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SO, WHO NEEDS AN OFFICE?

Work has changed and it's not over yet. Story by **Nikodem Szumilo** and **Thomas Wiegelmann**

The COVID-19 pandemic forced many professionals to shift from working in offices to working from home.

Data from Google shows that workplace activity in London, New York and San Francisco is running at half what it was before the pandemic. For companies that opt to require fewer employees to be on-site each day, one question looms: should managers make the long-term decision to get rid of a portion of their office space? Based on our decades of professional experience in the finance of urban planning and real estate investments, we believe the answer should be yes for many companies.

There are already signs of this shift. For example, in New York City, office vacancy rates have risen 11.3 per cent in the past year and stand at the highest level in 27 years. That's true even though New York-based firms such as JPMorgan Chase and Goldman Sachs have been some of the most outspoken about getting workers to return to offices quickly.

WHY HAVE AN OFFICE?

Economists argue that firms prefer to have their employees work in the same place at the same time for two reasons.

First, it makes it easier to monitor workers. This claim is supported by reliable evidence, especially for salaried employees (programmers, accountants, and so on), whose efforts are difficult to measure. If a business relies on proximity and actual observation to determine who's working hard, it will be more challenging to move its core activities out of an office. The second reason for having offices is that having offices is to support unstructured exchanges of ideas. Although this is a well-established notion, there is little evidence to support the claim that informal conversations encourage productivity. What research shows that unstructured interactions help people exchange information and build networks, no studies show that this increases overall productivity.

These two reasons for having offices—supervision and informal interaction—have always been apparent. However, for many companies, the degree to which they matter has changed after a year of working remotely. Naturally, a manager's ability to monitor a remote team depends not only on the nature of the work but also on the manager's skills. Not every manager has the skills required to be a good leader of a remote team, but those who do get better with practice. Many leaders have been asked at video check-in meetings and even hiring workers without in-person meetings.

Employees also have become more adept at interacting via technology, whether this is done by videoconferencing or by messaging platforms such as Slack. Supporting these technologies requires investment but the highest cost is switching to remote or blended work—the cost of adapting to the new technology—has already been paid.

Technological advances have helped companies realise that more work can, and should, be done online in remote environments. Although survey results vary, some academic estimates suggest about 20 per cent of workdays will be spent at home. This indicates that offices will need only about 80 per cent of pre-pandemic capacity.

FACTORS TO CONSIDER

The following factors should guide companies as they think about not only how much square footage of office space they will need in the future but also the location of that space.

Attitude: Surveys show most office workers actually want to go back to an office—but only two or three days a week. Since it's unlikely all employees will be in on the same days, providing an attractive workplace will require less space than it did in the past. Also, the quality of the space should become more important than the quantity, and companies should focus on smaller spaces that provide better services and amenities.

Proximity: As companies shift to a hybrid or full work-from-home model, the benefits of being located next to other firms' offices may decrease due to reduced density. Being physically close to clients and collaborators becomes less critical when more people work remotely, so the benefit of having an office in a central business district is likely to decrease. At the same time, being close to amenities may matter more. If you're travelling to the office mainly to socialise with colleagues, rather than to heads-down work at a desk, being near restaurants and parks becomes more important.

Commuting: In the past, a key consideration in choosing office locations was making sure they can attract the best people. As trips to the office will not necessarily be frequent, more people will live farther away from their office. This will make access to short-distance commuting options less important and long-distance transportation options more valuable for office locations.

Office design: Talented workers will be attracted to offices where they can work more productively and focus on activities they cannot do from home. This will require less space, but location and quality of office locations will be critical. Environment: Since the built environment has a significant influence on the natural environment, real estate is an integral part of companies' environmental, social and governance strategies. Constructing, maintaining and powering offices consumes immense resources. As companies reimagine and reassess their need for physical space, the current crisis may be the perfect opportunity to start using office space more efficiently.

Cost: Landlords may be more willing than ever to renegotiate contracts. This means that even companies locked in long-term deals can try to rethink the way they use office space.

Most managers may find they don't need as much space as they did before Covid-19—and it's the space they do need will work better for employees if it's carefully designed for hybrid work models.

Nikodem Szumilo works at University College London. Thomas Wiegelmann is a managing director of Schroder Real Estate Asset Management.



Brian Hartzer

Brian Hartzer's exit from Westpac has opened the door to a whole new world of fintechs.

Story by **Glenda Korporaal**

Former Westpac chief executive Brian Hartzer has always had an interest in technology.

Growing up in Connecticut, on the east coast of the US, Hartzer was one of the first kids in his town to have a computer—an Apple II. He taught himself how to program using BASIC computer language, going on to teach computer coding to others.

Years later Hartzer was part of the senior management team at Westpac that backed venture capital company Reinventure. Then, as the bank's chief executive, he backed Reinventure's investment in start-up cryptocurrency exchange Coinbase, which recently returned the bank more than \$540m.

Eighteen months after Hartzer's unplanned exit from Westpac following action by anti-money laundering agency Austrac, his interest in technology is paying off.

Now working on a portfolio career, Hartzer recently was appointed chairman of fintech Beforepay, run by former Westpac executive Jamie Twiss, who was chief strategy officer at the bank under Hartzer's leadership.

The company, which lends money to people to be repaid out of their future pay packets, is expected to list on the Australian Securities Exchange soon, with investors hoping it can replicate the success of fintech Afterpay, now worth more than \$30bn.

Rebuilding his career after his banking years were so publicly and controversially cut short in 2019 has included taking on roles as an adviser to Sydney-based data science and analytics firm Quantium and a new consultancy established by former Pricewater-

houseCoopers chief executive Luke Sayers. Hartzer also is investing in other start-ups, including human resources data company Reejig and Pathzoro, a company that helps small businesses measure and reduce their carbon footprint.

He also has taken on the chairmanship of the Australian Museum in Sydney.

And while his leadership at Westpac must inevitably be seen in the context of the Austrac exercise, Hartzer decided he had learnt enough at the top to publish a book, *The Leadership Star: A Practical Guide to Building Engagement*.

"I am not a trained leader," Hartzer says. "I don't have an MBA. I had to figure it out for myself, to help me stay focused on the right things."

He says leadership is more important than ever as managers cope with the pandemic. "Business is not going to go back to the way it was. Covid has had a permanent effect on business and on people. We have seen a huge acceleration of digital, which has meant remote working proven as something that can work in many, if not all, situations. We see companies under a lot of pressure for restructuring."

He says the basic approach to leadership is the same whether people are working in one office or remotely. But leaders in the hybrid work environment have to be "a lot more creative" in how they go about achieving their goals.

Hartzer is ready for questions about his exit from Westpac in late 2019 but has no plans to speak out against his treatment by Austrac or the circumstances surrounding his high-profile departure.

He stepped down from the leadership of the bank after five years at the top, after Australia's largest money-laundering scandal. The bank was charged with money laundering by Austrac, which alleged Westpac was not properly monitoring 23 million transactions, some of which could have facilitated child abuse.

The charges, which also led to the premature departure of Westpac's chairman Lindsay Maxwell last year, prompted a \$1.3bn fine against the bank.

While the charges were serious, Hartzer's supporters argued they followed very clear comments by him

to Austrac, months before the charges were laid, that if it had any concerns about the bank's anti-money laundering monitoring the regulator should come straight to him with them.

"I took our anti-money laundering responsibilities very seriously and we were very proactive in reaching out to them (Austrac)," Hartzer says.

"I was disappointed with how it played out, but the reality is that the company didn't meet the obligations that it should have met."

"I accept that when you are a chief executive there is an expectation of holding people personally accountable for the things that went on during their watch. I wish I had a time machine to go back and intervene, but I don't. It is for other people to judge whether the outcome was the best thing for the company. That is not really for me to assess."

But the exit has given him opportunities to move into new areas.

"There has been a huge silver lining for me in leaving Westpac," he says. "It has given me the opportunity to spend time on things I find interesting."

"I have always had a real interest in innovation, growth and technology. I have been able to use this time to dive into things that really interest me."

Hartzer is particularly excited about the fintech sector. "There is going to be a role for the banks and there is going to be a role for many of these new players," he says.

"It's a great time for the fintech sector, and Austrac has shown that it can build some world-class businesses."

"There are a number of new developments in technology that are the next cost of computing is coming down and the opportunities are increasing."

"There has been an enormous acceleration of customers shifting to digital, particularly in the last year and a half. You have cloud computing and artificial intelligence. We are just starting to see the impact of open banking, which is a very big development."

"You have seen the development of blockchain and cryptocurrency."

He says companies are using more standardised computer platforms, which makes it easier for outside

companies to plug into companies' systems to provide niche services. At the same time, he sees the big banks as constrained by increasingly strict regulation.

"The unintended consequences of regulation has meant that traditional players have exited businesses like financial advice or financial products," he says. "Or they are making the customer experience very different as they try to comply with the new regulations."

"All of these things are creating opportunities for more focused niche businesses to carve out a space for themselves and build a profitable business."

He says Beforepay is an example of new fintechs coming into the consumer finance market, fulfilling a need that is not well served by the big banks.

"Beforepay is focused on pay on demand, where people get an advance on their salary for a period of time to buy something they need. It helps people who are living from pay cheque to pay cheque to meet unexpected needs and bills."

"It is quite different from Afterpay or Zip Money, which are focused on helping people make large purchases in stores."

Beforepay, he says, makes small loans to help people deal with "the ups and downs of their monthly cashflow."

"The banks have not done a particularly good job of focusing on the overdraft product over the last few years and there is a legitimate need that people have for short-term cashflow finance," he says.

Hartzer says Beforepay could look at a possible stockmarket listing "over the next year or so."

"They are considering a public listing but so far no decision has been made on that yet."

He says the alternatives to Beforepay include payday lenders.

"I have never liked the model, the so-called payday lenders," he says.

"It puts people at real risk of getting into a debt trap. When I was at Westpac we made the decision we would stop providing finance to payday lenders because we couldn't get convinced they would support people in an ethical and responsible way."

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SEVEN WAYS TO KEEP YOUR JOB

Job security is a real issue for workers, but there are some ways to ensure you remain employable. Comment by **Roxanne Calder**

Since the pandemic embedded itself into our world, talk of career satisfaction and financial security seems to dominate our lives. For many people, the feeling of insecurity will remain, no matter our economic times. And that is not an entirely bad thing—it keeps us from becoming complacent.

For ongoing success in your career, there are seven key attributes to consider:

- 1. A THIRST FOR KNOWLEDGE.** In a rapidly changing world, be a "forever learner" or risk being left behind. Forever learning is not a button that can be switched on and off. It means having a curious mind and a real hunger for knowledge that goes deeper than simply collecting information from a quick online search. A thirst for knowledge encourages and motivates you to keep questioning while you dig deeper in exploring new ideas and opportunities. It will help you adapt and stay ahead of the curve. When you have this learning mindset, you are open to feedback; you improve and better yourself while self-confidence increases.
- 2. DEPENDABILITY.** A dependable person is accountable and trust-

worthy. Dependability is not a fairweather attribute, and it shines through best when people are under pressure or even in temptation. Trust is a critical component of this attribute. Dependable people build trust by holding themselves accountable, which in turn saves employers valuable time and resources. With trust in place, your credibility and engagement strengths, and you receive greater responsibility. The result is your learning, decision-making ability and self-confidence all increase. It's a win-win all around.

- 3. RESILIENCE.** Being resilient is more than just coping. It's how you cope and bounce back. In some circumstances there is no choice but to get through a dark or difficult time, but how do you handle it? Do you apply grounded optimism? Do you learn from a situation and pivot to reduce stress and lessen the impact? Do you maintain and conserve your energy? Coming through the other side with depleted resources is not being resilient, it is just surviving. Resilience will help you grow and develop a healthy mindset of optimism and self-confidence to achieve. We don't build successful careers by taking the easy route.


Roxanne Calder

- 4. INTERPERSONAL NOUS.** How do you relate and communicate with people in the workplace? Your tone or a misused emotive word in an email or conversation can send the wrong message and trigger an unexpected response. Usually we are unaware of these actions, realising their impact only after the fact. This is precisely how our relationships, dealings and negotiations at work come undone and cause unnecessary conflict, delay, inefficiency and tension. In addition, our work posture often prevents us from seeing and observing our surroundings. Showing empathy and compassion is vital; you will have a more meaningful and prosperous career.
- 5. SELF-AWARENESS.** To ensure higher emotional intelligence, self-awareness is needed. Unfortunately, as humans, we are not geared to be great judges of ourselves.

Self-awareness is the ability to recognise and understand the impact you have on others. Self-awareness is crucial for life and wellbeing at work and integral to our interpersonal nous. Possessing this attribute is a great way to set yourself apart in the employability and career stakes.

6. SELF-CONFIDENCE. Without self-confidence, we tend to give up much more quickly than we would if we had faith in ourselves and our abilities. Self-esteem is a necessary ingredient for self-confidence. Having high levels of both allows you to recover better from setbacks because you don't view them as a personal weakness but as a set of circumstances. Believing in your abilities affects your motivation, determination and drive, which are critical for career success.

7. OPTIMISM. Not to be confused with the Pollyanna theory, optimism is our balance. You can still be a critical thinker and be an optimist. Optimism is part of our wellbeing, both mental and physical. When the chips are down, optimism provides a view from the other side of the spectrum. It shines a light on opportunities and the pathway ahead. It allows you to solve problems, stride through challenging times, have faith and have something to look forward to. These seven attributes, otherwise known as our human skills, are the foundations for career and life success. They are all linked and assist in supporting and strengthening each other. It's impossible to hold all seven of these attributes in perfect order. As we push, pull, squeeze, stretch and nurture these attributes, it's a constant work in progress. By doing so we will significantly improve our employability for the future.

Roxanne Calder wrote *Employable 7: Attributes to Assure Your Working Future* (Major Street).

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