working week pre-pandemic?

How do you think the majority of your UK staff will carry out a typical working week in the future?

26% of small firms (with less than 200 employees) plan for a majority of their staff to work mostly or entirely from home compared to 11% of medium-sized firms (with 200–499 employees) and 14% of large firms (with 500 or more employees). This is unsurprising given that property is the single largest contributor to costs for new businesses[2].

All sectors reported plans for a move to hybrid working models, however with some variation in the split between home and office working. For example, roughly one in five manufacturing businesses report an expectation that a majority of staff work entirely from an office or other workplace, but none of the 31 information and communication businesses reported this. These sectoral differences may arise due to different needs for different types of worker according to Kristi Woolsey at the Boston Consulting Group who says there are four main types of worker in our future world of work[3]:

- **Anchored operators** should have 0% to 20% remote work as they need to be physically present to do their jobs (e.g. scientist in a laboratory);

- **Creative collaborators** should have 20% to 50% remote work as they develop new initiatives (e.g. marketing executives launching a new campaign);

- **Focused contributors** should have 50% to 80% remote work as their work requires an individual focus (e.g. a finance worker who closes the books every month), and;

- **Pattern specialists** should have 80% to 100% remote work as their work follows a regular process and a defined pattern (e.g. a call centre worker with a script).

These different types of worker could explain some of the sectoral variations observed. Information and communication businesses may contain a high proportion of pattern specialists for example, and manufacturing businesses may employ a significant proportion of anchor operators.

Overall, in a post-COVID-19 hybrid world, businesses still expect a slight bias towards office/workplace working compared to remote working in a typical week, as shown in **Exhibit 2** below.

Exhibit 2 Percentage of working week expected to be spent working remotely

What percentage of a typical working week would you expect your staff to work remotely?
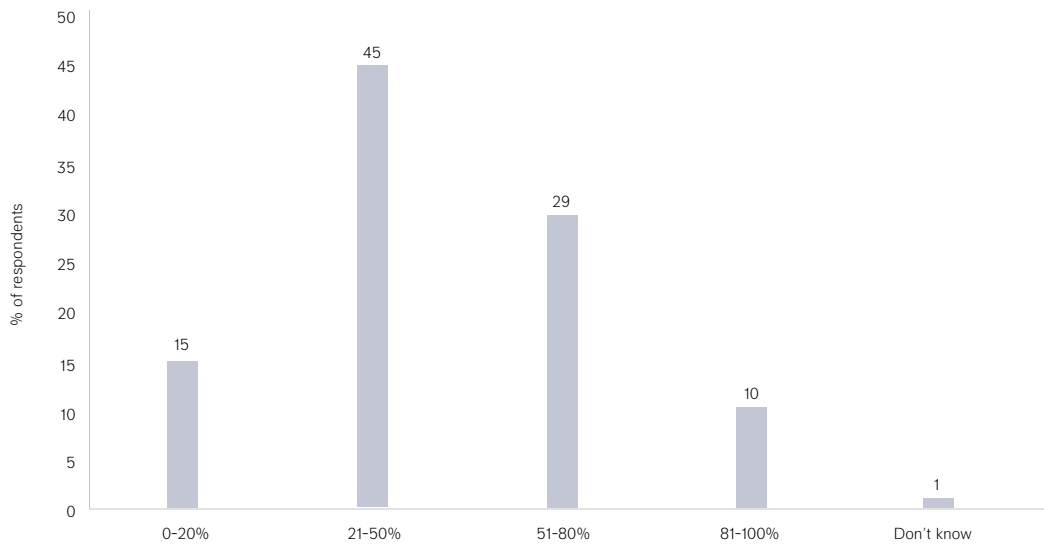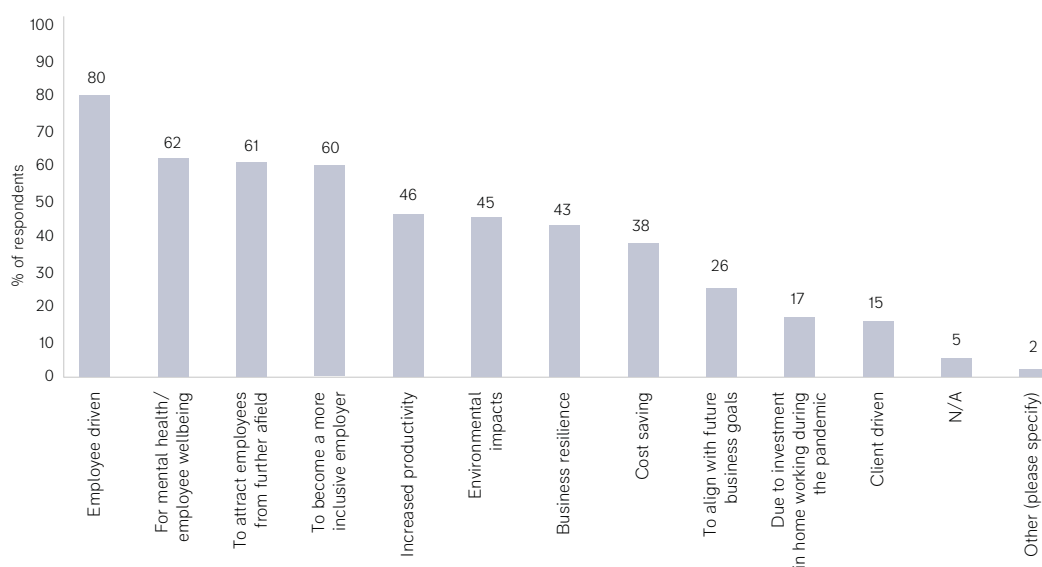
Employees drive the move to hybrid

> **Key finding:**
>
> The most commonly-cited motivation for adopting hybrid working practices is employee preference.

It is clear that employees are central to the shift to hybrid working. As shown in **Exhibit 3**, 80% of businesses highlighted employee preference as a motivation for moving to hybrid working. Employee desire for hybrid is something that the CBI has also heard from its membership with, for example, an SME manufacturer noting that "all staff who've been working from home have been asking for a hybrid approach".

Exhibit 3 Motivations for moving to hybrid working

What are your business' motivations for moving towards hybrid working?

Not only do employees clearly desire the move to hybrid, but businesses also recognise that hybrid working has the potential to boost employees' mental health and wellbeing via the flexibility it affords, with 62% of survey respondents citing mental health/wellbeing as a motivation. CBI member anecdote backs up this point, with a multinational recruitment and HR company citing the need to "look after our people" as a key reason for the change. Furthermore, businesses expect to be able to attract a wider range of employees by moving to hybrid, as well as becoming a more inclusive employer, with 61% and 60% of businesses citing these as motivations respectively.

Increased productivity is another significant driver, but with a smaller proportion of companies (46%) citing it as a motivation. Whilst this could be interpreted as businesses prioritising employee wellbeing over business efficiency, it is worth remembering that these two outcomes are inextricably linked as happier employees have been shown to be more motivated and therefore more productive[4]. Access to a wider pool of talent is also associated with higher productivity, through better matching of workers to roles[5]. A UK law firm and CBI member has told the CBI that, after announcing a 'fully flexible' policy, they quickly saw dividends from a productivity and talent attraction perspective, whilst a social housing provider said that a candidate turned down a senior role on account of a full work from the office policy.

Generally, motivations for the shift to hybrid were fairly consistent across firm sizes, with employee preference and wellbeing consistently cited. However, these motivations were strongest for larger firms with 92% of large businesses citing employee preference and roughly three quarters employee health and wellbeing, inclusivity and attracting employees from further afield. 75% of small firms highlighted employee preference, 58% mental health and wellbeing, and just over half inclusivity and attracting employees from further afield.

19% of small firms said they were motivated by client needs, compared to just 6% of medium-sized firms and 8% of large firms. This may be due to tighter margins for small firms, who may then choose to implement hybrid to create happier and therefore more productive workers.

There was some variation by sector, with 75% of construction firms citing employee wellbeing as a motivator, compared to 48% of professional, scientific, technical and administrative activities businesses.

> **Key finding:**
>
> Business leaders expect to retain the balance of power when managing hybrid working.

Consistent with the fact that employee preference and wellbeing are prominent motivations for the shift to hybrid working, 58% of businesses surveyed expect employees to play a role in driving the management of flexible working more generally, as outlined in **Exhibit 4**.

Exhibit 4 Management of flexible working

*How do you expect your organisation to manage their approach to flexible working?*
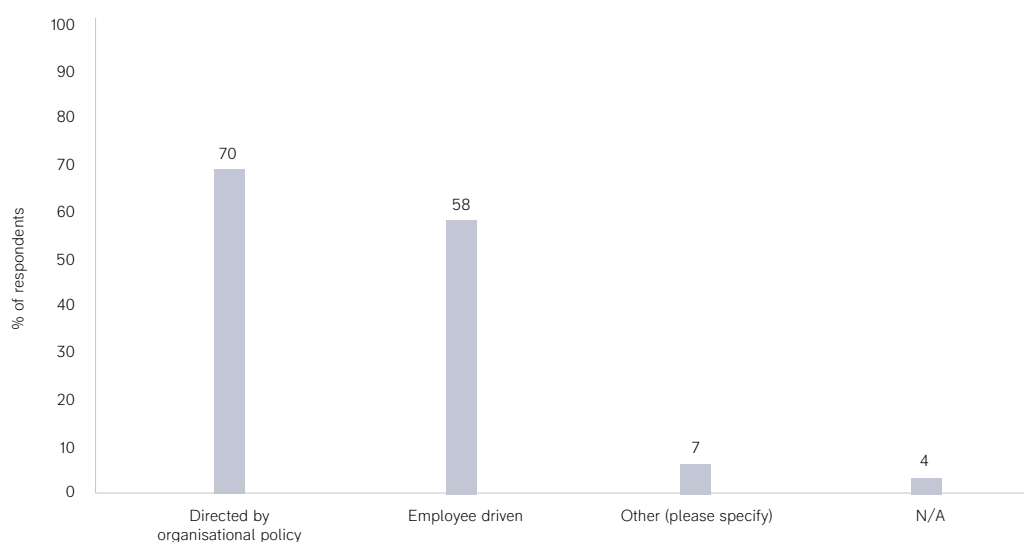
An even greater proportion of businesses (70%) expect management of flexible working to be directed by organisational policy, which suggests a number of structures which are top-down, but also with substantive employee engagement. The CBI's engagement with members indicates a variety of approaches planned by businesses, with most having a clear focus on employee inclusion. For example, a manufacturer reports a mandated 50/50 hybrid company policy, whilst a business in the technology sector wants to avoid a centrally-determined flexible working policy, asking leaders and managers in different business areas to consult with their teams instead. A smaller business in the survey included the comment "We're a small business, it's a conversation".

Findings were very consistent across firm sizes, but with slightly more large firms citing the importance of organisational policy than smaller firms. In a sample of entrepreneurial firms, including early-stage firms and start-ups, 90% cited a drive from employees with only 20% specifying the importance of organisational policy, perhaps because formal policies may be less advanced in smaller firms.

Employees will be at the core of measures which companies intend to use to assess the success of hybrid working models. As shown in **Exhibit 5**, 86% of companies surveyed are planning to use employee satisfaction metrics to measure the success of hybrid working, with 78% planning to monitor productivity and 56% expecting to monitor how attractive they are to the employee market. Overall, the focus on employee wellbeing, productivity and hiring potential, closely mirrors the motivations for shifting to a hybrid model.

Exhibit 5 Assessment of hybrid working plans

What success measures will your hybrid working plan be measured against?
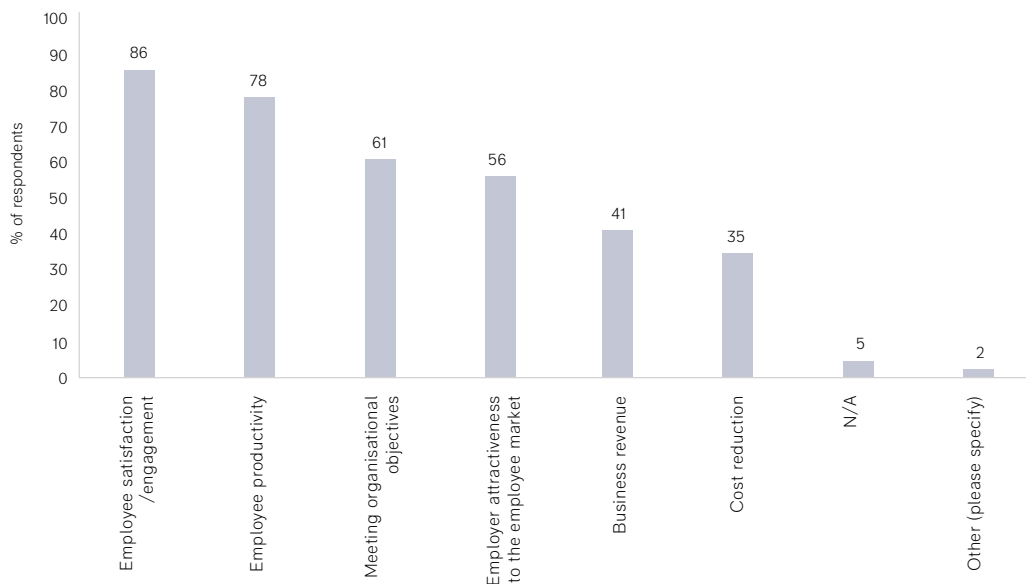
A focus on employees when assessing the success of hybrid working is also something that the CBI has observed through engagement with its membership. For example, as highlighted in the CBI's hybrid working guide, the Centre for Process Innovation (CPI) plans to rely on data from its quarterly pulse survey to assess the extent to which a hybrid policy has a positive impact on employees. It will also monitor performance development reviews to determine whether there has been a change in overall employee performance, as well as its net promoter score for engagement to see how likely employees are to recommend CPI as a place to work.

This focus on employees has also been reflected in the type of support that businesses have accessed during the pandemic. 19% of businesses indicated that COVID-19 has led to a change in the type of support organisations accessed, with by far the most common specified change being an uptake of health and wellbeing support. Whilst COVID-19 accelerated this change, the use of these support services is likely to persist beyond the pandemic as businesses and employees better understand both the support available and the benefits to their organisation.

**The remote working experience has been a mixed bag**

> **Key finding:**
>
> Remote working has been positive for productivity overall.

As shown in **Exhibit 6**, 50% of businesses cited a positive impact of remote working on productivity, with only 21% citing a negative impact. Related to this, businesses generally found it easier to find time in a client or colleague's diary when working remotely, perhaps due to freed up time from not having to commute or travel to meetings. Others found it easier to hold meetings with clients or colleagues situated in another region, nation or country. A logistics company and CBI member highlighted to the CBI their struggle to get staff into the office, emphasising a perceived loss of productivity as people return to commuting.

Exhibit 6 The impact of remote working on productivity

What has been the impact of remote working on productivity?
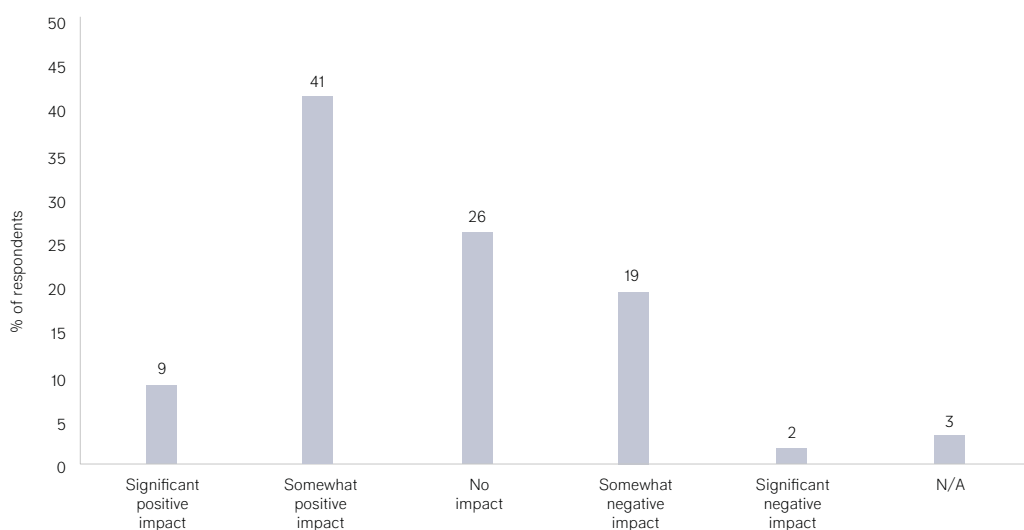
The observed impact of remote working on productivity is very similar across business sizes, but 23% of information and communication businesses surveyed observed a significant positive effect on productivity – the most of any sector – compared to only 3% of manufacturing and 4% of other service activities businesses. It appears that businesses that were most technologically efficient were able to most effectively reap the benefits that remote working provided. Meanwhile, those dependent upon either the delivery of customer-facing services or on the use of on-site machinery were more likely to struggle to see a benefit from remote working.

Key finding:

In contrast to the productivity boost, firms generally felt that remote/hybrid working negatively impacted their ability to be innovative.

Importantly, the remote working productivity boost was reported to have come at a price, notably in terms of innovation and creativity. Just over half of firms judged that remote/hybrid working negatively impacted their ability to be innovative, with only 22% finding it easier. 70% of businesses said that remote working had negatively impacted brainstorming and 83% that it had negatively impacted those vital 'water cooler' moments, when spontaneous ideas are shared and new relationships formed, which are fundamental to network expansion and business growth. Clearly the ability to interact physically with colleagues is felt to be an important enabler of creativity and innovation, a finding which was fairly consistent across business sizes and sectors.

Key finding:

61% of businesses said that it was harder to stay connected with colleagues when working remotely or in a hybrid model.

In addition to the challenges surrounding innovation, there were concerns about the ability to stay connected to, engage with and onboard colleagues remotely. 61% of businesses said that it was harder to stay connected to colleagues when working remotely or in a hybrid model. Businesses were also generally concerned about the ability to effectively line manage employees with half of firms considering line management to have been negatively affected.

There were mixed views on the impact of remote working on engagement with senior leadership, with 39% seeing a positive impact, and 35% seeing a negative impact. It is worth noting that survey respondents are mostly senior employees themselves (e.g. CEOs, MDs or director/head of department) and therefore their views on how employees engaged with senior leadership may differ from other employees.

With regards to training, 42% of firms felt that remote working had a negative impact on learning and development and training opportunities. There was a lack of confidence in their ability to effectively onboard employees remotely, with 43% of companies 'not very confident' onboarding could be delivered to the same quality remotely as in person, and 14% 'not at all confident'. A CBI member, and multinational recruitment and HR business, has told the CBI that they will ensure that new starters are in the office more going forward, to enable better on the job training and collaboration.

The impacts of remote working on connection, engagement with colleagues and on the onboarding of new staff were consistent across firm sizes and sectors, with businesses in the information and communication sector and the professional, scientific, technical and administrative activities sector experiencing more balanced impacts, perhaps due to having already invested more in relevant technologies. Interestingly, large firms reported an overall positive impact on engagement with senior leadership under remote working. This may be because these firms experienced a lower baseline level of engagement with senior colleagues before the pandemic due to their large size, making any improvements that occurred during the pandemic seem more prominent.

Key finding:

Collaboration was felt to have been negatively affected by remote working.

Closely linked to the above findings that remote working negatively impacted innovation and social connection, the survey also found a generally negative impact of remote working on collaboration across organisations, with half of firms feeling that it had been negatively affected, and only 29% viewing the impact as positive. This effect was similar across firm sizes and sectors.

However, views on the extent to which projects requiring collaboration could be delivered to the same quality remotely were more balanced with 41% of companies 'somewhat confident' and 10% 'extremely confident' that such projects could be delivered to the same quality remotely. This may be because businesses recognise that they will have to expend extra effort to deal with collaborative working challenges remotely but, at the same time, know that this extra effort will allow them to ultimately deliver projects to the required standard.
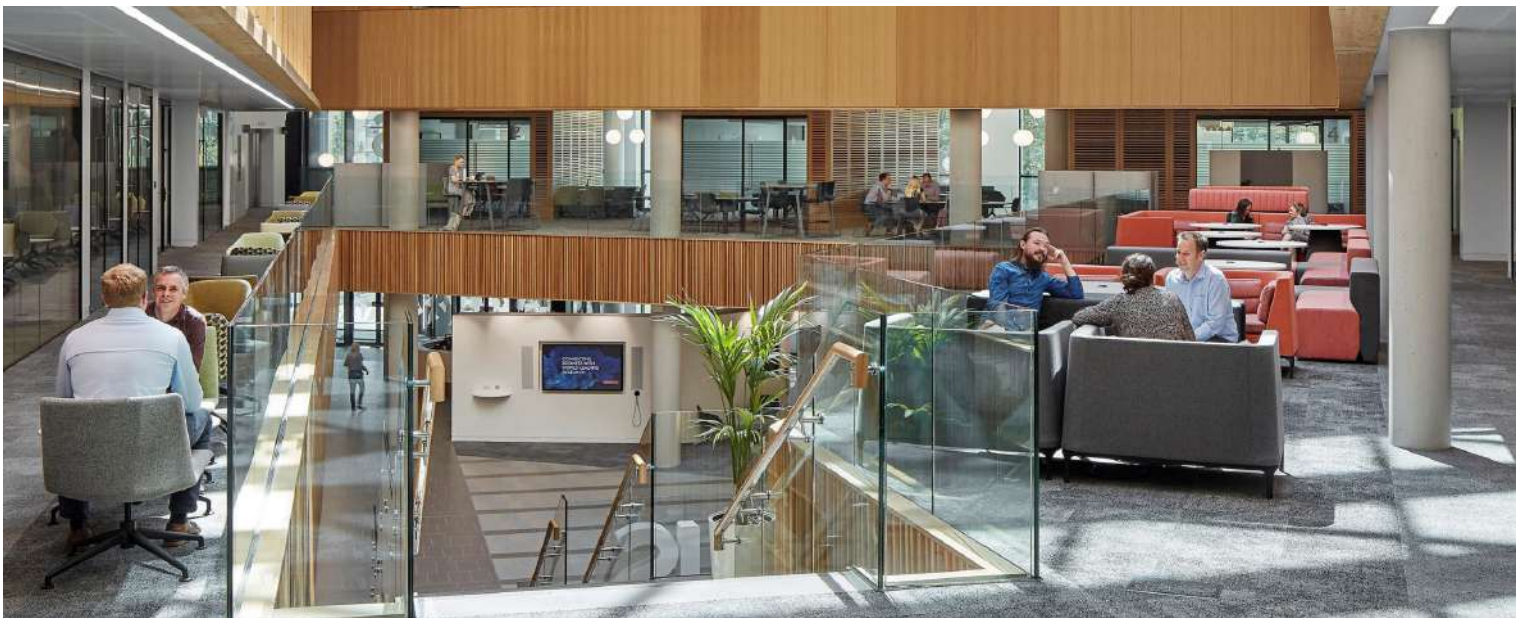
> **Key finding:**
>
> 60% of businesses surveyed reported that maintaining client/partner relationships had been more difficult when working remotely.

Difficulties building and maintaining external relationships were also observed under remote working. Whilst businesses said that it was easier to hold meetings with clients and colleagues and to find time in diaries, they noted that overall client/partner relations were negatively affected by remote working.

Partnership working was mildly negatively affected with 40% observing a negative impact and 31% a positive impact. Meanwhile, a majority (55%) of businesses were not confident that new customer/client relationships could be formed to the same quality remotely.

Overall, the observed negative effect on partnerships and the maintenance of client relationships was fairly homogenous across firm sizes and sectors.

> **Key finding:**
>
> 64% of businesses surveyed said that remote/hybrid working made it harder to expand their network.

Established networks were a little more resilient than less-established networks. 6% of businesses reported that they found it significantly harder to stay connected with colleagues – perhaps the most established network. This rose to 11% for staying connected with one's general network, and further to 23% for expanding networks. This indicates a potentially greater impact on start-ups/entrepreneurs who are naturally trying to establish new networks.

Clear roles for the office and the home are emerging

> **Key finding:**
>
> Office working will retain an essential role post-COVID-19 with two thirds of businesses expecting team building and strategy days to be conducted entirely from an office/workspace.

The mixed experience of remote working demonstrates that office/workplace and home working each have pros and cons. It is clear that physical workplaces will retain an essential role in the hybrid world beyond the pandemic, especially with regards to social interaction, innovation, and creative collaboration.

A significant proportion (67%) of businesses expect team building and strategy days to be conducted entirely from an office/workspace as shown in **Exhibit 7**, with this being fairly consistent across firm sizes and sectors.

In addition, only 4% of businesses expect to conduct onboarding and only 2% innovation planning entirely from home, with the remainder either expecting a combination of the home and the office, or solely the office.

Exhibit 7 Intentions for the location of team building and strategy days post-COVID-19
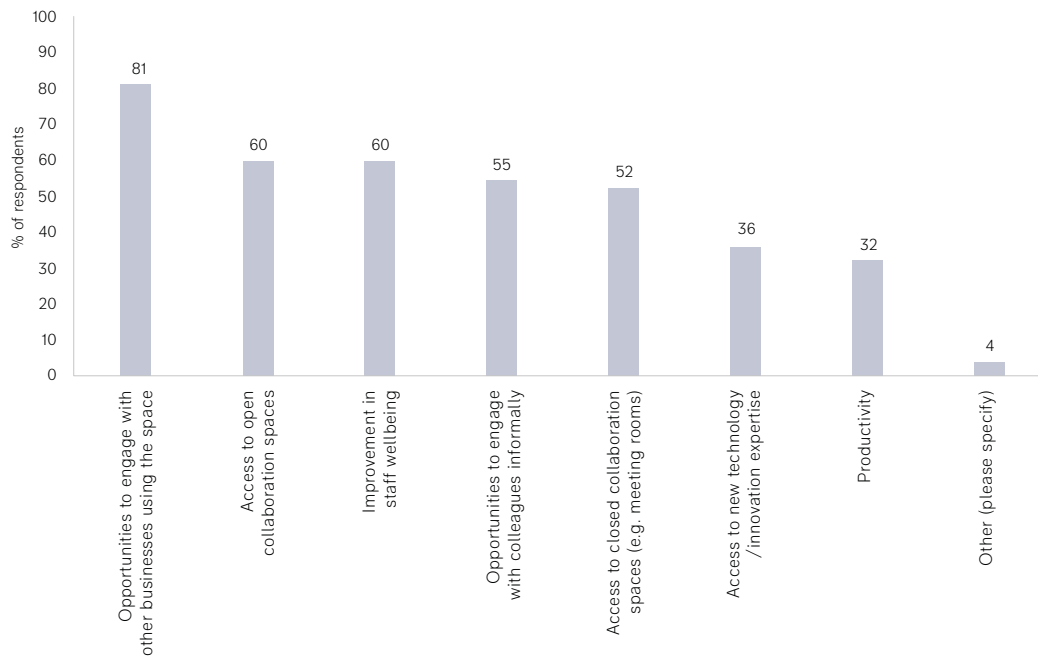
In the future, where do you expect your staff to conduct team building and strategy days?
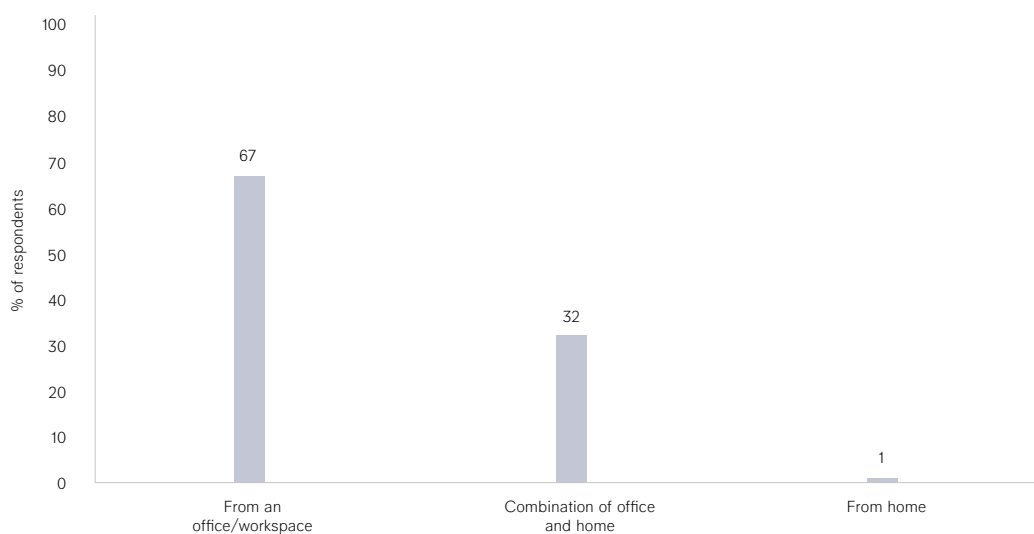
Businesses continue to see the value of physical networks and communities as shown in **Exhibit 8**. Above all, businesses value physical interaction as it enables more informal meetings, promotes collaboration and improves wellbeing. The CBI has heard this from members, with a large multinational telecommunications business indicating that its new offices are to be built around collaboration spaces due to physical environments being particularly conducive to collaboration, and a large supermarket chain indicating that they will need fewer desks and larger meeting spaces.

Exhibit 8 Respondents' views on the value of physical networking spaces

What do you consider to be the value of a physical networking space?

Category	% of respondents
Opportunities to engage with other businesses using the space	81
Access to open collaboration spaces	60
Improvement in staff wellbeing	60
Opportunities to engage with colleagues informally	55
Access to closed collaboration spaces (e.g. meeting rooms)	52
Access to new technology /innovation expertise	36
Productivity	32
Other (please specify)	4

> **Key finding:**
>
> The vast majority of activities carried out by workers are expected to be carried out both from home and from a physical office/workplace post-COVID-19.

Given that firms are widely adopting hybrid working models, it is no surprise to find that there are clear roles within that model for both the office/workspace and home working. Virtual working and engagement will play a vital role going forward, with most companies expecting the majority of activities to be undertaken primarily via a 'combination of office and home', with the exception of team-building and strategy days.

Three quarters of companies expect collaborative activities to be conducted through a combination of office and home, reflecting the productivity benefits of home working and the creativity-enhancing and relationship-building features of physical interaction. Similarly, for training, desk-based activities, client meetings, innovation planning and new project planning, most companies expect their staff to undertake these tasks split between the office and home.

Businesses value virtual networks for various reasons, including easy access to information and ease of staying connected to various stakeholders, as outlined in **Exhibit 9.** Just as physical interaction is valued by employees in the workplace, virtual networking allows flexibility – highlighting why a hybrid model may be so beneficial for worker wellbeing.

Exhibit 9 Respondents' views on the value of virtual networks

*What do you consider to be the value of a virtual network?*
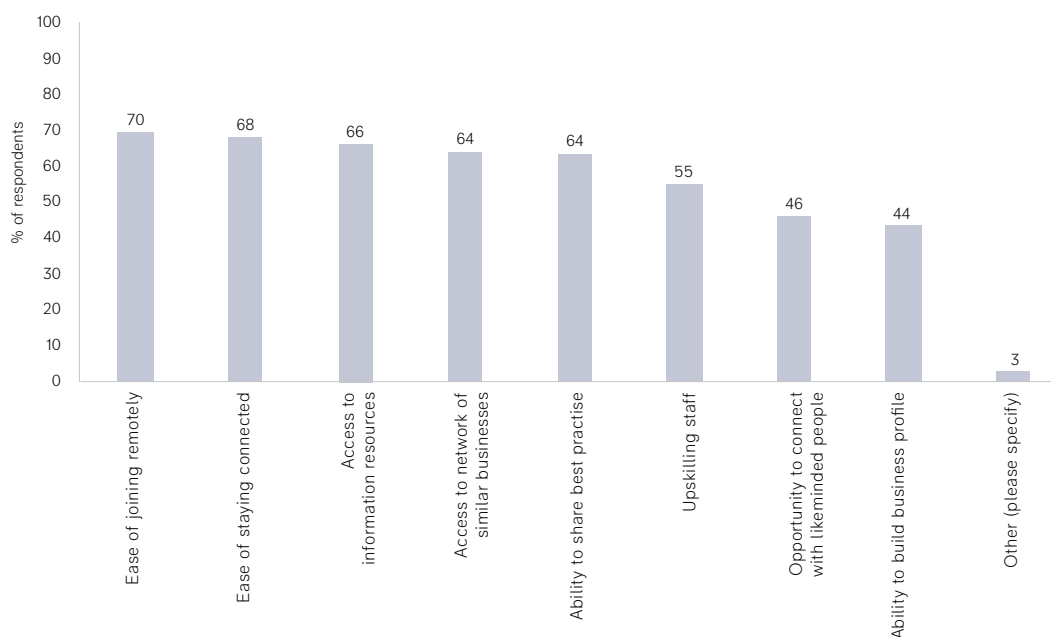
Key finding:

Businesses expect to travel less for meetings regionally, nationally and internationally.

The benefits of virtual networks are reflected in the fact that businesses plan to travel less for meetings in a hybrid world, as shown in **Exhibit 10**. Businesses feel similarly about regional (71% expecting to travel less), national (76% expecting to travel less) and international travel (61% expecting to travel less)

Exhibit 10 Intended travel to business meetings post-COVID-19

Compared with pre-pandemic, how often do you expect your staff to travel to business meetings in the future (i.e. outside of their usual workspace)?
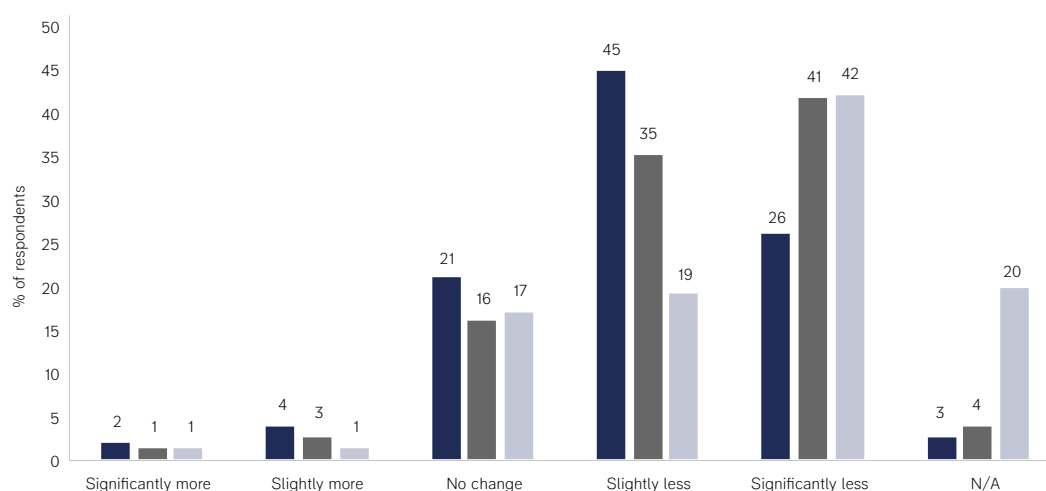
It is perhaps surprising that this effect isn't stronger with respect to international travel. This may be because people tend to travel internationally for conferences or site visits, which are more difficult to replicate virtually, or perhaps because international travel has always been inherently more difficult and expensive, so the bar was always higher for it being justified. Delving further into these figures, 42% expect to travel significantly less for international meetings, with a similar figure for national meetings (41%), but a much smaller figure for regional meetings (26%). This is consistent with the idea that international travel will be limited to infrequent, yet important/essential visits.

There was some variation across different sectors, with a significant proportion of the education sector citing significantly less travel regionally (41%), nationally (52%) and internationally (55%) compared to a sector like construction, which may only travel when it is to some extent unavoidable, with a smaller proportion citing significantly less travel regionally (5%), nationally (28%) and internationally (33%).

Businesses are implementing change at speed

Key finding:

Around three quarters of businesses expect to have hybrid working models in operation by the end of 2021.

Businesses are being proactive in preparing for the post-COVID-19 world, with regards to return to office and longer-term hybrid working plans. Around half of companies are currently implementing plans to return to the office and roughly a third are already implementing hybrid working plans, with a further 41% in initiation or analysis/planning stages. Three quarters of companies expect to have implemented longer-term hybrid working plans by the end of 2021. Only 6% of businesses reported that they still need to heavily invest in technology to facilitate hybrid working, with 42% having fully implemented the necessary technology.

Larger firms are particularly advanced with hybrid working plans. Only 4% of large firms have not yet started to make a plan, compared to 18% of smaller firms.

Key finding:

88% of businesses highlight at least one barrier to innovation.

88% of businesses highlighted at least one barrier to innovation, with lack of funding, lack of time, and lack of access to skills and talent most commonly cited as the biggest barriers. 40% of the entrepreneurial sample cited lack of funding as their top barrier.

Despite this, COVID-19 did accelerate investment in certain types of technology, with 52% of businesses increasing overall spending on IT. Unsurprisingly, the most common investment was in remote working technologies (76%). An article in *The Economist* explored how the pandemic has encouraged managers to place more trust in technology that allows workers to communicate and collaborate effectively even when out of the office, citing research that finds a big rise in the share of new patent filings for work-from-home technologies during the pandemic.[6,7]
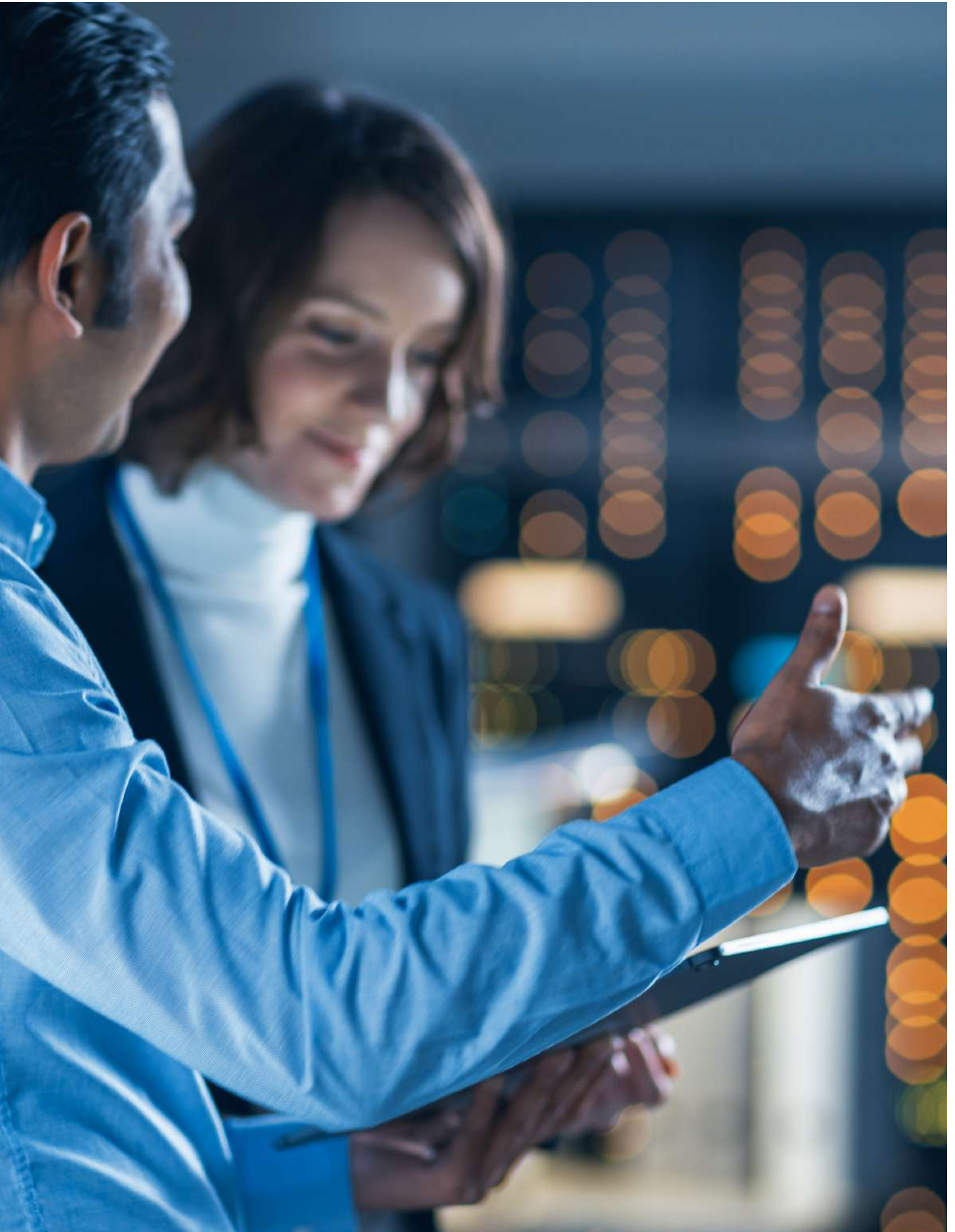
Challenges and solutions

The survey findings present clear opportunities for businesses as they move into a post-COVID-19 world, but also immediate, medium and longer-term challenges to address. This section highlights some of these key challenges and proposes solutions that businesses may consider.

Maximising the effective use of physical workspaces

Challenge:

How to effectively exploit the innovation, creativity-enhancing and collaborative benefits of a physical office or workspace, within a hybrid model.

The survey uncovered that hybrid working can offer the flexibility and ease of home working with the innovation, creativity-enhancing and collaborative benefits of a physical office. One of the key challenges for businesses will be in ensuring that the hybrid models they put in place successfully exploit these advantages and, in particular, that when workers meet in physical offices or workspaces, they make the most of their time there.

Proposed solution:

Businesses could make use of tech-enabled spaces, including shared working spaces that enable creativity and collaboration both within and between organisations.

It is likely that spaces that enable creativity and collaboration will become more important for businesses in the future and may to some extent replace the traditional desk set-up as the requirements of office space change.

One option is to make use of existing tech-enabled shared working spaces to facilitate this collaborative work, both within and between organisations. Such spaces can work particularly well for some of the activities that businesses expect to carry out predominantly from physical spaces, such as innovation planning, team-building and strategy days.

A shared working space is a solution to hybrid working that does not require as high a level of investment from a business perspective as it removes the pressure to retain or establish large and costly offices. 22% of businesses surveyed highlighted having an office/presence in a shared working space as a top priority, indicating that a significant number of businesses have already realised the power of this solution. Indeed a construction services company and CBI member told the CBI that they are planning to capitalise on shared office spaces if more employees decide to work from their office than anticipated.

Proposed solution:

Increase the amount of collaborative space in existing offices/workspaces to enable people to work together effectively when they come into the office.

Businesses may also consider increasing the amount of collaborative space in their existing offices/workplaces, either by reconfiguring the workspace or by increasing office space altogether to allow for both curated and spontaneous 'water cooler' moments and collaborative interactions. Businesses may wish to consider hot-desking instead of individual workstations and/or a booking system which may help manage space in the office, especially where employees can choose which days they come onsite or into the office. With the survey findings showing that most firms expect to conduct desk-based activities from home, this will free up space in the workplace for employees to make the most of their time spent on collaborating and innovating.

Proposed solution:

Make use of existing business communities, resources and collaborative projects to get the best support and highest quality thought leadership on what will work best for employees.

Businesses can make use of available expertise and thought leadership and collaborate with communities of businesses going through similar change.

Certain knowledge-intensive businesses may choose to work in innovation hub spaces based on university campuses, allowing them to work directly alongside world-leading academics to innovate and develop new products and services. These hubs often provide fully-fitted and bespoke laboratory and office space with cutting-edge digital infrastructure to accommodate commercial research and development (R&D) activities, as well as allow the formation of networks with university-based research expertise as well as much wider networks of entrepreneurs, mentors, partners and advisers. These hubs can also often provide a blueprint for a well designed, innovation enabled workspace and cater for firms at any stage of growth whether they be spinouts, start-ups, high-growth companies, or established industry leaders.

Businesses can also collaborate directly with leading researchers and business organisations that are working on the future of work. The radical importance of ensuring that businesses adapt to a post-COVID-19 world has led to funding for research projects that focus on this very theme (see the "What next for the office" case study on the next page).

What next for the office?

A research project carried out at Leeds University Business School presents a golden opportunity for firms to collaborate with leading researchers to consider how the approach to a return to the office can improve the health, happiness and productivity of employees.

According to the CBI Economics/Nexus survey, 93% of firms intend to adopt hybrid working after the pandemic, but firms are making decisions on how this will work in practice at pace and with no blueprint for implementation.

A University of Leeds research project has brought together a multi-disciplinary team of experts, from psychologists to engineers, to explore what firms can learn from ways of working during the pandemic, in order to apply greater business resilience for the future and improve employee wellbeing and productivity. The project assesses the experiences – both positive and negative – of people who worked in socially-distanced offices during the pandemic and the impact it has had on behaviour, productivity and staff wellbeing.

Dr Matthew Davis of Leeds University Business School, the project lead, says the project is designed to turn the disruption to office life caused by the COVID-19 pandemic into an opportunity for businesses to think about how design of office space and approach to hybrid working can really help people work to their strengths. There have been innovations around meetings and events practice during homeworking, for example use of the chat function, that have proved more inclusive and allowed different personality types to thrive. Firms and individuals can challenge their cultural norms, previously established practices and old assumptions of what life was like in the office.

The research project is already showing the speed at which the pandemic has accelerated the trend that was growing pre-COVID-19 for the adoption of activity-based working or flexible, agile offices. Organisations have also worked hard to keep offices open for essential staff and services, but this has involved adaptations, typically of manual procedures to increase airflow within buildings, for example, the introduction of air quality monitoring. They have increased cleaning regimes, restricted the use of communal areas and developed room or seat booking systems. While some adaptations may disappear quickly as restrictions end, others may become permanent changes amid ongoing heightened sensitivity to physical health and hygiene.

The research project has also shown that there will always be a need for office space, but that the office is likely to entail a shift in emphasis towards becoming spaces for workers coming together to interact, facilitate knowledge sharing and to fulfil social and cultural purposes. Nonetheless, there is a sizeable proportion of the workforce who do not have suitable home environments to work from and consequently will still require focused workspace as part of future offices. Pre-COVID-19 studies of traditional offices have suggested that 2.5 days working from home per week appears to be a tipping point past which the costs in terms of lost knowledge sharing and chance discussions, outweigh benefits such as cutting out distractions. Interviews undertaken as part of this project suggest that firms may be able to minimise some of these costs with design adaptations to existing space, and the adoption of emerging collaboration tools, but the benefits of offices might be felt more strongly for some workers, such as those new to the workplace.

The project, which completes at the end of September 2022, provides resources and guidance for businesses as they look to put in place their plans for a return to the office and hybrid working, including monthly podcasts, quarterly webinars and a number of short reports. Firms who want to get involved, either by joining research panels to inform the projects or making use of the project resources, can visit **www.bitly.com/adaptingoffices**

Building and maintaining a strong company culture in a hybrid world

Challenge:

Difficulties building and maintaining a strong company culture remotely.

This challenge was less prominent for businesses in sectors that may already have good technology and processes in place, including the information and communication sector and professional, scientific, technical and administrative activities businesses. Less tech-enabled or established businesses however may find it more difficult to maintain and build a strong culture in a hybrid world.

Proposed solution:

For very early-stage and/or small businesses especially, making use of shared working spaces can help build an organisational culture.

Smaller firms expect to work from home more than larger firms, which may make it even more difficult for them to build and maintain a strong company culture. Once again, use of shared working spaces may be beneficial. Such spaces promote both curated and spontaneous collaboration, innovation and social interaction, and therefore a feeling of organisational culture. Smaller firms planning to work remotely to a large extent, perhaps due to the cost of office space, might consider shared workspaces as a cost-effective way for their workers to socially interact.

Proposed solution:

Consistently communicate the organisation's dedication to new working models, and role model key behaviours.

One example, in the CBI's hybrid working guide, outlines that messaging about Siemens' hybrid working model came from the very top, with the Global Chief Executive sending personal emails to everyone in the organisation to show commitment to the policy. Siemens recognised the importance of employee involvement, creating specific project groups with employees to involve them in the design and creation of the new policy. Creation of the new model with employee input and whole-organisation buy-in, gave Siemens the confidence that the move will represent a long-term sustainable change, without letting a hybrid model negatively affect the organisational culture.

Also, following extensive consultation with employees, PwC recently announced a 'deal' to its 22,000 workers with changes to allow greater flexibility for post-pandemic working. This includes an "empowered day" with more freedom to decide the most effective working pattern, flexibility to continue working from home as part of hybrid working, and a reduced working day on Fridays during July and August. Kevin Ellis, chairman and senior partner at PwC, said that he wanted his people to "feel trusted and empowered."

The significant proportion of businesses that reported worse engagement with senior leadership in a hybrid working model indicates a potential issue of presenteeism going forward, as some workers may feel compelled to impress employers, or perceive potential benefits from spending more in-person time with management. A large multinational IT company and CBI member told the CBI they wanted to create a hybrid experience in offices and meeting rooms that equally enfranchises people who are physically present and virtually present. Businesses should ensure that employers can easily engage with senior leadership virtually, and that, if a hybrid working model is being implemented, it is clearly communicated that working from home is perfectly acceptable.

Businesses should also ensure that they remain adaptable and responsive to feedback from employees. CBI member anecdote reveals that some businesses are taking a 'test and learn' approach to their new hybrid working models, acknowledging that it may be difficult to get the policy right immediately and that, through engaging with employees, the optimal model will be reached over time.

Proposed solution:

Place remote working within the broader context of flexible working options.

As per the Boston Consulting Group research cited earlier on the four main types of worker in our future world of work, some roles, such as scientists in a laboratory, simply need to be physically present to do their jobs. Other roles that follow a regular process may be able to carry out their work entirely remotely, such as a call centre worker with a script. Many businesses may find that they have various types of worker, with some able to work from home but others required to be onsite.

This can lead to the perception that those who can work from home have more freedoms and flexibility, and potentially an "us versus them" mentality. Businesses need to do what they can to mitigate this sentiment, and one way is to emphasise various different types of flexibilities to workers including those that can be enjoyed by site workers, including varying start and finish times and flexible shift patterns.

Henry Boot

Henry Boot plans to emphasise the various flexibilities on offer to avoid feelings of "us versus them" and ensure people are going into the office for the right reasons.

Henry Boot is a business working across the built environment sector. After increasing the opportunities for employees to work flexibly because of the COVID-19 pandemic, the company was eager to retain the benefits of flexible working. This was a reaction to feedback from employees who felt happier and more productive not having to commute and travel to meetings, as well as the potential organisational benefits flexibility can bring to attract and retain individuals. As a result, Henry Boot plans to roll out a formal agile working framework across the business.

Given the majority of site-based and operational employees can't work remotely, ensuring that any new framework works for the whole company and avoids creating an "us versus them" culture, in which there is a perception that those who can work from home have more freedoms and flexibility, is key. To ensure this, Henry Boot's agile working approach recognises that new flexibilities are not all about location, and that their working environment can support other forms of flexibility, such as varying start and finish times and flexible shift patterns, to allow everyone the opportunity to work in the way that best suits them.

Henry Boot expects that by emphasising the variety of flexibility that can apply across the business – instead of just focusing on working from home – everyone will feel included in the agile working offer. They recognise that communicating personal stories of people's experience of using the flexibilities on offer – whether that's hybrid working, flexing start times or working from an alternative location – is a powerful way to translate the framework into practice and drive uptake. This helps to boost employees' understanding of how different parts of the business work and fosters an organisational culture that tries to minimise feelings of "us versus them".

Henry Boot is also holding conversations on an individual team basis about what people may find useful to do from the office, and what they may easily do from home or an alternative location. Recognising that different teams may have different needs, and ensuring that people understand what is most useful to do from the office, whether it be team-building days or collaborative working, is important for ensuring that employees understand the rationale of policies, increasing the probability that they will buy into it.

Henry Boot also plans to monitor the success of the agile working framework by seeking feedback from their various employee forums. This will allow them to flex the framework if the initial design is not optimal, ultimately informing an improved group-wide framework.

Note: This case study first appeared in the CBI Hybrid working guide and has been augmented for this report.

Overcoming barriers to innovation

Challenge:

Overcoming barriers to innovation to secure big opportunities for growth that have arisen due to COVID-19.

Overcoming barriers to innovation in the aftermath of COVID-19 is critical to ensure that businesses can take advantage of big opportunities for growth. An article published by the consulting firm McKinsey in June 2020 noted that, in a crisis, businesses should, amongst other things, urgently adapt their core proposition to meet shifting customer needs and identify and quickly address new opportunity areas being created by the changing landscape[8]. McKinsey noted sudden pivots observed during COVID-19, for example digitising sales models. They also emphasised that understanding and exploiting such changes can allow businesses to gain long-term advantages, as demonstrated by the 2008 financial crisis where organisations that maintained their innovation focus throughout, emerged stronger, outperforming the market average by more than 30% and continuing to deliver accelerated growth over the subsequent three to five years. There is perhaps no better time for businesses to look to overcome the various barriers to innovation they face.

Proposed solution:

Access regional and local innovation ecosystems to capitalise on the very best support available.

Early-stage businesses who access advice and guidance and join strong collaborative communities and networks, are much more likely to succeed. These businesses can, for example, join incubator, accelerator or other innovation-focused communities. A start-up incubator for example is a collaborative program in which entrepreneurs are assisted with solving some of the problems commonly associated with running a start-up by accessing dedicated workspace, seed funding, mentoring, and training, amongst other services. Other communities can also allow businesses to access advice from seasoned entrepreneurs on the best ways to acquire and retain customers, work with partner organisations on research and development, or tap into the right skills and talent that they need to innovate. Universities can help businesses in a myriad of ways but particularly through research and innovation. Businesses may consider making use of available networks with universities to access high-quality research expertise, talent and facilities. The survey showed that only 17% of businesses are currently engaged in incubator or accelerator communities, which may be contributing to a large waste of innovation potential for early-stage entrepreneurial firms.

Other innovation ecosystems can be accessed by businesses that aren't early stage/entrepreneurial, including the Knowledge Transfer Network (KTN) which connects ideas, people and communities to drive innovation, recognising that the journey from innovative idea to market requires a diverse range of know-how, investment, market knowledge and research. Businesses can access wide-ranging expertise, funding, and create useful connections by making use of networks such as KTN.

Itecho Health

Virtual community and innovation: the benefits of maintaining collaborations and networks digitally.

Itecho Health made the most of the communities and networks around them to continue innovating and growing throughout the pandemic. Their innovations are helping ensure that the use of digital technology is maximised to help the monitoring and treatment of those living with long-term health conditions.

The digital health company was established in 2018 but their move to Nexus, the University of Leeds' innovation hub, a year later was the real catalyst for growth. This opened doors to academic collaboration and helped them build a network that led to significant grant funding and pre-contracts for the prototype of their ground-breaking 'virtual clinic' platform Ascelus™.

As the COVID-19 pandemic hit, and with some projects initially put on hold, the business used the increased focus on virtual delivery and digital health services to successfully win a £2.2m grant award to implement Ascelus™ across seven long-term conditions in haematology at three sites in London and one in Yorkshire.

As CEO Dr Adrian Brown acknowledges, the collaboration of academics, clinicians and tech specialists required to bring the project together successfully may have been more difficult had they not already had the relationship foundations in place. But with strong relationships already fostered, the project team was able to meet virtually and more frequently than they would have been able to in person. Itecho used its academic connections to offer business experience to medical students whose work placements had been cancelled because of the pandemic, offering work experience students from Leeds and Sheffield universities with some leading to paid internships.

The firm, identified early on as an innovative and high potential start up, won a place on the prestigious KQ labs accelerator programme at the Francis Crick institute, the first company based in the North of England to do so. Again, the pandemic meant that the programme was delivered virtually, making it more accessible and meaning less travel and time away from the business. Adrian says the pandemic has possibly taken away the need for London premises that may have been required pre-pandemic to meet potential funders and investors.

One positive to come out of the pandemic, may be a better understanding of how digital service can improve the UK's health services, including productivity and capacity and reducing waiting times for patients.

Proposed solution:

Make use of funded opportunities from UK innovation bodies such as partnership and grant schemes.

Businesses can improve their competitiveness and productivity through funded knowledge transfer partnerships with academics and researchers, facilitated by universities. The Knowledge Transfer Partnership (KTP) scheme from Innovate UK and UK Research and Innovation (UKRI) helps businesses in the UK to innovate and grow by linking them with an academic or research organisation and a graduate. Through this partnership, the business will deliver a specific, strategic innovation project with the KTP associate acting as an employee of the business for the majority or all of the project, and enabling the transfer of knowledge between the academic institution and the business. Given that lack of access to skills and talent and lack of time were commonly cited as a top barrier to innovation, embedded resource provided by partnership schemes such as KTPs could be of great use to many businesses, enabling innovation in both a time-effective and cost-efficient way.

Lack of funding was also a prominent barrier to innovation, particularly for smaller and early-stage firms. Grant funding programmes are available, including Innovate UK Smart Grants. In the funding round, which opened on 28th May 2021 and closes on 25th August 2021, Innovate UK is investing £25 million towards the best "game-changing" and commercially viable innovative or disruptive ideas. With a particular interest in ideas that overlap with their 'grand challenge areas' including: artificial intelligence and data, ageing society, clean growth, and the future of mobility, funding is available for both independent or collaborative projects with costs ranging between £25,000 and £2 million.

Only organisations that are or involve at least one micro, small or medium-sized enterprise (SME) are eligible for funding, demonstrating that Innovate UK recognises the importance in smaller businesses being able to access funding.

> **Proposed solution:**
>
> Take action within your organisation to fuel digital transformation and become bigger, faster and stronger.

Whilst businesses can look externally to overcome barriers to innovation, they can also look to change from within. The CBI's Bigger, Faster, Stronger membership guide[9] identified four recommendations for larger businesses to harness to better fuel digital transformation and boost their productivity and competitiveness including:

1. **Take a bird's eye view:** Ensure that leaders take a strategic view and drive company-wide change with the whole board committed to addressing risks, sharing learnings across departments, and being advocates for change.

2. **People power:** Ensure through people management processes, employees feel empowered to come up with innovative solutions and engage in transformation.

3. **Love your silos:** Make use of departmental, market or geographical silos early on as acting test beds of innovation.

4. **Automatic upgrade:** Use the digital transformation opportunity to build in processes and technologies that allow for continual improvements and automated upgrades.
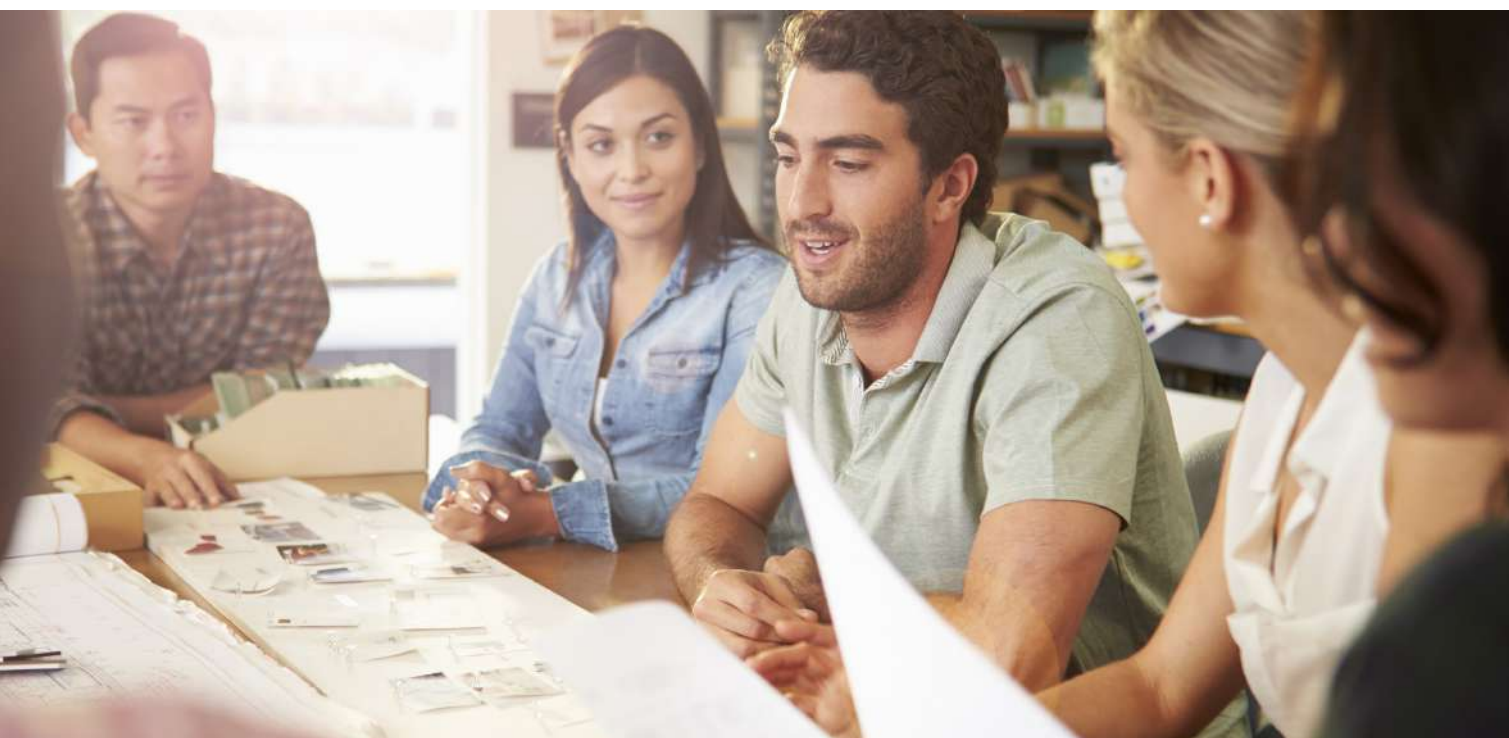
Summary of recommendations

To effectively exploit the innovation, creativity-enhancing, and collaborative benefits of a physical office/workspace, within a hybrid model, businesses should consider:

- Making use of tech-enabled spaces, including shared working spaces that enable creativity and collaboration both within and between organisations.

- Increasing the amount of collaborative space in existing offices/workspaces to enable people to work together effectively when they come into the office.

- Making use of existing communities, resources and collaborative projects to get the best support and highest quality thought leadership on what will work best for employees.

Businesses can get involved in leading-edge research projects with academic institutions such as the Leeds University Business School project *"Adapting offices for the future of work"*. Businesses who would be keen to get involved in this project should view the case study on page 31 for more information.

To effectively build and maintain a strong company culture remotely, businesses should consider:

- For very early-stage and/or small businesses especially, making use of shared working spaces that can help build an organisational culture.

- Consistently communicating the organisation's dedication to new working models, as well as role modelling key behaviours to embed a strong organisational culture.

- Placing remote working within the broader context of flexible working options.

Businesses can make use of shared working spaces in their local area, which offer a range of co-working and private office spaces.

To overcome barriers to innovation and take advantage of big opportunities for growth that have arisen due to COVID-19, businesses should consider:

- Accessing regional and local innovation ecosystems to capitalise on the very best support available.

- Making use of funded opportunities, partnerships and grant schemes through universities and UK innovation funding bodies.

- Taking action within your organisation to fuel digital transformation and become bigger, faster and stronger.

Innovate UK (see: **www.gov.uk/government/organisations/innovate-uk**), Local Enterprise Partnerships (LEPs) and regional growth hubs (see: **www.lepnetwork.net**) can provide useful grant funding, resources and support with developing innovative products and services.

Businesses can also make use of networks and funded knowledge exchange through the Knowledge Transfer Network (KTN) (see: **www.ktn-uk.org**) and partnership schemes with universities through Knowledge Transfer Partnerships (KTPs) (see: **www.ktp-uk.org**)

Final remarks

The survey undertaken by CBI Economics and Nexus uncovers clear challenges and opportunities faced by firms as they enter a radically different post-COVID-19 working world.

Whilst there are multiple findings, challenges and solutions for businesses to consider in this report, there are also some consistent themes that have arisen which will be of central importance to businesses to consider going forward, including the following:

- **Businesses must keep employees front and centre.** Employees are the lifeblood of a business, and businesses cannot forge a prosperous post-COVID-19 path without putting them front and centre in everything they do. The survey results indicate that businesses understand the importance of employees and they should ensure that they build healthy organisational hybrid cultures, consult with and communicate clearly to employees as one voice, attentively listen to their views and put their wellbeing first.

- **Businesses cannot tackle challenges nor fully exploit opportunities alone.** Whatever the sector or size of the business, it is essential to seek out support networks, business communities and innovation ecosystems to make use of available expertise and research. Failure to do so at this critical time could mean missing out on big opportunities for growth in a post-COVID-19 world.

- **Businesses must embrace the benefits of radical change.** New ways of working during COVID-19 have uncovered permanent changes for the better. The survey results show that businesses are embracing this change, including their radical shift to hybrid. Businesses must remain flexible and adaptable to further changes that will present themselves as they adjust to the post-COVID-19 world, or they risk falling behind competitors without a chance of catching-up.

Appendix

Survey methodology and sample characteristics

The bespoke survey, in the field in May 2021, was designed by both CBI Economics and Nexus and garnered responses from 321 senior representatives of businesses across the UK.

CBI Economics sent the survey to a panel comprising both CBI members and non-members whilst Nexus sent the survey to its membership body comprising high-growth, tech-led start-ups and entrepreneurs, forming an 'entrepreneurial sector' of firms including early-stage firms such as start-ups, to compare to other sectors.

Overall, roughly 63% of firms surveyed had fewer than 200 employees. In the general UK business population, this same proportion is roughly 99%.

Firms were spread across sectors of the economy in a way that is broadly comparable to the wider UK business population. A few notable differences include 18% of survey respondents within the 'Other service activities' sector compared to 6% in the UK business population, and 6% of survey respondents within the 'construction' sector compared to 17% in the UK business population.

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This report was produced by CBI Economics and commissioned by Nexus, the University of Leeds' innovation hub.

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