



Work from home:
an opportunity for
corporate real
estate optimization

May 2020



Building a better
working world

COVID-19 jolted India into remote working; will this open the doors for alternative ways of working?

- ▶ The world was thrust into an unprecedented pilot remote working culture in response to the COVID-19 pandemic.
- ▶ Given the uncertainties, industry bodies are poised to exercise caution even after the lockdown gets lifted. For instance, the Ministry of Home Affairs has permitted IT and IT-enabled services firms to function at 50% strength beginning 20 April 2020. Despite the directive, NASSCOM has advised commencement of operations at 10%-15% strength with a gradual scale-up¹. IT and BPO firms have been granted work from home exemption for staff till 31 July 2020².

Remote working, digitization and automation are likely to be more prevalent in the near future with sentiment pointing to a slow revival.

According to a survey conducted by EY amongst senior leaders from 100 organizations across sectors, 72% leaders are expecting the impact of the COVID-19 crisis to be felt beyond six months³.

The lockdown experiences have set the stage for a debate on the future of work in India. Some pertinent questions that remain unanswered include:

1. Do all roles and functions require congregation in office every day to deliver business objectives?
2. Will the lockdown usher in transformation with a more prevalent remote working culture?
3. What are the different alternative work models?
4. How do businesses weigh the pros and cons of working from home?

How does this effect your current and planned real estate portfolio?



Adapting to remote working, how is innovation helping India Inc. keep an eye on the ball?

The lockdown did not deter employees from performing multifarious business activities from home, which were previously undertaken within office premises. Companies adapted their working style to remote working, demonstrating the potential of technology clubbed with behavioral change. On a case-to-case basis, if initiatives like these can prevail, offices would no longer need to provide a space for all activities previously conducted.

| Case for discussion | Transformation of sales and marketing function | Transformation of human resource |
|--------------------------|--|--|
| Type of organization | A leading real estate developer in India ¹ | Across industries, leading businesses ² |
| Scenario before COVID-19 | <ul style="list-style-type: none"> ▶ Physical sales center ▶ In-person customer interaction ▶ Using call centers to connect with the customers ▶ High spends on print media | <ul style="list-style-type: none"> ▶ Recruitment of interns through face-to-face interviews ▶ Training through physical presence |
| Scenario during COVID-19 | <ul style="list-style-type: none"> ▶ Using Virtual Realty (VR), three-dimensional (3D) walkthrough and virtual assistance for existing leads ▶ Online unit booking facility ▶ Connecting through virtual meetings ▶ Focus on digital marketing | <ul style="list-style-type: none"> ▶ Virtual recruitment process ▶ Virtual internships with an online-only format and conducting virtual replication of the summer internship events |
| Business impact | <ul style="list-style-type: none"> ▶ Retaining existing customers ▶ Locking of existing leads ▶ Reduced marketing spend ▶ Continuously offering the same experience to customers ▶ Increase in customer connect, due to flexible work timings | <ul style="list-style-type: none"> ▶ No disruption for the company and the academic institution, since objectives for both are being met |

With cost reduction being a key focus to manage disruption, can alternative work strategy be a lever?

A survey of 317 chief financial officers (CFOs) and finance leaders in the US by Gartner ¹, revealed how real estate can be used to control-costs.

- ▶ 74% will move at least 5% of their previously on-site workforce to permanently remote positions post-COVID 19.
- ▶ 13% had already made cost reductions in real estate expenses, with another 9% planning to take action in the coming months.

Flexible working as a concept has been evolving across the globe and is being accepted by both employers and employees. India is showing a growing acceptance to the concept.

| Reactions from Indian businesses on flexible working (results of International Workplace Group (IWG) Global Survey 2019) ² | Global average | India response |
|---|----------------|----------------|
| Percentage of people who consider flexible working to be the new normal | 75% | 77% |
| Businesses are using flexible workspace policies to attract and retain top talent | 77% | 82% |
| Flexible working used to shorten commute times | 75% | 80% |
| What percentage of the flexible workspace policy enables businesses to employ a diverse range of workers, increasing the diversity across the business? | 81% | 83% |
| Businesses focusing on becoming more agile and rapidly scalable | 55% | 61% |

Indian industries reactions to lockdown and work from home

“The company believes that it does not need to have more than 25% of workforce at our facilities in order to make all the people productive,” CEO of an Indian multinational technology services company³

“Work from home is being considered as a factor in increasing the ease of doing business and for cutting costs,” HR head of an Indian bank⁴

“Work from home is poised to become an increasingly acceptable norm as we have seen in many countries,” chairman of a technology services company in India⁴

“Any company that would have shied away from it earlier, would not have a problem now with the IT infrastructure being put in place,” group head of a talent development of an Indian conglomerate⁴

Meeting business objectives is the key; how have alternative ways of working helped businesses globally?

Key takeaways from the International Workplace Group (IWG) Global survey of over 15,000 professionals from a range of different industries in 80 countries in 2019¹

| Business perspective ¹ | | Employee perspective ¹ | Country-level initiatives |
|--|--|--|---|
|  <p>79% stated flexible workspaces played a key role in business' success</p> |  <p>85% of businesses think they are more productive as a result of flexible working</p> | <p>Over 4/5 of the respondents prefer employment offers that provide them an option to work flexibly</p> | <ul style="list-style-type: none"> ▶ Finland²: enforced the Working Hours Act in January 2020, which gives employees the right to decide when and where they work for at least half of their working hours. ▶ Australia³: the right for certain employees to request flexible working arrangements has been a feature of the Fair Work Act, 2009. ▶ Netherlands⁴: employees with at least one year of service are entitled to ask to work from another location. ▶ Norway⁴: the Working Environment Act (No. 62 of 2005) establishes the right to flexible working hours. ▶ Italy⁴: the Law no. 81/2017, regulates smart working, and establishes the equality of workers performing the same duties even while working remotely. |
|  <p>65% believe that businesses that tailor the work environment to the work function of staff are more productive</p> |  <p>81% believe that a flexible workspace policy helps in increasing diversity across the business</p> | <p>70% responded that the choice of work environment is a key factor when evaluating new career opportunities</p> | |
|  <p>65% believe that flexible workspace helps them reduce capex/opex, manage risks and consolidate their portfolio</p> |  <p>77% said providing access to a network of flexible workplaces helps them attract more talent</p> | <p>54% responded that the choice of work location is more important than working for a prestigious company</p> | |
| | | <p>Over half of employees globally work outside of their main office headquarters for at-least 2.5 days a week</p> | |

After analyzing the lockdown experience, is there potential to employ technology for enhancing alternative ways of working?

What the lockdown period data says about your business functioning under remote working?

Employee engagement

- ▶ How did employees respond to remote working?
- ▶ What initiatives did the organization take to help employees transition to remote working?
- ▶ How was monitoring of tasks and key performance indicators (KPIs) conducted to achieve goals?
- ▶ What was the effectiveness of remote working for different employee groups?
- ▶ Can some functions continue to work remotely?

Performance assessment

- ▶ Which functions saw enhanced and falling performance during lockdown?
- ▶ How were goals set and monitored and timelines managed?

Strategic alignment

- ▶ What is the leadership vision for the post-COVID-19 lockdown?
- ▶ How will departments align to cater to this vision?
- ▶ Are businesses considering cost reduction?
- ▶ Can real estate costs be reduced by adopting alternative ways of working?

What are the key concerns faced by businesses during the lockdown?

Collaboration and teaming

- ▶ What measures have been undertaken to create a consistent collaboration approach?
- ▶ Are you using cloud servers to host apps and to ensure standardized user experience?
- ▶ How are you managing remote workforce to help large teams transition to remote working?

Communication and data management

- ▶ How was task management digitized? How are you managing interdependencies?
- ▶ Which work related documentation is difficult to digitize?
- ▶ Are your digital platforms compatible with those of your customers and vendors?

Infrastructure and asset controls

- ▶ How are employees managing high speed data connectivity?
- ▶ How are server capabilities managed to take enhanced load from remote working?
- ▶ How are you monitoring geographical location of assets and can this monitoring continue remotely?

Security and vulnerability assessment

- ▶ How was end-point security deployed to prevent risky activities and malicious attacks?
- ▶ Was containerization practiced and how are threats to malware detected? Are you experiencing any data breaches?
- ▶ What measures have been undertaken for full disk encryption?

Can alternative ways of working be made mainstream for your business?
How can these impact your office space requirement?

Is technology an enabler or a deterrent?
Can technology effectively support alternative ways of working?

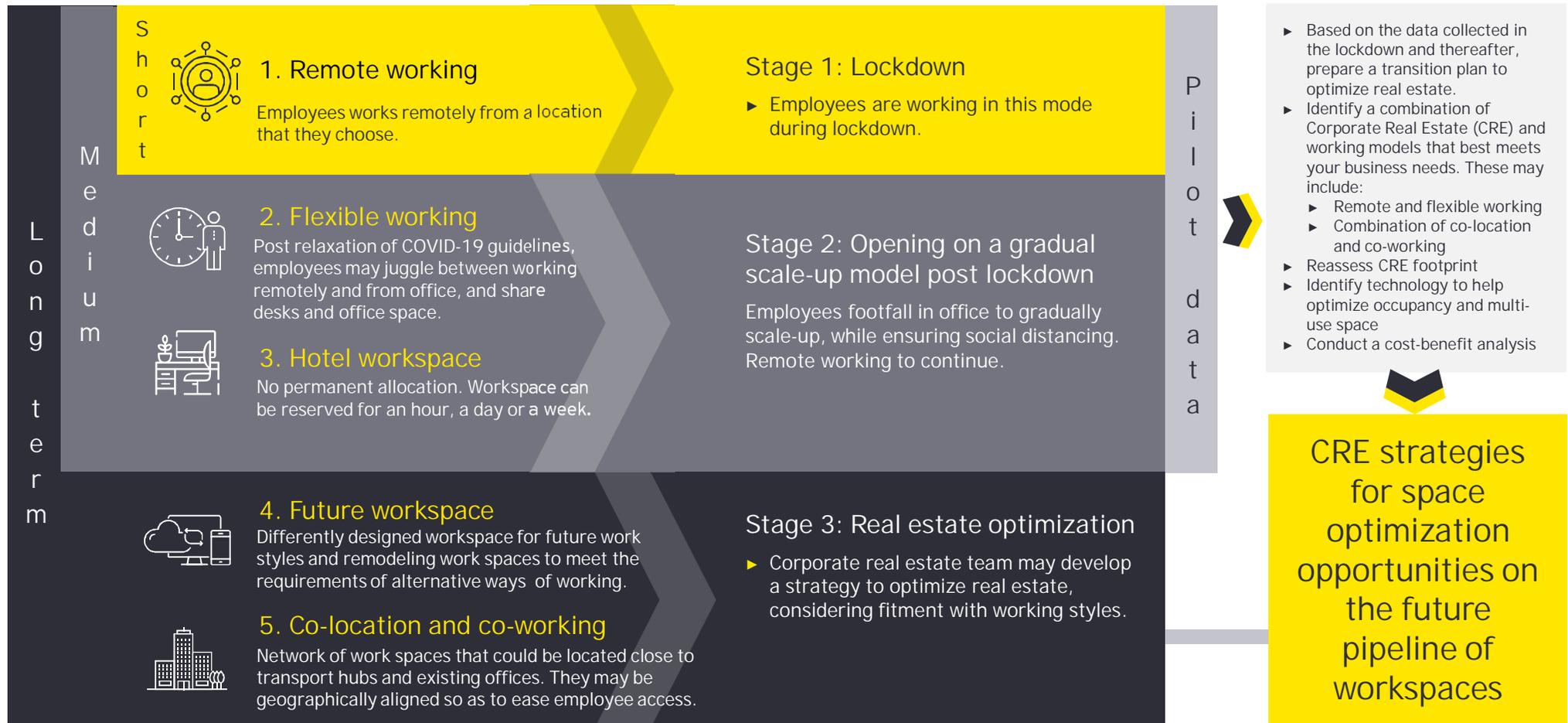
Cost-benefit analysis

Different workstyles require customized space responses. Is your business suited for alternative ways of working?

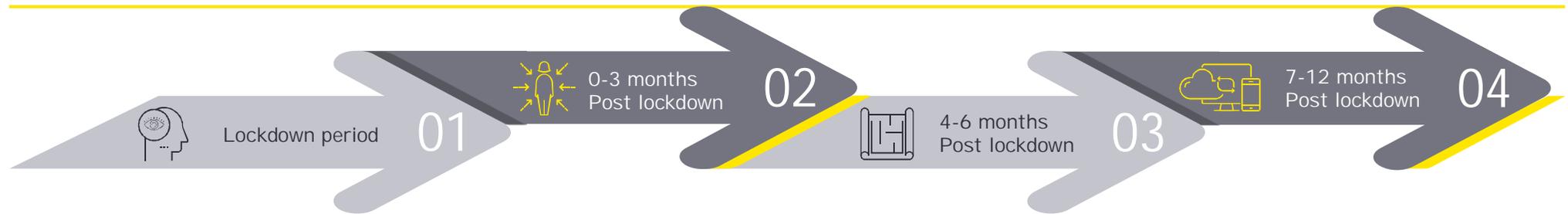
A guiding framework to evaluate business suitability to alternative ways of working and the associated impact on corporate real estate (CRE) requirements

| | 1. Performing and managing work | 2. Culture and policies | 3. Digital proficiency and technology | 4. Change management and communication |
|---|---|--|---|---|
| <p>Workstyle: business functioning</p> <p>Rationalize the business linkages to determine the functions suited for transition, prioritize and phase</p> | <p>Review interdependencies to plan workstream-wise transition plan¹</p> <ul style="list-style-type: none"> ▶ Sequential: output of one function is input for another function's task ▶ Reciprocal: output of one function is input for the other function in a cyclic fashion ▶ Pooled: departments perform completely different functions | <p>Leadership vision with clear intentions, goals and enablers</p> <ul style="list-style-type: none"> ▶ Exposure and readiness of teams to operate in alternative ways of working ▶ Realignment of organization structure and policies to suit new working styles | <p>Chart out technology roadmap</p> <ul style="list-style-type: none"> ▶ Assess current and future infrastructure requirements ▶ Evaluate digital and IT infrastructure interventions to support transition to alternative ways of working | <p>Create awareness and prepare for change</p> <ul style="list-style-type: none"> ▶ Create awareness, understanding and engagement ▶ Revise resource assessment process ▶ Listen and learn: increase feedback loops |
| <p>Employees: HR structuring</p> <p>Determine the employee segments that have a potential to change</p> | <p>Undertake role-wise segmentation</p> <ul style="list-style-type: none"> ▶ Work alone ▶ Work in small/ large teams ▶ Cross location teams ▶ Assigned complimentary/overlapping responsibilities | <p>Understand the audience</p> <ul style="list-style-type: none"> ▶ Demography and work profile: facilities and incentives to be provided for transition, outlook and acceptance ▶ HR policies to support alternative ways of working | <p>Empower to work differently</p> <ul style="list-style-type: none"> ▶ Provide skill requirements and associated training plan to support alternative ways of working ▶ Address cultural and behavioral change | <p>Transition facilitation</p> <ul style="list-style-type: none"> ▶ Engage department leads and employees in making the transition plan ▶ Conduct change impact surveys |
| <p>Real estate: employee co-relation to workspace</p> <p>Rationalize real estate to reduce redundancies and restructure spaces based on the requirements</p> | <p>Data-backed space planning</p> <ul style="list-style-type: none"> ▶ Evaluate profile linkage with workplace (travel driven; office-based and/or client-based) ▶ Rationalize reduced or no usage spaces (cafeteria, creche, gyms) ▶ Re-plan workspace based on the anticipated working styles | <p>Real estate strategy</p> <ul style="list-style-type: none"> ▶ Evaluate implications of regulatory and tax laws on existing CRE portfolio, while assessing options for alternative working ▶ Recalibrate real estate portfolio size based on the working styles ▶ Guidelines for employees on space usage and reservation | <p>Technology adaptation</p> <ul style="list-style-type: none"> ▶ Rationalize technology for optimal use of real estate portfolio <ul style="list-style-type: none"> ▶ Reservation systems ▶ Monitoring usage and booking ▶ Integrated workspace self-service applications | <p>Pilot testing and adjustments</p> <ul style="list-style-type: none"> ▶ Orient employees to new spaces and educate them regarding their usage guidelines as well as policies especially safety protocols (e.g. co-working spaces) ▶ Learn, monitor and adjust space usage |

Finding the right alternative way of working, which model(s) best suits your business?



While setting the blue print for alternative ways of working, how can EY assist you?



Collect and review data required for real estate portfolio optimization

Data collection structure and quality

- ▶ Design a survey to map:
 - ▶ Employee experience
 - ▶ Business performance
- ▶ Structure a format and review the data on managing remote working and productivity

Employee in-office scale up plan

- ▶ Conduct visioning workshops with senior leadership to assess role-wise employee footfall to prepare a gradual scale up plan.

Post-lockdown social distancing space plan

- ▶ Quantify occupancy estimates for planning of space usage (employee seating, cafeteria, parking), human resources (HR) and develop guidelines for use of office working spaces

Communication

- ▶ Support HR, administrative and corporate real estate teams to communicate the requirements and to plan new services

Assess need to revise Corporate Real Estate (CRE) strategy

Data collection

- ▶ Continue data collection
- ▶ Monitor employee scale-up
- ▶ Conduct visioning workshops with senior leadership and team leads on viability of new alternative working culture

Rationalize functions for alternative working

- ▶ Conduct workstyle interdependence analysis
- ▶ Identify functions for:
 - ▶ Priority 1: immediate shift
 - ▶ Priority 2: to be monitored and then decided

Real estate model fitment analysis

- ▶ Analyze and compare original CRE guidelines (pre-COVID-19) against lockdown data
- ▶ Determine real estate options
- ▶ Conduct cost-benefit analysis including simulation exercises with HR, IT and operations
- ▶ Prepare a roadmap for initial transformation

Refine CRE strategy

Testing

- ▶ Review data from zero to three months
- ▶ Monitoring the success of Priority 1
- ▶ Make adjustments

Alternative working for priority 2

- ▶ Determine case for a change
- ▶ Conduct focus group discussions on real estate model fitment
- ▶ Cost-benefit analysis
- ▶ Assist in implementation planning

Optimize existing office space

- ▶ Data-backed design briefs to remodel (focus, collaborative, team work) based on demand projections
- ▶ Monitor implementation

Develop a "change management plan"

- ▶ Communicate protocols for alternative working to relevant stakeholders
- ▶ Determine cost of change/compensation to be offered to employees (in case of removal of access of office amenities such as internet, day-care, gyms)

Assist clients in program management

Implementation of "the change"

- ▶ Implementation of space redesign for existing office
- ▶ Identify alternative locations
- ▶ Monitor lease closures
- ▶ Conduct contract risk reviews for new partnerships
- ▶ Coordinate and monitor deployment of technology
- ▶ Monitor policy effectiveness and communicate with HR on modifications
- ▶ Provide support in continuous change management

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