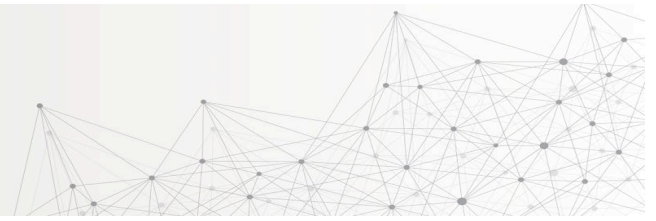


# “BETTER” BEST PRACTICES

## The Changing Nature of Work



Industry consensus points to a hybrid virtual/in-person operating model as the most likely work structure for the foreseeable future. This operating model will impact a near-endless list of work functions, including but not limited to: how our offices will look, business travel decisions, hiring and onboarding new talent, and maintaining company culture. The Jefferies Capital Intelligence Team takes a deeper dive into how the structure of work has been impacted, *and may continue to evolve*, in the second installment of “BETTER” BEST PRACTICES – The Changing Nature of Work. In the next piece of this series, we unpack the ‘new normal’ in Operational Due Diligence.

### Industry Impact – Optimization, Productivity, and Efficiency

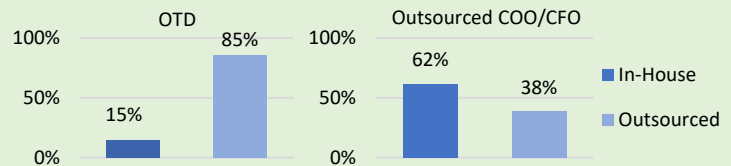
#### What Has Worked, While Working from Home: Emerging Best Practices

##### Optimized: Staying Nimble and Agile

Managers, investors, and service providers have all been forced to **adapt business practices that embrace uncertainty and operational continuity** – including:

##### Strategic Outsourcing

➤ Jefferies analyzed 2020 new launch managers – **85% of these start-ups outsourced their trading**, while **38% outsourced the COO/CFO role**.



Rethinking previous “non-starters”, such as office space, allocation sizes, onsite ODD meetings, and fees, among others.

➤ **Significant cost savings in new practices, from a time and expenses standpoint.**

##### Productive: Debunking the WFH Productivity Myth

##### Working from home... works?

Industry-wide observations state there have actually been in many cases **increases in productivity while remote**. Focus has shifted from quantity of completion, to **fostering creativity and collaboration**, as maintaining mental and physical health has become increasingly important as a result of WFH.

Americans spent **22 million extra hours** on their primary job each workday in 2020.<sup>2</sup>



Without commutes to and from the office, **employees can reallocate time spent in traffic to their work, household chores, and childcare**. From mid-March to September 2020, Americans saved **60 million hours** just from the lack of commuting.<sup>2</sup>

##### Efficient: Finding Unique Ways to Stay Constantly Connected

Industry participants are finding ways to **stay efficiently connected in a remote environment**, while remaining mindful of wide-spread “Zoom Fatigue.” Ways to maintain connection?

**Socially distant or virtual events** that are:

- **Activity-based** (think: workout, baking class, trivia)
- **Educational in nature** (think: speaker series, wine tasting)

...to **maximize engagement**

##### Having the Tough Conversations...

**~70%**

Number of employees prior to 2020 which **avoided discussing negative information** with their manager<sup>1</sup> ... ultimately **resulting in a bottleneck to solving issues**.

While “**general catch-ups**” are **less organic** remotely, strong managers have been proactive in carving out **dedicated times to connect with direct reports, both personally and professionally**.

## Quantifying Virtual Efficiency

While many businesses have struggled in 2020, those that can operate remotely have encountered interesting opportunities to cut costs, which may **influence how expenses are allocated** moving forward. In the investment management space, fees collected to support management expenses may be **invested in new strategic initiatives**, considering historically large expenses such as real estate, conferences, and meetings, among others, are diminished in a more virtual environment.

### The Bottom Line ... Expenses are Down, New Opportunities are Up

The cost benefit to the WFH model is unsurprisingly quite extreme, with limited (if any) travel, along with reduced team and personal expenses. Certain firms are **saving millions on costs** such as:

- Real estate
- Travel
- Entertainment
- Conferences
- Catering

This has opened a **host of possibilities around fees and reallocating expenses**. Firms are **re-investing or exploring new initiatives**:

**Virtual Events** (often with higher attendance)



**Human Capital Initiatives** focused on health and wellness



**Strategic Hiring**



**New Content Mediums**, including podcasts and videos

### Cost Savings Analysis: A Reduction in Real Estate

The Jefferies Capital intelligence team performed case studies for 4 different sized firms located in the NYC area, with an assumption that these groups choose to reduce real estate footprints by 20%, as a reflection of a **restructured distributed workforce model**. The various cost savings as a result of this office space adjustment can be viewed in the chart below:

| Employees | Avg. Square Footage of Office Space (200 ft <sup>2</sup> per employee) <sup>4</sup> | Avg. Annual Price of NYC Real Estate <sup>5</sup>  | Reduced Office Space                              | Avg. NYC Real Estate Cost Savings from an Agile Model |
|-----------|-------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------|-------------------------------------------------------|
| 10        | 2,000 ft <sup>2</sup>                                                               | (2,000 ft <sup>2</sup> ) X \$77.12* = \$154,240    | (1,600 ft <sup>2</sup> ) X \$77.12* = \$123,392   | + \$30,848                                            |
| 20        | 4,000 ft <sup>2</sup>                                                               | (4,000 ft <sup>2</sup> ) X \$77.12* = \$308,480    | (3,200 ft <sup>2</sup> ) X \$77.12* = \$246,784   | + \$61,696                                            |
| 50        | 10,000 ft <sup>2</sup>                                                              | (10,000 ft <sup>2</sup> ) X \$77.12* = \$771,200   | (8,000 ft <sup>2</sup> ) X \$77.12* = \$616,960   | + \$154,240                                           |
| 100       | 20,000 ft <sup>2</sup>                                                              | (20,000 ft <sup>2</sup> ) X \$77.12* = \$1,542,400 | (16,000 ft <sup>2</sup> )* \$77.12* = \$1,233,920 | + \$308,480                                           |

\*Blended Manhattan Rate \$/SF/YR (as of Q3 2020)

### The Economics of Time

The forced virtual format of internal and external calls in 2020 has caused companies to reevaluate the **efficiency of historical business travel and in-person meeting schedules**. Taking a look at a typical manager roadshow in 2019, juxtaposed to the state of business in a remote environment, we highlight where efficiencies can be found.

#### A Closer Look at Meetings-From-Home:

**+13%** Meetings per person have increased by 12.9%.<sup>6</sup> Between working hours (8am-5pm), 5-6 meetings have turned into 7-8 virtual calls, with greater ease in rescheduling, and time saved commuting.

**+14%** Number of attendees per meeting has risen by 13.5%.<sup>6</sup> Workers are more accessible while WFH, especially on the more senior-level, and are able to be more involved in daily workflows without traveling to-and-from various cities.

**-20%** Length of meetings have decreased by 20.1% on average.<sup>6</sup> Meeting participants have found ways to be more efficient and succinct with their time, allowing for reallocated resources to other initiatives.

## Cultural Considerations in a Virtual World

While entire teams are working from home, *and may continue to*, it can be challenging to stay connected and maintain relationships, especially between managers and direct reports. In conversations with industry peers, the Jefferies Capital Intelligence team has identified best virtual practices implemented to support healthy working relationships in a remote setting.

### Focus on the Silver Linings – Optimistic Messaging

Allow team members the right to *be human*; we all make mistakes. 2020 has shook many with the realization that unforeseen circumstances will disrupt our processes... but these experiences allow us opportunities to learn and get smarter.

**Practice empathy.** Differing incentives drive individual direct reports and/or colleagues. It takes time and effort to discover those driving forces, and those that *serve as deterrents*.

**Prioritize time.** Viewing a daily or weekly ‘To Do’ list, prioritize the most important items to complete, identify others to just make progress on, and realistically communicate those that may need an extended deadline.

#### ‘Relational Agility’

Harvard Business Review analyzed over 300 studies on workplace relationships, and identified a need to build relational agility with colleagues – looking for differentiated approaches to solve problems.<sup>7</sup>

Turn your video ON whenever the goal of a meeting is to:

- ✓ Build and/or deepen relationships
- ✓ Discuss emotion-inducing or awkward topics
- ✓ Present complex subject matter



### Intentional Visibility

Video Conferencing technologies such as Zoom, Teams, and GoToMeetings, etc. are being leveraged for all meetings in a remote environment.

#### When is it appropriate for your camera to be turned on or off?

It’s becoming increasingly necessary to **overcommunicate, and set expectations** for meeting participants.

- Clarify in advance whether video is requested or not.
- Set a clear expectation for recurring meetings.
- Commit to consistency.

### Connecting Frequently, for Shorter Spans of Time

**Specified, Dedicated Calls** – Certain catch-ups should be devoted to personal life, others to specific projects, and note when there’s a desire to discuss career goals/progression.

- **Replacing the ‘Water Cooler’** – While seemingly inorganic, specifying calls as either social or professional in nature can help colleagues and clients better prepare ahead of a call.

#### Relationship Management Perspective

According to a report from Salesforce, 73% of customers think companies should know their needs.<sup>8</sup> It’s nearly impossible to understand a client’s expectations if you aren’t **constantly and clearly connecting**.



**Number of Touchpoints**

Frequent discussions with colleagues, managers, and **even clients**, can make subsequent calls more focused, purposeful, and time efficient.



**Length of Calls**

Shorter conversations allow people to give their **full attention** during those meetings.

## A New Competitive Landscape: Human Capital Insights

Alternative funds have had the opportunity to take a step back and reassess the competitive landscape in a virtual and increasingly changing world. The talent competition pool for financial services has extended beyond other comparable firms in the industry. Hedge funds are vying for young talent against the Facebooks and Googles of the world, and may have to rethink hiring and operating procedures, employee benefits, and other human capital and business considerations to align with emerging industry standards.

### Flexible working styles as a recruitment tool

- Offering a flexible work set-up and WFH option has been a rarity in the Alts industry, and on an as-needed basis.
- After 2020, firms may offer it widely and more proactively in the recruiting process.
- **When employees have been working from anywhere, for what reason will they return to your office?**



*“Opening offices will be our decision, when and if our employees come back, will be theirs.”*  
-Twitter, Chief HR Officer, May 2020

*“One of the great humanistic discoveries from COVID-19 is that we can work remotely,”*  
-BlackRock, CEO, September 2020

BLACKROCK



*“When I see people commuting two hours and away from their family and friends on a Friday, you realize they can’t have plans – I think we could do better.”*  
-Google, CEO, September 2020

*“The crisis will have many ramifications on the future of work: our people will have a better quality of life; as companies can no longer argue that workplace flexibility is a limiting factor.”*  
-Jefferies, CEO, May 2020

Jefferies

### Embracing changes in leadership

- While succession planning continues to prepare companies for leader transitions, existing executives are encouraged to shift their decision-making mindsets whilst still in their seats.
  - In uncertain times, board seek stability.  
Ex.) **CEO transitions in the US fell by up to 32%** during recent crises<sup>9</sup>
- There is a **generational mindset shift happening amongst talent**, and all business leaders should work to embrace new norms in recruitment and onboarding processes.
- An **increased focus on Diversity & Inclusion and sustainable corporate governance practices** is becoming a key driver in the hiring process for many firms across industries.

### A reduction in cross-industry fluidity

- The natural movement and flow of human capital across firms and industry lines didn't occur this year in the same capacity.
- Many people who were thinking of transitioning decided to stay in their seats until we reach the other side of this crisis.
- However, once talent does start to migrate again, **there could be an explosion in mobility across industries...**

### Sourcing talent outside of the traditional pools

- In a remote environment, **firms have a greater opportunity to access talent in differentiated geographic areas, industries, and sectors of the economy.**
- Investment management firms shouldn't feel a need to stay confined to hiring human capital with experience in financial services – and might rethink job specs and requirements.

*“Flexibility can mean different things to each of us, and we recognize there is no one-size-fits-all solution given the variety of roles, work requirements and business needs we have...”*

-Microsoft, Chief People Officer, October 2020



*“A lot of people have learned that there are other methods of conducting their business than they might have thought from what they were doing a couple of years ago...When change happens in the world, you adjust to it.”*  
-Berkshire Hathaway, CEO and Chairman, May 2020

## What to Expect After *Unexpected*, Seismic Shifts

Although no one could have anticipated the events that unfolded in 2020, we are in the business of making informed predictions on what might lie ahead, and sharing best practices to assist in tackling future obstacles. Through conversations with managers, investors, and service providers, the Jefferies Capital Intelligence team is sharing how firms are thinking about 2021 and beyond.

### Strategic, Thoughtful Returns.

Without an industry-wide push for a return to the office, some firms have mandated groups start working in-person again, while others offer voluntary returns to the office – all with social distancing and contact tracing protocols in place.

#### Policies include:

- ✓ Mandatory masks
- ✓ Hand sanitizer stations
- ✓ No elevator use or limited capacity
- ✓ Temperature checks
- ✓ Desks set 6 ft apart
- ✓ No outside visitors, etc.
- ✓ Clear approval protocol for entering the office



#### Survey Says...

Many firms have been regularly polling employees through online platforms on their comfort level with returning to the office, and **including specific lists of factors that would lead to them return** – ex: vaccine distribution, childcare considerations, as well as issues with public transportation

### Rethinking Office Space.

The virtual environment has called into question the future of office space. And while most agree that having a physical space to gather will always be important, as an industry we are all still grappling with what exact form that will take. Key themes being discussed include:

- **Broad Downsizing** of real estate footprints
- **Retrofitting existing office spaces** – so employees should be prepared to return to a different place than they left...
  - Historically, US metropolitan companies have **offered 150 sq. ft. per employee** on average across office spaces. This means industries are being forced to **completely redesign their spaces**
- **Centers of Collaboration.** Focus on the office as a place for collaborating, *casual collisions*, and no longer just a place to complete desk work.

*“There used to be half floors dedicated to servers, then just closets, now nothing because of the cloud.” What’s next?...*



S2, Episode 3:  
*The Changing Face of Urban Space*

For more on the future of offices and cities, tune into Season 2, Episode 3 of **Invisible Forces**, where we speak to:

- Architectural design expert from Gensler
- **Co-founder of e-bike company, Van Moof**

### Other Looming Questions...



**Cities. Will they have the same gravitational pull?** It has historically been important for managers to settle in cities where there is flow from an investor travel perspective. Will this remain the case going forward?



**Generational Factors. How will they play a role?** Young professionals may want to return to the office for mentorship and relationship-building opportunities. However, this age group tends to be more comfortable making social connections online. Juxtaposed to older generations, who are less comfortable virtually, but have established relationships, and have already achieved professional success. How will these dynamics factor into return plans and future policies?



**Will a hybrid world have new competitive implications?** We operate in a competitive industry that thrives on finding arbitrage opportunities – will those who stay home once others start returning be disadvantaged?

## Footnotes

- <sup>1</sup> Two-Thirds of Managers Are Uncomfortable Communicating with Employees. 2016. Available At: <https://hbr.org/2016/03/two-thirds-of-managers-are-uncomfortable-communicating-with-employees>
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  - <sup>3</sup> You're Right! You Are Working Longer And Attending More Meetings. 2020. Available At: <https://www.forbes.com/sites/hbsworkingknowledge/2020/11/02/youre-right-you-are-working-longer-and-attending-more-meetings/?sh=5d465419706c>
  - <sup>4</sup> How much space do I need? 2016. Available At: <https://www.croninre.com/faq-5.html>
  - <sup>5</sup> Manhattan Office Market Report 3Q 2020. 2020. Available At: <file:///C:/Users/arubin2/Downloads/3Q%202020%20Manhattan%20Market%20Report.pdf>
  - <sup>6</sup> Collaborating During Coronavirus: The Impact of COVID-19 on the Nature of Work. 2020. Available At SSRN: <https://ssrn.com/abstract=3654470> or <http://dx.doi.org/10.2139/ssrn.3654470>
  - <sup>7</sup> How to Mend a Work Relationship. 2020. Available At: <https://hbr.org/2020/02/how-to-mend-a-work-relationship>
  - <sup>8</sup> How to Improve Your Company's Customer Focus. 2019. Available At: <https://www.salesforce.com/blog/customer-focus/>
  - <sup>9</sup> Covid-19: Is Your Board Hitting the Brakes on CEO Succession? 2020. Available At: <https://www.bain.com/insights/covid-19-is-your-board-hitting-the-brakes-on-ceo-succession/>
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