

## On Remote Work, Markets Will Decide

**O**ur cover story in this issue looks at the economics of cities and what the pandemic means for their future. How much reshuffling of businesses and residents will we see among cities, suburbs, and rural areas? The answer will have important implications for local economies.

Preferences will surely be quite varied. Some customers will value a return to in-person relationship building; others won't, having developed an appreciation of the efficiency of remote interactions. Some employers will want to bring their people back into the office, to invest in workplace intangibles like cultures, mentoring relationships, and collaboration. Others won't, perhaps believing they can operate comparably through technology, or putting more weight on potential rental cost savings. Some workers will want to return to the office and to business travel, valuing the resulting relationships and experiences. Others won't, placing more value on the lack of a commute and/or the flexibility of a somewhat less structured workday at home. And of course, there will be many gradations in these preferences.

This range of preferences makes forecasting difficult. Many are predicting the emergence of a new way of operating that combines remote and on-site activity, and indeed, most employers are exploring some version of this hybrid model. (I offered some thoughts about making this work in "The Future 'Hybrid' Office" on our website.) I think it would be more accurate, however, to call this a "holding-pattern hybrid": a placeholder for companies as they test what works in the marketplace.

That's because the geographic work options available in the post-pandemic world have to meet the market test. New models have the potential to



redefine the basis of competition. Some will win and some won't. The answer may well differ by industry and customer segment. But, to date, most of these models have been tested only in an artificially constrained environment — one where all players were forced into being remote. Until the markets have their say when the environment becomes unconstrained, it's fair to say we won't know how the geographic reshuffling will play out.

Customers will have their say. Companies will need to determine what in-person activities their customers now value: Sales calls? Conferences? Relationship-building dinners? If your competitors are investing in these and winning, how will you react? If you are losing to a lower-cost remote competitor, how will you react?

Competitors will have their say. Companies will need to test their assumptions about the importance of and process for building workplace intangibles. How much or little needs to happen in person to develop culture, build relationships, foster innovation, and integrate new hires? How much do these intangibles help differentiate

the company in the marketplace versus competitors who do less and potentially spend less?

Talent will have its say. Will these investments in workplace intangibles help attract and retain necessary talent, or will the talent needed to win prefer a different, more remote model? And that remote model could well extend far beyond the company's geographic base, potentially creating new talent hubs distant from corporate hubs.

Employers will have their say. Workers, too, are ultimately in competition with one another. Those who prefer working from home will need to test themselves on whether a long-term remote model enhances or diminishes their appeal in the job market. Will they have enough access to mentors within their company? Will they be able to build broad enough relationship networks outside their company? Will they be able to connect to others doing "leading edge" work who can improve their capabilities? Will their careers develop at the same pace? And are they now more available to attractive out-of-geography employers or more vulnerable to lower-cost out-of-geography workers?

For the past year, remote models haven't faced in-person competition in many industries. As a result, those predicting the future of work have been missing a key input: the voice of the market. As businesses and talent explore new models, that voice will matter a lot, for them and for their communities.

Thanks, and enjoy the issue. **EF**

A handwritten signature in black ink, appearing to read "The J.A." with a stylized flourish at the end.