

IN PERSON

WHY COMING TOGETHER FOR
WORK MATTERS

IC&CO

 HONEYCOMB.

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About IC&Co and Honeycomb Analytics

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1 FOREWORD

2020 will be remembered as the year that changed everything, with the pandemic impacting the way each and every one of us socialises, shops and, of course, works.

We all adapted quickly to a new reality. We made use of the latest technology to help us communicate with family and friends as well as, in many cases, to continue our working lives from home.

But ultimately it isn't technology which has got businesses through the challenges of 2020, it's people. With resilience, determination and innovation, employees around the world have shown, once and for all, why they are truly a company's most critical asset. Many businesses are left grappling with how to attract, nurture and, indeed, protect talent in these unprecedented times – and naturally they're asking what role workspace has to play in that.

As we enter 2021, the question we're still all asking is 'what next?' While none of us know when the pandemic will end, at Landsec we are confident we can help our customers navigate their way through this evolution.

We pride ourselves on forging partnerships with our customers, which means listening to them, understanding their business and viewing the world from their perspective. To do that, we have our eyes and ears open at all times. We also dig deep to uncover insights. And that's why we commissioned this research.

We're well positioned, because, although the pandemic has accelerated rapid change, we've been having conversations with our customers about hybrid models of working for several years. That is to say, the future of work is all about choice, with the office being part of a wider ecosystem of physical and digital spaces where employees can work.

The office remains at the heart of that ecosystem because, even in a post-Covid world, so many of us instinctively recognise the value of coming together to work, in person. This research goes beyond our instincts. By drawing on data and expert perspectives from across business and academia, IC&CO and Honeycomb Analytics have unpicked the true value of working in person.

We were heartened to see so much of the research reinforce our belief that the role of the office is evolving to be focused on driving collaboration, learning and

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innovation. Our own recent survey of 3,000 office workers showed people based at home were most missing the camaraderie (43%) and collaboration (41%) and that many (37%) believe creative thinking is ‘much better’ completed in the office.

We put customers front and centre of decision making, and the new evidence in this report renews our focus on ensuring both our existing offices and development pipeline are uniquely designed to support collaborative and innovative ways of working.

The report also highlights the significance of in person working on employee development and wellbeing, and the factors underpinning this. Employee wellbeing is a subject close to our hearts - after all, we believe an office should enable great experiences at work, and we’re committed to creating only sustainable and healthy spaces, so it’s fascinating to hear different perspectives on the psychological benefits of coming together.

Ultimately, we hope this report will start productive conversations – conversations which help our customers, who already see the value in office space, better understand how they can use it effectively to achieve their goals, no matter what the future holds.

Matthew Flood

Head of Occupier Markets at Landsec

January 2021

2 EXECUTIVE SUMMARY

In a time of widespread restrictions, people are perhaps more aware than ever of the value they place on being close to the people they work with. But with technology making remote working possible, it can be hard to place exactly why being close to the people we work with is important.

This report utilises data and new perspectives to uncover why coming together for work matters as much as ever.

2.1 The psychological argument

As a species, humans have evolved to screen, scan and influence the behaviours of people around us through face to face encounters. If you're operating solely on a phone or a video call, then you're disabling some fundamental human skills.

Within this, three things stand out:

- In person contact is incredibly good at helping us think together when issues or circumstances are uncertain or novel. It is therefore indispensable in some work and communication in the services and knowledge sectors.
- In person contact is fundamental in building trust and mutual confidence in business and political relationships. We need to detect and understand other people's intentions. Our senses and intuition about the person in front of us are critical to this.
- And finally in person contact facilitates some of the key benefits of work to mental health, including contact and friendships, a sense of identity, a sense of routine and opportunities to achieve and contribute.

2.2 The growth and recovery argument

Our research among business leaders in the B2B sector bears out the arguments in Jonathan Reades' and Martin Crookston's forthcoming book: *Why Face to Face Still Matters*. Face to face encounters are critical for business for at least two reasons:

First, they promote cohesion and community inside the business. Without regular face to face contact:

- *Leaders find it harder to lead*
- *Learning and 'trade craft' suffer*

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- Younger workers may suffer disproportionately from the absence of the anchor point of the workplace to help their social and professional development

Second, they promote customer client and customer development outside the business. Businesses invest heavily in getting face to face with potential clients and business partners. When people are deciding how and whether to do business together, in person meetings are crucial to promote mutual trust.

2.3 The economic argument

The closer we are, the more productive we are.

Productivity increases when we are closer. Workers in high proximity hubs, such as cities, produce 60% more economic value* than in low proximity areas, according to ONS data.

In fact, for every extra 1,000 people per km², productivity per person grows by £1,400. (Using Gross Value Added per person, the ONS's key measure of productivity).

We pay more for the value of proximity

For each additional 1,000 people per square kilometre, the average price paid for residential property increases by £59,000. This suggests that many of us are aware of the benefits of being closer together, in order to share knowledge, resources and infrastructure. As well as taking advantage of the large number of products, talent, services and investment in proximity hubs like cities.

We value face to face interaction hugely

Based on the amount spent across the business event sector, on business trips, on face to face training and on commercial rent, we've calculated a direct contribution of £95 billion in a typical year. Clearly 2020 has not been a typical year, and Covid-19 will have long-term impacts, but this figure gives a useful benchmark when assessing the value we place on in person working.

3 FACE TIME:

THE PSYCHOLOGY OF IN PERSON INTERACTION

3.1 'Thick' and 'thin' work

The speaker and innovation advisor Charles Leadbetter¹ describes how we should think in terms of two fundamental types of work. 'Thin' work is tightly-scheduled and task based. Just Eat or Uber is classic 'thin' work: the instructions and timings are set by an algorithm. Work is a set of tasks. It can often be completed remotely efficiently and effectively.

'Thick' work is needed when the problems or opportunities are novel or unpredictable. It requires patience, persistence and iterative problem solving. It is the kind of work we can't do in isolation, and requires high levels of collaboration and problem solving.

Leadbetter concludes that the value of face to face and where we meet is critical.

"This 'thick' work in groups and teams thrives on intense, repeated face-to-face encounters. Thin work.... coordinates people who barely need to know or talk to one another. Thick work, requiring intense concentration and conversation, calls for places for practice and performance designed with that in mind."

We interviewed leaders from very different knowledge industries: financial trading, advertising, recruitment and digital design. (See Appendix 1 - Case Study Profiles) and this was a familiar theme for them: the complex, new or uncertain require greater coordination and imagination. Our interviewees cited the importance of this face time to their businesses:

"This is a community of super smart, bright people who love to work in teams and who love to get presented with knotty, difficult, constrained problems and then work them through to lovely, elegant solutions in digital design. That's much harder remotely."

Tom Wood, CEO Foolproof, a digital design business based in London, Norwich and Singapore

Advertising is a sector where intense exchange and iterative development is critical. As George Bryant, co-founder at advertising agency The Brooklyn Brothers, told us:

¹ <https://essays.centreforlondon.org/issues/work/through-thick-and-thin/>

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“Our product is creativity. Creativity is born of collaboration, and the best form of that is between three or four people - a close-knit group. I’ve spent a lifetime fostering these close-knit, in person collaborations.” **George Bryant**

In Landsec’s (September 2020) survey of office workers in and around London, many reported that creative thinking is ‘much better’ when completed in the office (37%)².

3.2 Trust and mutual confidence

In their upcoming book, *Why Face to Face Still Matters*³, Jonathan Reades and Martin Crookston study why in person encounters matter. Their work is based on a review of economic geography and planning, and forty interviews with a variety of business and organisational participants. They also repeated some of the interviews in the light of the Covid-19 pandemic.

One of the book’s key claims is that face to face has a huge role in promoting mutual confidence among people, especially when it comes to more opaque and complex markets and issues. It’s vital when it comes to negotiating uncertainty and ‘sealing the deal’.

“Face to face is crucial when you’re in a business where the ratio of judgement to data is high.” **Martin Crookston**

But there is another vital aspect to this. When we encounter other people, we use our senses to take in information about them. As Crookston says:

“Do I trust their judgement? Do they seem to know the explicit and implicit rules about this sector and how it does business?”

Crookston paints a compelling contemporary picture of a very ancient set of traits. Dr Diana Fleischman, evolutionary psychologist, explains that we use our evolved senses to detect how we are feeling about others and what they are doing, and how they are feeling about us and what we’re doing. As ultra-social beings, we are designed to influence the minds and behaviours of other people.

“Fundamentally, face to face gives you much greater bandwidth. It helps us interpret other people, but just as importantly, it helps us not to misinterpret them.” **Diana Fleischman**

² Landsec survey. Q39 What are the key benefits of returning to the office? Base =3,125 office workers

³ <https://bristoluniversitypress.co.uk/why-face-to-face-still-matters-2>

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All this is at play when we work intensively together on new, complex or uncertain issues. As Fleischman explains, our ancestors were people who evolved very good ways of screening people, of getting together and building trust. This operated at a tribal level (is she / he one of us?) and within the tribe or social group. We developed highly sensitive ways of detecting others' intentions and how we should behave with them or influence them. She describes this as a key feature of our evolved psychology. One of the reasons we have been so successful as a species is that we form reciprocal alliances with others – we have evolved mutually profitable, reciprocal relationships, while detecting those who might wish to cheat us or act as 'free riders'.

Fleischman describes some of our detection mechanisms:

“You want to accurately interpret their reactions - how they speak, if they are turned towards you. You are also trying to notice the status in the room and how high-status individuals are reacting – since they are the ones who can, in effect, offer the favours you’re seeking.”

We have a whole array of non-verbal behaviours that help us interpret the person in front of us, be it eye contact, body posture and gestures, and mirroring each other.

Much of this is unavailable to us in a remote working scenario, which can compromise our interpretation of others. It may be for this reason that Zoom has introduced a 'non-verbal feedback' setting.⁴ It's perhaps not surprising then that of the 3,000 office workers surveyed by Landsec, 45% found collaborating with external partners better and 55% found participating and collaborating in meetings easier too.

We are equipped by evolution to be naturally attuned to the behaviour of others. In the words of another interviewee: “Who’s with you, who’s not, and who might be.”

This is exactly what happens in a contemporary boardroom.

“There’s ..the whole culture of selling and buying services, whether design or IT or advertising, that depends on meeting face to face. The client will be thinking, ‘I’m buying from strangers and I need to develop some confidence, not just on paper of what the capabilities of this company is, but what they’re like. Are they going to fit with my team? And so there are some things that in developing sales conversations, are going to be very difficult.” Tom Wood, Foolproof

⁴ Zoom. <https://onlinezoomappdownload.com/non-verbal-feedback-during-the-zoom-meeting/>

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It's the same when meeting potential investors. Morgan Tillbrook is CEO of Alpha FX, one of the leading foreign exchange brokers in the UK:

"They need to see your passion, how you react to difficult questions, if they can trust your answers - the 'reads' and 'tells'. A smart investor wants to see you. They're there to extract information from us... they're there to put us under pressure...they want to get a read on "are they committed, are they passionate, do I trust what they say?"that's important to them."

Morgan Tillbrook

While face to face contact is vital for the complex or important, Reades and Crookston also found that there is an incredible amount of value in responsive presence: just being where the action is. You are able to respond to a sudden opportunity or deal. *"You can walk down the street or hop in a cab and hash out an issue with a client."* This is particularly true in what Reades and Crookston call more 'promiscuous professions' like politics, the media or investment banking, where fast moving events require similarly fast-moving teams of people.

"So, proximity still matters. Not to every industry, and in different ways in different industries, but the ability to turn up at half an hour's notice several times a week, is an asset worth having."

Martin Crookston

3.3 Mental health: identity and boundaries

Mind, the mental health charity, describes some of the key benefits of work to mental health⁵, which include contact and friendships, a sense of identity, a sense of routine and opportunities to achieve and contribute.

Despite some of the benefits of home working, there have clearly been costs. The results of new work by Nuffield Health, the UK's largest healthcare charity, have revealed that 80% of Brits feel that working from home has negatively impacted their mental health.⁶

Of those surveyed, 25% said they were finding it difficult to cope with the challenges brought about by loneliness and isolation from colleagues. Finding a work-life balance is also proving to be problematic for many, with nearly a third

⁵<https://www.mind.org.uk/information-support/tips-for-everyday-living/workplace-mental-health/work-and-mental-health/>

⁶ <https://www.nuffieldhealth.com/article/working-from-home-taking-its-toll-on-the-mental-health-relationships-of-the-nation>

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(30%) finding it difficult to separate their home and work lives. A further 27% reported difficulty in switching off at the end of the day or working week, whilst 34% believe working from home has placed a strain on relationships with their partners or children.

Tellingly, 49 per cent of people surveyed by Landsec reported that the office provides a much better environment for encouraging them to feel like a valued member of the business.

Dr Diana Fleischman provides some context to these results.

‘Because we are quite habitual and routined, we can easily feel psychologically torn when it comes to your role and your motivation. There is a domestic sphere and a work sphere. When you’re at work, others are sharing some excitement, sharing some connection’.

Some of the stress people are feeling is about the confusion of their space and routine. People may not yearn for their commute, but they are stressed by the newly fuzzy boundaries around work, play and care. Or, as an interviewee put it “Home and work folding into one another, Inception-style.” Psychology has a field of study called boundary management, dealing with just this. People and organisations have developed new routines to deal with this, whether it’s a ‘fake’ commute round the block before the day starts, or an organisation banning video calls/ conferences outside of core hours of, say 9.00 – 3.00. Despite these adaptations, people still value the structuring of their days: of the returning office workers in the recent Landsec survey, nearly half (47%) valued ‘the routine’ of the office as important.

Fleischman calls out the problem of shifting identities.

“We’re constantly locating “the person who I am right now”, whether that is professional, mother, friend, and it can be very difficult for people when these identities start to conflict: when there isn’t a place for identity to be nurtured and affirmed.”

In other words, in person working may have a crucial role in helping us to maintain a sense of identity and work-life balance.

4 GROWTH AND RECOVERY: WHY IN PERSON IS VITAL FOR BUSINESS AND ORGANISATIONS

As one of our participants said: *“You can maintain a business remotely, kind of, But it’s really hard to grow one.”*

4.1 Inside a business

Cohesion and community

The business leaders we interviewed oversaw, in early 2020, the rapid mobilisation of their businesses to hybrid working. They’ve been successful in maintaining operations, satisfying clients and dealing with crises.

But they miss cohesion and community: elements which they had carefully nourished over years and sometimes decades. A critical part of the employee deal for innovative firms is proximity to smart and stimulating colleagues.

Tom Wood, CEO of Foolproof, said:

“There’s a substantial community inside the business feeling that they’re missing out on one of the things that is part of the package of being at work: the actual physical proximity to a company with smart, funny, interesting, lively people and feeling that they are missing that in all kinds of ways.”

George Bryant at The Brooklyn Brothers, said:

“What we miss is togetherness. We miss the sense of cohesion - that’s the single biggest thing.”

Simon Stephens is joint managing director of Better Placed, one of the UK’s leading recruitment agencies, based in Leeds, Manchester and London. He talks of the chemistry of the workplace, and how face to face can remove a lot of the friction around key issues of common understanding and execution of tasks.

“People still crave human interaction. AndI’m one of them. Why? You still need to meet people. You also need to get a real, true sense of who they are and to really understand how people are feeling. It’s so much easier in person than it is via a Zoom call or Teams call.”

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Stephens highlights one of the dilemmas as we develop hybrid working patterns. Remote working can genuinely help some issues of work-life balance and can be more suited to some high concentration tasks, such as analysis, coding or report-writing. But, as Landsec's recent survey found, it is the being in the company of colleagues' (51%) and 'collaborating on projects' (41%) which are highlighted by employees as the key benefits of face to face interaction.⁷

All of these businesses had invested heavily in their workplaces in different ways to create environments where people wanted to come together, to work, play and connect. Better Placed recently came fourth in the Sunday Times Best Places to Work.⁸

In person leadership

Growth needs leadership and leadership, done well, is an intensely human business. Morgan Tillbrook, founder and CEO at Alpha FX is forthright on the issue. To lead people, you have to be alongside them.

"It's that difference between managing and leading people. Arguably, businesses may get better at managing tasks and data with remote working. But to lead people and elevate them, you have to be around them."

This is echoed in the other conversations. Leaders set direction and are then constantly course-correcting, because no journey is predictable. At The Brooklyn Brothers, George Bryant uses another journey metaphor.

"To work together is to travel together. And it's really hard to travel on Zoom."

Leaders are also constantly spotting opportunities to share and 'scale' success. Simon Stephens at Better Placed:

"There'll be times when someone's had a great week and I just want to say to them come on, I need to go and buy you a beer, or, you know, let me take you out for lunch for a fantastic month.... We like to share

⁷ Landsec survey. Q39 What are the key benefits of returning to the office? Base =3,125 office workers

⁸Better Placed. <https://www.betterplaced.com/official-better-placed-one-best-small-companies-work-uk/>

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success- really bond and build team spirit... because you're sharing success, you're talking about success. People in and around those people are living in and hearing of that success. And that's, you know, that's a really important thing."

And while remote tools have maintained important contact, it's not the full '3D' contact on which leaders thrive, in order to feel the pulse of their organisation.

'Apprenticing' & trade craft

A constant flow of learning and feedback is critical to the knowledge business. It's during this process that deeper understanding and better problem solving happens.

This is particularly important for younger people, or those new to an organisation. It is in the informal exchange of learning that the sense of the profession is built.

A young trainee chartered accountant told us:

"I thought I'd like the home working, but I hate it. I can't wait to get back. You only learn by this process of 'what do you think?' to your colleague or manager. That's how you get, I don't know, 'shaped', I suppose. It's become really hard to learn."

This is the process of professional 'apprenticing', where, through work, feedback and observation of others, you learn how your craft works. The evidence is that it struggles in absence of frequent face to face interaction.

In an interview with David Parsons, the co-founder of architectural firm Selencky Parsons, the Guardian found that during lockdown, although there was plenty of work coming in, productivity seemed to drop. *"It wasn't that people weren't working as hard. It was that they weren't getting to the answers as quickly – not feeling like they could call and ask any question, at any time, as they would if they were physically next to us."*⁹ His concern was that his younger team members were missing out on both formal and informal incidental learning. *"The amount you learn from just listening to other people's conversations is huge. To be completely isolated from all that, I think, is a big problem,"* he says.

⁹ <https://www.theguardian.com/business/2020/sep/12/my-company-has-gone-fully-remote-and-im-despairing-who-wins-in-the-new-world-of-working-from-home>

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Further concerns for younger workers and professionals came through from our interviews. There was the evident divide between younger workers and more established (and better paid) colleagues in the work from home environment.

“Home working is tough if you’re living in a shared flat on a busy road on a hot day. You need places where you can be convincing for others, where you can breed confidence in others...that keep people interested.”

George Bryant, The Brooklyn Brothers

So without the anchor point of the office as a place of development, how will younger people thrive professionally? Morgan Tillbrook of Alpha FX:

“If you’re not careful you’ll have this massive gap where younger people can’t access the support they need - the talent and experience they need to learn from, won’t be there.”

Tillbrook is deeply concerned about the effect that a default remote working would have on younger people. If they are not constantly learning and developing new professional and social skills within the discipline of a culture and place, he suggests that their roles could easily become redundant. It’s an easy step from remote working to being outsourced.

4.2 Client and customer development

For knowledge based, complex and business to business purchases, client development is key. Why? Firstly, because most of these businesses rely on a continuous inflow of new clients, projects and opportunities, especially growing businesses. Secondly, because B2B purchases involve financial or status risks on the part of the client, so each party has to be sure of the other.

“We have a thing called the ‘real network’ which we pride ourselves on, which has been that things are deep seated and the relationships are authentic because you've met somebody and you get to understand an organisation and get to understand that culture.”

Simon Stephens, Better Placed

For higher value, or complex sales, the face to face encounter can be critical, at two points:

“It’s when the relationship is new, or when it’s at a critical point. That’s when face to face matters.”

Reades and Crookston¹⁰

George Bryant, from The Brooklyn Brothers

“In a pitch, the client isn’t really buying the particular creative idea you’re selling: what they’re really buying are the people in front of them. Can I work with these people? Do they work well together? Are they in sync?” We’ve done several pitches in lockdown...but it’s so hard to get to the spontaneity and energy of a ‘real’ pitch.”

Crucially, people seem to need face to face to, in Fleischman’s words – “reduce the perception of incompetence. As human beings we judge each other quite a lot on all these subtle cues of whether or not we’re reading each other well”. What our business leaders describe as pitching “with one hand behind your back” the psychologist describes as “confusing their competence cues.” Equally importantly, we “judge each other on how we pick up cues”, so the greater communication capabilities of face to face increases the likelihood of two parties understanding and connecting with one another.

Reading the meeting and motivations, responding to cues and adapting to the circumstances appear to be crucial elements in higher stakes B2B purchases.

¹⁰ <https://www.centreforcities.org/podcast/city-talks-face-to-face-interaction-and-why-cities-still-matter-in-the-information-age/>

5.0 THE VALUE OF PROXIMITY: PRODUCTIVITY, CONNECTION & INNOVATION

Twenty years ago commentators pronounced the ‘death of distance’¹¹ – that the internet gave us permission to work and co-ordinate from anywhere. What they missed is that even if we can work from anywhere, it doesn’t mean we want to. Even as Covid-19 has stimulated more blended working patterns, it is clear that coming together for work will continue to play an important role. Rather than the death of distance, Massachusetts Institute of Technology scholars suggested new forms of work may lead to a ‘new proximity’¹²

5.1 Productivity and proximity - why businesses cluster together

Being close to other people and businesses is a key function of productivity.¹³ Economists describe three main drivers of the value of proximity:

Sharing – firms tend to cluster together because they can share resources and infrastructure. Productive towns and cities have a high concentration of support services, from legal, finance, shipping and repair services, to public services like education and policing.

Competing – high proximity hubs like cities have large numbers of markets in products, talent, services and investment. That means strong competition, which in turn means that firms focus on what they are particularly good at, which means improved service and productivity. Consumers benefit from these improvements. Entrepreneurs in particular benefit from this concentration, which is why cities tend to be breeding grounds for innovation.¹⁴

Learning – economists refer to the exchange of knowledge through informal and regular contact as ‘knowledge spillover’. People find out where the good jobs are,

¹¹ <https://www.cio.com/article/2441172/q---a---frances-cairncross-s-predictions--internet-will-change-global-law--lines-between-ho.html>

¹² Harvard Business Review <https://hbr.org/2016/04/if-work-is-digital-why-do-we-still-go-to-the-office>

¹³ https://assets.publishing.service.gov.uk/media/57a089efe5274a27b200032b/What_are_the_features_of_urbanisation_and_cities_that_promote_productivity_employment_and_salaries.pdf

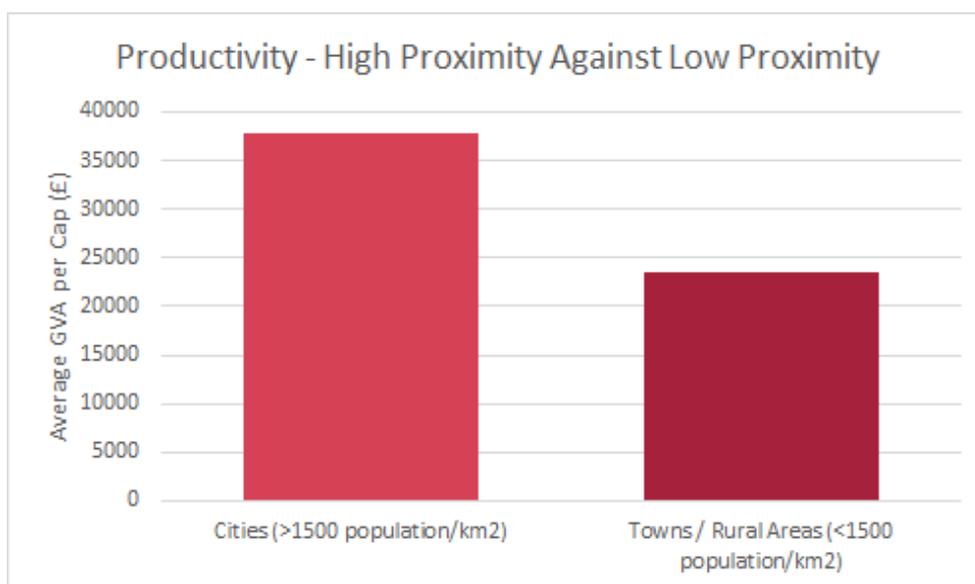
¹⁴ Duranton, Gilles, 2013, “Growing through cities in developing countries” Wharton School, University of Pennsylvania

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where the best talent is, borrow ideas and techniques to evolve them and develop something new.

This cocktail of sharing, competing and learning that means someone who works in a high-proximity area is, on average, making a 60% greater economic contribution than someone in a small town or rural area.

In fact, for every extra 1000 people per km², productivity per person grows by £1,400. (Using GVA (Gross Value Added) per person, the ONS's key measure of productivity).



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Figure 1 - Graph demonstrates how productivity (the average GVA per cap) differs between areas like cities with higher population density (over 1500 people per square kilometre) and towns and rural areas with a lower population density (less than 1500 people per square kilometre)

¹⁵ <https://data.europa.eu/euodp/en/data/dataset/GnGfvPQmfu5n6aKVXQkPw>, <https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/nominalregionalgrossvalueaddedbalancedperheadandincomecomponents>

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More people does not always mean higher productivity, but overall there is a linear trend between average GVA per person (the ONS's recommended measure for productivity) and population density.¹⁶

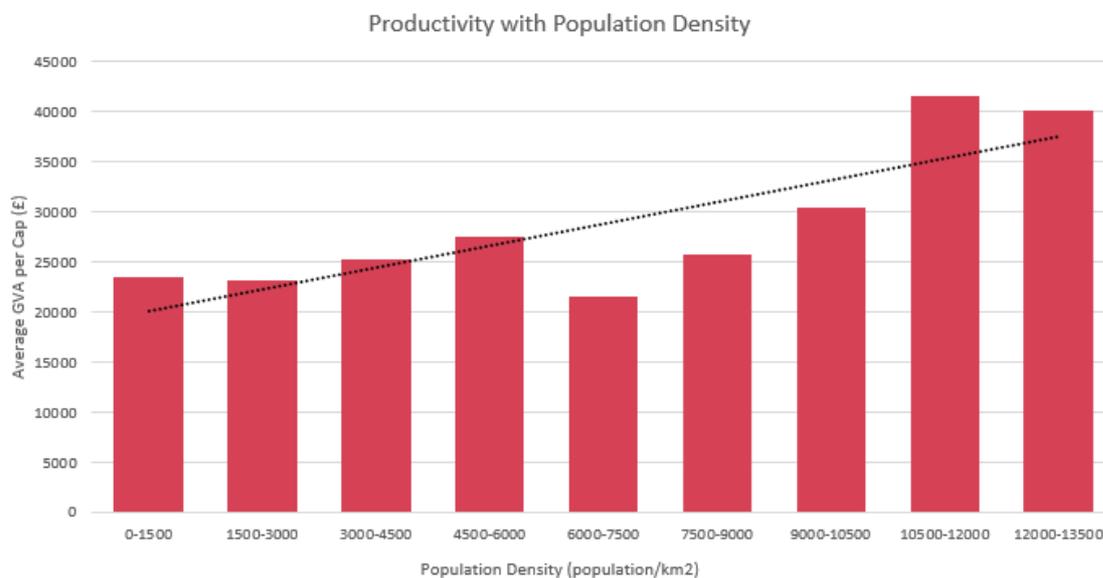


Figure 2 - Graph showing how productivity (average GVA per Cap) varies with population density on a more continuous scale than Figure 1.

5.2. We value face to face opportunities very highly

Meeting and greeting

How we meet for work has changed considerably in 2020, but it's worth looking to previous years for examples of the value we have placed on in person contact. One is the business events industry, which in 2018 had an annual value of £72 billion¹⁷ We spent around one and a half billion pounds a week getting together to develop ideas and opportunities. And in 2019 the estimated spend on business travel in the UK was £4.4 billion¹⁸.

¹⁶ Office for National Statistics <https://data.europa.eu/euodp/en/data/dataset/GnGfvPQmfu5n6aKVXQkPw>, <https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/nominalregionalgrossvalueaddedbalancedperheadandincomecomponents>

¹⁷ Oxford Economics. <https://insights.eventscouncil.org/Portals/0/OE-EIC%20Global%20Meetings%20Significance%20%28FINAL%29%202018-11-09-2018.pdf>

¹⁸ Visit Britain <https://www.visitbritain.org/gb-tourism-survey-2019-overview>

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Being where the action is

Cities and other high proximity hubs are hives of economic activity. One way of showing the value we place on more densely populated area is what homeowners are prepared to pay for the value of proximity. Figure X shows the increasing price paid for residential property with population density. In fact, with each additional 1,000 people per square kilometre, the average price paid for residential property increases by £59,000.¹⁹

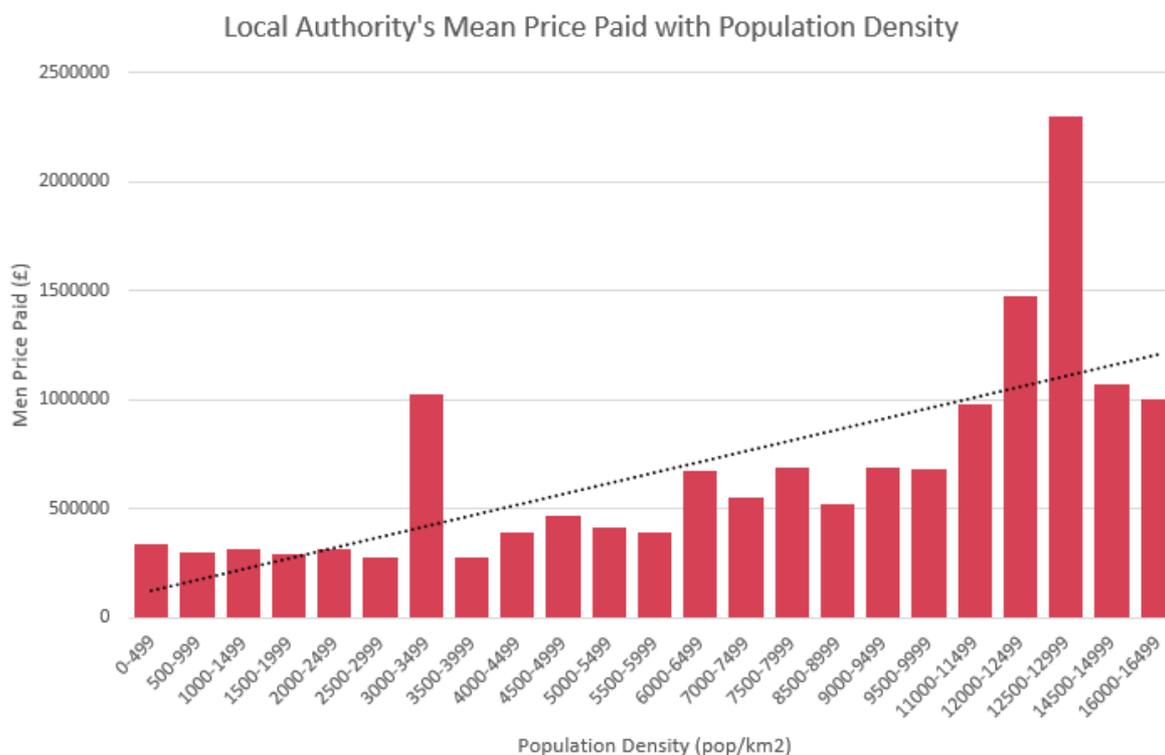


Figure 3 - Graph showing the rising average costs of property with population density. The outliers at 3,000-3,499 pop / km2 include local authorities in the South such as Worthing, Gloucester, Richmond and Cambridge. These locations are often within striking distance of cities or hubs in themselves. The penultimate two spikes show the cumulative effects of density and proximity i.e. prices rise disproportionately in better off areas of cities. The final two bars are high density areas in London with lower property value- Hackney, Tower Hamlets and Islington)

The trend seen in Figure 4 below estimates that for each additional 1,000 people per square km, the rent of a 14 square meter prime office space increases by approximately £1,200 per year. This shows that commercial office rents follow a similar pattern to residential property and productivity: you typically pay more for proximity to people (and especially 'players' in your sector): Canary Wharf or the City for financial services, Holborn for law, the Northern quarter in Manchester for fashion. There are many different drivers for office location. But higher end service

¹⁹ Average price <https://www.gov.uk/government/statistical-data-sets/price-paid-data-downloads>. Population density <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland>

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and knowledge businesses typically prefer to be where the talent is, where the deals and opportunities are, and where clients and partners like to be.

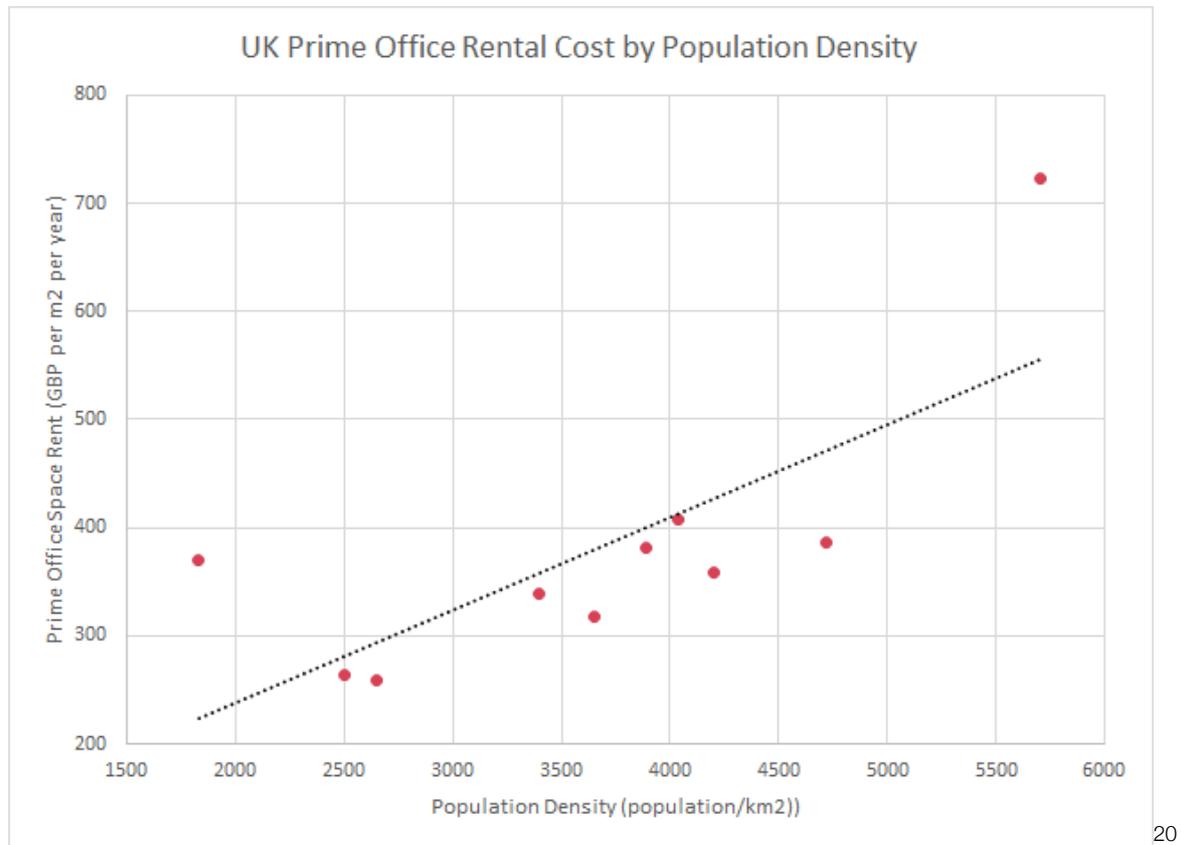


Figure 4- Graph showing how the rent of prime office space in cities within the UK varies with the population density of that city (included cities are London, Reading, Manchester, Bristol, Edinburgh, Birmingham, Glasgow, Leeds, Cardiff and Newcastle)

²⁰ <https://www.statista.com/statistics/323023/real-estate-prime-office-rents-in-london-rental-cost/>,
<https://www.statista.com/statistics/323013/uk-real-estate-prime-office-rent-prices-in-selected-cities/>

3.3 Face to face and innovation

Innovation is a catch all term for new developments in an economy or social system.

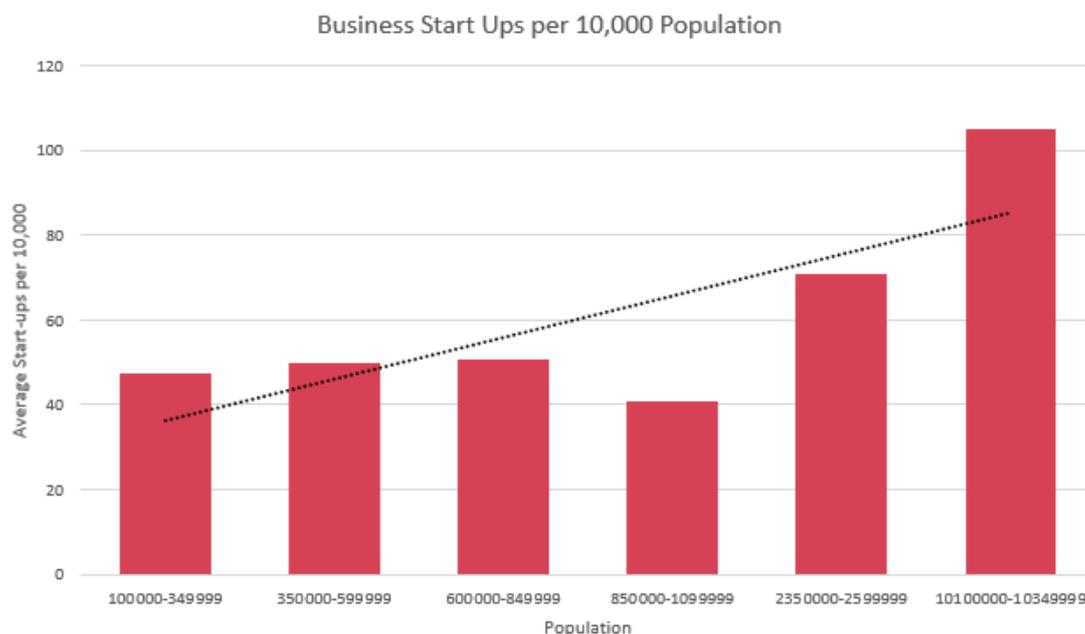


Figure 5 - A graph illustrating how the number of business start ups per 10,000 population in primary urban areas varies with the population of that area

In their 2017 report on *The Logic of Innovation Locations*²¹, the UK not for profit think tank Connected Places Catapult (CPC) makes it clear that where we collaborate and ‘think together’ is critical. Their view is shared by the Centre for Cities.

“By bringing together lots of people in a shared space, cities facilitate interaction between seemingly separate occupations and activities.”²²

This is evident in the work of one of our featured business case studies. Foolproof host Open Device Labs in their offices in London and Singapore, which they offer as a community resource.

“You are welcome to use it whether you are a big corporation or an

²¹ <https://futurecities.catapult.org.uk/wp-content/uploads/2017/08/Logic-of-innovation-locations-report-min.pdf>

²² <https://www.centreforcities.org/blog/who-creates-innovation-in-cities/>

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early stage start-up. Our one requirement: use this library to create more compelling experiences.”²³

Erin Walsh is Director of Built Environment at CPC. She leads a team whose job it is to encourage and nurture connections across SMEs, academia, investors and government. *“We’re there to convene people and spark new thinking”.*

A key theme of CPC is the productivity of place: the idea that many of the benefits of proximity can be deliberately created by thoughtful policy and action.

The Sheffield City Region’s Advanced Manufacturing Park²⁴ is a good example of the significance of place as an integrator. It has been helping shift the city region from a place of mass manufacturing towards a place that is home to cutting-edge technological research and development. The research is shared with places and firms not just in the city region but across the country in production centres like Airbus in Broughton in North Wales and Rolls-Royce in Sunderland.²⁵

Walsh also cites the Baltic Triangle²⁶ in Liverpool. It houses multiple digital, creative and retail businesses. A great example of how things work within the Triangle is Baltic Creative. Using grants and seed funding, a coalition of creative businesses bought 18 warehouses in some of the derelict parts of L1. It’s now a thriving community.

Walsh explains that part of the productivity of place is the other spaces close to work. *‘Somewhere you can go to chat, or to have a walk with a colleague - these are the places where interesting conversations happen’.*

²³ Foolproof. <https://www.foolproof.co.uk/device-lab/>

²⁴ <https://amptechnologycentre.co.uk/about/>

²⁵ <https://www.newstatesman.com/politics/education/2019/05/fix-britain-s-productivity-problem-we-need-talk-about-place>

²⁶ <https://baltictriangle.co.uk/>

5.4 The value of face to face

In 5.1 we saw that the closer we are, the more productive we become.

In 5.2 we saw how much we value being face to face professionally, based on our investments made in meeting in person pre-2020, in residential and commercial property, business events, meetings and travel.

In 5.3, we saw the value of face to face for productivity and innovation.

In all, that adds up to in-person working making a direct economic contribution of £95 billion in a typical year.²⁷

So it's safe to assume that face to face working contributes to our productivity as a nation.

After all, we've invested in in person working heavily pre-Covid and the 3,000 workers surveyed by Landsec cite the benefits of it. And, of course, we are currently seeing the dramatic effects on an economy when we can't meet to transact or connect. The contraction in the economy has many aspects, but a key one is the lack of face to face interaction to stimulate and co-ordinate economic output. Total productivity dropped by 19.7% between Q1 and Q2 in 2020 (from £472,850,000,000 to £379,261,000,000)²⁸. The fall in professional and support services (a proxy for knowledge intensive businesses) was even sharper at 22.9%.

While there is no direct calculation of the productivity advantage of face to face interaction, the data and expert opinion unearthed for this report make it clear that it is set to remain the medium of choice when we want to plan creatively, develop new ideas and make important decisions.

²⁷ £72 billion on business events, £4 billion on business travel, £19 billion on commercial rent. (See previous references).

²⁸ ONS <https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/ukgdpolowlevelaggregates>

ABOUT THE AUTHORS

IC&CO is an insight company, specialising in thought leadership and facilitation. The principal is Iain Carruthers, who has worked as a director at Interbrand, Added Value and ICM Unlimited. Their clients are from financial and professional services, technology and packaged goods markets.

Honeycomb Analytics is a Manchester based data analytics consultancy. The agency works with international clients, across a wide range of industries including retail, FMCG, housing and social, financial, and leisure. The combine expertise in data science and market research.

Cover photo - Charles Deluvio.

APPENDIX 1 - Case study profiles

Morgan Tillbrook, Alpha FX Group

Morgan Tillbrook is a co-founder and CEO of Alpha FX Group. Founded in 2009, the Group provides currency risk management and alternative banking solutions to corporates and institutions across the UK, Europe and Canada. Recently recognised in the Financial Times as one of the fastest growing companies in Europe, the company has grown circa 50% YOY since inception, listing on the London Stock Exchange in 2017 (current market cap £450m). The group is distinctive because of its highly entrepreneurial culture and collective ownership (some 50% of its employees hold equity in the business).

Alpha is based in its new London HQ overlooking the Paddington Basin, an office that has been recognised by several leading interior design bodies for its unique working space. The company has also recently opened offices in Toronto and Amsterdam and now serves clients in over 40 countries.

Simon Stephens, Better Placed

Simon Stephens is co-founder and Joint Managing Director of Better Placed, a leading recruitment group.

Better Placed prizes its approach, which it calls the 'Real Network'. They try to go beyond online relationships and get to know people in the real world. In their words 'Talking and listening, preferably face-to-face, rather than just emailing and twittering.' Like our other case studies, Better Placed stresses high quality rather than high volume.

Better Placed was recently awarded the highest tier of performance in the Sunday Times 'Best Place to Work For', in recognition of its workplace culture and support. Better Placed has offices in Leeds, Manchester and a presence in London.

George Bryant, The Brooklyn Brothers

George Bryant is Chief Creative Officer of The Brooklyn Brothers, which he founded with his partners in 2008. The agency was acquired by the Interpublic Group in 2016.

The agency has a high creative reputation, particularly for its insistence on creating ideas that earn attention. Bryant is passionate about ideas that change things for the better and has led the modernisation of brands as diverse as The Olympics, Orange, Guinness, Tate Modern and the country of Iceland. He has been widely published and recognised in Campaign's A-list every year since its inception.

The Brooklyn Brothers can be found in Soho, London, and New York.

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Tom Wood, Foolproof

Tom Wood is founder and CEO of Foolproof, a digital product and design studio. Starting as a design consultancy, Foolproof moved to become a full design studio through organic growth and acquisition, including into Asia. They were acquired by Indian IT giant, Zensar Technologies, in 2016. They are regularly featured in the top 100 digital agencies in the UK

They have designed and built new services for Shell, Lloyds Banking Group, Sony, Avis and Axa. They also have Open Device Labs in London and Singapore, which they offer as a community resource to local businesses and start-ups seeking to develop their own digital products.

APPENDIX 2 -Expert commentators

Martin Crookston is a strategic planning consultant, with experience ranging from London and Abu Dhabi to Prague and the Paris region. An urban economist and planner, he was a member of Lord Rogers's Urban Task Force, where he chaired the Working Group on Design & Transport. Much of his recent work has focussed on housing and regeneration, and he is the author of *Garden Suburbs of Tomorrow? - a new future for the cottage estates* (2014).

Diana Fleischman is an expert on understanding psychological traits through the lens of adaptation and natural selection. As an evolutionary psychologist at University of Portsmouth, her work includes the study of disgust, human sexuality and hormones and behaviour.

Erin Walsh is Director of Built Environment at Connected Places Catapult.