

## Corporate Management in the Post-Covid-19 Era, Part 1: Communication Styles and Business Redesign

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### ■ Redesigning corporate activity in light of the Covid-19 crisis

In Japan, since the nationwide state of emergency was lifted on May 25, interest has been quickly growing concerning a Covid-19 exit strategy. However, given that it took a long time for past epidemics to truly be “over,” some argue that corporate management teams should anticipate the worst-case scenario conceivable at this time and formulate plans including large-scale layoffs.

We need to assume that irreversible changes will be here to stay in the world after the Covid-19 crisis has ended (the post-Covid-19 world). As stated earlier, given that it will be quite a long time before the Covid-19 crisis is finally over, and that supply will become restricted as a result of bankruptcies and business closures, lost demand is unlikely to return anytime soon. What’s more, we should also be prepared for a significant change in market needs before any return of demand. When anticipating such a post-Covid-19 world, one major challenge for management will be “redesign of corporate activity.” This series will examine several aspects involved in redesign of corporate management in the post-Covid-19 era.

In the first article of this series, we will focus on corporate communication styles in light of the sudden adoption of telework and the resulting increase in discussion of telework’s effects and challenges.

### ■ New reality in the post-Covid-19 era

Corporate Japan’s previous business style was built on the assumption of having close communication inside and outside of the office, with companies paying for office costs and commuting costs as well as transportation, business trips and other travel costs. It is true that this business style did offer many advantages, absent the Covid-19 infection risk.

However, the new and harsh reality the Covid-19 crisis has thrust upon us is that this style of carrying out business is no longer feasible. With physical distancing critical to prevent infection, we must redesign our business style in terms of how we engage in communication. One answer to this question has been increased adoption of telework/working from home.

According to the Japan Institute for Labor Policy and Training, those in “managerial positions,” “specialized/technical positions” and “administrative positions” account for 39% of Japan’s workforce. In addition, those in “sales positions,” part of whose sales work may be moved online, account for 13%. In other words, theoretically speaking, telework is a possibility for half of Japan’s workforce.

Various academic studies have examined the productivity of telework, but no definitive conclusion has been reached. Now with the Covid-19 crisis and under the “stay-at-home” policy, many companies have switched to a telework-type business style regardless of whether they wanted to execute such a shift, and we are starting to learn the advantages and disadvantages of telework through our experiences as a result. NRI also conducted a survey at the end of March on working from home, and the results are available for your reference.

### ■ Suitability of communication means by purpose

**To consider the productivity of telework, it is helpful to look closer at specific operations individually.**

The work of white-collar employees can be categorized into work that they can perform on their own, such as information gathering and document preparation (solo work), and work that requires communication with people inside and outside of the company, such as meetings, negotiations and sales (communication-based work).

Unlike being in an office, a space designed as a workplace, working at home via telework may lead to the problem of declined productivity in solo work resulting from differences in the work environment (for instance, having family members nearby, being disturbed by noises in the neighborhood or, in short, being “susceptible to distraction,” as well as aspects of the physical environment such as desk, chair, and communications setup). Yet what is more important to discuss is the productivity of communication-based work.

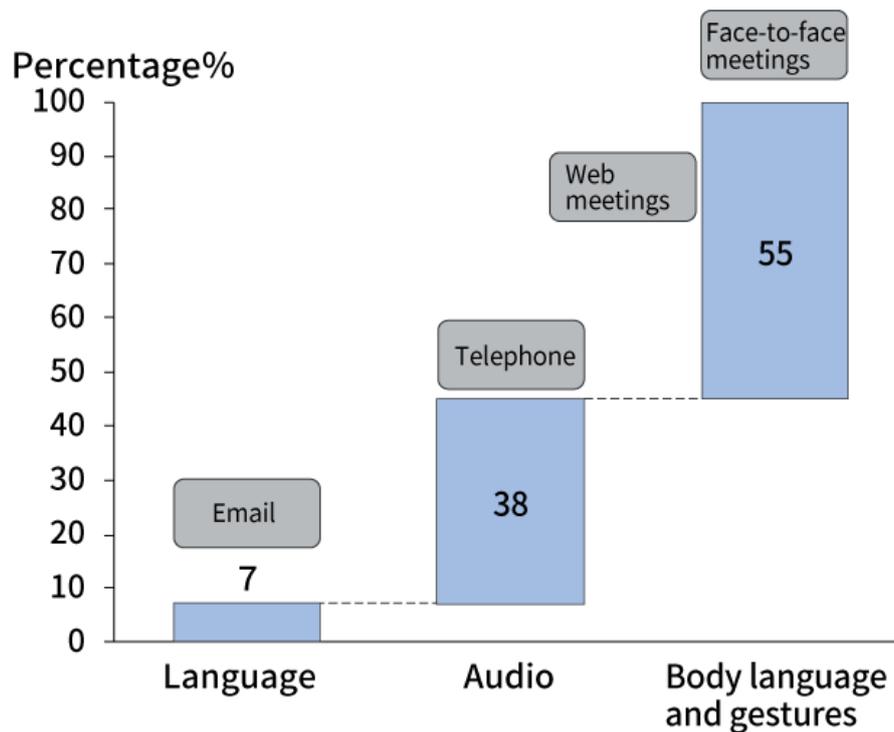
Until now, Japanese companies placed too much emphasis on actual things and being physically present on site, and ended up excessively assuming the necessity of in-person communication. Published survey results show that meetings on average take up around 20% of work hours. Time needed for meeting preparation is not negligible either, and when including meetings with business partners and other external parties, in-person communication is thought to take up a considerable amount of time when it comes to the typical workstyle at Japanese companies.

There is a theory about information communication called Mehrabian’s rule. A study by American psychologist Albert Mehrabian asserts that face-to-face communication involves three elements: linguistic information, auditory information, and visual information. If a person conveys a message in which these elements are not congruent, the listener tends to accept the predominant form of communication (visual information such as body language and gestures: 55%, auditory information such as tone of voice and pace of speech: 38%, and linguistic information such as letters and words: 7%), and thus, the study found that non-verbal elements are more important.

If we apply this model to broad communication styles and assume that 100% of a message’s content is

communicated at an in-person meeting, the communicated content would reach 7% for linguistic information such as emails and the like, 38% for auditory information in phone calls, and 55% for visual information in online meetings (video conferences and web meetings), meaning that online meetings are a more effective means than email and phone calls.

**Figure: Effectiveness of each communication style from the standpoint of Mehrabian's rule.**



Note: The vertical axis represents the percentage of information to which the listener gives importance

Source: Nomura Research Institute, Ltd.

Communication required for business is thought to have three purposes: information sharing, feedback and calls to action. The difficulty of communication increases in this order. When the purpose is a call to action, such as deciding on a big investment or transaction, communicating only by email and/or telephone does not feel sufficient, and in-person performance is essential. On the other hand, if the purpose is information sharing, for which communication is not difficult, using email is thought to be quite reasonable.

■ **Economic efficiency of different communication styles**

The next question is analyzing the economic efficiency of different communication styles.

According to Mehrabian's rule, email communication, which corresponds to linguistic information, tends not to be conveyed effectively, and thus switching to the email-based business style common in the U.S.

and Europe is unrealistic. Today, with technical advancement enhancing the quality of auditory and visual information, online communication is thought to be far more effective than email or telephone (which relies on auditory information), although it still falls short of in-person communication.

From the perspectives of both corporate management and employees, online communication makes economic sense.

First, corporate management teams invest in creating an environment that allows for in-person communication, paying for office space as well as transportation and business trip costs. Companies have an average floor space of about 4 tsubo (13.2 square meters) per office worker (source: Japan Building Owners and Managers Association); supposing that the average rent per tsubo (3.3 square meters) in central Tokyo is 30,000 yen (281 USD) a month, the office cost per employee comes to roughly 120,000 yen (1,125 USD) a month. On top of this, companies pay a commuting allowance of roughly 12,500 yen (117 USD) a month per employee (average for non-temporary employees; data from the Japan Institute for Labor Policy and Training). This translates to an annual cost of approximately 1.6 million yen (15,015 USD) per employee, or an equivalent of 3% of sales at a company with per-employee average sales of 50 million yen - by no means a negligible amount.

Next, from the standpoint of employees, the average commute takes close to 50 minutes one way, which is not treated as work hours (data from multiple organizations). Given the reality that in-person meetings make up 20% of their work hours, this means that in order to have in-person communication, employees spend a similar amount of time on commuting.

Whether they are held internally or with outside parties, face-to-face meetings are costly (including time spent on transit), but this form of interaction ensures that information is communicated to the listener, and is impactful. Meanwhile, online meetings fall short of face-to-face meetings in terms of the volume of information communicated and the impact felt, yet if the productivity of solo work can be maintained even using online communication, this will be a win-win situation for both companies and employees.

Moreover, if there is an uptick in Covid-19 cases, face-to-face meetings will present an infection risk. This will work to enhance the economic efficiency of online communication.

#### ■ Redesigning business with online communication as the norm

In the post-Covid-19 era, safety is the highest priority and thus in-person communication will no longer be the norm. An NRI survey also shows that after implementation of telework and working from home, employees are starting to appreciate the benefits in terms of work-life balance, and the Covid-19 crisis may be said to present a perfect opportunity to redesign business so as to assume the use of online communication as the norm.

We must also brace ourselves for a second and third wave of Covid-19 cases, and this means a stronger need to redesign business urgently. The first step is to keep in-person communication to a minimum. We should stop having meetings that do not need to be held in person, and move all interactions in principle to email or online meetings.

This also substantially raises the bar for arranging meetings that require in-person communication, and it will be essential to have thorough advance preparations to ensure these rare opportunities are not missed. This will be a part of work redesign efforts.

Personnel management systems must be changed as well. Until now, work attendance was managed and performance appraised in a physical office environment where employees' work can be verified on site. To shift telework efforts into high gear with online communication as the norm, plans must be made for reforming attendance management, performance appraisal and other elements of personnel management systems as well.

With digital technologies advancing and becoming more affordable, the economic rationality of online communication will grow further. Given that online communication is widely used overseas, this style of communication is also said to be essential for globalization of operations. Moreover, if business operations come to rely on online communication, we will be able to reconsider the need for physical office space as well. Employees will not necessarily have to work at the same location, making remote work from home or in a satellite office more reasonable.

Management teams must redesign business operations and management systems to suit this new style while the Covid-19 pandemic is "winding down."

NRI Group Urgent Proposals Regarding Measures for Covid-19

<https://www.nri.com/en/keyword/proposal>

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