The Future of Work – An Agency Perspective

Everything has changed. This much we all know. For agencies, the changes that the COVID-19 pandemic has ushered in are sweeping, lasting, and in many cases, game-changingly positive. One year ago our industry was facing existential threats from in-housing, shrinking margins and a talent drain away from agencies to alternative career paths. These challenges have not gone away, but for firms that have the energy, insight and resiliency, adopting new models, new tools and new sources of talent can ensure a pathway for sustainable growth and success in a post-pandemic marketplace.

Over the coming months, we will be sharing insights and ideas to inspire dialogue and debate, while providing guidance and tools to help agencies fine-tune their strategies so you can thrive and win. We’ll deliver best practices and thinking from members – across region, size, ownership and scale of offerings – and share the perspectives of strategic partners and other thought leaders such as Gensler, a global architecture and design firm and We Are Rosie - a rapidly growing community-based supplier of diverse independent marketing talent.

We will explore the Future of Work from a number of dimensions. We will look at the functional and financial dimensions of office space and its changing role within agencies. We will also consider the evolving definitions of what constitutes an agency “team” and discuss new strategies for sourcing, recruiting, and engaging talent.

By opening up this important dialogue, our goal is to help you adapt and move your business forward, allowing for greater impact and an even more essential seat at your client’s table.

The Functional and Financial Impact of The Future of Work

Before the pandemic, the vast majority of agencies operated with office space representing the location where work was done. With few exceptions, agencies operated with standardized 9-5 office hours that began earlier for some and stretched far later for many. They visited clients at their locations and hosted them at their offices. The office was the gathering place for work, collaboration, connection and culture building. And, most remote working policies were limited to “exceptions” and used infrequently, if at all.

“There were a few other things that we have either developed or learned over the last 11 months. One of them, which is pretty universal has been the notion of working from home. We had that option in place and we gave our people some level of flexibility, even before
The pandemic. But when COVID hit, things were taken to a whole new level. One of the lessons we learned is the level of accountability. People within the organization have been so accountable, despite the difficulties of the pandemic, and performed their tasks and responsibilities so well while working remotely.” - Daniele Kohen, West Coast Lead, Mindshare

In fact, a recent survey from Mercer Consulting revealed that “90% of employers said that productivity has stayed the same or improved with employees working remotely.” The radical shift from an office-centric model to a distributed model has created some new challenges, yet the shift has also forced the industry to universally prove a model often discussed but infrequently practiced. The speed at which agencies were able to pivot to working remotely was astonishing and has ushered in a new era in marketing services. Agency life has changed for good and forward-thinking agencies can benefit from these opportunities and thrive in a new era of work.

“With so many things out of our control in our lives, there was something comforting about keeping the consistent cadence (of activities and community) while remote. We realized that what we had grown accustomed to doing in the building wasn’t really about being in the physical space, but about holding space for each other and being intentional in that community. Beyond safety and comfort, the role of the office needs to enable people to outperform.” - Laura Maness, CEO, Havas NY

From 2019 data collected from members in our 4A’s Analysis of Agency Costs Survey Report, agency office space expenses represent between 7-12% of revenues for most agencies and on average slightly more than 9%. We further know that non-billable travel has represented anywhere from 1-3% of revenue. Together, these two expenses have now become greatly more variable. Controlled by planning, vision and new expectations, if just two points of that revenue can be reapplied to other priorities, it’s possible to substantially enhance profitability, fund critical new initiatives, invest in talent and make agencies more competitive. We believe it is possible to increase operating margin from 1-3% over the next few years.

These real savings can enable investments in important new technologies, employee training or ensuring tangible hires against diversity goals. In an industry often fighting to ensure double-digit profit margins, this can be material. New models will also require agencies to support their teams with the tools and office solutions to work productively at home or remotely. Combined with a growth plan that may include enhanced offerings such as analytics, e-commerce, performance marketing and an eye toward total customer experience, we see the potential for growth and margin enhancement while driving deeper client value and trust.
While there are 4A’s members like Green Stone “based” in Denver who have successfully operated virtually since their inception (and their viewpoint is represented as part of this initiative), we are not advocating for the long-term continuation of permanent remote work. This is a business that is collaborative, creative, and focused on business outcomes that are achieved best through healthy debate from diverse perspectives and cultures. To foster that debate, being together can be essential. Rather, in speaking to members and other thought leaders, we anticipate hybrid working models that will enable greater employee satisfaction, increased productivity, better client business outcomes and, potentially, enhanced financial performance. Further, we see the potential for healthier employees and a reduced environmental impact over time.

“I think the overall impact on work long term is going to be really, really positive. We’re going to see a continuation and an acceleration of things that we actually saw before the pandemic. People were already asking for more flexibility and autonomy, but for the most part they weren’t getting it.”

“What we’re seeing now is a shift from the perspective of ‘Wow, working from home can really be amazing and I can’t believe how productive I have been,’ to people recognizing how important human connection is. You can feel people yearning for more connection now.”

“I think that shift really underscores the importance of space longer term. So as a general position, we absolutely believe flexible work or hybrid work is here to stay. But we also think the role of place may be more important than it has ever been before. I think those two things are not mutually exclusive, those things are complementary as ideas.” -Jonathan Sandler, Strategy Director, Genlser

Consistently, we have heard from agency leaders that a “hybrid” model will be the path they will pursue. More flexible remote work policies, a greater balance of collaboration and connection tools, and a new approach to office design and use. And several hybrid models are being explored.
A Review of the Office Models for the Future of Agency Work

Based on expectations for post-pandemic operations and working models among agencies today, we can see several models that may be useful to consider based on agency size, geography, services and ownership structure:

Strictly Virtual

Agencies like Green Stone have been virtual since their inception. The goal was always to allow employees to live where it best suited their needs and lifestyle. Collaboration and connectivity is fostered through planned all-agency offsites, earmarked unbillable travel budgets to visit colleagues and clients, and a heightened leverage of tools such as Slack, Google Workspace, Miro and Zoom. Other variations may include providing access to co-working spaces for all or some of the team and provides for client meeting space and amenities. The model offers many financial benefits, as well the ability to hire from anywhere and leverage a team that includes staff, a group of known independent contractors and others to deliver the work for clients. It is certainly possible this model will grow as some agencies are pivoting toward or considering a virtual model. And, experience suggests this model is strongest when the scope of agency work has a higher degree of project work.

PROS AND CONS OF STRICTLY VIRTUAL MODEL

+ Enables the redistribution of the space expense to other priorities
+ No limits on recruiting and enables seeking the best diverse talent regardless of location
+ No relocation costs or requirements
+ Potential to leverage staff presence in many markets to stay close to clients
+ Co-working space can be used to foster collaboration and enable client visits/interaction

- Challenges of building culture and agency brand remotely
- Workers need to be highly self-directed and likely more experienced
- Requires more focus on process – “how” things get done
- More challenges for collaboration
- Limitations for client hosting
- Heightened reliance on technology and tools
- Increased needs for travel budget
“Old models led me to try to convince people to pull their kids out of school or move their husband’s away from their friends so they could have the career they wanted to have. I really wanted to prove that not only could you replicate the magic in the room, but you could make even more magic if you broke down the room all together.” - Matt Walsh, CEO, Green Stone

Traditional Office Model
During our interviews, we did not encounter one agency that expected to return to the “old model” of full staff in the office every day. Though there is no denying the pull of returning to the familiar, there will certainly be agencies that intentionally or through power of habit return to a traditional office model. Time will tell how frequently this will be the approach for agencies. However, we believe this model will likely lead to increased staff attrition (leaving to work for agencies with office models that better meet their needs), lower employee satisfaction, and limited opportunity to enhance margin or investment.

PROS AND CONS OF TRADITIONAL MODEL
+ Enables staff and leadership to work in modes that are comfortable and familiar
+ Requires limited adjustments to space, process and culture
+ Ensures “facetime” and unplanned interactions

- Employee satisfaction – particularly with certain segments – will decrease
- Likely increased attrition of valuable employees seeking more accommodating models
- Agency brand may be viewed as dusty or out of date
- Fixed costs remain high and reduces financial agility

“We will have to be intentional about keeping the good things we have learned during the pandemic. Drifting back to the way it always was is just the nature of things because people don’t really know what else to do. And, they won’t necessarily know how acceptable this hybrid thing is so I think there could be a regression to what we’ve always done (to the old office hours model). Organizational, companies will have to create real structure around a hybrid model.” - Joe Kelly, Chief Talent Officer, Interpublic Group

Hybrid Models
The middle ground and likely to become the norm for most agencies large and small going forward. These models incorporate an office or a group of regional offices, with a
flexible remote work policy that enables employees to work from a variety of locations while providing an office work environment that fosters productive collaboration and a culture of belonging. Some members are discussing 3:2 (three in office, two remote) or 4:1 expectations. These models will be variable, likely ever-evolving, and suggest a need for a re-thinking of the purpose, priorities and requirements for the office(s). Remote locations will become the space for focused thinking and personal productivity. Office space becomes collaboration and production space, along with a showroom for clients and prospects.

**PROS AND CONS OF STRICTLY HYBRID MODEL**

+ Potential reduction of space needs
+ No limits on recruiting and enables seeking the best diverse talent regardless of location
+ Allows staff to maintain balance of personal and work priorities, retaining more high-performing staff
+ Enhanced employee satisfaction by enabling flexibility with their preferred style and work approach
+ More productive use of collaboration time
+ More productive time working remote

- More technology and work space investment to enable remote work and ensure security of client info
- Challenges and potential costs to keep a permanently remote worker invested in the culture and productive
- Challenges to build and maintain culture
- Potential need to redesign or find new space with different requirements
- Increased need for non-billable travel budget

“I don’t think the future is going to be the past. We’re not going to just magically go back into offices. The genie is out of the bottle and everybody knows that remote work can work really well. And so, I think the future is going to be a hybrid model. I think a lot of agencies are going to be experimenting with different hybrid models and determine what the right hybrid model is. One idea that we’re toying with is three on, two off. Meaning, you work in the office three days a week, and then you work from home two days a week. Those three days in the office give teams the ability to physically be there for department meetings, team meetings, important client meetings and big brainstorming sessions. It will bring back the biggest part that I personally miss from the office, which is to watch all of the little impromptu meetings that happen in the hallway when you’re just walking around…. I can’t wait to get back to that.” - Dooley Tombras, President, Tombras Group
Campus Model

Building from employee needs out can enhance recruiting, increase productivity, and retention of the best talent. And, there is evidence that it can enhance creativity and agency growth. Starting from an employee needs perspective, many of the holding companies are well down the path of reimagining the way their agencies and agency networks share services and space while fostering heightened collaboration. We see the potential for this approach working for agencies partnering closer together without formal financial relationships, perhaps housed in co-working spaces or through the trend of commercial office spaces moving to provide more shared amenities. These models can and likely will become hybrid models, but enable new potentials and outcomes for large teams or matrixed service offerings. A campus model can require less total space, yet more specifically these models view space differently. These models warrant a consistent and concrete “home base” from which staff, leadership and clients can meet, collaborate, create and assemble marketing programs. And, in some cases, the campus enables the agency to provide for the greater health and wellness of employees with space for meditation, exercise and healthy nutrition. The features of the office likely shift from foosball tables and full bars to yoga studios and organic food options.

PROS AND CONS OF CAMPUS MODEL

+ Focuses on the greater needs of the team
+ Increase the chances of productive cross-agency relationships and collaboration
+ Tighter alignment of services and client offerings
+ Potential overall space savings
+ Enhanced employee satisfaction

- Potential loss of distinct agency brand identities and cultures
- May be more attractive to extroverts and those that want to be in office more consistently

Over the last few years as you moved to become more fluid, the technology workplace culture and environment has driven a more agile organizational model. They (WPP) were definitely the leaders in that kind of world. We’ve essentially seen a reduction in the traditional amount of space you need per head, but an increase in the diversity of settings or spaces that you’d have inside your working environment. It’s not just ‘I do this here and I do that there’ anymore. You might be moving around team to team to work with somebody on a particular account, or move around to help somebody unlock a particular problem for a client. That shift was gradually reducing the amount of real estate you needed because as you are working in a more fluid, agile fashion, you have more people moving around and the
office becomes less static. You can essentially increase the occupancy or the utilization of your space quite substantially and allow for future growth that didn’t mean you had to grow your real estate portfolio. That essentially is the WPP campus model that you might have heard about in the press.” - Colin Macgadie, Chief Creative Officer, BDG architecture + design (WPP)

Other Benefits of Reimagining the Office Space

Dentsu recently announced their goal to meet “net zero emissions” within the next ten years which is a continuation of years of environmental commitment. Other agencies and networks have set similar priorities. One of the byproducts of reducing office space and enabling more remote work is the potential to reduce the industry’s carbon footprint in an effort to help restore the environment. The surprising and encouraging environmental progress that was witnessed during the heart of the pandemic lockdown has changed expectations about what can be accomplished. The International Energy Agency (IEA) shared that New York saw a CO2 decline of ~10% in the month of March 2020 compared to normal and Paris, in the same period, saw a CO2 drop of 72% (+/-15%). Many agencies interviewed for this series suggested that they believe their teams will be able to work remotely at least one day per week, likely two. In that scenario, agencies can reduce the impact of long commutes and energy consumption. As an industry, the impact will be substantial.

Further, traffic and other issues of life in and around cities can be permanently eased. So, assuming other professional service groups similarly reduce their time in office, even on days that employees choose to go to the office, there may be less stressful and lengthy commutes.

The Realities of the Future of Work

While the potential to create material changes to agency cost structures is real, it’s not a simple solution nor a cure for all that ails our business like failing to employ a more diverse and inclusive workforce or the need to drive more value-based pricing models. And, along with these new hybrid models come some additional needs and costs that must be considered. As blueprints are being made and models are being evaluated, it’s essential to consider these costs into your planning.
Technology

If you want to set your team free to work where they can be most productive on specific kinds of work or tasks, you will need to ensure they have the tools to safely and productively work. Naturally, tools like laptops and mobile devices are essential. But, with a more flexible working model, agencies will have to look at security tools, ergonomic and productive home office furniture and other approaches to ensure agency and client data is held confidential. Further, collaboration tools such as Trello, Asana and Slack will become even more important to ensure teams can work together and share ideas across distance and time. And while many agencies have embraced project management as a critical function and the tools that go along with a focus on process, agencies will have to increase their focus on “how” to develop and execute ideas in a world where they are not always sharing space. Many agencies have been learning this lesson during the forced remote work over the last year.

Rethinking Space

Given that most agencies are looking at hybrid approaches, agencies will need to consider the role, priorities and allocation of space. Utilizing less space has potential benefits but the remaining space needs to be redesigned with greater purpose and focus. More collaboration space, less defined office space. More options and more technology. Pre-pandemic data suggests as much as one-third of agency teams were out of the office on any given day due to time spent at clients, business travel, vacation or illness. In a hybrid working environment, that number would likely be higher. Perhaps only half of teams will be using office space at any given time.

And, new options are being explored from a lease and fixed office space perspective. Some agencies have moved to co-working space completely, giving up fixed/owned office space. Many commercial office space companies are moving down this path to offer plenty of amenities in shared spaces, client and flexible collaboration/client spaces and the opportunity to flex up and down space needs based on time of year, special projects and needs.

“I think the repercussions and space are different, depending on what your philosophy is to flexible work going forward. What I mean by that is more unassigned seating, more amenities, and more collaborative spaces. But also less ownership of a specific space because it doesn’t make sense anymore. Having a space sitting there empty all the time just doesn’t make sense, it’s just not smart business.” -Jonathan Sandler, Strategy Director, Gensler
Workspace Planning Worksheet

Financials
a. Consider square footage needs
b. Length of lease or useful life of space -- flexibility will be important
c. Three “Rs” of new space planning
   iv. Reduce as possible
   v. Repurpose where valuable
   vi. Redesign with priorities for employees and clients in mind
Potential savings goal: 3-5% of existing investment

Space planning and design
a. New priorities -- not space per employee ratios
b. Versatility -- each space can be used for multiple roles/priorities
c. Traditional client considerations -- Client/brand teams and client hosting
d. Technology playing a larger role
   i. Bridge distance as everyone will not be in the room
   ii. Incorporate collaboration tools and standards
g. Wellness over entertainment
h. Reducing carbon emissions and supporting environmental initiatives

Planning to support staff
a. Begin with a clear and flexible remote work policy
b. Home/remote tools
c. Privacy and security
d. Working remotely vs. distant staff needs
e. Plan for a variety of team members (FTEs, freelance and partners)
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