

SMART WORKING EXTENSION

AN OPPORTUNITY FOR UPDATING YOUR OPERATING MODEL



The pandemic will end: that's for sure. But the future of companies' ways of working is likely to be changed forever. Working without meeting physically for such a long time will have disruptive consequences for systems, cultures, but also on corporate structures.

In the name of business continuity, companies have developed new ways of working, based on the extension of smart working. Most realized

that the disruption caused a massive mindset shift, helping to overcome barriers typical of traditional hierarchies, that rely on chains of command and control. But what is worth "institutionalizing", once the pandemic is over? Which elements of the operating model will have to be adapted? What are the repercussions on leadership style? And how shall we look at office space and real estate costs in the future?

We have worked with a number of companies who have decided to exploit the full potential of this change. Several were interviewed for this research paper.



This paper analyzes how European companies are adapting their organizations to institutionalize a "New way of Working", to go beyond 'smart working' as we used to define it. It is based on a series of interviews conducted or analyzed by consultants from The Transformation Alliance. After discussing some of the benefits of smart working, we illustrate the likely implications for organizational design, people management, infrastructural enablers and HR systems.



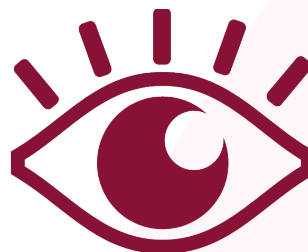
A ONE-WAY STREET

By smart working, we refer not only to working remotely, but to a new paradigm, a new agreement between employer and employee, based on freedom of choice regarding place and time of work, mutual trust, increased accountability, and the role of technology.

This latest evolution in smart working constitutes a leap in the development of organizations, like the snap that some cogwheels make, which prevents systems from turning back.

Before the explosion of the pandemic, fully smart working was restricted to highly mobile roles (such as consultants or salespeople) or mostly enjoyed as a benefit offered to segments of the “happy few” employees, as a lever of engagement or to help companies increase their employee value proposition. A small number of companies had enforced smart working as a means of improving efficiency by cutting real estate costs.

However, these examples were marginal rather than mainstream and smart workers were looked at with a mixture of envy and suspicion: are they really working or rather playing hide-and-seek with corporate control processes?

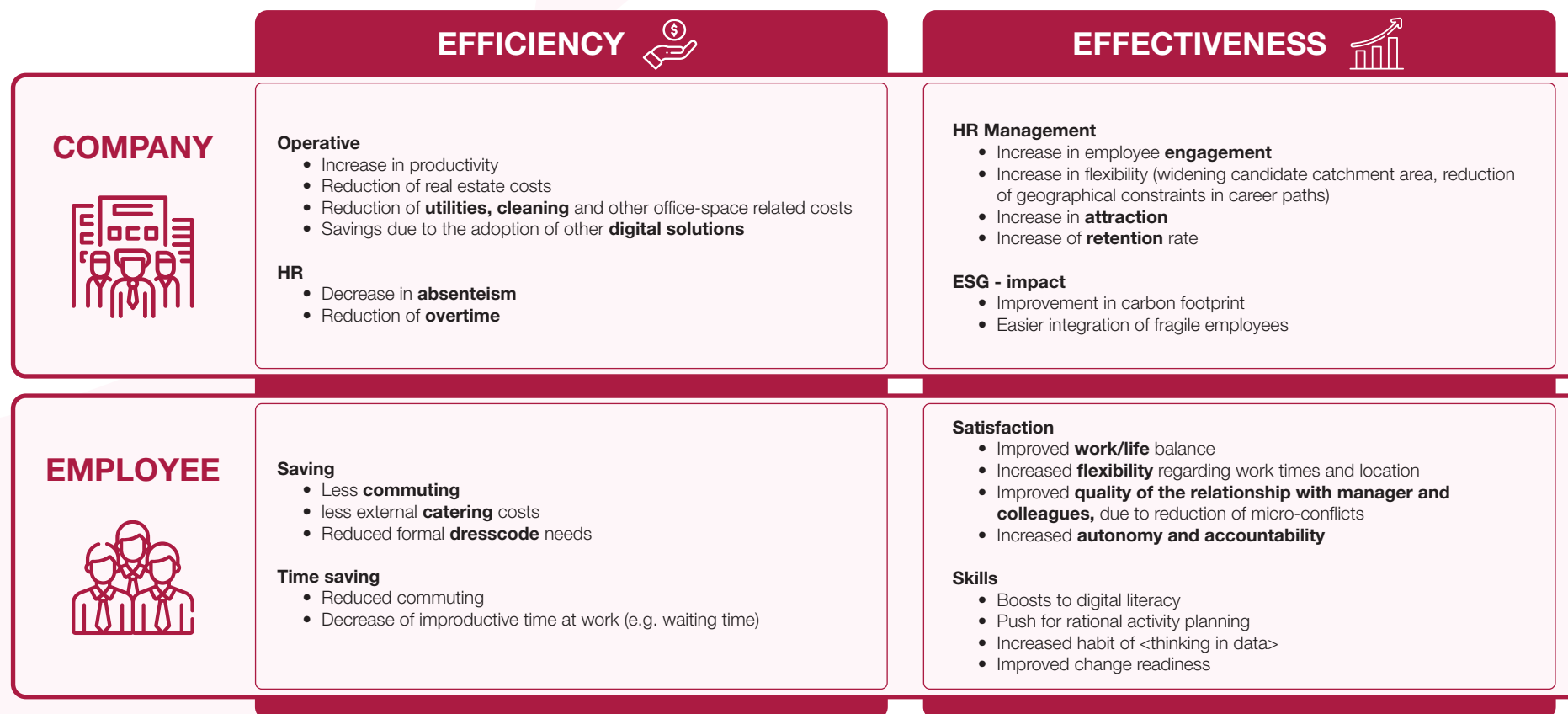


Compliance with Covid regulations introduced by the pandemic in the last year has forced us to transform work dramatically. The Milan Politecnico University estimates that the number of remote workers in Italy jumped from 0.57 million in 2019 to 6.58 million in 2020, which represents almost one job out of three. The fact that they were forced to work remotely prevents us from calling this “smart working”. Nonetheless, the extent and suddenness of this disruption had the effect of a “system update”, which will be neither simple nor wise to try to reverse, even if theoretically possible. “The emergency has provided us with an important lesson and we won’t make a backwards step”, an Italian executive told us.

ADVANTAGES OF SMART WORKING AND CONSTRAINTS

The reasons for the irreversibility are the advantages of smart working. The benefits of avoiding commuting and increasing autonomy and flexibility are just some of the reasons for its popularity among employees. But companies have also enjoyed increased efficiency, reduced costs and improved HR management effectiveness. Sustainability benefits from the new paradigm are also significant, as illustrated in Figure 1.

Figure 1: Benefits of smart working



These benefits seem to have a much greater and wider impact than any constraints faced when it comes to introducing or extending smart working. These are typically divided in two groups: **operating constraints, the ones strictly related to the nature of the specific job, and social constraints.** The latter refer to activities that are simply more effective if performed when physically present or proximate, because of the ease in connecting empathically, such as creative tasks or other activities that feed a corporate culture. A list of these constraints is presented in Figure 2.



Figure 2: Constraints to the extension of smart working

Constraints	Examples
Operational constraints	Material management <ul style="list-style-type: none">• production, leagal paper management
	Equipment and devices <ul style="list-style-type: none">• wi-fi, smartphone, digital skills
	Remote working spaces <ul style="list-style-type: none">• unsuitable spaces, degree of forced interaction
	Cyber security <ul style="list-style-type: none">• security management and exchange of sensitive data
	Unions and labor contracts <ul style="list-style-type: none">• defense of equal opportunities, compliance with welfare and H&S regulations
Management & Social constraints	Creativity <ul style="list-style-type: none">• design thinking, co-creation, innovation
	Commercial activity <ul style="list-style-type: none">• ease of trading in presence/customer request
	Serendipity <ul style="list-style-type: none">• unexpected on-top tasks, unexpected shares
	Sociability <ul style="list-style-type: none">• sharing spaces, “coffee” break, lunch
	Corporate identity <ul style="list-style-type: none">• belonging, retention, value sharing
	Team management <ul style="list-style-type: none">• alignment, engagement, team spirit

WHY ON EARTH ARE WE DOING THIS?

As in any other project, the first question to address is **clarification of the goals to be achieved by formalizing new ways of working.** Orienting the ambition requires the definition of priorities, balanced between stakeholders and their various needs. Figure 3 illustrates a long list of the options to choose from.



Any organisation's chosen set of priorities should also be reflected in an appropriate **dashboard**, capable of measuring progresses and monitoring the impact of the initiatives put in place, in order to direct the smart working project and reorient it in case of variations in the context or in the stakeholders' requirements.

Figure 3: Stakeholder needs that can be satisfied by the extension of smart working



OPERATING MODEL ELEMENTS AFFECTED BY SMART WORKING

Based on our experience, the extension of smart working requires adapting a number of organizational elements. We divided them in four building blocks:

1. Organizational Design
2. People Management
3. Infrastructural Enablers
4. HR Systems



Numerous companies generously shared with us their considerations and choices in these four fields. A summary of their thoughts is presented in the next paragraphs, offering opportunities for comparison and inspiration.

1. ORGANIZATIONAL DESIGN

None of the companies interviewed seek to adopt smart working for 100% of the time among 100% of their workforce. **All are working on a hybrid model, where typically a minimum number of 'presence days' is set.** This number may vary according to the specifics of the jobs and the responsibility it involves. Larger corporations tend to identify segments with homogeneous needs. An Italian insurance manager summarizes the approach of his company as follows:

“ We clustered employees in job families, according to types of activities they perform. But we will ensure that everyone visits the office at least 2 days/week. ”

Eligibility for 'smart' or hybrid working is also being redefined. Some organizations we analyzed have started looking at the clusters of activities and tasks that can be performed remotely, rather than assessing individual job roles. This new perspective helps to identify the boundaries and opportunities of smart working in a fresh light, rather than relying on traditional clusters, such as blue vs. white collar jobs. An obvious example would be training activities, which, regardless of role, are now widely carried out remotely.

In order to balance the flexibility of smart working with organizational coordination needs, all interviewees agree that rules need to be set and that managers should be made accountable for their adoption and adaptation to specific needs. “We deployed a structured workplan to design the right guidelines and rules. This was typically 'blueprinted' at group level, but interpreted and implemented at country level mainly due to local legislation”, a UK telco executive told us.

Working/availability periods and the critical converse - the right to disconnect - are two of the hot topics that some organizations are starting to put guidelines or rules around. Some companies do this with a particular attention to

detail: “As a rule, it is not expected or required to carry out work activities in the range between 18.30 and 07.45 or during the entire days of Saturdays and holidays. Moreover, we automatically blocked the sending and receiving of corporate emails from 8 pm to 7 am”.



A large UK grocery retailer is looking to completely redesign their HR business partnering model. It used to be regionally oriented (partnering to a cluster of stores) but after a year of remote working they no longer think that makes sense. This shift will enable them to put a stronger emphasis on developing more strategic partnering capability and focus.

2. PEOPLE MANAGEMENT

People who work remotely need to be managed differently. This calls for a **new leadership style, based on the ability to share a vision, inspire and align, rather than on expertise, control and even problem solving.** Leaders are required to foster intrinsic motivation and care for the emotional welfare of their employees. Moral leadership is turning out to be more important than competencies. For obvious reasons, trust is the 'secret sauce' of any effective job performed by geographically dispersed teams.

Therefore, trust building is a further core skill of the smart leader. This new leadership style calls for significant need for support in terms of training and/or coaching. A UK executive noted: "Significant emphasis has been put on providing additional support to line managers to help them with remote team management". A French utility company has relied on peer-to-peer training: "We rolled out initiatives relying on mutual assistance between 'those with know-how and those who felt less comfortable'".

But **the mindset shift doesn't affect only leaders:** "There has been a greater focus on performance outcomes, which has been a massive shift for our culture that was very hierarchical, with a lot

of presenteeism", said the executive of a UK telco. **Accountability, the "holy grail" of all smart working change projects, has been fostered in some original ways.** The organization manager of an Italian insurance company has a simple recipe: "We simplified processes: accountability is a consequence of freedom, not of more rules". Following the mantra "If you can't measure, you can't manage, and if you don't manage, you can't deliver", a number of the companies interviewed have introduced a people scorecard. "Currently, surveys are deployed every two weeks, with the main objective to understand how people feel and to identify and track potential issues" the CHRO

of an Italian bank told us. At the French utility we talked to, there is a new focus on tracking engagement and wellbeing data in order to respond to observed trends: "We regularly measure employees state of mind with very positive results".

Skills enhancement also plays a major role. It affects both hard competencies ("we introduced training aimed at improving our corporate digital culture") and soft skills ("capabilities such as effective collaboration and knowledge integration across business units are going to underpin the change; currently, among all the other initiatives, we are focusing on mindfulness techniques").





3. INFRASTRUCTURAL ENABLERS

An area that has been at the forefront of adaptations, when talking about enabling factors, is that of **technology**: **“To allow our employees to keep working efficiently, we distributed hundreds of tech devices”** and **“We introduced the electronic signature”** are two of the most often heard quotes. Several companies offer financial support also for private investments aimed at equipping the home office. Others support employees in a different way: “We deployed a help desk for our employees: it has the double function to provide financial support to those in need as well as to give support for emotional-related issues”, says the manager of an Italian multinational.

Real estate is generally not regarded as a potential source of savings, but rather as an opportunity for re-design spaces in order to foster creativity and networking: “We want to boost the flexibility of our offices, increasing open spaces for meetings and knowledge exchange. No more bubbles for isolated working” is the aim of a French utility conglomerate. “Offices will remain central but will change shape. More ‘free’, shared spaces will be dedicated to creativity, meetings and the relationship with the customer.

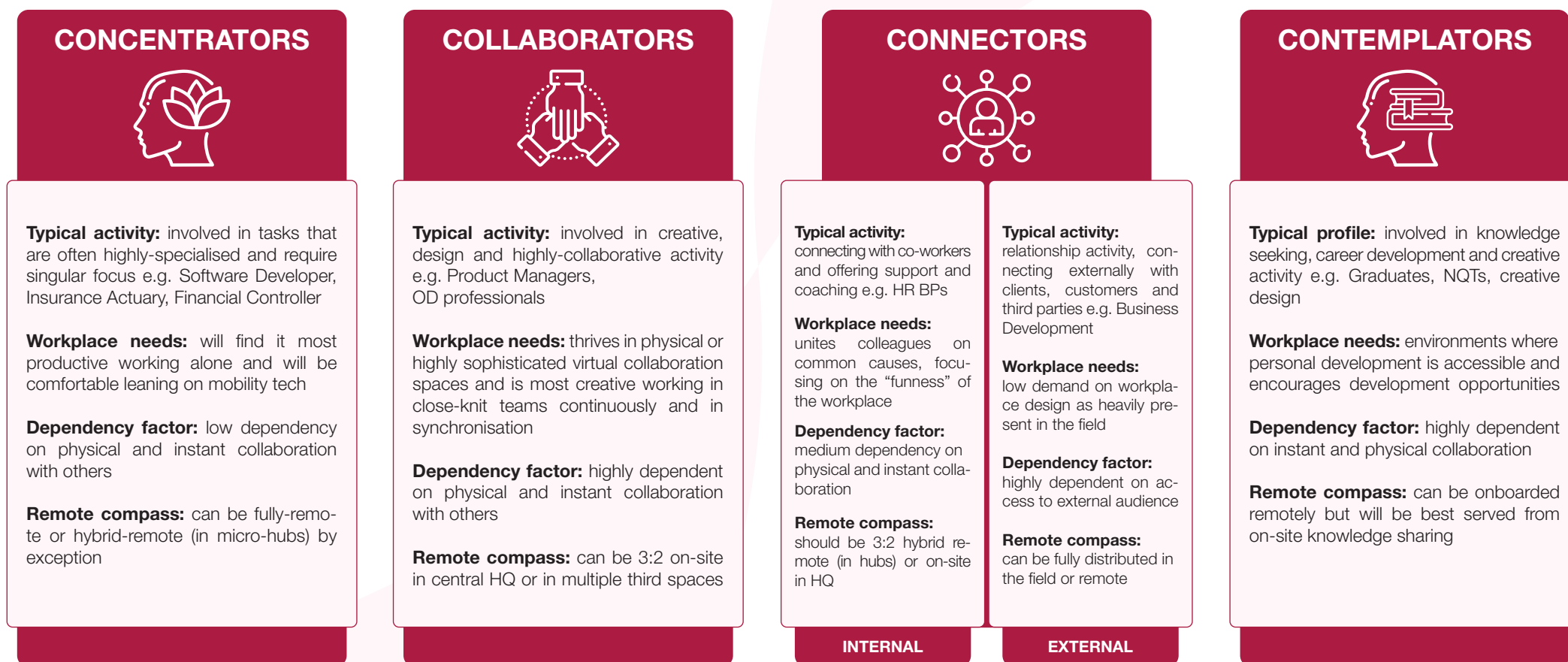
We’re working on it. They will resemble co-working offices. There may be savings on rents, but it is not the decisive reason”, confirms the manager of an Italian multinational.



In terms of workplace redesign, we find it useful to think how and why different elements of the workforce thrive in different workplace settings. This enables workplace designers to better assess the trade-offs and competing desires intrinsic in a hybrid workplace arrangement. To this end, we have developed 4 essential personas, the “4 Cs”; each of which display specific preferences for the workplace (see Fig 4) depending on the cluster of activity.

In support of our clients, our first step is to scan workforce activity under the lens of these 4 personas, producing a bespoke persona-blueprint. This equips the client with a segmented picture of demands made on the workplace, be it in regional, functional, team, tribe or squad activity. The next step consists in helping our clients take this persona-blueprint forward into (e.g.) reviewing existing workplace strategy or to help them shape future workforce scheduling.

Figure 4: Personas displaying specific preferences in terms of workplace



4. HR SYSTEMS

Performance management systems are being updated in order to include smart working core elements, such as team management and a greater emphasis on results: “We redesigned our entire MBO in order to cope with the new requi-

rements of the smart working revolution”, is the experience of an Italian executive.

Whilst “recruiting and onboarding completely shifted to virtual and digital media”, as the manager of a German car manufacturer testifies, it is still

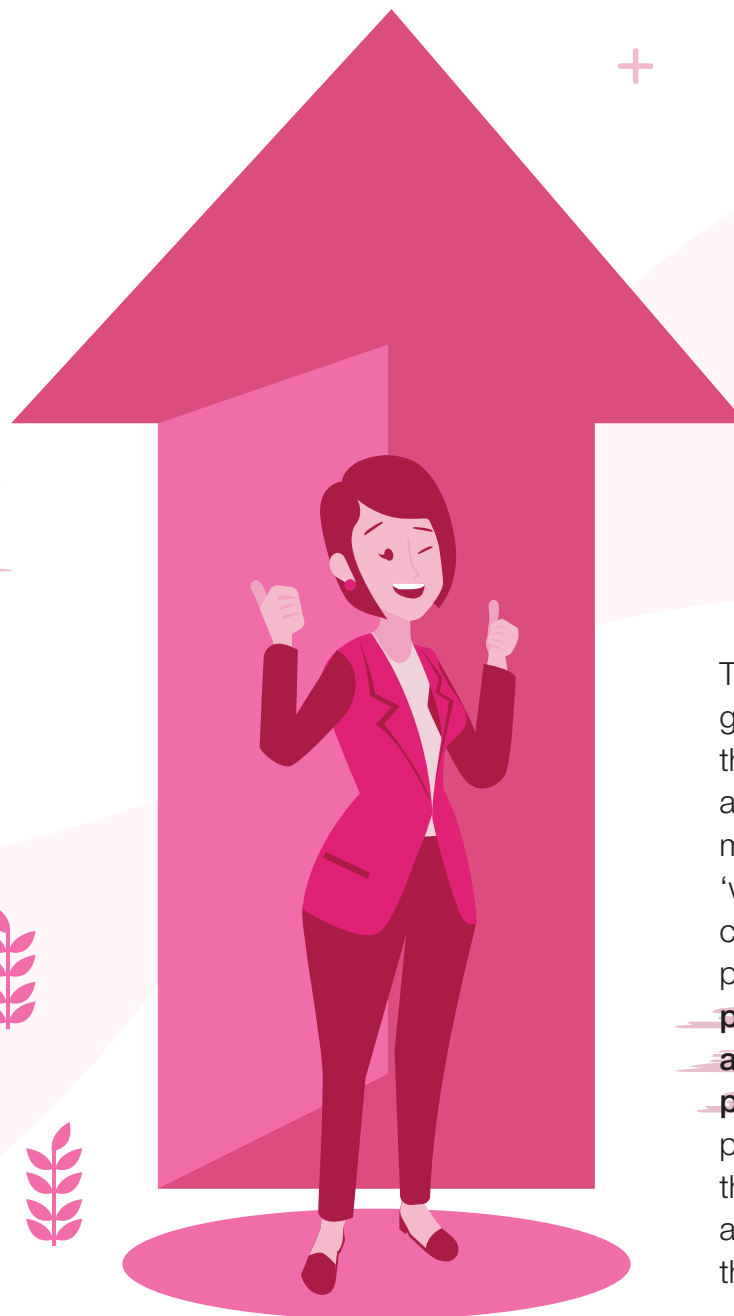
too early to move to “location-neutral” career management:

“ We are still attaching people to strategic longer/term hubs, i.e. we are not being location agnostic. ”



CONCLUSION

Creating an operating model that balances the need for coordination with the flexibility that characterizes smart working, is not an easy task. Our approach and the data collected suggest that the target operating model should be defined and refined with respect to the stakeholders' needs that should, in turn, be carefully established when setting the project's ambition. **Any permanent shift must address not only technology and rules, but all aspects of organizational design, people management and HR systems.** In this context, corporate culture and leadership style will play a fundamental role in shaping the vision and realization of a new set of operating systems and rhythms.



The early successes we are seeing in those organizations we have worked with suggest that there is value in revisiting many accepted norms and approaches, over and above the 'emergency' measures already adopted. An holistic review of 'what's important and what's possible' across the categories discussed above has shone a light on previously unexplored opportunities. Indeed, **the pandemic experience has shown that many aspects of our organizational systems and processes were under-optimized.** There is scope for more deliberate and frequent innovation in these key areas, to continually test assumptions and find more of the kinds of work-life benefits that this crisis has ironically forced upon us.

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COMPANY INTERVIEWS INCLUDED IN THE STUDY

Italy: Cattolica Assicurazioni, Cerved, Credem, Eni, Generali, Marie Technimont, Reale Group

Europe: EDF, German automotive manufacturer, German multinational chemical and pharma company, HSBC, ING, Uk telco

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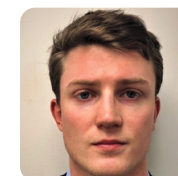
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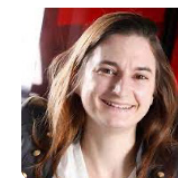
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