

TOPIC REPORT: Workplace Strategy as a Managerial Issue

Restructuring the office in anticipation of post-pandemic

March 22, 2021

The global outbreak of the novel coronavirus (COVID-19) has forced companies to review the work styles of their employees and stimulated discussions on the office and the workplace. As a result, workplace strategies, which had been a matter of concern mainly for administration managers, are gaining attention as a managerial issue that is directly linked to the competitiveness of a company.

On the back of such circumstances, Xymax Real Estate Institute has carried out questionnaire surveys of companies in Greater Tokyo about the current status and issues of their current work styles and the direction after the end of the pandemic. The surveys were conducted in August and December of 2020 as well as in January 2021, when the state of emergency was declared for the second time. The surveys have revealed the trials and errors of many companies as conditions change from day to day.*1

This report mainly focuses on the January 2021 survey results of frontrunner companies that recognize the importance of workplace strategies. It aims to provide clues on the post-pandemic work styles and workplace strategies of companies by examining the work styles they currently adopt and how they intend to develop their overall workplace strategy, such as regarding their main office and telework.

*1 Greater Tokyo Company Survey on Work Styles and the Workplace | August 2020, released September 18, 2020

<https://www.xymax.co.jp/english/research/images/pdf/20200918.pdf>

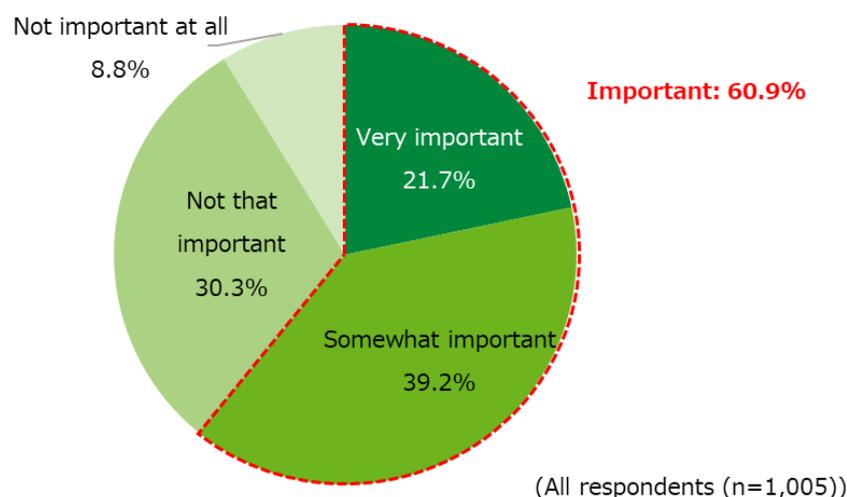
Greater Tokyo Company Survey on Work Styles and the Workplace | December 2020, released January 27, 2021

Greater Tokyo Company Survey on Work Styles and the Workplace | January 2021, released March 10, 2021

1. Current Status

The prolonged COVID-19 pandemic has, without doubt, changed companies' ideas on the workplace. When we asked companies in this survey whether they considered reviewing their workplace strategies as an important managerial issue, a total of 60.9% considered it "Very important" or "Somewhat important" (Figure 1).

Figure 1: Degree of Considering Reviewing of Workplace Strategies as an Important Managerial Issue



Looking at this result by the number of employees, larger companies tend to place a greater degree of importance, with 76.9% of companies with 1,000 employees or more considering it important (**Figure 2**). However, a majority (52.8%) of companies with less than 100 employees, which had the smallest percentage of placing importance, also considered it important. By industry, the telecommunications industry had a relatively larger percentage of importance (70.8%) than others, but in almost all industries, more companies placed importance than those that did not (**Figure 3**). These results indicate that workplace strategies are recognized as an important managerial issue not only by some advanced companies but by a wide range of companies.

Figure 2: Degree of Considering Reviewing of Workplace Strategies as an Important Managerial Issue – By Number of Employees

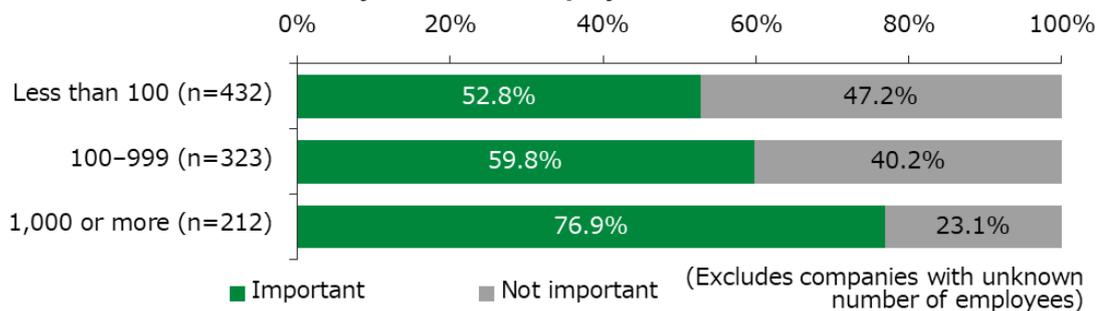
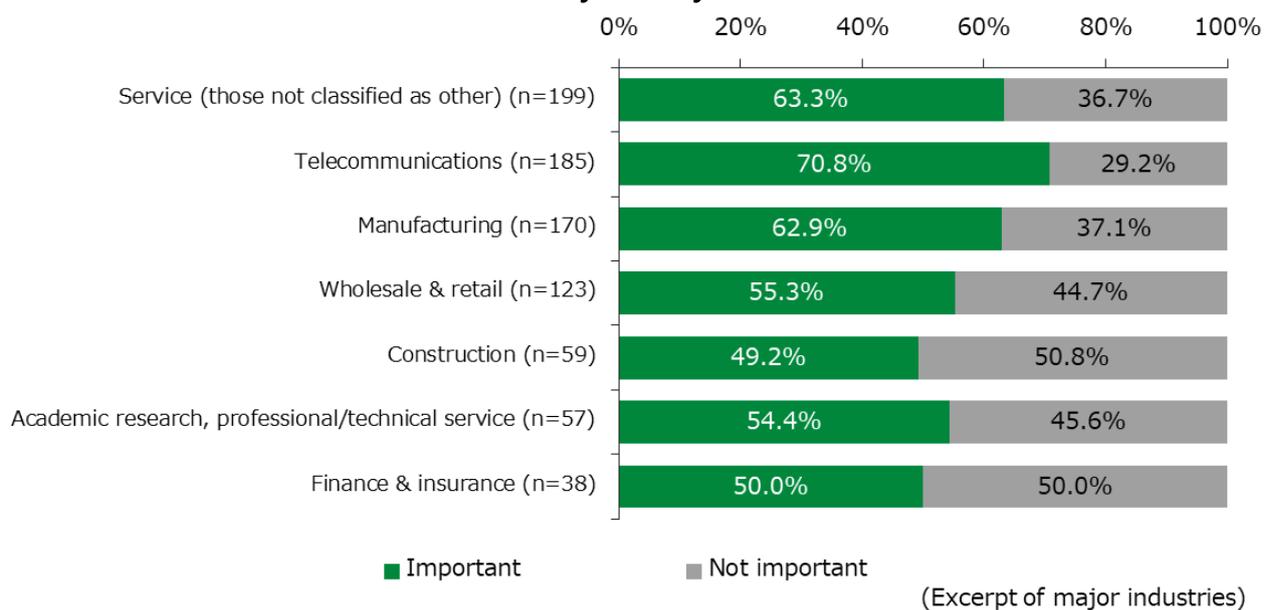


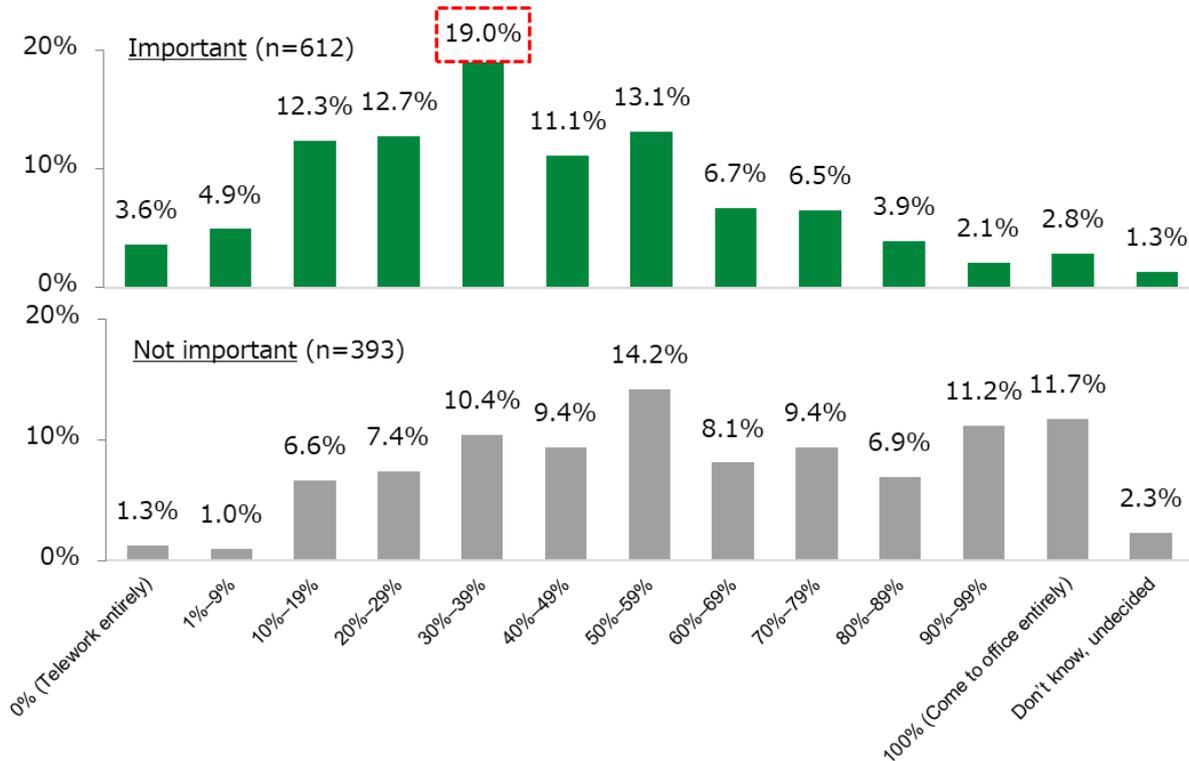
Figure 3: Degree of Considering Reviewing of Workplace Strategies as an Important Managerial Issue – By Industry



We then focused on the 60% of companies that considered reviewing their workplace strategies as “(very/somewhat) important” as a managerial issue and examined their current status of work styles and the workplace in comparison to companies that answered, “Not that important” or “Not important at all”.

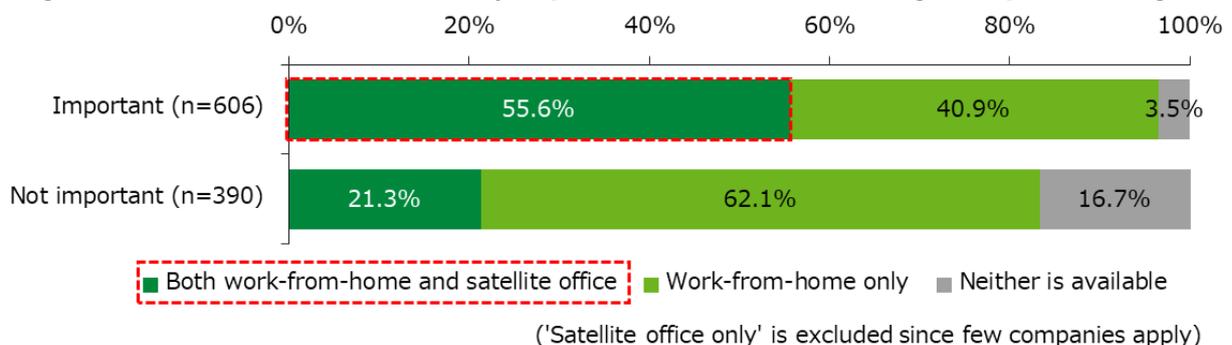
As for the current percentage of employees coming to the office, “30%–39%” was the most common among firms that placed importance on reviewing workplace strategies, which shows that they keep the percentage of employees coming to the office smaller than that of companies that do not place importance (Figure 4).

Figure 4: Current Percentage of Employees Coming to Office – By Importance Placed on Reviewing Workplace Strategies



55.6% of companies that placed importance on reviewing the strategy introduced not only a work-from-home policy but also a satellite office. The rate is larger than companies that did not place importance (Figure 5). On the other hand, more companies that did not place importance introduced work-from-home only, suggesting that many companies introduced the policy as a tentative response to the pandemic. The importance placed on workplace strategies seems to have led to the difference in the availability of telework options.

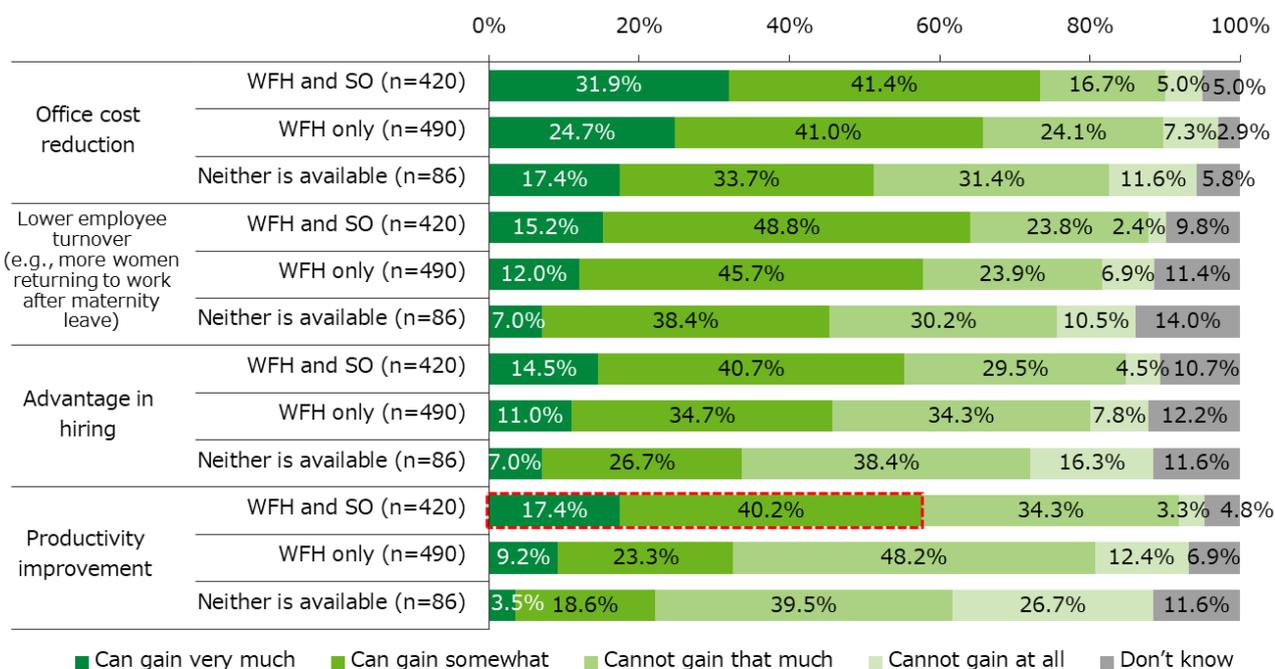
Figure 5: Introduction of Telework – By Importance Placed on Reviewing Workplace Strategies



We have so far confirmed that companies placing importance on reviewing their workplace strategies offered not only a work-from-home policy but also a satellite office for their employees to telework, enabling their employees to choose their place of work from multiple options. Then, what kind of advantage do the companies that offer both a work-from-home policy and a satellite office expect when investing in the provision of a telework environment?

Figure 6 shows the results of whether companies think they can gain the four major advantages in office and human resources strategies through telework, sorted by telework availability. The four advantages are: “office cost reduction,” “lower employee turnover (e.g., more women returning to work after maternity leave),” “advantage in hiring,” and “productivity improvement.” Companies that provided both a work-from-home policy and a satellite office had a larger percentage of the sum of “Can gain very much” and “Can gain somewhat” than companies that only provided a work-from-home policy or did not provide either form of telework, which indicates that they assess the advantages of teleworking from various dimensions. In particular, “productivity improvement” (57.6%) showed a large difference in the percentage from “work-from-home only” (32.5%).

Figure 6: Advantage Gained through Telework – By Availability of Telework



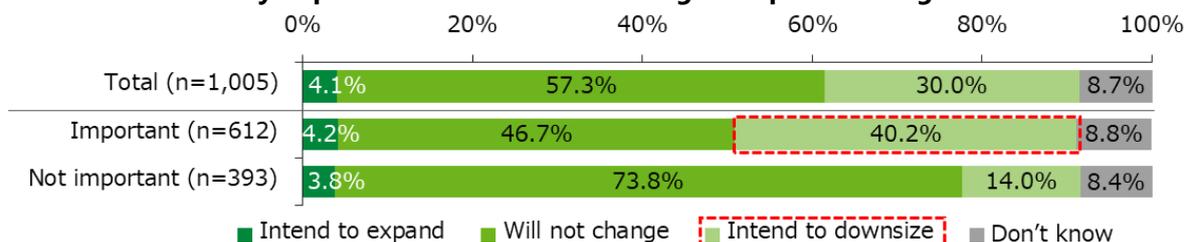
(WFH: Work-from-home; SO: Satellite office; 'Satellite office only' is excluded since few companies apply)

2. Intentions after the End of the COVID-19 Pandemic

There have been media reports of several companies downsizing their office space in central Tokyo due to a decline in earnings and a drop in the use of the office owing to telework, following the prolonged COVID-19 pandemic. Our survey also showed that companies that “intend to downsize” (30.0%) their office space outweighed those that “intend to expand” (4.1%) after the pandemic has abated (**Figure 7**).

When compared by the degree of importance companies placed on reviewing workplace strategies, companies that placed importance tend to have especially strong intentions to downsize their office after the pandemic. In other words, the already apparent trend of downsizing the office is more likely a move toward a strategic restructuring of the overall workplace than a passive move simply aimed at reducing office costs.

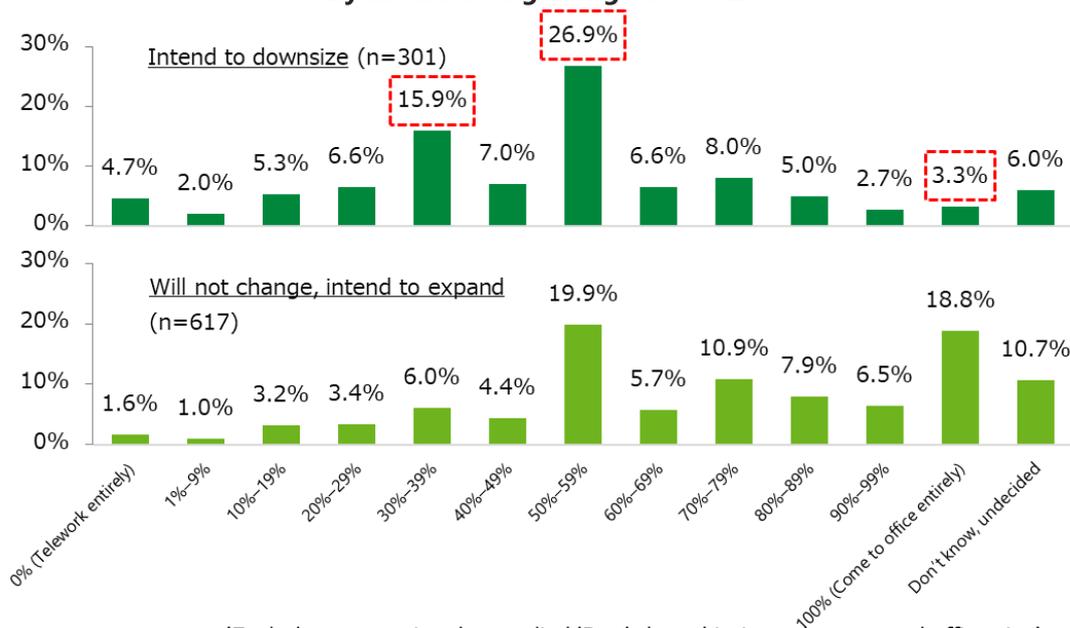
Figure 7: Intention Regarding Office Size after End of Pandemic – By Importance Placed on Reviewing Workplace Strategies



In Chapter 2, we focus on companies that intend to downsize their office to examine the direction of workplace restructuring after the pandemic as we compare them with companies that “will not change” or “intend to expand” their office space.

As for intentions regarding the percentage of employees coming to the office after the pandemic, the most common among “downsizing” companies was “50%–59%” (26.9%) followed by “30%–39%” (15.9%). They have a stronger intention to keep the percentage low compared to the “will not change” and “intend to expand” group. “100% (Come to office entirely)” remained at 3.3% (**Figure 8**).

Figure 8: Future Intention Regarding Percentage of Employees Coming to Office after End of Pandemic – By Intention Regarding Office Size

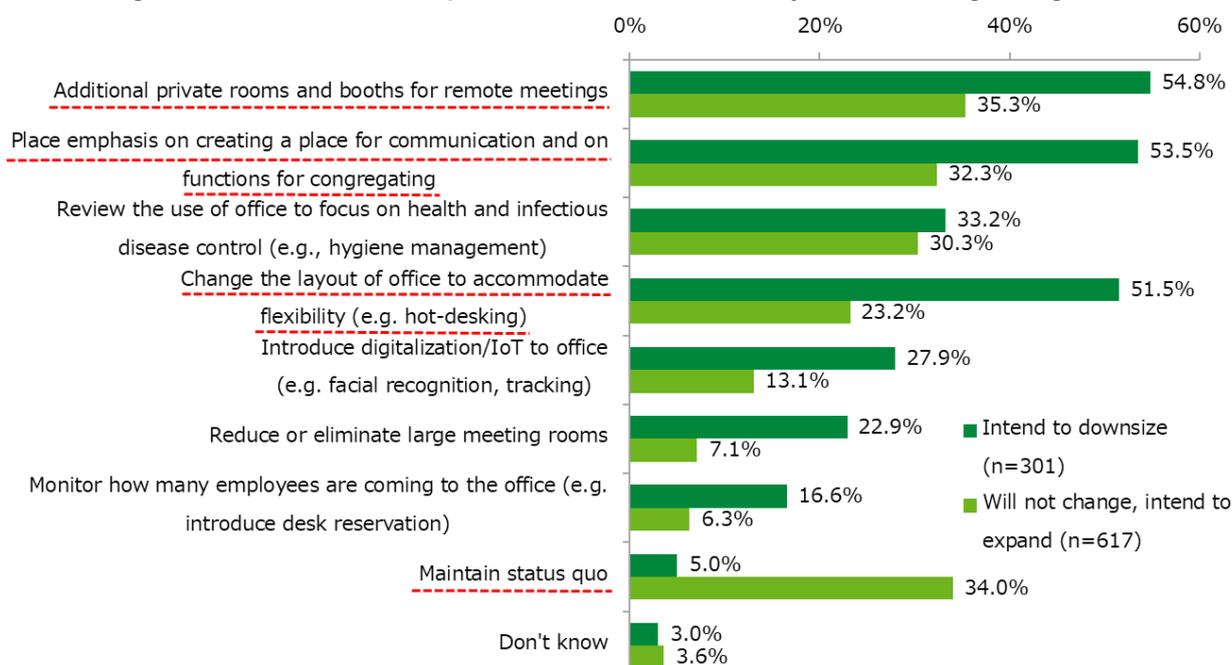


(Excludes companies that replied 'Don't know' in intentions toward office size)

As **Figure 8** shows, companies that intend to downsize are likely to establish an overall workplace strategy based on a hybrid work style of coming to the office and teleworking even after COVID-19 infection risks have been eliminated. Therefore, we examined the direction of strategies for both the main office and satellite offices in terms of coming to the office and teleworking.

When we asked companies about the strategies they were interested in for the main office, which is where employees come to work, companies that intend to downsize had strong interest in new ways of using the office, such as “Increase private rooms and booths for remote meetings” (54.8%), “Place emphasis on creating a place for communication and on functions for congregating” (53.5%), and “Change the layout of office to accommodate flexibility (e.g. hot-desking)” (51.5%), while “Maintain status quo” remained at 5.0% (**Figure 9**). Among companies that will not change or intend to expand their office size, on the other hand, “Maintain status quo” (34.0%) was nearly seven times the percentage of companies that intend to downsize, which suggests that after the pandemic, companies could be polarized into those that will improve or reform office functions in accordance with New Normal work styles and those that will not.

Figure 9: Strategies for Main Office Companies Are Interested in – By Intention Regarding Office Size



(Excludes companies that replied 'Don't know' in intentions toward office size; multiple answer)

We then asked companies their intentions regarding using a satellite office as a place for telework after the pandemic has ended. Around 70% of the companies that intend to downsize answered, "Want to use" or "Want to use somewhat" (**Figure 10**). In terms of the location of the workplace, 64.1% of companies that intend to downsize answered, "Locate head office functions in central Tokyo and disperse workplaces to the suburbs (incl. work-from-home)," outweighing companies that will not change or intend to expand their office (35.2%) (**Figure 11**).

These suggest that when companies that intend to downsize reduce their office space, they might shift away from the traditional work style strategy of concentrating their offices in central Tokyo to dispersing their workplaces to the suburbs, which enable employees to work close to their home, by adopting not only a work-from-home policy but also appropriate workplaces provided by companies in the suburbs.

Figure 10: Intention to Use Satellite Office – By Intention Regarding Office Size

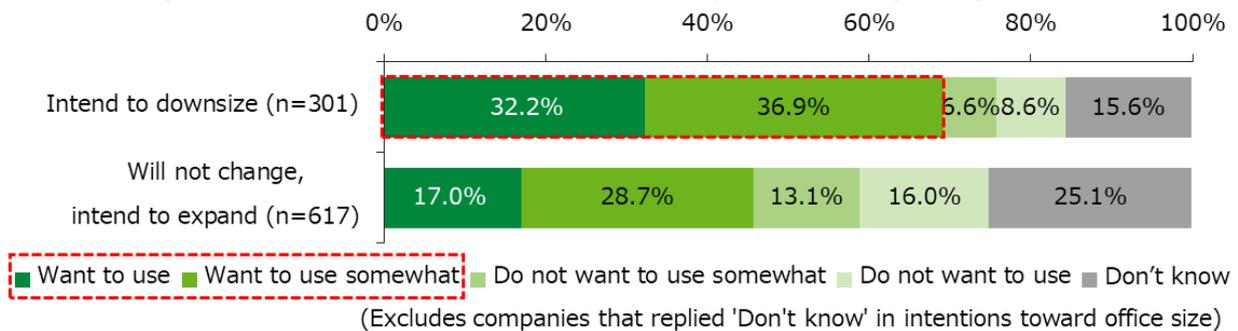
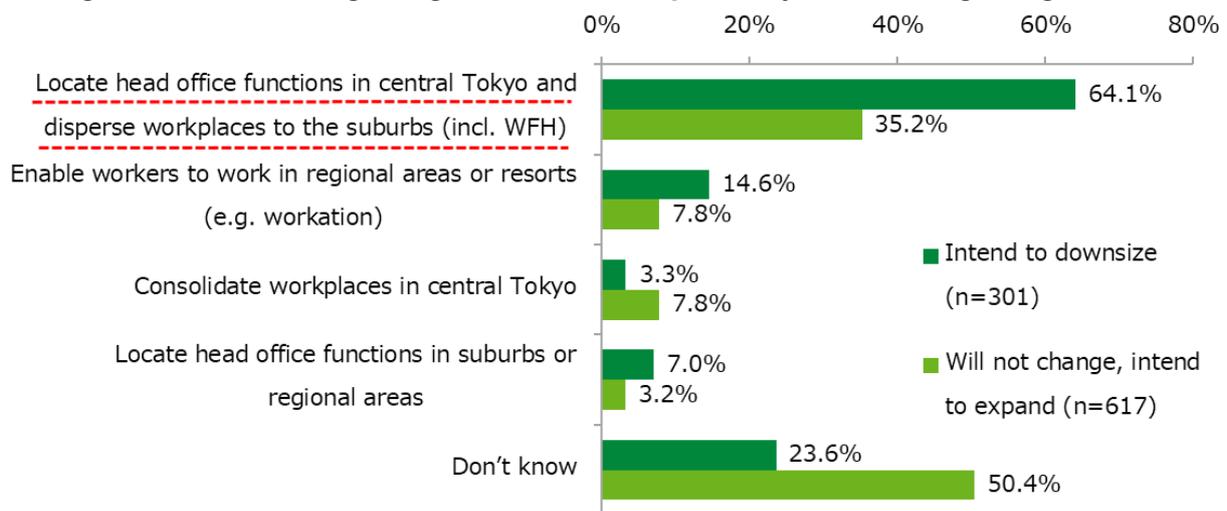
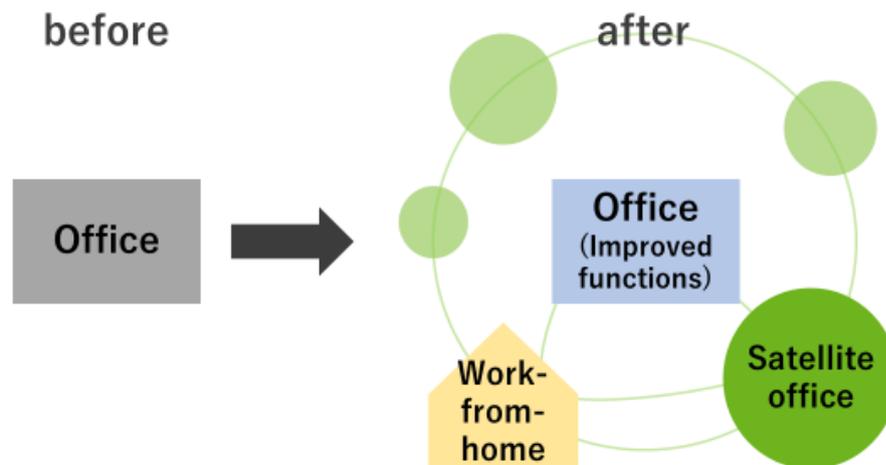


Figure 11: Intention Regarding Location of Workplace – By Intention Regarding Office Size



(Excludes companies that replied 'Don't know' in intentions toward office size; multiple answer)

3. Conclusion



In this report, we focused on frontrunner companies that are actively trying to evolve the workplace and revealed their current status and future intentions, in order to obtain clues for companies’ the post-pandemic workplace strategies. Frontrunner companies intend to improve or reform the functions of their main office after the pandemic has abated, as well as are beginning to take action, assuming to shift from the traditional work style strategy of concentrating their offices in central Tokyo to a work style where workers choose where to work from a diverse range of options by adopting not only a work-from-home policy but also a satellite office.

If companies opt for a hybrid work style of coming to the office and teleworking, the size of the conventional office might be reduced as a result. The main office will become a workplace option, and while its importance as a place for employees to share real experiences will not change, its position will shift from a place where employees must go every day to a place to go for a purpose. Regardless of downsizing the office or not, it will be necessary to strategically update the functions and usage of the main office in response to such shifts.

We would also like to point out that the provision of a telework environment is beginning to lead directly to companies’ competitiveness in hiring as telework has gained attention due to the pandemic. In this report, we found that companies focusing on providing a telework environment not only considered office cost reductions as an advantage of teleworking but also valued its advantages in acquiring human resources, such as “lower employee turnover” and “advantage in hiring.” In a survey conducted by Biglobe in September 2020, more than 70% of students and working adults across Japan in their 20s and 30s replied that the “ability to work from home or remotely” was “(somewhat) important” when choosing a company to work for in the future.*² Even if companies wished to maintain the status quo, workers’ notions will be updated.

*2 Source: *Survey on Work Styles under the New Normal*, Biglobe

Workplace strategies for companies have shifted from a uniform strategy of simply providing office space for the required number of workers to a complex and sophisticated strategy that takes into consideration the company’s continuous growth and employees’ well-being. They have become one of the most important managerial issues that management should recognize. Having experienced the COVID-19 pandemic, many companies are beginning to redefine the roles of the office and tackle new challenges such as optimizing the balance between coming to the office and teleworking. It is without doubt that whether a company can provide

an environment that pursues not only a near-term reduction of costs but also a good working environment for employees and that leads to innovation and the creation of new services will determine the company's competitiveness under the New Normal. Although the number of infections in Japan has remained at a high level and the future is difficult to foresee, factors such as the start of vaccinations provide promises that the long pandemic will finally come to an end. It will be necessary to start considering a workplace strategy that will be viable in the post-pandemic world.

Survey Overview

Name of survey	Greater Tokyo Company Survey on Work Styles and the Workplace January 2021
Survey period	January 27 to February 5, 2021
Target respondents	41,117 companies in total that include: <ul style="list-style-type: none"> • Client companies of XYMAX INFONISTA Corporation • Companies subscribing to ZXY, a satellite office service for corporations
Number of valid answers	1,005 companies (response rate: 2.4%)
Geographical coverage	Greater Tokyo (Tokyo, Kanagawa, Saitama, Chiba prefectures)
Survey method	Email distribution

The percentage mix in the charts contained in this report are rounded to the first decimal place and therefore may not add up to 100%.

For further inquiries please contact:

Xymax Real Estate Institute

<https://soken.xymax.co.jp> | E-MAIL: info-rei@xymax.co.jp