

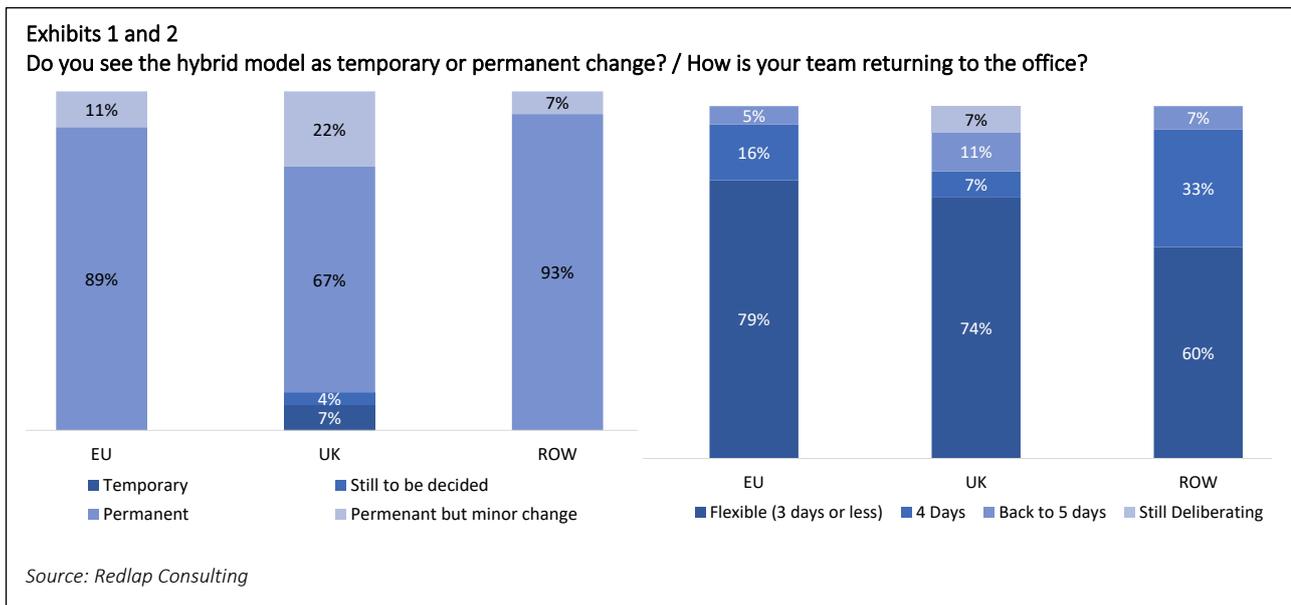


# The Future Office: Brave New Hybrid World



## Executive Summary May 2022

Covid has redefined the definition of the workplace, with “hybrid” now the new normal for the majority, leading to permanent change in how Capital Markets operate (see Exhibit 1). However, as this change has been driven by environmental and social necessity rather than regulation, there are, as yet no specific rules to follow. While some employers embracing the shift away from traditional financial hubs to more virtual global networks, others continue to encourage staff to return to the office gambling on the eventual return of the status quo. With the majority intending to be present three days or less in the office (see Exhibit 2), it is clear that the improvements to work/life balance have become too attractive to abandon. Since productivity has yet to be impacted – and was often noted to have improved – the die is cast, and the corporate argument against remote working evaporated. It is now abundantly clear that those who fail to recognize this risk failing to retain talent.



But as the home becomes the office, lines between work and personal space have inevitably blurred creating a new corporate puzzle of procedures, policies, technology, connectivity and disaster recovery scenario planning. Firms must re-evaluate how to ensure compliance with existing rules with distributed and moving workflows. Robust virtual connection of employees across multiple locations is critical necessitating a complete rethink of current technology stacks and whether they are fit for purpose going forward. Ensuring the day-to-day resilience of technology with a large part of the working staff working partly from home, partly in the office is shifting the importance of IT departments and staff within organizations.

In addition to systems being operational, accessible and secure, fair access and connectivity are also now greater considerations. WiFi issues must at least be minimized for dealers running portfolios worth billions, with easy identification and transfers of orders and partials that may be mid-flight. All this requires stringent applications, robust business continuity drills, clean hand-off protocols and the constant search for gaps by deliberately breaking systems and workflows to test for gaps.

While IT security and more specifically cybersecurity is the protection of electronic assets used to store and transmit information from infrastructure to applications, networks and cloud, – the increased risk of robust cyberresiliency is placing the need for data to be protected from unauthorized access at the top of every regulator and CEO’s agenda. As a result, firms are re-thinking their understanding of operational risk, what and where their key assets are and how to mitigate any possible unnecessary risks going forward (see Exhibit 3).

*“Lack of flexibility is definitely having an impact in recruitment – if we can’t offer this we are losing out and that is already happening.”*

UK based Sell-Side

*“New employees are definitely asking about flexibility – it is firmly becoming a selection criteria. We are now competing with the likes of Google and need to remain competitive on the benefits we offer if we want to attract talent.”*

Small EEA Asset Manager

*“We provided an allowance to make sure that everyone had two providers and was on different networks to ensure back up. We are improving security by moving as much as we can to the cloud and installing firewalls with blockchain encryption.”*

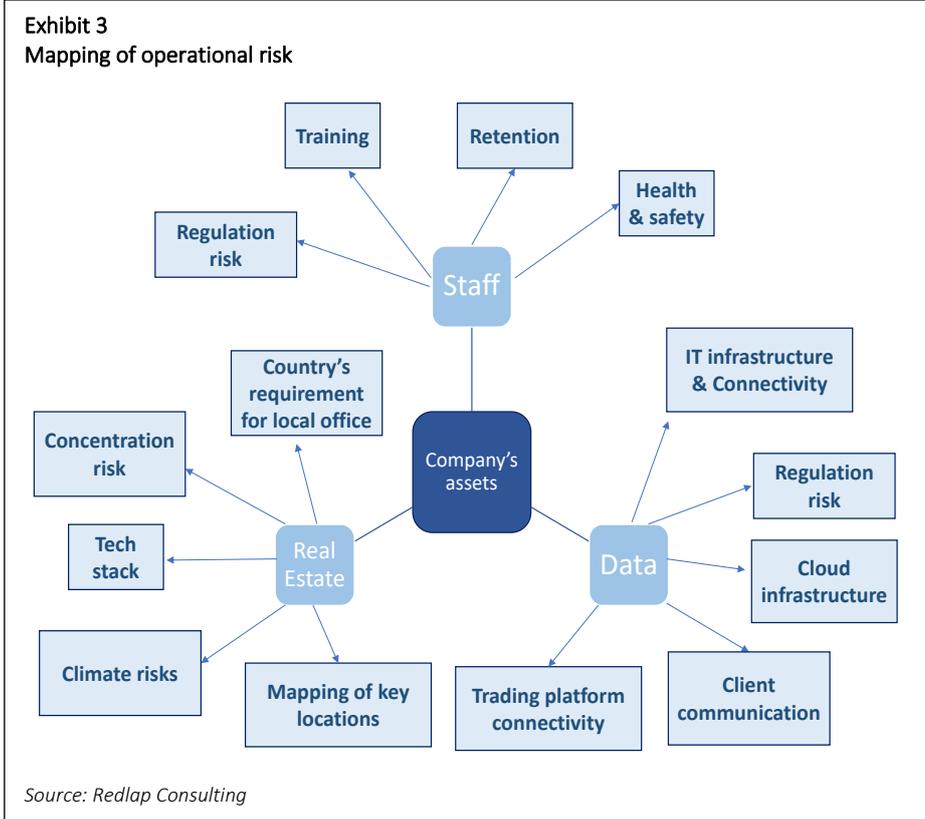
Large US asset manager

*“There is no longer any local access - it is all now via VPN. It’s the same as governance, all centrally controlled. We have enhanced processes and limited access, checked local broadband resilience – it’s all about making sure the tech we have is robust enough to rely on but that the processes around this are sufficient as well.”*

Small UK Asset Manager

*“Staff have said to me, “My relationship with my family is now better because I have the ability to work at home, I can take my children to school, I can pick them up one day, two days a week, I can get to a sports fixture.” That’s not going to revert. That means how I manage my staff and the whole team dynamic has to change.”*

Large Global Asset Manager



A hybrid working environment requires a change in corporate culture which embraces flexible working rather than just accepting it. This will take time. There are obvious concerns that, apart from training issues, remote working will distance employees from the corporate culture, negatively impacting branding, company loyalty and corporate cohesion. For many, the office provides an obvious place for impromptu huddles and collaboration. Learning to replicate this will take focus, because although the pandemic removed any desire to gather, it was never anticipated to be a permanent state – until now.

There are new issues to face with staff needing help to deal with burnout caused by excessive online presence, isolation and a ten-foot commute to the office, requiring new boundaries and clear policies. It has always primarily been an employee's decision where and with whom to live and when to move, and the distance from the office has been a personal decision. It is a different issue if the firm has a stake in the connectivity and technology, or there is house-sharing with employees of competitor firms and privacy cannot be assured. Trust, training, and know-your-employee are important, but each side must know it is protected. Equally important is the promise of career progression and promotion for both existing staff and new recruits, whether seasoned or not.

It will take time for firms to determine a new working environment which balances what is best for both the business and the employees, how the different worlds now fit together, and to determine what is a reasonable corporate policy and what not. Future-proofing the hybrid model will be a work in progress for some time as firms test out and adapt policies and procedures. Regulators will continue to review the resilience of financial services and ensure the rulebooks follow the latest technology developments. The challenge for firms, staff and regulators will be to find the right balance.

This paper explores the impact on firms, staff and regulators alike as the hybrid working environment is becoming accepted as the norm across the globe but with more regional and local variations than a kaleidoscope. Between late 2021 and Spring 2022, we spoke to 65 industry executives from the buy-side, sell-side, venues, vendors, policy experts and regulators across the globe about their plans to adapt their systems, policies and procedures to suit the hybrid model, the anticipated regulatory oversight and the challenges for both companies and employees.

## Key Points

1. **89%** of EU and **93%** of rest of the world (ROW) respondents see the hybrid model as permanent.
2. **75%** of EU & UK respondents anticipate 3 or less days in the office vs **60%** for ROW respondents with an additional **33%** expecting on-site presence at least 4 days/week.
3. Almost **two thirds** of respondents' view flexibility as a tool to attract and retain staff.
4. Nearly a fifth of UK firms see the hybrid model as a way of broadening the talent pool beyond main financial hubs.
5. **50%** of all respondents have increased security to ensure operational resilience.
6. For **58%** of respondents cyber security requires constant upgrading of technology and upskilling of staff.
7. For **84%** of respondents, fixed disaster recovery sites now need to be decentralized to cater to a distributed workforce.
8. Integration and cultural adoption towards flexible working still remain a challenge for **43%** of EU and ROW and **39%** of UK respondents.
9. **60%** of respondents say for both new recruits and career progression, time spent in the office is the most beneficial, supplemented by online tools.
10. Although **63%** of EU respondents say that working from home (WFH) will not impact remuneration, it is still perceived as a potential disadvantage for career progression more than half of UK and ROW participants.