TOOLS, TECHNOLOGY AND REDEFINED ROLES:

The new workplace reality

siemens.com

SIEMENS

Flexible working is recognized as a critical tool for business productivity but most are unprepared for implementation.

1 Introduction

Almost every business across the globe has adjusted its operations because of COVID-19. One of the most obvious examples is the large-scale shift to homeworking. Initially seen as a temporary measure, many firms are now convinced of the merits of adopting more flexible working as a permanent structural change to their businesses. However, most are not prepared for the sudden change in working models and there is great uncertainty about implementing change management for hybrid working.

Our research shows that firms are turning to flexible or hybrid working models as the solution to balancing these competing business priorities. Executives agree that flexible working is vital to maximizing business productivity. As a result, most firms will be reducing office-based working, and redesigning their real estate portfolio for more activity-based workspaces to promote flexibility and collaboration. To support the transition to more flexible working, most firms will increase their spend on workplace technologies such as flexible workplace engagement tools or space monitoring technology.

As a result of the fundamental shift in the way of work, corporate real estate executives have seen their organizational and strategic influence grow significantly. These executives are being asked to consider factors such as productivity, sustainability, and space and real estate cost optimization as they redefine working patterns and corporate real estate strategies.

Research methodology

This report is the first in a series of pulse studies examining the impact of the COVID-19 pandemic on working models, real estate plans and business priorities at large commercial organizations. To gain up-to-date insight from corporate real estate executives, the independent analyst firm Verdantix was commissioned to undertake independent, anonymized phone interviews with 75 executives in real estate, workplace and facilities management roles based in North America, Europe and APAC. All respondents hold senior roles and work for firms with annual revenues of over $1 billion. Verdantix asked these respondents about their evolving working model and real estate plans, business priorities, job role and responsibility changes, and technology investment plans.

2 99% of firms turn to flexible working to supercharge business productivity but uncertainty remains around how to implement

With the COVID-19-enforced disruption to working patterns, firms are taking a fresh and more strategic view of the purpose and priorities for their office footprints and working models. Asking interviewees about their specific plans for the next two years, our research shows that:

- **Flexible working is seen by 99% of firms as an imperative for maximizing business productivity.**
  With the maximization of business productivity firmly leading real estate priorities, almost all executives pinpointed a hybrid working model as the key to achieving this. Forty-five per cent of executives ranked flexible working as very significant for maximizing business productivity, with a further 54% regarding it as significant, demonstrating a strong consensus that a flexible working model is pivotal to productivity (see Figure 1).

  "Since shifting to a flexible working model, we have seen a significant increase in productivity."

  (Senior Director of Facilities, Financial Services)

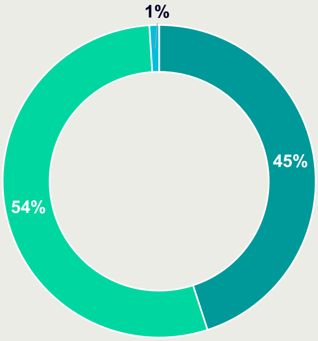
- **A majority of respondents consider a lack of defined process for implementing hybrid working to be a significant challenge.**
  Propelled by the COVID-19 pandemic, 84% of firms are currently employing a flexible working model, with only 16% of firms asking employees to work full time from the office (see Figure 2). In two years' time, two-thirds of firms expect to employ some form of flexible working (see Figure 3). However, most respondents (88%) consider a lack of change control process for hybrid working to be a significant challenge (Figure 3b). Additionally, a quarter of organizations remain undecided on their future working model, as they look to find the right balance between worker flexibility and company collaboration and culture. This is compounded by uncertainty around COVID variants and vaccine rollouts.

  "We are still unsure on the plan for working patterns. Currently, we are conducting an employee survey to gather an understanding of the preferences of our employees."

  (Real Estate Manager, Insurance)

Figure 1:

"How significant is a flexible/hybrid working model in helping your business succeed at maximizing the productivity of your workforce?"



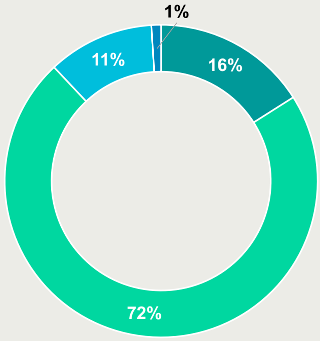
Very significant

Significant

Somewhat significant

Figure 2:

"What is the current working model at your organization for the majority of your employees?"



5 days office-based working

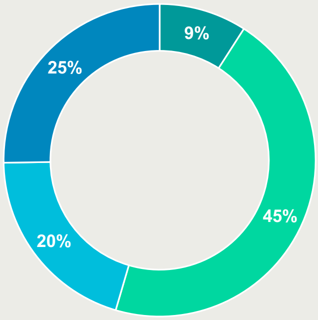
3-4 days office-based working

1-2 days office-based working

No office-based working

Figure 3:

"In two years' time, which of the following best describes your intended working model for employees?"



5 days office-based working

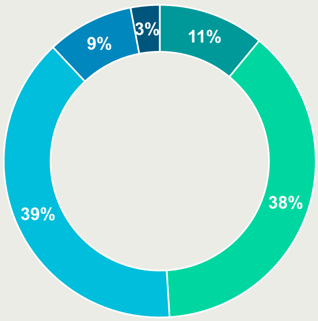
3-4 days office-based working

1-2 days office-based working

Unsure

Figure 3b:

Lack of Change Management for Hybrid Working



Very significant

Significant

Somewhat significant

Little significant

Not significant

- **Firms plan to shrink assigned workspaces in favor of hot-desking and collaboration spaces.**
  Most organizations currently employ workspaces that comprise one or more of three configurations: assigned workspaces, hot-desking and activity-based workspaces. Traditional assigned workspaces make up, on average, 45% of real estate portfolios, with activity-based workspaces and hot-desking constituting 28% and 27%, respectively (see Figure 4). By 2023, on average, assigned workspaces will form only 37% of real estate portfolios, whilst activity-based workspaces will increase to 34%. This shift is in line with the forecast reorientation of the main purpose of office spaces, which will be maximizing collaboration, flexibility and productivity (see Figure 5). Firms will further promote these priorities through technology tools such as reservation solutions that encourage collaboration by enabling entire teams to easily find and book spaces to work together in one area.

  "We have increased the focus on enhancing collaborative spaces, as we seek to provide workspaces which entice employees to the office."
  (Senior Director of Facilities, Financial Services)

- **Over half of firms plan to reduce their real estate square footage in the next two years.**
  More than half of firms have already reduced the square footage of their real estate portfolios since the start of the COVID-19 pandemic (see Figure 6). In the next two years, 28% of firms intend to cut their portfolio by up to 10%, with a further quarter of firms reducing this by more than 10% (see Figure 7). With the adoption of a hybrid working model and more flexible workspace configurations, firms intend to drive home this efficiency by reducing their overall portfolios, bringing down operational costs.

  "We plan to reduce square footage for the shorter leases, but we actively monitor the requirement for office space and will provide serviced office spaces when required."
  (Real Estate Manager, Insurance)

Figure 4:

"What percentage of your real estate portfolio will be composed of the following types of workspaces?"

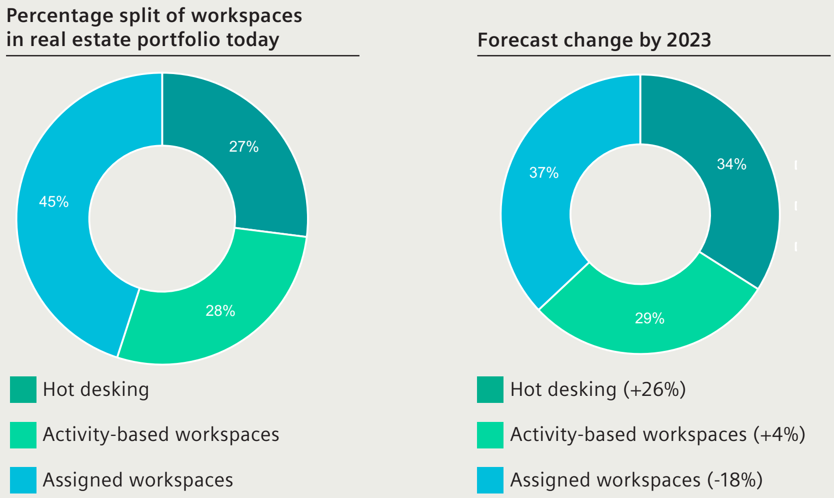


Figure 5:

"Two years from now, how significant will the following business initiatives be as the purpose of your office spaces?"

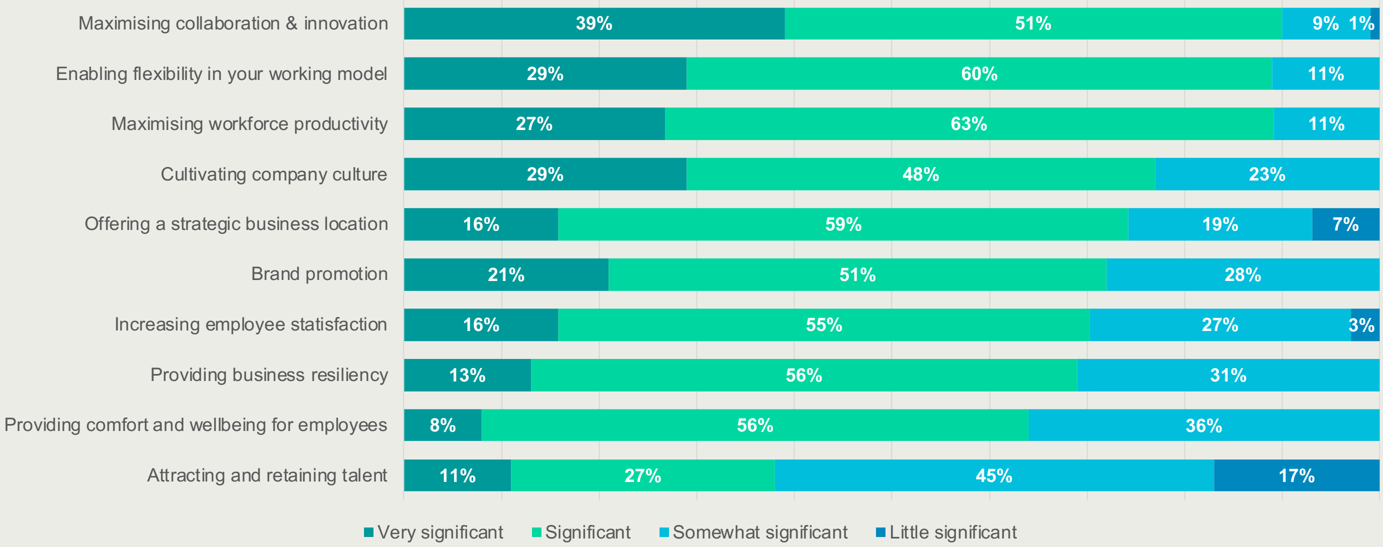


Figure 6:

"To what extent have you already adjusted the square footage of your office portfolio following the start of COVID-19?"

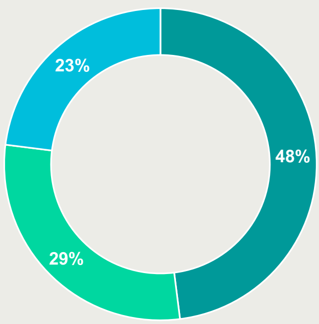
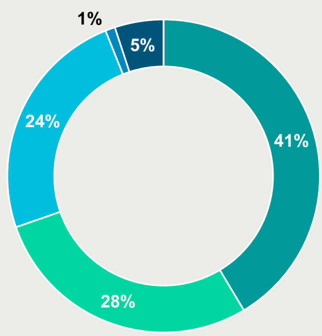


Figure 7:

"What are your plans with respect to further changes to the square footage of your office portfolio in the next two years?"



3 COVID-19 delivers a seat at the top table for many corporate real estate executives

Historically, organizations viewed corporate real estate management as a support function to the business, fulfilling business activities without significant input into overarching strategy or policies. Following COVID-19, most corporate real estate executives have seen an elevation in their profile and influence. Our interviews revealed that:

- **Over half of executives have seen major role changes, of which 93% cited more strategic influence.**
  Since the beginning of the COVID-19 pandemic, 53% of executives have experienced significant changes to their job role or responsibilities (see Figure 8). Of this contingent, 93% of respondents (49% of total executives) noted having greater strategic influence in key business decisions. Corporate real estate executives are no longer simply a support function. These executives are now integral components of their organizations, with a clear strategic impact on business activities. Almost a third of executives also cited more interaction with C-Suite executives, fortifying their elevated position.

  "We are working more directly with C-Suite individuals now. It is not a case of interacting just during acquisitions, as was the case before COVID-19."

  (Director, Workplace and Facilities Management Solutions, Government Services)

- **More than 40% of executives are experiencing greater cross-firm collaboration and employee interaction.**
  Alongside greater job responsibilities and strategic influence, 44% of executives noted having an expanded role consisting of more communication and collaboration with other business units, such as human resources (HR) and IT. Similarly, 43% of executives stated that they had seen greater direct-to-employee interaction and influence. Corporate real estate executives have become more embedded in all facets of their organizations. Following COVID-19, they are increasingly working across functions and directly with employees , widening their sphere of influence and knowledge of their organizations.

  "My role has become significantly more strategic, with increased interaction with the finance department to ensure alignment on major organizational decisions."

  (Real Estate Manager, Insurance)

- **Real estate executives (87%) wield final authority on real estate technology investment decisions.**
  Typically, real estate executives were found to be the final decision-makers on investment in real estate technologies (see Figure 9). Eighty-seven per cent of executives believed this was the case, whilst 21% suggested that facilities executives were also decision-makers. Respondents regarded the facilities (72%), IT (65%) and workplace (83%) functions as influencers in real estate technology investment decisions.

Figure 8:

"How has your job role changed since the beginning of COVID-19?"

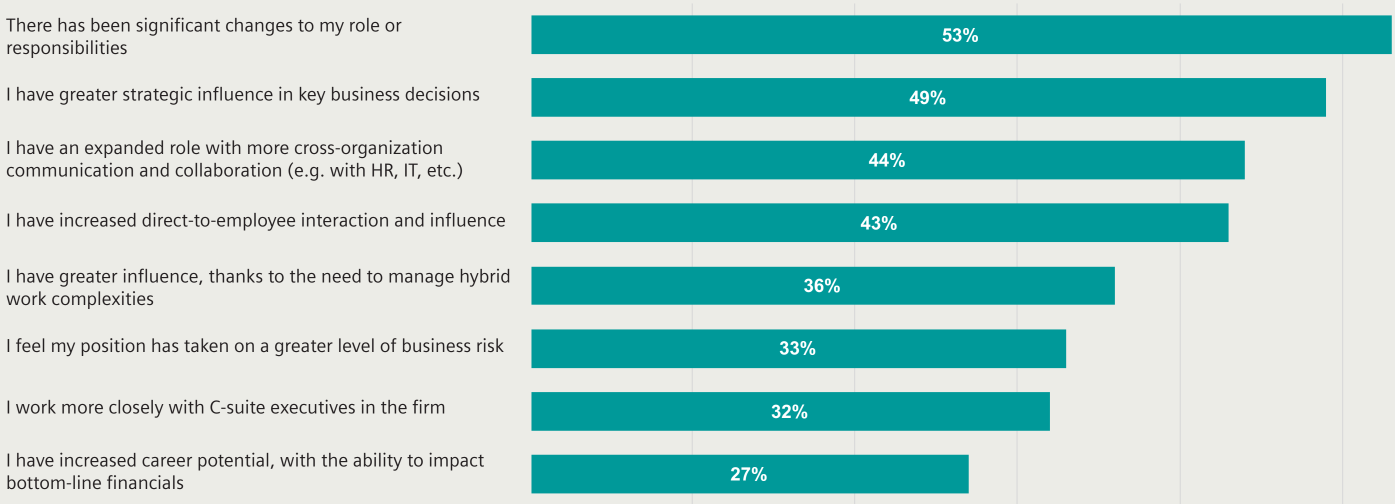
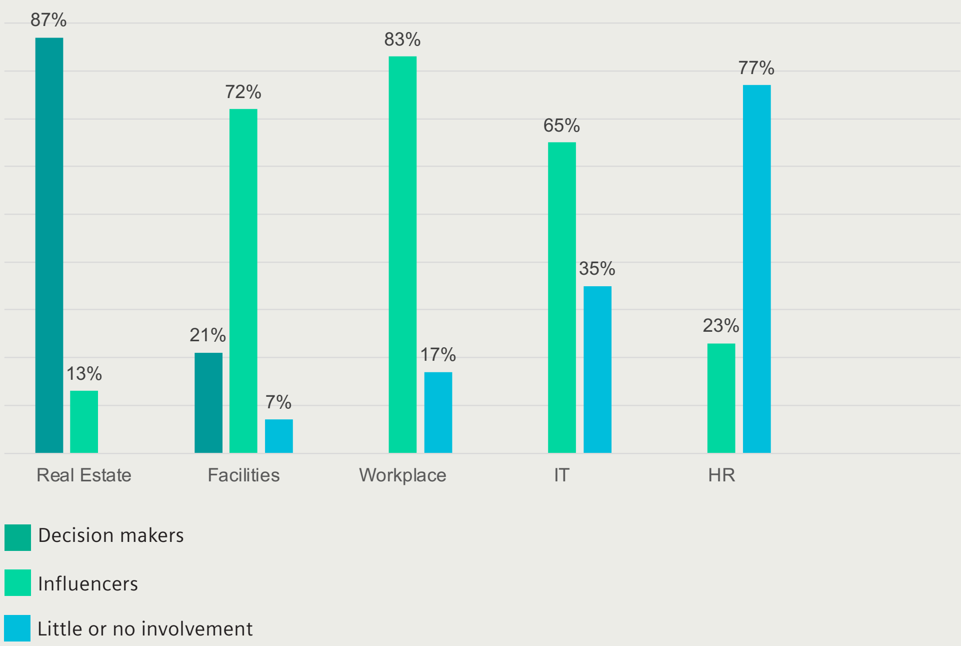


Figure 9:

"When considering investment in real estate technologies, what is the level of influence of the following functions in the process?"



4 Business productivity, sustainability and space optimization: top strategic priorities for real estate executives

With increased influence in the organization, corporate real estate executives are well-placed to drive more strategic decisions when it comes to office footprints and working models. Examining the core considerations of firms in evaluating their office strategies, our research finds that:

- **Maximizing business productivity is a leading priority amongst all executives.** Despite the effects of the COVID-19 pandemic, business productivity remains the most important priority for corporate real estate executives. Fifty-nine per cent of executives ranked business productivity as a very high priority in the next year, whilst the remaining 41% regarded it as a high priority (see Figure 10), leading all business initiatives in 2022.

- **Building decarbonization is a high or very high priority for 91% of respondents.** The second most important business initiative for real estate executives in 2022 is energy efficiency and sustainability, which includes building decarbonization. Forty per cent of corporate real estate executives consider this a very high priority, with a further 51% ranking it as a high priority for the next year. With increasing legislation around building sustainability, such as the Climate Change Act, as well as frameworks and standards such as the Global Real Estate Sustainability Benchmark (GRESB), the impetus behind building sustainability is very strong, forcing firms to react accordingly.

  "Following COVID-19, health and safety was prioritized above sustainability. Now, sustainability is rising up the agenda again."

  (Workplace Experience Director, Global Consultancy and Construction)

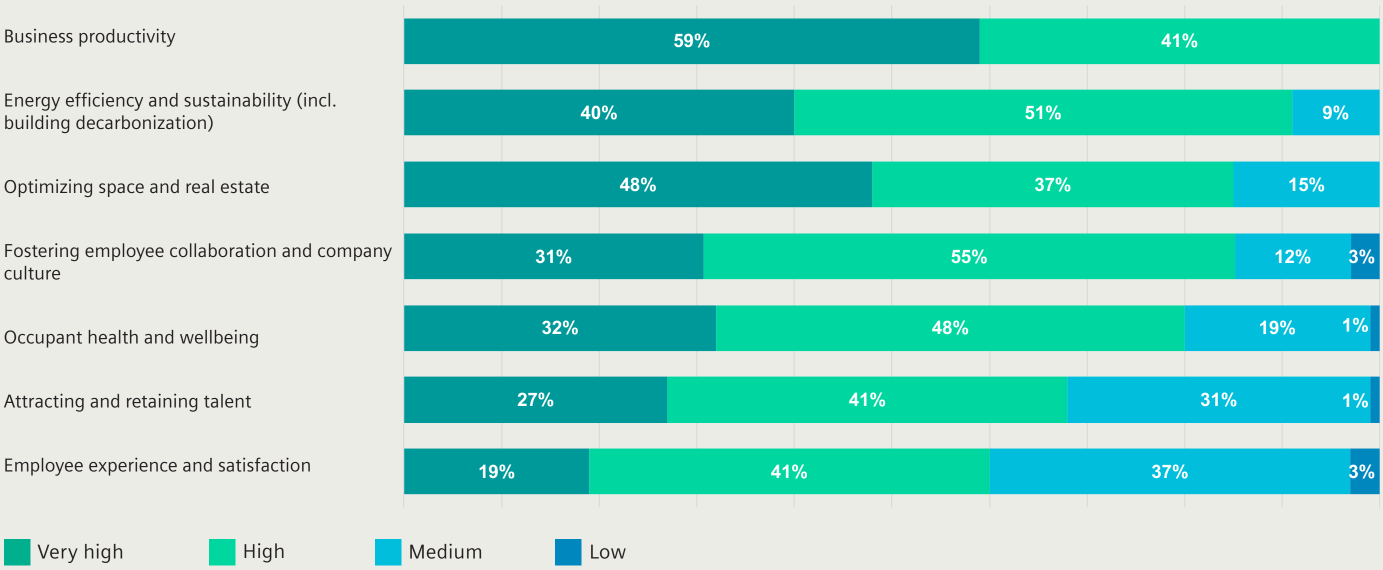
- **Optimizing space and real estate costs is regarded as a leading priority by 85% of firms.** The third-highest priority business initiative for firms is optimizing space and real estate, with 48% of executives considering it a very high priority and 37% citing it as a high priority. The pandemic introduced a wave of employee expectation for more hybrid working and businesses are now shifting away from traditional working models. The result is reduced workspace usage which opens the opportunity for firms to optimize their space efficiency and deliver benefits such as reduced real estate costs and increased collaboration and productivity through workspace designs configured to employee needs.

  "We are currently undertaking a proof of concept for space optimization. If the solution proves to increase productivity in a cost-effective manner, it will be rolled out across the real estate portfolio."

  (Director of National Real Estate, Audit, Tax and Consulting Services)

Figure 10:

“What level of priority do you attribute to the following business initiatives in 2021-2022?”



5 Firms target technology investments to enable flexible working strategies

Most businesses understand the importance of hybrid working to their future success and are pursuing strategies to incorporate more flexibility in their businesses. A key enabler for businesses to be successful in this shift towards flexibility is the intelligent employment of workplace technologies. Most executives outlined their intention to explore new technology investments. Our interviews indicate that:

- **All organizations are prioritizing technology investments to make offices smarter.**
  Every real estate executive is seeking technology investments to make their offices smarter, with 37% having already done so following COVID-19, 40% currently undergoing implementation of technology and 23% of firms planning to implement this in the next two years (see Figure 11). These investments will help maximize business productivity, support flexible working models, improve the occupant experience in workspaces, and make offices more modern and attractive.

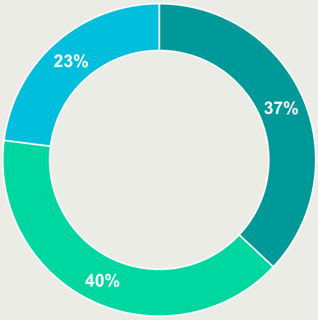
  "We appreciate the need for attractive workspaces. Although we do not have a lot of workplace technologies at the moment, providing a refined employee experience is a top priority for us in the future."
  (Director, Workplace and Facilities Management Solutions, Government Services)

- **Over half of firms will increase workplace technology spending in the next two years.**
  Since the start of the COVID-19 pandemic, most firms have increased their spending on workplace technologies. For example, around half of firms have boosted spending by up to 15%, with a further 16% of firms increasing spending beyond that (see Figure 12). Over the next two years, 54% of firms expect to increase their spending on workplace technologies, whilst 9% remain undecided (see Figure 13).

  "Right now, we have invested in an app which can track employees and incorporates smart cleaning. The next stage of that app will be culture-related features, such as wellness classes (yoga), cafeteria dining and even self-reporting of faults. This will be part of the next technology investment."
  (Workplace Experience Director, Global Consultancy and Construction)

Figure 11:

"Over the next two years, do you expect to seek technology investments to make your offices smarter?"



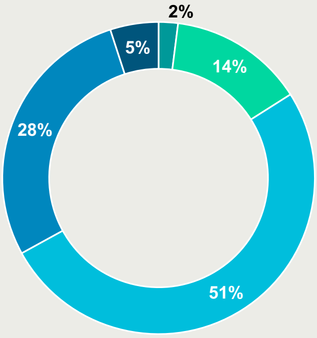
Already implemented following COVID-19

Currently undergoing implementation

Planning to implement in the next two years

Figure 12:

"To what extent has your spending on workplace technologies changed following COVID-19?"



Increased by more than 30%

Increased by 15-30%

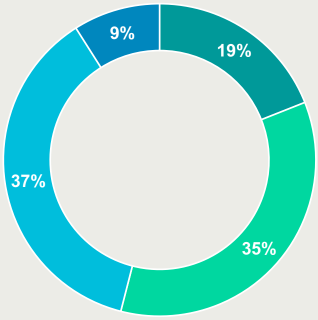
Increased by 0-15%

No change

Decreased

Figure 13:

"Over the next two years, to what extent do you expect your spending on workplace technologies to change?"



Increased by 15-30%

Increased by 0-15%

No change

Unsure

- **Forty-six per cent of firms will grow spending on flexible working engagement tools.** In the next two years, 39% of firms will be newly investing in workplace engagement tools to help manage hybrid working spaces (see Figure 14). A further 7% of firms will extend their existing deployments, indicating that firms will be leveraging real estate technology investments to improve the workplace experience and aid the transition to greater flexible working. In addition, 62% of firms are looking to invest in access control and visitor management systems, which will further aid the management of a hybrid working model.

  "We are actively engaging in trials for desk booking systems to examine if this increases workforce productivity."

  (Senior Director of Facilities, Financial Services)

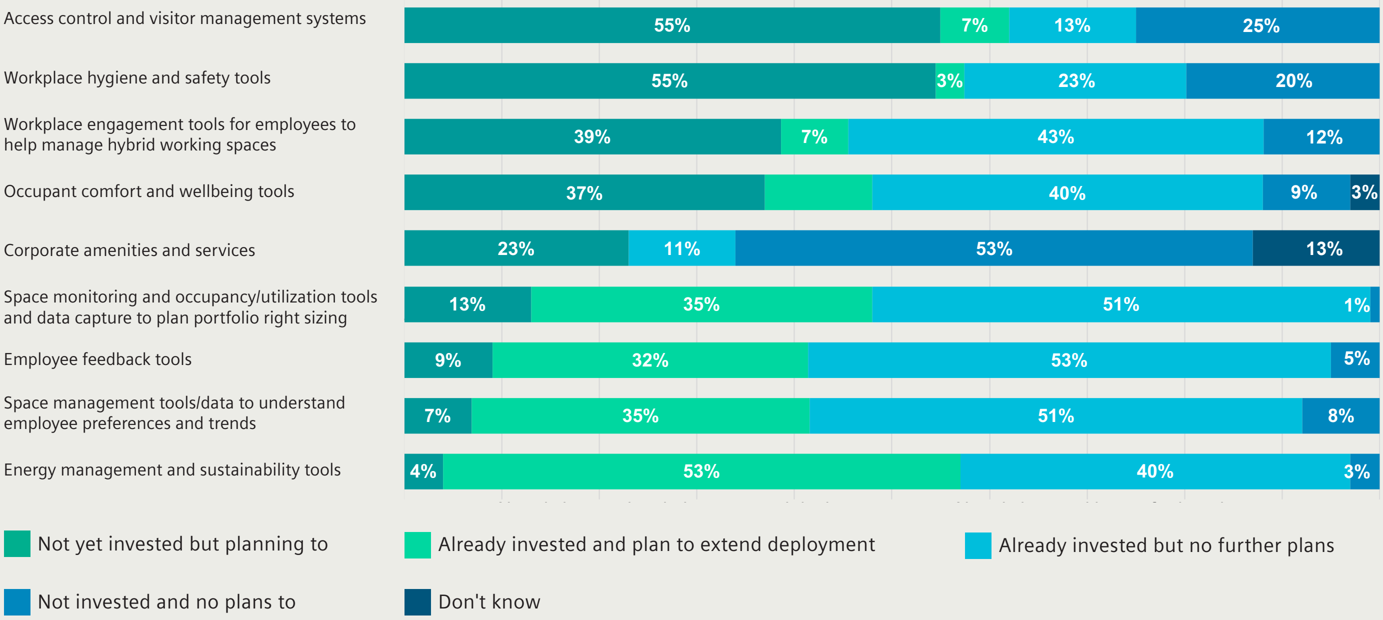
- **Forty-eight per cent of firms plan to expand spending on space monitoring technology.** Almost half of executives plan to invest in space monitoring, management and occupancy tracking tools. Forty-eight per cent of firms plan to spend on space monitoring and occupancy tools to help with portfolio right-sizing. Similarly, 42% of firms intend to spend on tools to understand employee preferences and trends. Advanced tools will allow firms to collect data on how different employee personas use workspaces to inform tailored space design. Investment in these tools will greatly support firms in adopting flexible working models in an effective manner and will allow them to optimize their space and real estate usage without hindering business productivity or collaboration – the other key priorities for executives.

  "We are looking towards new technological investments for the workplace, which include things like mobile applications for meeting rooms and lift monitoring and management tools."

  (Senior Director of Facilities, Financial Services)

Figure 14:

“In the next 2 years, how will your investment in the following workplace technologies change?”



Summary

The landscape of work has experienced a permanent shift on a global basis, however, many firms are struggling to understand the steps required to bring employees into a hybrid environment in an organized way. To achieve the level of collaboration required to meet business goals for productivity and sustainability amidst new working models, corporate real estate leaders are turning to new workplace technologies.

Siemens offers solutions that provide deep data insights about employee preferences and trends and help companies with geographically diverse portfolios return to the office safely with an intuitive app. Companies can face the new age of work confidently with technologies that provide the most efficient use of resources in the office with energy saving applications.

Continued analysis will closely examine these key themes over the coming year through further pulse studies, with a view to tracking how sentiments and strategies change over time. New areas of interest will be explored through an updated set of queries.

To learn more about workplace technology innovations:

www.siemens.com/smart-office

Publisher
Siemens Switzerland AG
Global Headquarters
Theilerstrasse 1a
6300 Zug
Switzerland
Tel +41 58 724 24 24

For the U.S. published by
Siemens Industry Inc.
100 Technology Drive
Alpharetta, GA 30005
United States