TALLINN UNIVERSITY OF TECHNOLOGY
School of Business and Governance
Department of Business Administration

Kaie Kaas-Ojavere

LEADERSHIP IN THE HYBRID WORKING MODEL: CHALLENGES AND SOLUTIONS OF ESTONIAN MANAGERS

Master's thesis

Programme Entrepreneurial Management, MBA

Supervisor: Kristjan Jasinski, MA

Tallinn 2021

I hereby declare that I have compiled the thesis independently
and all works, important standpoints and data by other authors
have been properly referenced and the same paper
has not been previously presented for grading.
The document length is 18 520 words from the introduction to the end of conclusion.

Kaie Kaas-Ojavere ……
(signature, date)
Student code: 201466MAEM
Student e-mail address: kaie.kaas18@gmail.com

Supervisor: Kristjan Jasinski, MA:
The paper conforms to requirements in force

……
(signature, date)

Chairman of the Defence Committee:
Permitted to the defence
……
(name, signature, date

TABLE OF CONTENTS

ABSTRACT 5
INTRODUCTION 6
1. THEORETICAL BACKGROUND 8
1.1. Leading in the hybrid working arrangement 8
1.2. Leading remote teams 13
1.3. Challenges of leading in hybrid work arrangement 16
1.3.1. Team cohesion 18
1.3.2. Team effectiveness 19
1.3.3. Structure and clear goals 21
1.3.4. Communication 22
1.3.5. Innovation 23
1.3.6. Bringing in results: trust versus control 25
1.3.7. Wellbeing and burnout 26
1.3.8. On-boarding of new employees 27
1.3.9. Technology 28
1.3.10. Organizing the space 29
2. METHODOLOGY 31
2.1. Research design 31
2.2. Sampling procedure and sample size 32
2.3. Method and data analysis 32
3. RESEARCH RESULTS AND DATA ANALYSIS 34
3.1. Hybrid work arrangement in Estonian companies 34
3.2. Hybrid work leadership challenges of Estonian leaders 36
3.2.1. Diminishing team cohesion 36
3.2.2. Work-life boundaries and burnout 38
3.2.3. Communication 40
3.2.4. Innovation 42
3.2.5. Bringing in results and monitoring 44
3.3. Leadership style for hybrid work arrangement 46
3.4. Skillset for successful hybrid work 48
3.5. Solutions and recommendations 49

CONCLUSION 51
LIST OF REFERENCES 54
APPENDICES 60
Appendix 1. Table of interviewed leaders and companies 60
Appendix 2. Table of interview structure and questions 61
Appendix 3. Summary of the findings 62
Appendix 4. Coding frame based on semi-structured interviews 65
Appendix 5. Non-exclusive licence 66

ABSTRACT

The Covid-19 pandemic changed the way millions of people work. Before the global health crisis, the hybrid work method, where an employee works partially at home and partially in the office, was a privilege of certain professions of certain sectors. Pandemic imposed remote work has given employers and employees the understanding that there are significant benefits to remote work such as improved quality of life and cost savings, therefore, it can be mixed with the more traditional way of working in the future. Now, the hybrid work model is the new reality for most white-collar workers around the world. In Estonia, nearly 80% of office workers prefer to work in hybrid arrangements, combining office and remote work. This puts leaders in a situation where they have to synchronize people in different locations and motivate them without in-person interactions. As leading in a hybrid work model is a new phenomenon for most of the leaders in Estonia, the aim of this thesis is to find out how leaders have adapted to the new situation and what have been the biggest challenges they have faced, focusing on team effectiveness. Additionally, the author identifies a winning leadership approach and skillsets necessary to succeed in the hybrid world.

According to this thesis' qualitative study of 15 Estonian leaders it can be said that leaders have adapted well to the new situation. Although, they do not have a fixed framework for new working arrangements, they are testing different options and acting in accordance with their organizational context and people. The biggest challenges of the hybrid work model in the context of team effectiveness are: diminishing team cohesion, blurring work-life boundaries, unclear communication rules, slowed down innovation and over or under monitoring. The most beneficial leadership approach for hybrid work combines rational project management type of leadership and human-centric leadership. A leader should possess the ability to translate their compelling vision into clear goals, set up smooth processes and lead people with empathy. In order to be productive and feel work satisfaction people need to have outstanding self-management skills, good verbal and visual communication skills and the ability to set priorities and work-life boundaries.

Keywords: The Covid-19 pandemic, hybrid working model, hybrid teams, remote leadership, skills of hybrid work

INTRODUCTION

The Covid-19 pandemic is changing the way companies work. Prior to the Covid-19 health crisis, the majority of organizations required employees to spend most of their time on-site. The imposed remote work due to the lock-down and restrictions during the pandemic gave employers and employees the understanding, that there are significant benefits to remote work, and it can be applied to all business sectors for all roles that aren't essential to perform on-site. On the positive side a remarkable digital transformation both at the business and people level has been witnessed. Examples vary from innovative digital services like virtual appointments to visit shops, livestream shopping, web conferences and web concerts to a variety of delivery services that came along with the rise of e-commerce. Less digitally advanced companies took a big step forward, quickly organizing access to their central systems for all their employees, setting up new communication tools and reorganizing collaboration. According to Blackburn *et al.* (2020) people acquired new technological skills and started to use more widely digital communication tools like Teams, Zoom and Slack. Collaboration whiteboards like Miro, Mural and Jamboard became popular for ideas sharing and innovation workshops (Blackburn *et al.* 2020). The most significant impact of the remote work during the pandemic was the understanding that work productivity does not correlate with physical place of the work (Ipsen *et al.* 2021). Additionally, the flexibility to choose the working hours and place, and time and cost saving from travelling less, are the conveniences employees do not want to give up. However, extensive and protracted remote work has its downsides, most recognised are individual social isolation, lack of team cohesion and diminishing company culture. These challenges can have extremely negative impact to a business and people when left unhandled (Akan *et al.* 2020, Wang *et al.* 2020).

As the pandemic eases the hybrid working model - in which employees work both remotely and in the office - will become far more common. According to a McKinsey survey of 100 executives across industries and geographies nine out of ten organizations will be combining remote and on-site working (McKinsey, 2021). In Estonia 49-89 percent of people would prefer to work both in the office and at home (Helmes 2021, Palgainfo Agentuur 2021). When organizations start to adopt hybrid work, there are a lot of unanswered questions and risks that need further research and

careful attention. Leaders are in a situation where old working methods like “managing by walking around” and "water cooler conversations" do not apply anymore, they need to develop a new mindset and different skills to make the distributed teams work successfully (Riedl *et al.* 2020).

Leading hybrid teams is a new phenomenon for the majority of leaders in Estonia. Due to the small size of the country and easy access to travelling, most of the business meetings have been held physically. According to Statistics Estonia, remote work, fully or partly, was not extensively used in Estonia before the pandemic. In 2019 only 7 percent of the workforce used remote work options (Sõstra *et al.* 2020). There are no long-term practices to rely on the topic, therefore a test-and-learn approach to lead will be an important enabler.

To provide a leadership approach for the hybrid working model, this master’s thesis paper investigates the leadership theories that have proven to work in a virtual setting and identifies the key factors influencing a team success. To compliment previous studies, the author explores how Estonian leaders are coping with the new hybrid working method and what leadership skills are vital to make it work. As there is limited research done in the field of hybrid work in Estonia the results of this paper may provide valuable insights on the topic.
This master’s thesis is an empirical study seeking answers to the following research questions:

1. What are the main challenges Estonian leaders are facing leading in hybrid work model?
2. What leadership approach is needed in order to achieve team success in the hybrid work arrangement?

In the author’s opinion this research brings practical value in understanding the challenges and opportunities of hybrid work, helping Estonian leaders enhance their leadership approaches in the post-pandemic world, in the so-called “new normality”. Theoretical background from previous research combined with the conclusion of interviews with Estonian leaders from different sectors will provide broadly applicable insights on how to navigate in transforming the corporate world where a hybrid future appears inevitable.

The author would like to express her high appreciation to the leaders who participated in the interviews and contributed to this master’s thesis with their experiences and professional opinions. A very special gratitude goes to supervisor Kristjan Jasinski, who provided valuable support and guidance through the whole process. Further, the author would like to thank Aino-Silvia Tali from Helmes showing enthusiasm in my research and giving valuable input in making this thesis better.

1. THEORETICAL BACKGROUND

This master's thesis' theoretical part explains the concept of the hybrid working arrangement and introduces the leadership theories appropriate for leading teams in remote and hybrid work context. Second part focuses more closely on the challenges and key success factors of managing hybrid teams.

1.1. Leading in the hybrid working arrangement

Working from distance using digital technology and distributed teams in different geographical locations has been practised already for decades. However, these methods have been mainly used in certain business sectors (IT & telecommunication, finance & insurance science & research) and global companies (Desilver 2020). Remote work imposed due to restrictions during the pandemic gave employers the understanding that there are significant benefits to remote work and it can be applied to traditional business sectors also at a regional level (Desilver 2020, Sõstra *et al.* 2020). According to recent studies about 70 percent of companies in the US are planning to implement some form of hybrid working arrangements allowing employees to divide their time between collaborating on-site and working from home (Barrero *et al.* 2021, Bloom 2021).

There are a similar proportion of people, who prefer flexible work globally and in Estonia. According to Microsoft 2021 Work Trend Index that surveyed 160,000+ employees around the world, 73 percent of workers want flexible remote work options to continue after the pandemic ends. In Estonia a survey made by the recruiting company TalentHub indicated that 70 percent of office employees prefer fully or partly work from home (TalentHub, 2021). This leads to the situation that leaders around the world have to find a solution for hybrid working arrangement, where people share their working hours between the office and other remote locations (home, cottage, etc). According to McKinsey 2021 survey, the most common questions leaders have are as follows:

1) Is it essential to set mandatory office days to boost social ties and company culture?

2) How to organize meetings when some people are on their phones, others are videoconferencing, and some are in the office?
3) Does hybrid work mean investing in new and expensive technologies?
4) Does it mean reorganizing the office?
5) How to avoid potential decrease in performance, when the time spent on organizing collaboration is much bigger than value creation?
6) How to deal with equity and inclusion, when there is no equal visibility of people?
7) How to provide psychological safety and avoid isolation?

Scholars Mitchell *et al.* (2021) suggest that the hybrid working method should combine the benefits of on-site and remote work. Face-to-face work in the office builds human connections and remote work increases productivity. The scholars' suggestion sounds solid and practical, however, according to Heikkinen *et al.* (2021) who studied 38 Nordic leaders, the hybrid setting brings along new types of tensions between different levels of the organization, and challenges the leadership behaviours from top management to middle managers. The virtual world does not treat roles and tasks equally, for example leaders, who get access to high-end video technology and are more fluent in Zoom presentations might overshadow the managerial talents with less opportunities and more modest speaking skills (Heikkinen *et al.* 2021). It is widely recognized that effective leadership plays a critical role in people's motivation and organizational health, further, it is also a central determinant of success of remote teams. (Chua *et al.* 2019, Northouse, 2021). However, there is no one-sided answer to which leadership style is the most effective in the hybrid world since different situations require different types of leadership or a combination of many (Northouse, 2021).

Among many Leadership approaches the most referred ones in the context of virtual leadership are Transformational and Transactional Framework of leadership. According to Avolio *et al.* (2013) transactional leaders view their relationship with their followers as an exchange process, which is based on reward and punishment, whereas transactional leadership is based on inspirational and motivational means of influencing (Avolio *et al.* 2013). The difference is in the mechanisms and leadership styles used to motivate the employees to work toward organizational goals (Ruggieri 2009). Transformational leaders are centred on managing the interpersonal relationships and oriented towards employee development, they are charismatic and empathic; whereas transactional leaders are more focused on the task at hand, and therefore they are more authoritative and direct (Fjendbo 2020). Instead of rewards and punishments, transformational

leaders use moral values and shared goals to motivate their followers to commit to the organization's vision (Chua *et al.* 2019). Further, they demonstrate qualities which induce respect and trust among team members, which are aspects of high importance when leading in a new emerging reality (Avolio *et al.* 2013). There is substantial evidence that transformational leadership behaviours lead to positive individual-level outcomes such as employee's experience of involvement and long-term commitment and organization-level outcomes such as work effectiveness and solid performance (Avolio *et at.* 2013, Chua *et al.* 2019).

In the context of hybrid work it is interesting to consider the findings of a study by Purvanova *et al*. (2009) where they compared the transformational leadership behaviours in remote and face-to-face teams. The scholars expected to find less transformational leadership occurrences in remote settings, because communication through technology was seen as a limitation. Surprisingly, the findings of Purvanova *et al.* (2009) revealed that transformational leadership achieved the better results and was more connected to the performance in remote teams and less in face-to-face teams. They provide three reasons for this, it could be because transformational leaders create high quality relationships that make team members feel seen and heard, secondly, that these leaders help team members identify with the task at hand by creating a common goal, and thirdly, because the transformational leaders create a sense of purpose which helps team members to cope short-term obstacles and stress caused by the virtual communication environment. Although the Purvonova *et al.* (2009) found that above mentioned transformational leadership attempts were more relevant in virtual setting, the author of this thesis argues that social and emotional forms of leadership like providing purpose, goal and support are indispensable under the circumstances of uncertainty and both in remote and on-site working arrangement.

According to Bartsch *et al.* (2020) behaviours and attributes connected to transactional task-oriented leadership have their benefits as well. In order to successfully run short-term projects and accomplish the specific revenue or cost-cutting targets, pragmatic and goal-hitting leadership style would be effective. Bartsch *et al.* (2020) suggest, a combination and balance between the task and relation-oriented leadership is the most beneficial in crisis-induced virtual work environments (Bartsch *et al.* 2020). However, in the long term, followers who are intellectually stimulated and individually coached by transformational leaders are more likely to give extra effort to their organizations and seek innovative ways of approaching the tasks (Ng, 2017).

In Lord *et al.* (2014) research, it was concluded that compared with traditional leadership methods that focus on reviewing the history and evaluating leadership performance, leaders who use remote work could benefit more from future-oriented flexible planning and changeable models with the help of advanced digital tools (Lord *et al.* 2014). Further, traditional leaders could benefit from information technology companies' working methods like customer focused agile process management where constant test and learn approach is everyday practise. An agile enterprise is an organization that responds quickly to changes in the marketplace and significant trends. Agile enterprises regularly assess their practices and processes to ensure they are conducive to optimal employee engagement, morale and performance (Helmold 2021). As present business environment is full of complexity and volatility organizations need to fully embrace and implement agility in their operations. According to Hinterhuber *et al.* (2021) the digital transformation needs agile teams with end-to-end responsibility for project delivery, start-up mentality and customer obsession (Hinterhuber *et al.* 2021). To develop organizational level agility that corresponds to the hypercompetitive and volatile environment, premium needs to be placed on agile leadership. As Attar *et al.* (2020) state, agile leaders are capable of setting the guiding principles, develop strategies and build mechanisms that will lead to smooth transition to organizational agility. These leaders give directions on how to make organisations agile, for example undermining traditional power structures, enabling project-based work among cross-functional teams and encouraging internal and external collaborations. They are role models and promote a holistic agility in the organisation. Agile leadership approach enables to modernize the traditional organizations, deal with highly complex situations, and solve new paradigms (Attar *et al.* 2020). This requires a true transformation of the traditional leadership mindset.

Current leadership development programs do not prepare managers for high level complexities, enabling them to facilitate adaptive responses for changes (Crevani *et al.* 2021). Yet, there are leaders who not only navigate uncertainty and changes exceptionally well, they turn them into new opportunities and grow the organisations they lead. The weapons they use during periods of accelerated transformation are learning through knowledge sharing within the whole organization and adaptability (Crevani *et al.* 2021). In theory this is known as the Complexity leadership theory. As Uhl-Bien *et al.* (2020) state the Complexity leadership theory recognizes the dynamic interactions that take place within organizations, fostering organizational creativity, learning, and adaptability with a focus on cross-functional relationships and network interaction rather than controlling, standardizing, and autocracy. Complexity leadership approach becomes useful when highly complex challenges occur that require exploration, innovation, and new patterns of

behaviour (Uhl-Bien *et al.* 2020). According to Day (2000) mastering complexity leadership is what differentiates managers from leaders. Managers apply proven solutions to known problems, whereas leaders guide people for adaptability and creativity, enabling them to learn their way out of problems (Day 2000). Further, these leaders work as collaborators together with internal and external forces to enhance the overall adaptability of their organization (Uhl-Bien *et al.* 2020).

Recent McKinsey research shows that adaptability is the critical success factor during periods of transformation, it allows people to be faster at learning, and it guides them toward the opportunities ahead, not just the challenges. However, it does not come naturally for most people and needs to be nurtured and practised constantly (McKinsey 2021). According to Chatman *et al.* (2014) companies with strong cultures that emphasize adaptability, turn in better financial performance than entities that lack those attributes. Therefore, leaders must transform their relationship with change and uncertainty by building adaptability as an evergreen skill that benefits themselves and their organizations at a deeper level (Chatman *et al.* 2014). As Uhl-Bien *et al.* (2020) state, adaptive leaders adjust to tension encouraging informal learning actions that emerge from the interactions throughout the organization. Scholars point out that many organizations struggle with learning and innovating because of organizational bureaucracy and silos that create barriers and interconnectivity. For the organization to become adaptive they need to implement flat structures, encourage interactions between different groups, provide culture and values that help people to navigate their tasks and relationships at work (Uhl-Bien *et al.* 2020). The leaders' adaptive mindset is vital in new hybrid work arrangement, it could act as a force multiplier in the organizations, showing the general benefits of a change, mainly opportunity for growth and improvement (Chatman *et al*. 2014).

In the recent decade leadership approaches have significantly evolved from an organizational and individual level to the societal level, mainly known as Holistic leadership. The theory integrates the material and spiritual perspective into one holistic leading system, emphasizes the importance of value-based leadership that is serving others, meeting the needs of humanity and aiming to make a positive difference (Dhiman, 2017). Bryson *et al.* (2021) propose that modern leadership is a multidimensional effort of dispersed, complex and collaborative acts by focusing on "leading a social transformation to create public value and advance the common good", enhancing an understanding of leadership as giving inspiration and direction towards organizational goal (Northouse 2021). Positive social transformations in the context of hybrid working arrangements could be for instance better quality of life for millions of people and diminishing inequality of

talents from diverse background and locations. According to Xavier Chéreau, director of HR and Transformation of Groupe PSA, hybrid work patterns encourage both employee wellbeing and business agility. “By reducing travel time, giving better work-life balance, greater flexibility, greater autonomy, and allowing employees independence to focus on quality over quantity, it’s an incredible accelerator of the new way of working through digital and collaborative tools,” he says. (BBC 2021).

Although the hybrid working model seems to have a noble purpose, it is more complicated than traditional on-site or fully remote operating models. Leadership in this complex situation should combine good managerial skills (organize people & resources effectively toward objective), with considerable human-centric leading skills (provide purpose, empowerment and support), focus on adaptability and agility (test and learn approach) and aim for bigger communal gain.

1.2. Leading remote teams

Remote working, defined by Hoch *et al.* (2014), is a flexible work arrangement whereby employees work from remote location outside of corporate offices using technology. The main difference between traditional and fully remote teams is the missing face-to-face interaction in real time and the absence of a shared physical environment (Hoch *et al.* 2014). Although remote teams allow companies to be more flexible, adaptive and responsive by crossing time, borders and continents, it was not a broadly used practise prior to the Covid-19 pandemic (Wang *et al.* 2020). The data presented by Eurofound (2017), shows that although the number of employees working at home in the United States rose from 1.8 million to 3.9 million respectively from 2005 to 2017, this only accounts for 2.9% of the total labour force. In Europe, the proportion in 2017 was even smaller, accounting 2% of the workforce (Desilver 2020). Remote work has remained the privilege of certain sectors such as IT, telecommunication and freelancers and is more common among higher-education and white-collar workers (e.g., over 40% of teleworkers are executives, managers, or professionals) (Desilver 2020, Sõstra *et al.* 2020). Additionally, remote work requires certain personal attributes like high levels of self-discipline and self-motivation that could be used as selection criteria to choose the right people for remote work (Hoch *et al.* 2014). In 2020 remote working was not an option or privilege to chosen ones, but became a forced reality for millions of people irrespective of their preferences, abilities, and the nature of their jobs. According to Eurofund, in 2020 already 40% of EU workers practiced remote work due to the pandemic,

Statistics Estonia has confirmed the same ratio in Estonia (Sõstra *et al.* 2020). In the end of 2021 it is clear that the end of the pandemic will not return us back to pre-Covid-19 office patterns.

We might assume there has been adequate evidence-based research done to understand the leadership challenges, teamwork effectiveness risks and psychological threats of remote work (Grant *et al.* 2013, Lilian 2014). However, these studies were not conducted in circumstances, where remote work was practiced at such an unprecedented scale, and therefore might lack contextual relevance in the current Covid-19 situation. Fortunately, new academic research and widespread surveys are constantly released to provide more insight into the topic. Wang *et al*. (2020) conducted a study to explore the challenges experienced by remote workers at time of pandemic, as well as what virtual work characteristics and individual differences affect these challenges. They identified four key challenges, namely procrastination, ineffective communication, work-home interference, and loneliness that impact individuals' work effectiveness and well-being while working remotely. Leaders can positively or negatively balance these concerns by giving enough job autonomy, providing as much monitoring as necessary, balancing workload and ensuring social support (Wang *et al.* 2020).

The most valuable finding of Wang et al (2020) study was importance of self-discipline as relator between virtual work characteristics and dealing with challenges. The study indicated that less-disciplined people experienced more challenges while working from home and, therefore, remote work is not suitable for everyone. This finding is critical as it rises the practitioners' awareness of the importance of self-discipline and may motivate remote workers to try to develop their self-discipline to achieve work effectiveness and personal wellbeing. (Wang *et al.* 2020).

In another research on leading remote teams, Zander *et al.* (2012) found that team members of virtual teams favoured leadership attributes such as being motivating and inspiring, being a coach and mentor, as well as taking a personal interest in the team's members were considered useful to create team effectiveness. Therefore, we can say that mastering communication is a vital leadership skill in remote setting, not to be confused with constant monitoring what employees are doing.

Remote work by its nature is based on bigger personal freedom and responsibility. Giving away control, letting people to organize their work schedules and taking responsibility for the results is the challenging mindset shift for many traditional leaders. The command and control leadership might be fatal in rapidly changing, hyper competitive world. According to Patty McCord, co-

founder of Netflix culture, a transparent leadership with clear incentives that focuses on outcome not input, that promotes freedom and honesty, attracts talent who want to take responsibility (McCord 2018).

The participants in the Wang *et al.* (2020) research complained about the pressure and loneliness brought by both strict monitoring and heavy workloads in fully remote setting. According to Palgainfo Agentuur (2021) survey, 35 percent of people feel their workload has significantly increased during the last year, when they started to work remotely. The feeling of work overload and exhaustion is associated with the fact that assignments take longer because of different disruptions at home and the lack of instant communication and support when needed (Lilian 2014).

In summary, Wang *et al.* (2020) and Lilian (2014) emphasized the importance of balancing the workload and wellbeing of the workforce as the basis of organizational health. Leaders should acknowledge that employees with weak self-discipline benefit more from monitoring and social support, while employees with strong self-discipline benefit more from job autonomy. Instead of intensive monitoring, which is considered unhelpful and costly leadership practise, leaders should promote "culture of freedom and responsibility", focus on building trust and encouraging collaboration between team members (McCord 2018).

One of the most important aspects of successful remote leadership, is the capability to create coherence with the team members, through appropriate communication and personalized relationships (Cortellazzo *et al.* 2019). Building one-to-one relationships, coaching and mentoring is a time-consuming activity, thus, leaders should be well aware of their limits and acknowledge their own wellbeing. In addition to social support, it is vital for leaders in the digital setting to distinguish the specific needs of each team member and provide necessary resources (e.g. second computer set, ergonomic table and chair) and training (e.g. collaboration platforms) (Cortellazzo *et al.* 2019).

Keeping all the above mentioned remote work aspects in mind, software development company Helmes with the help of Miltton New Nordics researches (2021), conducted a scientific experiment to find out how their leaders and employees are managing motivation, productivity and wellbeing in different remote work arrangements. In Helmes people work in dedicated teams and before the pandemic they worked mostly in the office, where teams have their own space. As the pandemic forced them to move abruptly to home offices, they had to find a new way of operating. Their

Project Indiana aimed to reach the optimal way of working, map the needed leadership skills that support team efficiency and mental wellbeing in new hybrid working settlement. The experiment involved nearly 100 people, 8 pilot teams, and 5 reference teams in Estonia and lasted for 6 months during which all the participants were questioned and observed. Pilot and reference teams answered questions about wellbeing and motivation once every two weeks. All pilot team survey results were interpreted by Miltton researches and used for diagnostics and conclusions. For a more qualitative understanding, the pilot teams had monthly retrospectives and two in-depth focus group discussions that zoomed into psychological aspects of work, like wellbeing, connectedness, cooperation, individual development and challenges. Team leaders were given personal feedback about the results and support when there were challenges in team coherence or individual level. The key findings of the Helmes/Miltton study indicated that teams with more conscious and reactive support by their leaders showed higher level scores on wellbeing, human connectedness, psychological safety and enjoyed more job-autonomy than reference teams. Additionally, well cared pilot teams reported bigger clarity on tasks and activities, saying they have things under control. On the other hand, the workload of team leaders increased substantially, leading to a decrease in personal wellbeing and feeling of fatigue. Therefore, Helmes puts a lot of attention to supporting their leaders and employees on balancing work-rest balance, providing personal coaching, initiating healthy habits, and saying out loud that sometimes it is fine to do less. As a result of this experiment, Helmes implemented a regular wellbeing survey in the whole company to observe the happiness of their employees and as there is no one-size-fits-all solution in hybrid work, people were given total freedom of choice where to work (Helmes 2021, Tali 2021).

The Helmes study is valuable input to this thesis as the author aims to broaden it into deeper qualitative research to study leadership challenges and success factors among Estonian leaders in the hybrid work arrangement focusing on team effectiveness.

1.3. Challenges of leading in hybrid work arrangement

At a time when organizations are adopting hybrid work practices, the leaders could benefit from acknowledging the main leadership challenges identified by various studies and recent articles. Although the hybrid working model promises greater access to talent, increased productivity for individuals, lower costs, more individual flexibility, and improved employee experience, it is more complex than it looks (Mitchell *et al.* 2021). Table 1 indicates the main challenges of leading in hybrid working setting based on the latest literature review.

Table 1. Overview of the main leadership challenges in hybrid working arrangement.

No	Challenge	Characteristics	Sources
1	Team Cohesion	shared identity blurs, forming of isolation, weakened social ties, less laughter and sense of belonging	Alexander *et al.* 2020, Flores 2019, Maynard *et al.* 2021, Mitchell *et al.* 2021
2	Team Effectiveness	decreasing productivity, speed of operating, unhealthy group norms, less trust	Akan *et al.* 2020, Chua *et al.* 2019, Harell *et al.* 2018, Wang *et al.* 2020
3	Structure and clear goals	unclear vision, slowdown of operations, unclear roles and responsibilities, hindering silos	Cortellazzo *et al.* 2019, Gilson *et al.* 2021, Heikkinen *et al.* 2021
4	Communication	lost in channels, delays in answers, not agreed rules, bumpy digital meetings, not easy to chat casually through screens	Cortellazzo *et al.* 2019, Flores 2019, Prasad 2020, Wang *et al.* 2020,
5	Innovation	less synergy from each other's experiences and ideas, learning process more difficult	Microsoft commissioned research 2020, Tsipursky 2021
6	Bringing in results	hard to monitor, peoples' contribution is not visible, insufficient performance measurement	Parker *et al.* 2020, Skillcast 2020, Wang *et al.* 2020,
7	Wellbeing and burnout	no boundaries between work and private life, "always on" mode, screen exhaustion	Flores 2019, Peasley *et al.* 2020, Thompson *et al.* 2020, Wang *et al.* 2020,
8	On-boarding	hard to engage and create "we" feeling	Maynard *et al.* 2021, Rodeghero *et al.* 2021
9	Technology	weak tech skills and support, requirement for 2nd set of hardware, narrow access to the best technology	Heikkinen *et al.* 2021, Kupa 2020, Zahar *et al.* 2021
10	Office space	costly half-empty space, different room arrangement needed	Gratton 2021, Kupa 2020, Mitchell *et al.* 2021

Source: Author's summary based on the literature review

1.3.1. Team cohesion

According to Alexander *et al*. (2020), one key leadership challenge is to keep team cohesion and sense of belonging, when some employees are on premises, while others work from home. The shared identity and common purpose that inspires people to do their best can easily get lost, when two cultures (on-site and remote) emerge. It means that managers and workers, who are more often in the office, benefit from the positive elements of co-location and in-person collaboration. While remote workers become invisible, feel isolated, disenfranchised, and unhappy (Alexander *et al.* 2020). This might lead to the critical struggle of hybrid teams, which is development of subgroups (Mitchell *et al.* 2021). For example, if some team members are more often in the office compared to others, these groups have access to more recent information and highly sought-after assignments. As Mitchell *et al.* (2021) states, the development of subgroups starts causing team tension and conflicts and organizational performance deteriorates accordingly.

Maynard *et al*. (2021) argued that a leader could have a hard time establishing the common identity of a hybrid team. One way to make sense in the new environment and create team cohesion, is to have a clear company purpose and team vision and by consistently communicating it (Maynard *et al.* 2021, Purvanova *et al.* 2009). A shared purpose gives a sense of belonging to a group and helps people to socialize and collaborate regardless of where they are located. Additionally, each team member's ability to identify a common purpose is a sign of strong team ties. (Mitchell *et al.* 2021). If the leader cannot establish a feeling of belonging among its team members, they may end up feeling isolated and cut-off from their peers (Wang *et al.* 2020). Thus, relationship building is of high importance, when it comes to those employees who prefer remote work, simply because they cannot use the informal and non-verbal communication that takes place in a co-located environment (Maynard *et al.* 2021). As pointed out by Gilson *et al.* (2021) the structure of hybrid teams is rather fragile depending highly on the quality of relationships between leaders and team members, and on the leader's ability to provide purpose, support and feedback (Gilson *et al.* 2021).

Avoiding the pitfalls requires thinking carefully about leadership in a hybrid virtual world, leaders should consciously prevent formulations of in- and outgroups and emphasize each team member visibility (Mitchell *et al.* 2021).

Feelings of isolation may arise for employees due to their lack of interaction with others. Those employees who work mainly remotely may begin to feel lonely and socially isolated due to absence of face-to-face interactions with others (Flores 2019). Scholars Mitchell *et al.* (2021) suggest leaders should emphasize the "one team" idea and create in-person or virtual opportunities for team bonding like team building exercises, games or other fun activities like ugly sweater day. According to Rhee *et al.* (2020) active spreading of positive emotions like humour are related to positive outcomes of team performance and team cohesion. Firstly, leaders could use humour as a testing tool of the team wellbeing. If there is no response to the jokes in team meetings, it could be sign of weak team cohesion or general exhaustion. Secondly, humour allows people to cope better with creative challenges, eases learning process and people are more likely to engage to the team (Peng *et al.* 2020, Rhee *et al.* 2020). Positive intentional interactions between leaders and teams provide an essential foundation for creating team cohesion and the unified hybrid virtual culture that organizations need in the next normal (Alexander *et al.* 2020). Whether people work face-to-face or through the use of technology, the aim is to achieve collective team success.

1.3.2. Team effectiveness

Effective leadership is a key determinant of the success of teams, further, well-functioning teamwork is the foundation of organizational performance. (Chua *et al.* 2019; Northouse, 2021). Research made by Google indicated that putting together the most talented and best performing people does not guarantee results. The data indicated that managers played a critical role in the team's happiness and productivity (Harrell *et al*. 2018). The famous Google Project Oxygen (2008) that determined the key behaviours of highest performing leaders was updated in 2018 and now consists of a list of 10 critical leadership behaviours that influence the team's outcomes like turnover, satisfaction, and performance. Another massive research by Google, called Project Aristotle (2012) discovered the fundamentals of an effective team. In Table 2 you can see the characteristics of a streamlined leader and the factors that influence team productivity, all the factors are equally important in remote and on-site circumstances.

Table 2. Characteristics of an effective leader and team.

No	Effective leader	Effective team
1	Good coach	**Psychological safety** - team is safe place to take risks and make mistakes
2	Empowers team, does not micromanage	**Dependability** - team members are accountable to each other
3	Creates an inclusive team environment, showing concern for well-being	**Structure and clarity** - clear roles and expectations to fulfil deliverables
4	Productive and results-oriented	**Meaning** - work is personally meaningful
5	Good communicator, listens and shares information	**Impact** - team work contributes to the organisation's goals
6	Supports career development and discusses performance	
7	Has a clear vision/strategy for the team	
8	Key technical skills to advise the team	
9	Collaborates across the organization	
10	Strong decision maker	

Source: Google Project Aristotle (2012) effective team model and Google Project Oxygen (2018) effective leader model, compiled by the author.

The key finding of Project Aristotle was that team performance was less related to the "who" was on team and more about "how" the team worked together. It is crucial to establish healthy group norms, outlined above, that encourage equal contribution. (Duhigg 2016)**.** The factor that impacts team effectiveness most is psychological safety. This phenomenon has been studied and proved by other researchers before and after the Google study (e.g. Edmondson 2018, Akan *et al.* 2020). As Edmondson stated, in a psychologically safe working environment it is safe to take risks, every team member could speak up without the fear of being embarrassed or rejected, everyone feels comfortable being themselves. Teams with a warm climate, interpersonal trust and mutual respect are better at learning behaviour, thus, more creative in conceptualization and efficient in problem solving (Edmondson 2018). Throughout the literature, numerous various beneficial outcomes have been linked to psychological safety, such as: better communication, knowledge sharing, speaking up behaviour, and job satisfaction, as well as higher organizational commitment, work

engagement, and team learning, and finally more feedback giving and seeking behaviour. (Akan *et al.* 2020, Dusenberry *et al.* 2020, Edmondson 2018, Frazier *et al.* 2017, Newman *et al.* 2017) It is clear that psychological safety is key determinant of team success, further, the Google Project Aristotle discovered other behaviours that played important role in smooth teamwork like providing clear purpose and goals, creating a culture of dependability and letting people know their work matters (Duhigg 2016). Effective leaders create trust by their actions and behaviours; they minimize ambiguity, foster collaborative initiatives, and provide psychologically safe environment where employees can freely express their ideas, concerns and ask for help (Lilian, 2014). These leadership characteristics become increasingly important in managing the risks of the hybrid workplace.

1.3.3. Structure and clear goals

According to the study by Heikkinen *et al.* (2021) executives said that in a hybrid setting, their organizations have been moving further towards a flatter hierarchy, functional silos have been giving way to more networked and digitally linked operations. This sounds good and democratic, however, leaders need to ensure that the transformation to new working arrangement produces higher performance, not chaos (Heikkinen *et al.* 2021). Effective leaders are always clear with their team members about what is expected of them and how success is measured (Northouse 2021). In the context of hybrid work clearly defined responsibilities and tasks are exceptionally important. Mitchell *et al.* (2021) suggests that a leader together with the team must agree and set the rules how the work will be done. In order to avoid unpleasant surprises, there should be mutual understanding and agreement about the themes like:

1) What is the ultimate goal, expected outcome and norms?
2) How often people meet physically, when are mandatory office days or meetings?
3) How often leaders and their team members communicate and via which channels?
4) How people interact and engage with other team members?
5) What technologies are used to communicate in different situations?
6) How people inform others about their availability (in a meeting, available for interactions)?
7) What is the agreed response time for e-mails, chat questions, emergency situations, etc?
8) When people are available for work (working time) and when is private time?

Getting clarity on things like these will build trust, improve communication and productivity, and allow team members to be more successful (Mitchell *et al.* 2021).

Heikkinen *et al.* (2021) state that cross-border hybrid organisations could benefit a lot from local responsiveness and initiatives, however, it works only if the organization has a clear and shared vision, effective performance measurement systems, and regular follow-up. Further, these Nordic researches point out that in the coming years, leadership teams should spend significant time fine tuning and strengthening the integrative mechanisms of their new hybrid model. Local flexibility and entrepreneurial mindset combined with central coordination could lead to a longer-term advantage rather than just being a necessary response to the crisis (Heikkinen *et al.* 2021). The shared understanding of each person's role in physical and virtual settings, as well as strong processes and control systems, allow the hybrid teams to continue working in challenging moments and turbulent times. Therefore, it is very important to carry out necessary organizational changes immediately, and not to wait for the appropriate occasion (Heikkinen *et al*. 2021).

1.3.4. Communication

Several researches point out the ineffective communication as main pitfall of remote and hybrid work (Wang *et al.* 2020, Prasad 2020, Flores 2019). As Prasad (2020) indicate, the lack of communication in the organization results in delayed decision making and project overruns. Communication is challenging when some people are in the office and others remote. As Glison *et al*. (2021) states leaders need to establish communication practices that ensure everyone knows what is going on, regardless of their location. Mitchell *et al.* 2021 suggest that hybrid team leaders need to commit to using multiple communication channels like in-person, email, chat, video conferencing and collaboration platforms. This variety of channels helps to ensure that everyone receives the message. To avoid delays in the work process caused by inadequate communication, leaders could establish a responsiveness system (critical, 24-h, 48-h, etc.) depending on the task at hand and marking them accordingly. Further, it is important that each team member knows what topic has been brought to a successful end (Mitchell *et al.* 2021).

In the context of hybrid work it is critical to ensure secure access to the company's data centre for all involved employees and storage the information centrally. People need to know where to find information (documentation storage) and where and how to collaborate (shared virtual workplaces) (Maynard *et al.* 2021). In a hybrid team, a leader should establish a culture of "mutual knowledge", meaning that everyone in the team shares information and knows that others will do the same (Gilson *et al.* 2021).

To ensure a similar work experience and equality between team members Gilson *et al.* 2021 suggest "remote-first communication", meaning if one team member is remote everyone should be remote or alternatively the remote team member should be displayed on a big screen in the conference room so that she/he could see and hear everybody during the meeting. The author agrees with the scholars that "remote-first" is a noble initiative to increase hybrid workforce inclusion, however, face-to-face communication could be more rational in some cases. As Mitchell *et al.* 2021 put it, leaders have the responsibility to agree with the team what tasks need to be done in person and what tasks are location independent. For example, not all the simple questions need Zoom meetings, neither using only long e-mails is an appropriate way to collaborate. Video conferencing is well suited for information and task sharing. Activities like complex decision making, resolving team conflict and incubating ideas could provide better outcomes when done in-person (Mitchell *et al.* 2021). The challenge of leading hybrid teams is to select the right communication tools, provide explicit training on specific tools, and use different channels optimally. Agreed team norms related to where and how work is happening is critical to the success of a hybrid team (Wang *et al.* 2020).

1.3.5. Innovation

While a majority of research indicate that productivity of the workforce has not decreased in the hybrid working model, at the same time the opinions about innovation management differ greatly. (Wang *et al*. 2020, Prasad 2020). A massive survey of 9,000 managers and employees across Europe, conducted by Boston Consulting Group and KRC Research, commissioned by Microsoft identified a 29 percent drop in managers' confidence of being able to innovate their products and services in hybrid working setting. Only 40 percent of the surveyed managers said they are able to maintain their capacity of innovation. The causes behind the declining innovation were indicated as lack of strong and cohesive relationships within the team, learning and getting ideas from others and being distant from the company culture (Microsoft 2020). According to Tsipursky (2021) development of new products and services has slowed down because leaders are stuck with their existing methods for innovation and have not investigated and adapted better suited methods for hybrid world. The in-person synchronous brainstorming might be considered to be the most effective tool of fostering innovation, however, researches indicate there are major downsides of this method (Tsipursky 2021). Namely, valuable ideas might get lost because of idea blocking, process is dominated by certain people, introverts have difficulties expressing themselves in a loud environment and the team may not be able to agree the norms and lacks trust (Gilson *et al.* 2015).

A research conducted by Putman *et al.* (2014) found that individuals who generated ideas alone came up with bigger number of original ideas than those who brainstormed in groups. Additionally, individuals selected more unique ideas in the evaluation process than groups who selected the ideas together. Communal brainpower proved to be the most beneficial in discussion phase of which ideas to implement (Putman *et al.* 2014). The earlier mentioned study by Boston Consulting group (2020) brought out the important factors what these companies who are good in innovation do differently, namely, employees feel empowered to speak up, they can provide ideas and make decisions without fear of being criticised and their work is organised so well that they have time to focus (Microsoft 2020). When the person devotes its full attention to the task at hand it is more likely to lead to superior outcome (Tsipursky 2021). Considering the above mentioned risks of traditional brainstorming and the new hybrid working environment it would be wise for leaders to adopt an alternative methods of innovation. Leaders could benefit from an innovation method for hybrid work arrangement created by behavioural scientist Tsipursky (2021) presented in Table 3.

Table 3. Innovation process in hybrid working model

Process	**Activities**	**Method**
Step 1. Initial idea generation.	Team members generate ideas and add them to a shared online collaboration tool. Focus on quality and opposing ideas. Submission anonymous.	virtually
Step 2. Idea clean-up.	The facilitator categorizes ideas and sends them out to all team members.	virtually
Step 3. Idea evaluation.	All team members anonymously comment on each idea	virtually
Step 4. Revised idea generation.	Another idea-sharing session, re-evaluating old ideas or generating new ones.	virtually
Step 5. Clean up of revised ideas.	Clean up and categorize the revised ideas using step two.	virtually
Step 6. Evaluation of revised ideas.	Comment on revised ideas.	virtually
Step 7. Meet to discuss ideas.	Finalize which ideas should be moved toward implementation, agreeing next steps	in person

Source: Tsipursky (2021, 30), compiled by the author

There is little doubt that face-to-face interactions play a positive role in group level creativity, however, as this working method is aggravated, leaders should start testing new approaches better suitable for online context. Scholars George *et al.* (2020) recognize that there is still little known about how much of innovation can be replicated in remote work and if virtual innovation eliminates the downsides of face-to-face brainstorming like conformity pressures and domination of strong personalities. However, they predict that virtual work might shift innovation towards more individual exploration patterns, so that the place of idea searching moves from the co-located office to geographically distant colleagues (George *et al.* 2020). Diversity of ideas and locations help to break away from habitual ways of thinking and stimulate our brains into perceiving new things, which boosts innovation (Tsipursky 2021).

1.3.6. Bringing in results: trust versus control

Research shows that a large number of leaders struggle to trust their employees when working remotely and some bosses think remote workers are not as committed as their office counterparts (Parker *et al.* 2020). Several studies during the massive remote work during the Covid-19 pandemic showed that the productivity of employees did not fall (Bartsch *et al.* 2020, Prasad 2021, Lund et al. 2020). Further, a survey made by Catalyst among 7487 people across the globe, showed that employees who had flexible work options reported higher scores on organizational commitment and work engagement (Van Bommel 2021). According to Mitchell *et al.* (2021) establishing trust between leaders and team members is the foundation for hybrid success. Intentionally planned synchronous updates help to acknowledge how the team members are progressing on deliverables. Therefore, scholars emphasize the importance of regular short talks for ensuring productivity and unity (Mitchell *et al.* 2021). Although the modern view on leadership focuses more on a team's or a person's outcome based on autonomous motivation (Pink 2011, 90), there are many companies who have increased monitoring and surveillance of their workers since the start of the pandemic (Parker *et al.* 2020, TUC 2020). Research by Skillcast and YouGov (2020), suggested that one in five businesses in the UK are tracking employees online via digital surveillance tools and the same amount have plans to introduce such technology (Skillcast 2020). While businesses may have legitimate reasons for wanting to introduce activity-tracking software, trade unions have raised concerns over what the trend of intrusive surveillance in the remote-working environment means for employee privacy, particularly as the boundaries between work and private life become even more blurred (TUC 2020). Often these technologies are being

dressed up as about helping productivity and identifying areas of friction, however, they can easily overstep the line of trust between leaders and employees (Parker *et al.* 2020). Mitchell *et al.* (2021) state that leaders need to trust their employees in their decisions of where and how they work best and be in close contact with them personally. Parker *et al.* (2020) argue that it is not that simple, therefore, leaders should learn the art of delegation and empowerment to provide their employees with greater autonomy over their work methods and the timing, which in turn will promote employee motivation, health, and performance.

To feel more confident about outcomes, leaders should be very clear about goals, measurements and deadlines. This followed by intentional support and feedback allows team members to focus on their maximum contribution (Mitchell *et al*. 2021). Competent people with entrepreneurial mindset will figure out solutions even to most complex assignments when given the freedom and responsibility (McCord 2018). The experimental leadership pioneer William McKnight said already in 1948 "Hire good people and leave them alone", further, he believed that the failure and mistakes made in process of innovation are not as significant as the mistakes managers do by telling people exactly what to do (cited from Pink 2011, 94-95). The author sympathizes with the Mitchell *et al.* (2021) idea that managers should not spend their days monitoring and micromanaging hybrid workers, rather, they should set up their expectations by personal example for the type of engagement and collaboration they expect. In order to guarantee results in the hybrid working world a leader should be very clear about the goals, set up easy to follow processes and agree the playing rules with their team members. These activities followed by positive nudging, honest and transparent communication between leaders and employees, ensure a smooth operation of a company and the delivery of results.

1.3.7. Wellbeing and burnout

Although hybrid work access can lead to better life-work integration and productivity it could also to lead to longer hours and burnout (Wang *et al.* 2020). According to Carvalho *et al.* (2021), many people have difficulties keeping boundaries between work and life and have felt digital exhaustion during last year. Researchers (Peasley *et al.* 2020) found that the currently flourishing work culture that assumes people to be always connected, has significantly eliminated boundaries between personal and work life, allowing stress from personal issues to spill over into work. Furthermore, personal stress that crosses boundaries into the workplace, plays a critical role in the formation of burnout, which leads to reduced performance (Peasley *et al.* 2020). To avoid the pitfalls of remote

and hybrid work while harvesting its benefits, organizations must create a culture of remote work that is sustainable, equitable and humane (Carvalho *et al*. 2021). Alexander *et al.* (2020) suggest that leaders should prevent unsustainable workloads and "always-on" expectations, develop empathy and inclusion, and provide flexible work policies. As Peasley *et al.* (2020) state exhausted people assess uncertainty much harder and are more likely to develop tunnel vision and feel anxious. Mitchell *et al.* 2021 suggest to establish appropriate work and home boundaries e.g. not sending low priority e-mails and messages outside work hours, further, people should be advised to systemize their week by blocks (uninterrupted time to focus, collaboration time, meetings, physical activity, lunch, etc.). Additionally, leaders should periodically check in with team members face-to-face to identify signs of burnout and encourage them to optimize their own productivity and health and wellbeing (Mitchell *et al.* 2021). Thompson *et al.* (2020) found that an employee's happiness is directly related to organizational commitment and performance, it can also be linked to increase in turnover and decrease in unproductive work behaviours. In order to succeed in the long run organization should start an open dialogue with employees about burnout and mental health and provide all the necessary support (Thompson *et al.* 2020). It is highly recommended for leaders to use empathetic listening through regular check-ins and other opportunities to share life and work experiences between team members (Gilson *et al.* 2021). As Gratton (2021) puts it, a hybrid work arrangement that is designed focusing on human needs, not just organizational ones, leads to work lives that are more purposeful and productive.

1.3.8. On-boarding of new employees

Many hybrid team leaders report challenges with on-boarding new employees and building a strong social connection with their team (Rodeghero *et al.* 2021). In addition to setting up company introduction program, introducing all the procedures and technical solutions, leaders should take care of merging newcomer into the team emphasizing both professional and personal familiarity (Maynard *et al*. 2021). Sharing information on work styles, expertise, and prior professional experiences, as Maynard *et al.* (2021) explain, is not a waste of time, inversely, it builds professional familiarity between team members, enhances performance, and inhibits an efficiency. Information sharing is critical for team success, without it, completing complex tasks is near impossible and errors are more likely to happen (Rodeghero *et al.* 2021). The knowledge that professional and personal familiarity increases information elaboration (Maynard *et al*. 2021) should give managers a very clear signal that they should intentionally allocate time to in-person and online introductions of new employees and initiate free chat among team members. Further,

personal familiarity - the extent to which team members know the values, attitudes, beliefs, likes/dislikes, hobbies, and family situations of their teammates – helps to build a strong team ties (Maynard *et al.* 2021). Mitchell *et al.* 2021 suggest that in the hybrid context newcomers should spend extended time in the physical office surrounded by their supervisor and teammates until they reach a point where team bonds and task familiarity have emerged, at which point, they may increase their remote work time. Leaders should acknowledge that bonding activities are crucial in hybrid teams in order to increase team trust, commitment, and ultimately, encourage knowledge and information sharing (Mitchell *et al.* 2021).

1.3.9. Technology

Several studies have identified that the availability and use of technology could be a challenge in the virtual and mixed working arrangement (Flores 2019, Kupa 2020, Zahar *et al.* 2021). According to Kupa (2020) the quality of technological communication depends on factors like high-speed internet, quality of hardware and programs and also on remote workers technical skills. Not all team members may have the same opportunities and skills (Kupa 2020). According to Mitchell *et al*. (2021) in the hybrid world, it is the company's duty to support their workers' remote location (home) with high-speed internet and necessary hardware (e.g. 2nd monitor, headphones, microphone, camera) and software (e.g. secure access to necessary organizational information systems). Heikkinen *et al.* (2021) who studied 38 executives in Nordic countries discovered the tension between different levels of managers caused by narrow access to the best technology. The quality of video equipment, screen size, and web connections matter greatly for virtual impressions. Therefore, it is important that companies invest into top-notch digital equipment to settings and roles where it delivers apparent returns, like people dealing with customers or those that engage in complex strategic and innovative work where collaboration is key (Hekkinen *et al.* 2021). Also, the selection of the technological tool for any given task is important, choosing between e-mail or meeting, allowing to use time wisely and share information efficiently (Zahar *et al.* 2021). Although, troubleshooting and correcting technical problems are emerging skills of a remote workers, companies need to guarantee technological training and support to their workers (Rodeghero *et al.* 2021).

1.3.10. Organizing the space

In the context of the hybrid work arrangement leaders must adopt a new concept of workplace; space that is created from physical and online spaces, and that could be challenging (Gratton 2021). Scholars Mitchell *et al.* (2021) suggest to design flexible workplaces and prioritize investments in bendable technological tools. A hybrid working model allows companies to rethink their real estate footprint and rearrange their physical office. According to Kupa (2020), companies could reduce their operational costs by not building or renting physical offices or renting smaller spaces (e.g. an office with only 60% of the required seats). This reduces rental and overhead costs and could save money in travel-related expense reimbursements. (Choi *et al*. 2019). A modern office should offer flexible spaces for individuals and groups taking into account that workers are in the office one day and not the next. Teams need collaborative rooms that support hybrid meetings and individuals might need soundproof booths for focus work or sales calls. According to Gilson *et al.* (2021) the inclusion of remote team member in meeting is critical, suggesting that the size of screen needs to be comparable to size of the people in the room. Further, scholars Mitchell *et al*. (2021) recommend that hybrid physical office could offer basic benefits like standing desks, extra-large monitors, but also more attractive features like massage chairs, stretching sessions, free lunch, or seminars. On Figure 1 it is shown which tasks are recommended to do in office, which tasks are suitable for remote work and which tasks are location independent (hybrid). Office would be used more for team-building activities and trainings, and remote work for daily productive and focus work.

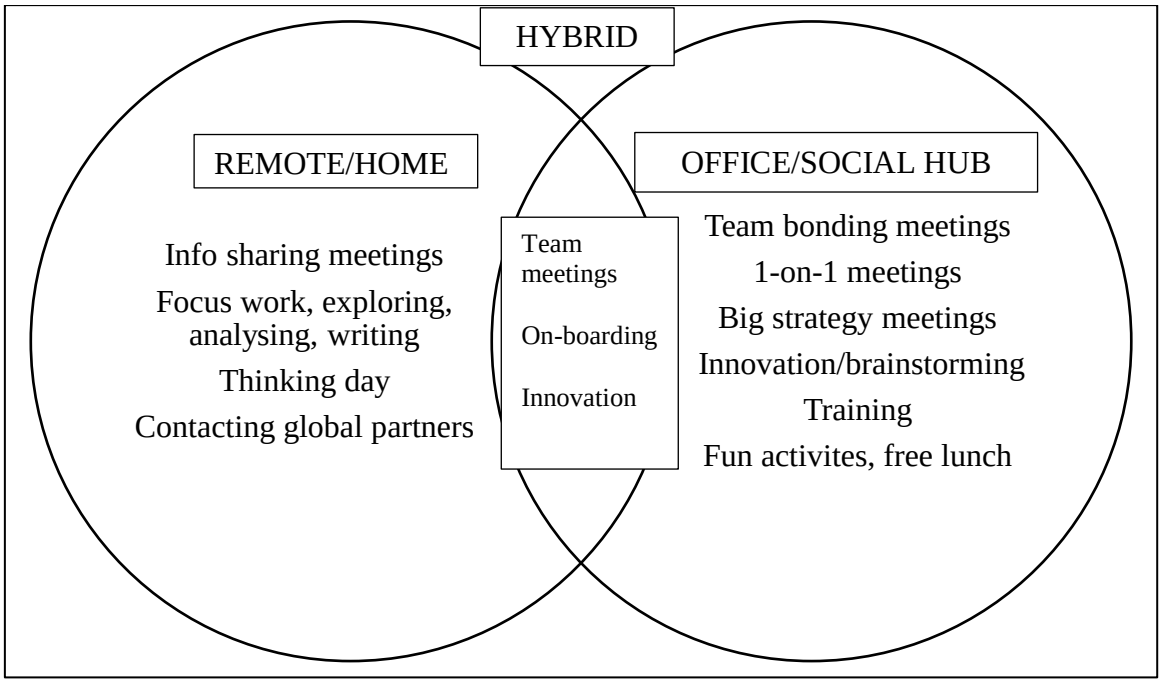

Figure 1. Task locator based on work content and workers' location.

Source: Mitchell et al. 2021 figure developed further by the author.

The theoretical part covered the main challenges that the emerging hybrid work arrangement brings to leadership based on the latest literature and surveys. These findings are the input for the qualitative research. Next chapters focus on the research methodology and findings of the survey.

2. METHODOLOGY

The following chapter will present the methodological strategy of the study, describing the research design, sampling procedure, data collection, methods of data analysis and limitation of the method adopted in the study.

2.1. Research design

Since the purpose of this study is to gain an in-depth understanding of a specific phenomenon, namely the hybrid working model, the author opted to use a qualitative research method. Further, the study is performed using inducive view and qualitative research, due to constant change of the research subject. The purpose of the qualitative research is to explore the situation in real life, give a wide spectrum of knowledge and different views and perspectives regarding the subject of the research (Õunpuu 2014, 52-53). The main idea of inducive research focuses on exploring and generalizing results beyond the observations at hand (Woo *et al.* 2017). The author observes and looks for patterns in the data, which can be generalized from the sample at hand to a broader population of interest without having any hypothesis for the outcome.

The study is performing a social survey research using a cross-sectional research design starting from identifying the main theories and challenges of the phenomenon, followed by analysis of 15 Estonian leaders experiencing the phenomenon. The data is gathered using semi-structured interviews, which is later analysed in order to find any connection to the theory and patterns within the interview answers. This thesis is aimed to understand the underlying factors and processes which have affected the leadership in new phenomenon with a focus on the leaders' view.

2.2. Sampling procedure and sample size

Sampling procedure allows to reduce the amount of required data for the research by using different techniques and concentrating only on data that is relevant (Saunders *et al.* 2016, 272). As the aim of this thesis was to analyse leadership challenges in the hybrid working arrangement among Estonian leaders, the sample has been selected using the following criteria:

- Hybrid work is used;
- Head office of the company is in Estonia;
- Team size (direct subordinates) equal to or greater than 5.

In order to gain broader insight on the phenomenon, leaders within the sample were selected from different fields of activities and from different levels of management. The sample size was 15 companies and included quite an equal number of managers from both traditional economy (production, retail, entertainment) and new economy (IT development & services, telecommunication) companies. The author's interest was to find out if there are similarities in the statements of different leaders from similar fields. The sampling technique used in this research is a non-probability sampling, specifically convenience sampling procedure, which allowed to decrease the number of the sample size to 15 companies. The full list of the participating companies and leaders can be found in Appendix 1.

2.3. Method and data analysis

In this research the author used semi-structured interviews for gathering the necessary data that helps to understand the nature of the researched topic. This method for data collection has been chosen because the purpose of the research is to explore such phenomena as Leadership in the Hybrid Working Model. Valuable insights on the topic were gathered from a real conversation with the practitioners with specific questions in the same order. As the answers of the respondents lie within personal experience, a semi-structured interview gives freedom to the respondents in terms of answering the question in his/her own words, as they are open-ended, that at the same time gives to the researcher the possibility to ask additional questions that have not been planned (Bryman *et al.* 2011, 467). Additionally, conducting semi-structured interviews, gives to the respondents the possibility to openly describe the negative and positive experiences related to the phenomena, which in current circumstances is particularly important.

The interview consisted out of 20 questions (Appendix 2) that were divided into 4 main categories: general hybrid work framework, challenges of hybrid work, leadership style changes and needed skills for hybrid work. As the aim was to learn the existing facts and experiences, the author followed an interview guide and used directing open-ended questions. According to Myers (2020), an interview guide is a helpful tool to ensure that predetermined sections are not neglected or forgotten. For the interviews the author reached 19 intentionally selected leaders from which 15 agreed to participate in the survey. Interviews have been conducted in the period October 2021 – November 2021 via online conference calls in Microsoft Teams and in face-to-face meetings. Interviews lasted on average around 57 minutes. Respondents were explained the reason behind the research and asked for permission to record the interviews. Although all the interviewees agreed to present their names and companies in the research, abbreviation INT is used in the analysis part. For transcription the author used fully automatic speech recognition technology developed by the Laboratory of Phonetics and Speech Technology of the Institute of Cybernetics at TUT (Alumäe *et al.* 2018). All of the transcribed interviews have been translated into English by the author and summarized in the coding table. Link to the interview transcriptions can be found in Appendix 4.

The method of data analysis of the thesis is content analysis, which focuses on an in-depth analysis of the research results, thus text content. Saunders *et al.* (2016) indicate that qualitative content analysis is used for subjective interpretation of the content of textual data through a systematic process of structuring and coding and through the identification of themes or patterns. Qualitative data is likely to be characterised by its richness and fullness, that allows to perceive object of study in as real manner as possible (Saunders *et al.* 2016, 568).

For the process of qualitative content analysis, the author used the four-phase analytic process presented by Vaismoradi *et al.* (2016), which includes: (1) initialization- reading and generating codes, (2) construction - constructing and defining themes, (3) rectification- reviewing and relating to established knowledge, (4) finalization – developing the story line. Based on the interview questions, the author analysed written transcripts of the interviews, highlighted meaningful units using codes, identified similarities and differences, and defined the categories, compared with existing knowledge, and finally arrive at a conclusion. Drawing conclusions based on segmented data of the coding frame is the last step of the research, where the author connected received data with the theory.

3. RESEARCH RESULTS AND DATA ANALYSIS

This chapter of the thesis shows results of the research that is based on the semi-structured interviews conducted by the author. In the research 15 leaders participated via one-on-one interviews or over Teams or Zoom virtual meetings. As this thesis is looking for insights of the leadership challenges and solutions of hybrid work the questions were asked according to the interview guide. Results of the interviews are presented in coded form, namely INT 1, INT 2, INT 3, etc. Analysis is done with the focus on identifying the key elements of the effective leadership in the hybrid working model and finding the participant's positive, negative, or indifferent comments about their experience leading in such an environment. The following chapter is divided into four subchapters, where chapter 3.1 identifies the hybrid working arrangement among studied companies 3.2 focuses on understanding the main challenges of Estonian leaders when leading hybrid teams, 3.3 covers the leadership style changes and evolution in the hybrid world, and 3.4 points out the critical skills needed for hybrid work. The findings of the research are summarized in Appendix 3.

3.1. Hybrid work arrangement in Estonian companies

In order to gain essential knowledge on the hybrid work situation in Estonia the research identified the current working arrangement of the studied companies. The author realizes that a sample of 15 interviews might be limited to generalize across the social settings, however, as qualitative research accepts interpretation from an epistemological point of view, the author is not aiming to prove some kind of a statement but aims to understand and give an overview on such a social phenomenon as a hybrid work model.

All the participants in the survey admitted the pandemic will transform the nature of work permanently and that hybrid work is the model going forward, however, a majority of them do not have a plan for how to carry it out. Most of the respondents said they do not have a fixed framework for hybrid work and their employees have the freedom to choose where they work. (INT 1): "No fixed framework for hybrid work arrangement. All meeting invitations have a Teams

link and people may choose from which location they participate." (INT 3): "Our current philosophy is total freedom of choice. People do not have to be in the office, they can freely choose where they work. The only rule is that everybody should be available from 9-5." Only small number of leaders announced they have alignment on a hybrid working model. (INT 5): "Currently people need to be in the office at least 3 days a week. In retail it is crucial that we have contact with retail space and with the client." (INT 7): "We have a suggested framework from Bolt to be in the office 20% of the time." Controversially, one leader had serious doubts about hybrid work, and they practice it as little as possible.

To generalize, most of the sample organizations do not have a detailed vision in place for hybrid work. On the positive side, the managers are given a choice how to organize their teams' work and they are ready to change and adapt according to the situation. (INT 9): "We have given our managers freedom to decide the proportion of remote and office work." (INT 8): "Open mind and adaptability are keywords. We cannot rely on your current frame, we should adapt to new working habits and methods according to the situation." On the negative side, several leaders pointed out that they would like to see their team more in the office, but they do not want to contradict the company's general policy of "total freedom of choice". (INT 3): "I feel that Team Leaders and Mid-managers are left alone in their struggle. We are given the total freedom to decide how to manage our team and operate on a daily basis. However, it is not that easy when all your employees have a common understanding that they can do whatever they want and work wherever they want. The manager that sets mandatory office days might become extremely unpopular. It would be much easier if there were company-wide policies that help managers to operate more closely with their teams." (INT 1): "We have been thinking to set some quota that people have to be in the office at least 2 days a week to show their face, however, we think in today's world, companies cannot set these kind of rules anymore as people will vote with their legs." In order to foster the team to work more in the office, leaders are in the office as much as possible, thus, leading by example. (INT 8): "Directors are in the office most of the time and try to inspire and influence people by example. It seems that the younger the employee, the less they want to be in the office. Bit older generation values the benefits of office work more."

The hybrid work situation in Estonia reflects the overall situation in the world, where the companies still have to adapt according to the health risks caused by the ongoing pandemic, and test and learn different approaches to find the most suitable one for their field of activity and

people. Companies with the culture of "total freedom to choose where their employees work" were more likely to say that they need to overlook their current arrangement as it has its downsides.
It is obvious that there is no one-size-fits-all template for hybrid work. Estonian leaders are acting according to their context and organization, and they are still searching for clear parameters for what hybrid means for their organizations.

3.2. Hybrid work leadership challenges of Estonian leaders

As this research is looking for answers to the question of what the main leadership obstacles in an emerging hybrid working world are, the author asked the sample group to name 3 of the biggest challenges they have experienced. While the most critical hardships were pointed out, the author also asked about the other challenges addressed in literature in the Theoretical part. Based on the interviews and content analysis five main challenges were identified and are presented in order of importance.

3.2.1. Diminishing team cohesion

The results of the survey show that the biggest downside of extensive hybrid work is the disappearing of team cohesion and company culture. All participants addressed decreasing team spirit to be one of the most challenging issues, influencing work climate and motivation.
(INT 6): "Diminishing company culture and decreasing sense of belonging, are the biggest problems in our company now. Our culture values close and warm personal relationships. We haven't had any gatherings for almost two years and people are not happy". When physically together, people naturally build bonds by having lunch together and taking part in random "watercooler" conversations. When working most of the time remotely, these interactions cannot happen spontaneously, which can weaken informal bonds, reduce empathy, and lead to feelings of loneliness. (INT 4): "Social communications are fewer and that truly influences team spirit negatively. Motivation is lower. People miss personal chatting that takes place in the office corridors and kitchen." Maintaining and strengthening of team ties is not an easy task for leaders. (INT 8): "I have worked really hard to increase team cohesion. I have organised team events and small surprises like sending cupcakes to their homes. We have now free lunch in the office on Tuesdays. We try to motivate people to come to the office more, however, the team ties are still an issue as people see each other so rarely. I also use a Team Chat, where I ask questions, tell jokes

and recognise personal achievements. In the light of team-building it is very important to celebrate all the milestones."

All the participants reported satisfactory or improved team efficiency that seem to come at the expense of people's social ties. (INT 13): "I have noticed that our meetings have become significantly shorter, there is less chatting, and people go straight to the point. It seems it is not so comfortable to chat through screens. On the other hand, people miss it. We have gained efficiency at the expense of human connections."

As known from several researches, good team spirit that is based on mutual accountability and trust leads to better results, more creative solutions and higher job satisfaction (Edmondson 2018, Akan *et al*. 2020). Therefore, it is crucial to intentionally take care of social relationships and foster informal communication. Most of the leaders deliberately plan activities to cultivate team feeling, namely, the team meetings are held preferably face-to-face, team members achievements are pointed out and team success is celebrated. (INT 5): "We believe in storytelling, not only for marketing purposes, but also internal teambuilding. We share all sorts of personal stories, achievements and experiments in our FB group." Leaders also organise team events and plan time for casual chat in the virtual meetings to encourage team comradery and creating a culture that celebrates bold thinking with supportive environment. (INT 11): "We intentionally take care of team spirit; we have put team building events into our quarterly plans as OKRs. We have done quite simple things like making sushi at somebody's home or visiting the summer house. Important thing is that we talk about other things than work and get to know each other." Moving along with recent development many surveyed leaders have tried virtual team building activities like virtual coffee breaks, dinners and games (INT 7): "We have tried all sorts of technical solutions to boost social connections like Kahoot quizzes, games, Zoom dinner parties and discos in different Zoom rooms with different decorations and music. These are fun for first time, but people would prefer actual parties." According to Rhee *et al.* (2020) humour is a good tool to measure team temperature and some of the leaders actively use it. (INT 2): "When there is laughter in the meetings I know my team is doing OK. I need to see how people are doing, are they having fun as well." Active spreading of positive emotions like humour are related to positive outcomes of team performance and team cohesion (Rhee *et al.* 2020).

A sense of belonging among employees and a sustainable company culture is not happening unintentionally in the hybrid world, this needs a conscious planning and concrete steps. The results of the survey were in correlation with the previous studies by Mitchell *et al*. (2021) and Gilson *et*

al. (2021) which indicated that hybrid teams are rather fragile, depending heavily on relationships between leaders and team members, and on leaders´ ability to provide purpose and build team unity.

3.2.2. Work-life boundaries and burnout

Second most experienced challenge among Estonian leaders was the wellbeing of the employees and threat of burnout. The hybrid work can lead to increased stress level due to lack of separation between work and home. (INT 12): "Biggest challenge is to keep work-life boundaries. We support our employees with webinars where our own managers share their tips on how to manage time more efficiently and what activities they do to keep balance." (INT 13): "Keeping work-life boundaries is a major challenge for many people. My working days have become much longer and at some point, I noticed that it is not sustainable. I need to take more time for myself and for my family. I suggested and even pressured my team to set very clear line between work and life and have proper holidays."

Although leaders acknowledge the threat of burnout and they provide help to their subordinates, it seems they do little to take care of themselves. Majority of leaders admitted that last couple of years have been stressful and exhausting. (INT 1): "Working through screens and having fewer human contacts is causing more stress, many people struggle. I am close to burnout, not there yet, but there are signs." (INT 3): "Last two years have been very intense and lonely. Distance between people has grown and it takes much more energy from leaders to bring people closer again."
Leaders who admitted difficulties with their own wellbeing and balance, expressed a need for a personal coach. Only 1 interviewee admitted he has a personal mentor-coach. (INT 2): "Last two years have been rather difficult and influenced my physical and mental health. It is not only work and making tough decisions, but also personal things like taking care of a moody teenager at home and nursing a sick son. I feel a personal coach could be rather useful, however, I cannot imagine how to justify it to my manager." (INT 1): "I have been thinking lately that I would like to have a supporting coach, but I don't know how I can explain it to my boss."

The other reasons behind leaders' anxiety and discontent are being overloaded with daily emergencies and feeling distant from big goals. (INT 10): "The last year has been the most stressful to managers, everyday there are some fires to extinguish, taking care of people takes more time, and therefore workload has increased tremendously. The main problem is that managers do not have time to solve the important topics, move towards big goals, and this upsets them." Work

overload and time pressure is especially critical topic for leaders of rapidly growing companies. Start-up type of companies (2 in survey) tend to demand such commitment and contribution from their employees that it can easily lead to burnout. (INT 10): “It is the manager's responsibility to find the optimal efficient workflow and keep people healthy in the long run. As I have experienced a quite serious burnout myself, I am able to notice the signs of severe stress from the eyes and the body of people. What helps to avoid burnout, is the deep understanding of the work's purpose - is it meaningful to you, do you really like what you do, does it take you somewhere (towards bigger goals). If you do not like what you do, you should not be there. If there is a serious resource problem, the manager should solve it, people need to know they are heard, and a solution will come. There is room for improvement within our company as we tend to be quite demanding on our people.” Managers who had experienced a serious burnout themselves were very attentive of the signs of severe stress and caring about their employees.

As employee’s happiness is directly related to organizational commitment and performance all the leaders should openly address the issue of wellbeing and burnout in hybrid work arrangement (Thompson *et al.* 2020). An interesting finding came out on the topic how Estonian companies address the employees’ happiness and mental health. The author was positively surprised how openly the leaders talk about the issue and what supporting activities are offered by most of the companies. (INT 3): “Work-life balance is not correct for many people. It is hard to switch off from work. A year ago, Telia offered virtual psychological support to its employees, and it was so popular that the registration site went down.” (INT 4): “We support our people with flexible working arrangements and provide mental health lectures and support fun team activities.” The most common activities that were provided by the companies are different lectures (about importance of sleep, relationships, work happiness, physical and mental health, time-management, etc.) and contacts of dedicated psychologists. (INT 7): “Burnout is a topic, as people are always on and contribute too much. In Bolt we deal with mental health seriously. We have dedicated psychologists available for all our employees. And as far as I know people use the service very actively. Before the pandemic we were a more result-oriented company, but now we consciously deal with peoples' well-being, making sure we have healthy and sustainable human capital.” However, not all the companies are willing to openly discuss the mental health dangers related to work overload or social isolation that comes along with hybrid work. Few interviewees admitted that this is not a public topic in their enterprise. (INT 1): “Talking about mental health is a rather delicate topic, many people feel hurt and do not want talk about it. I personally think it is a very important topic and our company should open an honest discussion about burnout, stress, and

mental health. It is a sign of a caring modern enterprise to provide support and solutions for those employees who need help. It seems that an open attitude towards mental health differs among generations and is dependent on the person's own experiences and horizon." Additionally, it became clear that leaders themselves are exhausted and longing for support. Many admitted that they feel lonely and would like to talk with somebody, other than their boss (outside mentor).

On the other hand, leaders have very clear perceptions how to support and heal their subordinates. The respondents' opinions are in line with the scholars Mitchell *et al.* (2021) suggestion that the hybrid team leader should periodically check in with team members to identify each team member needs or barriers toward work outcome and signs of stress. Leaders should encourage workers to optimize their own productivity and individual health (Mitchell *et al.* 2021). One way to increase work efficiency and satisfaction is to schedule large blocks of uninterrupted time to focus on specific tasks. (INT 7): "I have suggested to people to turn off all sorts of notifications and divide days and time slots according to their personal clock and efficiency. Remote communication has brought along the problem that people are always on and try to deal with every little detail immediately. I encourage to create a work structure, when you answer e-mails, when you read and write, and when you collaborate."

To conclude there has been a positive shift in attitude towards employees' wellbeing and mental health, leaders openly talk about it and take actions to care about their people. However, it continues to be a challenge for leaders themselves as they dedicate much more time and energy for looking after their team.

3.2.3. Communication

Another common complexity in the hybrid work arrangement is communication. We can categorize the communication challenges that Estonian leaders pointed out into 3 subgroups.

Firstly, chaos in communication channels and not agreed response times. Not all the companies were ready for massive remote work. Two companies implemented Microsoft Teams during the pandemic and three companies said that they had it before but did not use it much. Currently Teams is the main communication channel for majority of the companies. Some leaders mentioned that today they have new problem that Teams is overused, people get lost between too many sub-channels. Further, there are other channels like Slack, Facebook Messenger, and traditional e-mail in use as well. What makes the communication complex is the non-existent ground rules of what

information moves in which channel and what is the expected response time to different messages. (INT 3): “As there is much more communication in written form we had to go through our ways of communication and agree the common ground which channels are used for which information and when. We even had to go through the meanings of different emoticons, so we all know how to use them correctly. People have forgotten that sometimes it is quicker and wiser to call the other person. We have room for improvement in communication, we do send e-mails 24/7 and we have not agreed on standard response times and private time.” (INT 4): “We still have a lot of communication in different chats and that is problematic as constant disturbance affects efficiency.” In order to avoid misunderstandings and conflicts establishing ground rules is essential in hybrid communication. (INT 8): “The challenge with communication is that we had not agreed the response times, and this has lately become a significant problem. One of our team members felt that he does not owe to anybody anything, and he can deliver whenever he wants in the amount he can. We had to go through the common understanding of politeness, respect and trust with our team members and agree the playing rules.” According to scholars Mitchell *et al.* (2021) variety of channels like in-person, email, chat, and collaboration platforms are beneficial in hybrid work, as these enable everyone communicate regardless of their location, however, it is absolutely crucial to agree what channel is used for what type of information and establish responsiveness system like e-mail for something harmless, Teams chat for answers within the day and calls for critical issues. This might seem very tactical, but is important to guarantee efficient communication.

Secondly, digital meetings are more demanding and less engaging than on-site ones. Respondents of the survey thought that digital meetings should be better organized, and team members should be short and clear in their messages, which means well-prepared. This was an interesting discovery as this reveals the shortcomings of face-to-face meetings where inefficiencies are more tolerated than in digital context. Respondents also complained that it is challenging to engage the whole team in Teams meetings, as many of them do not put their cameras on. Although leaders see the invisible participation (person without camera) in meetings as problem, they have not made participation with picture mandatory. Hybrid meetings are more complex to lead than fully digital or office based. (INT 4): “In hybrid meetings it is very hard to engage people, listen to everybody's opinion, encourage people to talk. Sometimes I feel that not all the people are present even though they are behind the screen. In the meeting room I can notice if somebody is falling off, ask questions or comments to wake them up. In hybrid meetings it is easy to forget those who are not in the room.” Running hybrid meetings and digital behaviour are new skills that people need to learn and practise in the hybrid world.

Thirdly, general company wide information-sharing is not sufficient in (some) companies. Surveyed leaders acknowledged that in the new hybrid environment and dealing with more urgent matters they have not been able to provide information about company developments and news with necessary frequency. (INT 15): “People feel that they do not have enough information on what is going on in the company, in other departments. We used to have big company meetings twice a year but now these have discontinued and need to be restored. To build and sustain the sense of belonging it is crucial to give wider scope of information to all the employees. I plan to start quarterly meetings with my team where I invite other Leaders to share the developments and news of their departments.” According to Prasad (2020) without clear, effective communication coming from the top about any new directions or agreements, employees will feel lost and frustrated, the lack of communication causes confusion, slows down process and decision making. On the positive side, the issue of lack of communication, is recognized by the leaders and addressed further. They plan activities like companywide information days and quarterly department meetings, where each manager gives a quick overview of the key activities and plans of their department. These information channels are open for employees' suggestions and discussions. All the leaders said they are striving for bigger transparency and employee engagement. They all acknowledge that better access to information leads to improved creative work and job engagement (Li *et al.* 2018).

3.2.4. Innovation

The question about company’s ability to innovate in hybrid working model gave controversial answers. Interestingly, respondents were very concrete and passionate about the topic.

Firstly, the smaller group of respondents said that company development and innovation will definitely stifle. (INT 8): “Innovation is very challenging; it is almost impossible to generate a free flow of ideas and lively discussions digitally. You can initiate chats with intriguing ideas, but it is not the same when people are in the same room and feel energy that emerges from the discussions and laughter. I think that only people with exceptional creative and communication talents can innovate from distance and solitude. Most hardworking average people walk the known tracks and do not provide any new ideas.” These leaders are afraid that hybrid work might be fatal to the company's long-term success, if not fatal, it will slow down the development process. They believe that technology does not replace the synergy that emerges from close face-to-face collaboration.

(INT3): “Everything related to future innovation suffers. We do well what is needed today, but idea generation, development activities that need synergy and creativity have stopped. I feel terrified thinking about the new initiatives that we started a couple of years ago that will finish now, and there isn't anything big and new on the horizon. Personal tasks have become more important than the bigger vision.” The leaders also say that learning of new things that is the foundation of creativity is hindered in virtual work arrangement. Innovation needs new experiences and stimulators, e.g. new environment and cross-functional collaboration. If people work in a silos which can easily happen remotely, and are not stimulated by new experiences, the flow of new ideas cannot flourish. (INT 3): “In the fast-developing sectors like telecom and IT services it is crucial to innovate through face-to-face brainstorming and learning from each other.” (INT 8): “What also inhibits company development is the lack of face-to-face trainings, motivational and inspiring lectures. The webinars do not replace the physical lectures and conferences.” (INT 4): “It is hard to sell web-conferences and trainings to employees. Their motivation is lower, they say webinars are not so exciting as conferences or face-to-face trainings. This leads to more tunnel view on solutions and does not allow acknowledge new opportunities.”

Secondly, the bigger group of studied Estonian leaders agree with scholars Tsipursky (2021) and Reiter-Palmon *et al.* (2021) that the shift to hybrid work actually has the potential to improve group creativity and ideation, despite diminished in-person communication. Precisely these managers said that hybrid teamwork does not inhibit innovation. Quite the opposite, they said that new situation and inconveniences that it brought along, accelerated the need for new creative solutions. (INT 5): “Innovation does not suffer, we have to run faster than ever, we have done a remarkable number of new developments.” (INT 6): “Innovation does not suffer, it's our focus and in it we have put most of our resources. We have selected people who want to achieve big things and do significant developments, those people find a way.”

Leaders from the technology sector have adapted rather well to the new way of working. The process of starting new projects, evaluating scope and ideation of pathways, that used to be a face-to-face playful activity, is now run virtually. (INT 15): “Basically anything can be done digitally. We use Planning Poker software for consensus-based estimating.” Presenting ideas and solutions to clients through digital platforms and video conferences is the new normality. However, leaders admit that digital innovation should be well planned and conducted. (INT 15): “Innovation is manageable if somebody leads the process and takes responsibility. Innovation does not happen accidentally in the digital environment.”

Leaders who were more positive on digital innovation explained that using collaboration software makes it easier for more people to participate in the process and capture a wider pool of unique perspectives, ideas, and backgrounds. This opens up so many more opportunities for creativity. Introverted people who feel more comfortable sharing their ideas in written or anonymously could be engaged. Additionally, people who need more time to digest ideas, can contribute. (INT 14): "The best ideas occur to me when I run in the forest. You can put me in the room with all the other people, but probably I will find the better answer alone when I am running". As a bonus, process is not dominated by "loudest voice" or "highest position" that could easily happen in conference room. (INT 6): "I think great ideas emerge differently in different people. Some need lively discussions, but more introverted people want to explore and think by themselves. I agree that innovation needs positive conflict, when people discuss ideas and alternatives, they normally see things differently and this arguing helps to come up with new ideas and solutions. Digital brainstorming environment is not the best method for open discussion, however, it generates more ideas and enables more honest evaluation of ideas."

These empirical experiences are in line with theory by Tsipursky (2021) that asynchronous virtual brainstorming brings more valuable results. Further, using a digital canvas for visual collaboration, the work becomes jointly owned by the team - naturally building trust, alignment, and a shared sense of ownership (Tsipursky 2021). Team power is the most valuable in the process of evaluating and choosing ideas that are worth implementing and also identifying the ideas that are truly novel and useful (Reiter-Palmon *et al.* 2021).

3.2.5. Bringing in results and monitoring

Leading in the hybrid world it can be hard for managers to ensure accountability and monitor performance. Productivity has been traditionally measured by how many hours people worked and the office has been a good base to measure it. Without these tools, bringing in results, is a serious challenge for some leaders in our research. The respondents' main concern was the employees' commitment and efficiency that seem lower when they work at home. (INT 2): "I am not a fan of hybrid work as I do not have an overview of people's contribution and commitment. It is all about trust, however, I cannot trust all my employees equally. Not all people are highly motivated and disciplined to work remotely and without supervision." Managers do not feel confident in people's ability to set priorities. They pointed out that hybrid work does not suit for everybody, it reveals personal weaknesses like low motivation and poor self-management (INT 3): "I have realised that

not all people have self-management skills and therefore their productivity has fallen in the hybrid working model. I have had to do make tough decisions to let some people go."

Interestingly, these leaders said that they do want to trust their employees, but reasons like being new in the company and not knowing their team, make it difficult. (INT 14): "In a new organization where you do not know your team so well, it is very hard to understand the limits of the person and to plan their workload. It would be easier if you are together in the office with them, but in the hybrid arrangement it is hard to evaluate if the employees manage their time efficiently or not." (INT 1): "I do not want to control them, however, I would like get an overview of their task list and help them prioritize things. Sometimes people spend too much time on things that do not create value, they work hard, but their productivity is low." In order to increase transparency and establish trust leaders ask their team members to write down what they have done and what are their next priorities. (INT 1): "It seems that in the hybrid world we need to learn to share more details about our workdays and activities, both leaders and employees. Discussing a person's activities and their next task is not about monitoring, it is about understanding the tasks, how much time they take and also getting to know the person more closely and establishing a common ground." Finding a balance between trust and control is learning curve for these leaders. (INT 8): "I used to be more controlling, asking all the time about the progress and maybe disturbing people in that sense. Now I try to give people a credit of trust."

A sizeable proportion of the respondents had no problem with control and delivering outcomes. They said that bringing in results is manageable with fixed processes, agreed expectations and regular catch ups. But the foundation of it, is to recruit the right people and trust them. (INT 6): "We select our people very carefully. We are very clear and honest about our expectations and how success is measured. After that we trust them." These leaders believe that letting people to design their own lifestyles only rises their commitment and trust across teams and company. Furthermore, trust is the foundation of trial-and-error culture where experimentation and the analysis of errors is considered learning rather than blame (Gilson *et al.* 2021). (INT 10): "We consciously create the culture of freedom and responsibility, encourage people to take responsibility. And we acknowledge that taking risks brings along mistakes. We take it as a learning process."

All the leaders agreed that success of hybrid work stands on a well-structured and communicated company vision, strategy, priorities, main tasks and each employee's role in it. Everybody should know what is expected from them. (INT 12): "It's all about setting targets and agreeing the

expected outcomes and deadlines. Giving tasks should be a two-way action with reflection, did the subordinate understand the task/goal the same way like Manager. Different understandings are the common cause of failures." Monitoring like daily short calls and weekly catch ups are increasingly important in hybrid working arrangements where leader cannot check if the person is on track just by walking by. Therefore, scholars emphasise the importance of intentionally planned synchronous updates for ensuring productivity and unity (Mitchell *et al.* 2021).

According to Gilson *et al.* (2021), by adopting a trust-based and outcome-focused approach, enables people in hybrid teams do their best work. People who are trusted and autonomous are more likely to fully cooperate, share information, and deliver high quality results (Gilson *et al.* 2021). Although trust remains one of the big challenges for hybrid teams, the good news seems to be that the more leaders and individuals interact and practise it, the greater the likelihood that trust is achieved and goals hit.

To conclude, Estonian leaders have adopted hybrid work rather well. The top 5 challenges for them are maintaining team cohesion, helping people keeping work-life boundaries, setting up clear communication lines with ground rules, fostering innovation and delivering results in trustful climate. Additionally, all of them agreed that the on-boarding of new employees is difficult in hybrid work, however, none of them mentioned it as their main challenge. Leaders had a positive opinion about team efficiency, declaring the productivity of work has not decreased and they were happy about their employees' improved technological skills.

3.3. Leadership style for hybrid work arrangement

As the aim of this study was to find out what leadership approach is needed to achieve team success in the hybrid work setting, the author asked the respondents to describe how their leading methods and style have changed during last 2 years. Further, leaders were asked in what direction the leadership evolves taking into account employees` expectations and hybrid work requirements. Leaders described that the last 2 years have felt like a running marathon without knowing the race. Adaptive mindset is the critical skill that has helped to stay on track. (INT 9): "My mantra is that "one should not suffer changes but love them", then it is easier to live and work. This mentality has helped me to deal with the latest drastic changes rather well." Leaders with more traditional approach would benefit from acquiring leadership practices from Technology sector like flat team-

based structures and agile project-based management where the team development and wellbeing is highlighted. Adaptive mindset and agile approach when trained and practised prepares leaders beforehand to meet major challenges and lead in the systemic change like spreading of hybrid work (McKinsey 2021). Further, as the volatile environment demands determination, many leaders reported they have become more rational and concrete in their expectations (INT 5): "My leading style has become more concrete, I operate and decide faster, I have destroyed hierarchy as much as possible." (INT 12): "I have become more clear and concrete in my expectations towards my team members. I also encourage them to tell me what they expect from me."
On the contrary, majority of the leaders have become more empathetic and spend more time caring for people. (INT 7): "I have become more empathetic, realised how different people are and changed my approach accordingly. Before I was a more goal-result oriented leader, but now I make sure that everybody is OK." (INT 10): "I have learned to use different leadership styles with different people. I am clearer in my messages and expectations now. I believe leadership will become more emphatic in the future." Most of the Leaders see they have developed a lot in the crisis situation and in the new normal. One key topic is to learn and understand new generation values, behaviours and working habits.

The common understanding of the survey group was that hybrid work itself needs a good combination of project management type of leadership and human-centric leadership. The targets and deadlines should be fixed, tasks divided and outcomes agreed, followed by frequent catch-ups and positive encouragement. (INT 3): "In the hybrid world it is not enough to be good communicator and inspiring talker, you have to be good in organizing the work and processes, have excellent tech and people skills."

Generally, it is predicted that new paradigm hybrid work transforms leadership into more human-centric direction, learning and understanding human psychology, improving interpersonal skills and enhancing empathy become pivotal. (INT 1): "Leadership moves towards a more human centric approach, work is divided and tracked through mutual discussions and agreements. Leaders need to constantly check the person's emotions and wellbeing not to overload them." As hybrid work has opened many new directions to labour market, people expect much more from their employers, they expect better employee experience and engage when their needs are met. Leaders need to present more emotional and social competence. (INT 2): "The team is successful and people are happy when a leader is taking good care of its people and is positive and an inspiring role model itself."

3.4. Skillset for successful hybrid work

Working in the hybrid world without supporting office environment and face-to-face communication requires different skills and competencies to support significant changes to how work gets done and to improve the business and personal breakthrough power. Current research discovered 4 skills that are becoming increasingly important in the transition to hybrid work world:

1. Self-management with the ability to prioritize tasks.
2. Good communication skills.
3. Taking care of mental health, and empathy.
4. Digital behaviour and manners.

Widespread remote work has revealed the importance of time-management and self-discipline in relation to work efficiency and satisfaction. (INT 7): "Hybrid work has increased the awareness of self-management. It has forced us to deal with more precise time-planning and discipline. It has helped us realise who we are, what working routine suits us more and what makes us unhappy."

All the respondents agreed that self-management is the key determinant of persons' success in hybrid work, which supports the findings of Wang *et al.* (2020). Leaders should acknowledge that for people lacking self-discipline, positive social support can provide psychological resources for self-regulation (Wang *et al.* 2020).

Additionally, respondents emphasized the importance of expressing yourself shortly and clearly and the ability to visualize complicated systems or strategy roadmaps in digital context. (INT 14): "Digital channels demand much better self-expression, you have to be short and clear. You have less time and your body language does not support you. It assumes pre-work and practise." (INT 1): "Good pictures do not belong only into the design world, they are extremely important to explain complicated business processes or company strategy in a simple way." People need to acquire more technical skills and learn to behave in digital meetings e.g. preparing their messages beforehand and putting camera on showing their respect towards others. As the remote work comes with blurring work-life boundaries people need to learn to draw the line between private and work life and truly care about their physical and mental health. Ability to give and receive feedback and empathy towards team members and leaders were considered growingly important in a volatile fast changing environment. (INT 15): "People need to learn empathy as well, it is ignorant if you only share your own concerns and problems, but you are not able to pay attention to other persons' feelings, also your leader's well-being."

To conclude the most critical skills in the hybrid arrangement is excellent self-management with the ability to set priorities and ability to communicate clearly, visually and empathetically.

3.5. Solutions and recommendations

In the final section of the analysis the author summarizes the main challenges and solutions of hybrid work as experienced by the interviewed Estonian leaders. Hereafter, Table 4 offers guidelines for leading in hybrid work arrangements in order to increase team effectiveness.

Table 4. Key challenges and guidelines for leading in hybrid work arrangement.

Challenge	Solutions of Estonian leaders
1. Diminishing team cohesion	• constantly remind common purpose • plan time for casual chat • organize fun team activities • consciously create positive and safe team climate
2. Blurring work-life boundaries and burnout	• agree working times and help to set priorities • promote "embrace change" adaptive mindset • promote healthy and balanced lifestyle, be an example • raise awareness of mental health issues by providing information and lectures (also share personal stories) • take time to talk to people, be attentive and listen intently • provide mentors & contacts of dedicated psychologists
3. Communication errors	• match the technology to the message • agree response times according to message importance • establish digital etiquette guidelines (e.g. cameras on) • plan regular company-wide Information sharing days • make sure all the information is stored centrally • guide managers to constantly share information
4. Slowed down innovation	• use digital collaboration platforms/boards where everybody can contribute • promote cross-functional collaboration, remove silos • encourage sharing of ideas and experiences in team chat • make sure learning activites (trainings, trips) will continue and knowledge will be shared • create opportunities for thinking (focus & reading time) • promote culture of "trial and learn"
5. Bringing in results/ monitoring	• set clear goals, agree process and check-points • agree mutual expectations, use two-sided reflection • focus on output rather than input • lean in on trust, do not micro-manage • increase transparency, create a habit where everybody shares their daily or weekly activities • run status updates to ensure that progress is known by all

Source: Author's summary based on the interviews

To conclude, Estonian leaders agreed that the leadership fundamentals like providing purpose, setting clear tasks and processes, and supporting people will remain the same in the hybrid world. However, as teams are dispersed these foundations should be presented in greater detail and played out more intentionally. The areas that need considerable attention are use of technology, digital behaviour and people's well-being. In order to truly succeed in the hybrid work model, leaders and their teams should agree together on the new rules, tools to be used and the etiquette around it.

CONCLUSION

Widespread remote work during the pandemic, has led to lasting changes in people's work arrangement and management. In the future, nearly 80% of the Estonian workforce wants to work in some form of a hybrid model, which means combining remote and office work. This leads companies and their managers to a situation where they must figure out how to synchronize people who work in different locations. Leading in a hybrid workplace is a new phenomenon for most Estonian leaders and it raises many challenges.

The aim of this study was to find out how the Estonian leaders have adapted to hybrid work arrangement, what have been the main leadership challenges and solutions. Further, the thesis investigated the changes in leadership style and identified the needed skills for hybrid work.
Based on the research objective the author set following research questions:

1. What are the main challenges Estonian leaders are facing leading in hybrid work model?
2. What leadership approach is needed to achieve team success in hybrid work arrangement?

To start, the author explored the leadership approaches and challenges based on latest empirical studies and researches. Based on theory and discoveries the primary challenges were identified. These findings were the input for preparing the qualitative research. The author was aiming to get in-depth information about the subject and prepared semi-structured interview. Fifteen leaders from different fields of activities were interviewed. Interviews were conducted in hybrid arrangement, 10 via conference calls in Microsoft Teams and 5 in face-to-face meetings, during a period of 25th of Oct to 17th of Nov 2021. Interviews lasted on average around 57 minutes. The author analysed the answers obtained using a qualitative content analysis method.

What we have learned is that all the participants in the survey agreed the hybrid work is the model going forward, however, they do not have fixed plan for how to carry it out. Majority of the studied leaders said their employees have flexibility to choose where they work, some have suggested framework and one leader wants to see her team fully back in the office. Estonian leaders are acting

according to their context and organization and they are still searching for clear parameters for what hybrid means for their organizations.

Leaders believe that the hybrid work brings better quality of life for them and their people, however, it holds numerous leadership challenges. According to the survey the most consequential ones to team effectiveness are: diminishing team cohesion, blurring work-life boundaries, not agreed communication rules, slowed down innovation and over or under monitoring. These challenges were mentioned with different frequency, but at least one of those, was the biggest concern of the respondent. Additionally, on-boarding of new employees is considered difficult as the old informal experiences do not apply anymore, and the newcomer may not adopt company culture and ways of working. This is interestingly less challenging to younger generation just as acquiring new technological skills.
The solutions Estonian leaders have implemented to overcome challenges include team activities like virtual quizzes, sailing trips, free lunches and more official agreements of having team meetings face-to-face. In order to maintain the team wellbeing, all the companies measure the pulse of their employees by regular surveys and offer contacts of professional help. One-on-one meetings are considered the best tool to build trustful relationships and check the state of the employee. Only few leaders have agreed communication channels by message urgency and response times which helps to avoid misunderstandings and task delays. On the positive side, many companies have set up a very effective general information sharing system with regular Information Days or CEO Info Morning, access available to all the workers digitally and later in written. To boost innovation, one can learn from more technologically advanced companies who successfully use different collaboration software to run brainstorming and co-create projects (e.g. Miro, Figma, Planning Poccer, Jira Service Management, etc.). In order to deliver the results and not to worry about the peoples' contribution, the studied mangers suggested to be extremely clear in targets and expectations, set shorter milestones and run regular catch-up meetings. Positive trustful climate is foundation for team success.

Leading people in a hybrid work arrangement is a complex leadership phenomenon that needs very good organisational skills and excellent people skills. Project-management leadership tools help to ensure managerial efficiency and Empathetic-leadership enhances collaboration and builds relationships. Open-minded test and learn approach helps leaders to evolve through incremental adaption trying new things, making mistakes, correcting actions or beginning again, and finally seeing good results. Further, leaders should possess the ability to translate compelling

vision/purpose into clear goals, and encourage and support people more than ever. Leading with empathy is no longer a fashionable quote, but a necessity.

To be successful in hybrid working arrangement it is critical to excel self-management skill with the ability to set priorities. Further, it is important to develop clear and compact communication and visualization skills. Leaders and workers need to learn to set firm boundaries between work and life and intentionally pay attention to ones' mental wellbeing. All parties will benefit from better digital skills and more respectful behaviour in hybrid meetings.

Based on what is stated above, the author considers that the research questions are answered and the aim of the thesis fulfilled. Based on this work, we have more insight of hybrid work leadership in Estonia and it is possible to point out the main challenges among Estonian leaders and what leadership approach and skills are needed to succeed in hybrid work settlement.
For further investigation it would be recommended to look into the employees' perspective of the leadership approaches and implications in the same companies and to get the two-sided view.

LIST OF REFERENCES

Akan, O. H., Jack, E. P., and Mehta, A. (2020). Concrescent conversation environment, psychological safety, and team effectiveness. Team Performance Management: *An International Journal, 26(1/2), 29–51*

Alexander, A., De Smet, A., and Misore, M. (2020). Reimagining the postpandemic workforce. *Mckinsey Quaterly July 7, 2020*

Alumäe, T., Tilk, O., Asadullah. (2018). Advanced Rich Transcription System for Estonian Speech. Baltic HLT

Attar, M., Abdul-Kareem, A. (2020). The Role of Agile Leadership in Organisational Agility. *Agile Business Leadership Methods For Industry 4.0, 171-191*

Avolio, B. J., Yammarino, F. J. (2013) Introduction to, and overview of, transformational and charsimatic leadership. Transformational and Charismatic Leadership: the Road Ahead, 2nd Edition: 10th Anniversary Edition, Emerald Publishing, UK.

Barrero, J., Bloom, N., and Davis, S. (2021). Why Working from Home Will Stick. *National Bureau of Economic Research Working Paper Series, No. 28731, 11-13*

Bartsch, S., Weber, E., Büttgen, M. and Huber, A. (2020), Leadership matters in crisis induced digital transformation: how to lead service employees effectively during the COVID-19 pandemic. *Journal of service management, 32(1), 71-85*

BBC (2021). HR is on the front line for hybrid working. *Retrieved 30 September 2021, from* http://www.bbc.com/storyworks/future/the-hybrid-economy/when-it-comes-to-hybrid-working-hr-is-on-the-front-line

Blackburn, S., LaBerge, L., O'Toole, C., Schneider, J. (2020). Digital Strategy in a time of crisis. McKinsey Digital

Bloom, N. (2021). Hybrid is the future of work. The Stanford Institute for Economic Policy Research. Policy brief June 2021

Bryman, A., Bell, E. (2011) Business Research Methods. 3rd edn. Oxford University Press. *pp 467*

Bryson, J. M., Berberg, B., Crosby, B., and Patton, M. Q. (2021). Leading Social Transformations: Creating Public Value and Advancing the Common Good. *Journal of Change Management: Reframing Leadership and Organizational Practice, 21(2)*

Chatman, J., Caldwell, D., O'Reilly, C., and Doerr, B. (2014). Parsing organizational culture: How the norm for adaptability influences the relationship between culture consensus and financial performance in high-technology firms. *Journal of Organizational Behavior, 35(6), 785-808*

Choi O.K., Cho E. (2019). The mechanism of trust affecting collaboration in virtual teams and the moderating roles of the culture of autonomy and task complexity. *Computers in Human Behavior, Volume 91, 2019, Pages 305-315*

Chua, J., Ayoko, O. (2019). Employees' self-determined motivation, transformational leadership and work engagement. *Journal of Management & Organization, 27(3), 523-543*

Cortellazzo, L., Bruni, E., and Zampieri, R. (2019). The Role of Leadership in a Digitalized World: A Review. *Frontiers in Psychology, 10*

Crevani, L., Uhl-Bien, M., Clegg, S., and By, R. (2021). Changing Leadership in Changing Times II. *Journal of Change Management, 21(2), 133-143*

Carvalho, V., Santos, A., Ribeiro, M., and Chambel, M. (2021). Please, Do Not Interrupt Me: Work–Family Balance and Segmentation Behavior as Mediators of Boundary Violations and Teleworkers' Burnout and Flourishing. *Sustainability, 13(13), 7339*

Day, D.V. (2000). Leadership development: A review in context. *The Leadership Quarterly, 11 (4), 581-613*

Desilver, D. (2020). Working from home was a luxury for the relatively affluent before coronavirus - Not any more. *World Economic Forum.*

Dhiman, S. (2017). *Holistic Leadership: A New Paradigm for Today's Leaders.* Springer Nature.

Duhigg, C. (2016). What Google Learned From Its Quest to Build the Perfect Team? *The New York Times, Feb. 25, 2016*

Dusenberry, L., Robinson, J. (2020). Building psychological safety through training interventions: Manage the team, not just the project. *IEEE Transactions on Professional Communication, 63(3), 207–226*

Edmondson, A. C. (2018). The Fearless Organization: Creating Psychological Safety in the Workplace for Learning, Innovation, and Growth. Wiley. 51-129

Edmondson, A. C., Lei, Z. (2014). Psychological safety: The history, renaissance, and future of an interpersonal construct. *Annual Review of Organizational Psychology and Organizational Behavior, 1(1), 23–43*

Ferreira, J., Claver, P., Pereira, P., Thomaz, S. (2020). Remote Working and the Platform of the Future. BCG Research and Report, *Microsoft Pulse*.

Flores, M. F. (2019). Understanding The Challenges Of Remote Working And It's Impact To Workers. *International Journal Of Business Marketing And Management, 4(11), 40-44*

Forsyth, D. R. (2019). Group dynamics (Seventh edition). Cengage.

Frazier, M. L., Fainshmidt, S., Klinger, R. L., Pezeshkan, A., and Vracheva, V. (2017). Psychological safety: A meta-analytic review and extension. *Personnel Psychology, 70(1), 113–165*

George, G., Lakhani, K., Puranam, P. (2020). What has changed? The Impact of Covid Pandemic on the Technology and Innovation Management Research Agenda. *Journal Of Management Studies, 57*(8*), 1754-1758*

Germain, M.-L. (2011). Developing trust in virtual teams. *Performance Improvement Quarterly, 24(3), 29–54*

Gilson, L., Costa, P., O'Neill, T., and Maynard, M. (2021). Putting the "TEAM" back into virtual teams. *Organizational Dynamics, 50(1), 100847*

Gilson, L., Maynard, M., Jones Young, N., Vartiainen, M., Hakonen, M. (2015). Virtual Teams Research. *Journal Of Management, 41*(5), *1313-1337*

Google, re:Work (2012) - *Guide: Understand team effectiveness.* Retrieved 23 October 2021

Google, re:Work (2018) - *Great managers still matter: the evolution of Google's Project Oxygen.* (2021). Retrieved 23 October 2021

Grant, C.A., Wallace, L.M., and Spurgeon, P.C. (2013). An exploration of the psychological factors affecting remote e-worker's job effectiveness, well-being and work-life balance. *Employee Relations, 35(5), 527–546*

Gratton, L. (2021). How to do hybrid right. *Harvard Business Review, 99 (3), 66-74*

Harrell, M., Barbato, L. (2018). Great managers still matter: the evolution of Google's Project Oxygen. Retrieved 2 October 2021, from https://rework.withgoogle.com/blog/the-evolution-of-project-oxygen/

Heikkinen, K., Kerr, W., Malin, M., and Routila, P. (2021). 4 Imperatives for Managing in a Hybrid World. *Harvard Business Review 28. June 2021*

Helmes (2021) Experiment & study "Finding the best solution to hybrid work in Helmes". https://www.youtube.com/watch?v=IGRjb51BWt4&t=169s

Helmold, M. (2021). *New Work, Transformational and Virtual Leadership: Lessons from COVID-19 and Other Crises* (p. 198). Springer.

Hinterhuber, A., Nilles, M. (2021). DIGITAL transformation, the HOLY GRAIL and the disruption of business models. *Business Horizons, 0007-6813*

Hoch, J., Kozlowski, S. (2014). Leading virtual teams: Hierarchical leadership, structural supports, and shared team leadership. *Journal Of Applied Psychology, 99(3), 390-403*

Ipsen, C., van Veldhoven, M., Kirchner, K., and Hansen, J. (2021). Six Key Advantages and Disadvantages of Working from Home in Europe during COVID-19. *International Journal Of Environmental Research And Public Health, 18(4), 1826.*

Kupa, K. (2020). Challenges and Benefits of Virtual Teams: Leadership perspective. *Varazdin Development and Entrepreneurship Agency (VADEA), 2002, 4–5*

Li, S., Sandino, T. (2018). Effects of an Information Sharing System on Employee Creativity, Engagement, and Performance. *Journal Of Accounting Research, 56(2), 713-747.*

Lilian, S. (2014). Virtual Teams: Opportunities and Challenges for e-Leaders. *Procedia - Social And Behavioral Sciences, 110, 1251-1261*

Lord, R., Dinh, J. (2014). What Have We Learned That Is Critical in Understanding Leadership Perceptions and Leader-Performance Relations? *Industrial and Organizational Psychology, 7(2), 158–177*

Lund S., Madgavkar A., Manyika J., and Smit S. (2020). What's next for remote work: An analysis of 2,000 tasks, 800 jobs, and nine countries. *McKinsey Global Institute*

Microsoft (2020). Building resilience & maintaining innovation in a hybrid world. Microsoft report based on research by KRC Research and Boston Consulting Group.

Microsoft (2021). Work Trend Index report.

Maynard, M., Gilson, L. (2021). Getting to know you: The importance of familiarity in virtual teams. *Organizational Dynamics, 50(1), 100844*

McCord, P. (2018). *Powerful: Building a Culture of Freedom and Responsibility*. Silicon Guild.

McKinsey. (2021). *What executives are saying about the future of hybrid work.* Available at: https://www.mckinsey.com/business-functions/organization/our-insights/what-executives-are-saying-about-the-future-of-hybrid-work

McKinsey. (2021). *Future proof: Solving the 'adaptability paradox' for the long term.* Available at: https://www.mckinsey.com/business-functions/organization/our-insights/future-proof-solving-the-adaptability-paradox-for-the-long-term

Mitchell, A., Brewer, P. (2021). Leading hybrid teams: Strategies for realizing the best of both worlds. *Organizational Dynamics, 100866.*

Myers, M.D., (2020). Qualitative Research in Business Management. 3 edn. SAGE Publications Ltd, London.

Newman, A., Donohue, R., and Eva, N. (2017). Psychological safety: A systematic review of the literature. *Human Resource Management Review, 27(3), 521–535*

Ng, T. (2017). Transformational leadership and performance outcomes: Analyses of multiple mediation pathways. *The Leadership Quarterly, 28(3), 385-417*

Northouse, P.G. (2021). Leadership: Theory and practice (9th ed.). Thousand Oaks, CA: Sage Publications.

Parker, S.K., Knight, C., Keller, A. (2020) Remote Managers Are Having Trust Issues. *Harvard Business Review, July 30, 2020*

Peasley, M., Hochstein, B., Britton, B., Srivastava, R., and Stewart, G. (2020). Can't leave it at home? The effects of personal stress on burnout and salesperson performance. *Journal Of Business Research, 117, 58-70*

Peng, L., Lei, S., Guo, Y., and Qiu, F. (2020). How can leader humor enhance subordinates' service creativity? The moderator of subordinates' SFIT and the mediator of role modeling. *Leadership & Organization Development Journal, 41(6), 865-882*

Pink, D. (2011). Drive: The Suprising Truth About What Motivates Us. Edinburgh: Canongate. pp. 90-96

Prasad, D. (2021). Remote Working Challenges and Opportunities During Covid-19 Pandemic. *Journal Of Business Strategy Finance And Management, 2(1), 01-03.*

Purvanova, R. K., Bono, J. E. (2009). Transformational leadership in context: Face-to-face and virtual teams. *The leadership quarterly, 20(3), 343-357*

Putman, V., Paulus, P. (2014). Brainstorming, Brainstorming Rules and Decision Making. *The Journal Of Creative Behavior, 43(1), 29-40*

Reiter-Palmon, R., Kramer, W., Allen, J., Murugavel, V., Leone, S. (2021). Creativity in Virtual Teams: A Review and Agenda for Future Research. *Creativity. Theories – Research - Applications, 8(1), 165-188*

Rhee, S., Park, H., and Bae, J. (2020). Network Structure of Affective Communication and Shared Emotion in Teams. *Behavioral Sciences, 10(10), 159.*

Riedl, C., Williams Woolley, A. (2020). Successful Remote Teams Communicate in Bursts. *Harvard Business Review*, Retrieved from https://hbr.org/2020/10/successful-remote-teams-communicate-in-bursts

Rodeghero, P., Zimmermann, T., Houck, B., and Ford, D. (2021). Please Turn Your Cameras on: Remote Onboarding of Software Developers During a Pandemic. In *2021 IEEE/ACM 43rd Conference on Software Engineering: Software Engineering in Practice, 41-50*

Saunders, M., Lewis, P., Thornhill, A. (2016) Research Methods for Business Students. 7th edn. Pearson

Skillcast (2020) Remote-working Compliance YouGov Survey, 25.Nov 2020 https://www.skillcast.com/blog/remote-working-compliance-survey-key-findings

Sõstra, K. and Voolens, E. (2020). Kaugtöö võimalused ja arengud Eestis. Statistikaamet.

TalentHub. (2021). Värbamisekspert: hüvasti kontor, 70 protsenti töötajatest eelistavad kaugtööd. *Postimees 13.09.2021*

Tali, A. S. (2021) Team Lead Competency Manager at Helmes, interview 19th of Aug, Tallinn

Thompson, A., Bruk-Lee, V. (2020). Employee Happiness: Why We Should Care. *Applied Research In Quality Of Life, 16*(4*), 1419-1437*

TUC (UK's Trades Union Congress) (2020) *Technology managing people - The worker experience.* Research and report 29. Nov. 2020

Tsipursky, G. (2021). Returning to the Office and Leading Hybrid and Remote Teams: A Manual on Benchmarking to Best Practices for Competitive Advantage (2nd ed). Disaster Avoidance Experts, OH: International Insights press, *pp. 28-35*

Uhl-Bien, M., Meyer, D., and Smith, J. (2020). Complexity Leadership in the Nursing Context. *Nursing Administration Quarterly, 44(2), 109-116*

Vaismoradi, M., Jones, J., Turunen, H., & Snelgrove, S. (2016). Theme development in qualitative content analysis and thematic analysis. *Journal Of Nursing Education And Practice, 6(5)*

Van Bommel, T. (2021). *Remote-work options can boost productivity and curb burnout.* Catalyst.

Zahar, N. N., Ismail, F., Rashid, U. K. (2021). Challenges and Critical Success Factors in Managing Virtual Teams: The Workplace of the Future. *Advances in Humanities and Contemporary Studies, 2(1), 8-14*

Wang, W., Albert, L., and Sun, Q. (2020). Employee isolation and telecommuter organizational commitment. *Employee Relations: The International Journal, 42(3), 609-625*

Wang, B., Liu, Y., Qian, J., and Parker, S. (2020). Achieving Effective Remote Working During the COVID-19 Pandemic: A Work Design Perspective. *Applied Psychology, 70(1), 16-59*

Woo, S., O'Boyle, E., & Spector, P. (2017). Best practices in developing, conducting, and evaluating inductive research. *Human Resource Management Review, 27(2), 255-264*

APPENDICES

Appendix 1. Table of interviewed leaders and companies

No	Nimi	Company	Field of activity	Position	Team	Subordinates	Method	Date	Duration
INT 1	Kadri Haufe	Ridango	IT and services	CCO	18	18	Teams	25.10.2011	0.59h
INT 2	Urve Palo	Novoloto	Fenix Casinos	Managing Director	30	10	1:1 meeting	25.10.2021	0.41h
INT 3	Kertu Kuusik	Telia	Telecom	Head of Marketing	25	10	1:1 meeting	27.10.2021	0.55h
INT 4	Riina Roosipuu	Eesti Loto	State owned lottery company	CEO	10	10	Teams	27.10.2021	0.59h
INT 5	Marge Türner	Stockmann	Retail	Managing Director	8	8	1:1 meeting	28.10.2021	1.03h
INT 6	Kristo Timberg	Chemi-Pharm	Hygiene products production&sales	CEO	10	10	1:1 meeting	28.10.2021	1.12h
INT 7	Helen Sivonen	Bolt	Mobility services	Head of SM Marketing	6	6	Zoom	29.10.2021	1.01h
INT 8	Liisel Vatsel	PHD Estonia	Global media agnency	Managing Director	15	3	Teams	29.10.2021	1.07h
INT 9	Erkki Laugus	Kaubamaja	Retail	CEO	20	20	Teams	02.11.2021	1.01h
INT 10	Tanel Kuusmann	Tamro	Pharmatceutical wholesale	CEO	16	10	1:1 meeting	03.11.2021	0.50h
INT 11	Erkki Raasuke	Skeleton Technologies	Technology leader in ultracapacitors	CFO	10	10	Teams	04.11.2021	1.02h
INT 12	Kaija Teemägi	Elisa	Telecom	Head of HR	5	5	Teams	05.11.2021	0.47h
INT 13	Martin Mürk	Tallink	Transportation services, retail	CIO	95	10	Teams	05.11.2021	0.57h
INT 14	Maigi Pärnik	Greenergy Data Centers	IT and services	CFO	5	5	Teams	05.11.2021	0.46h
INT 15	Kirill Neitov	Helmes	IT and services	Team Leader	22	9	Teams	17.11.2021	1.07h

Appendix 2. Table of interview structure and questions

No	Themes
	Introduction
	Purpose of the interview and reminder of duration time up to 55min
	Ask for permission to record the interview
	Ask for permission to use a name of interviewee and the company
I	**Current working frame**
1	How does the current working arrangement look like?
2	Do you have a fixed framework for hybrid work?
II	**Main challenges of Hybrid work model**
3	What are the 3 biggest challenges related to hybrid working arrangement?
4	What have you done to overcome these challenges?
5	What other challenges have you experienced?
6	Team cohesion?
7	Team productivity?
8	Communication & Collaboration?
9	Managing work process?
10	Managing innovation?
11	How to bring in results - trust versus control?
12	Work-life balance, wellbeing, burnout?
13	On-boarding of new employees?
14	Technological competence and investments?
15	Office space- cost and functionality?
III	**Leadership style changes and development**
16	How you evaluate your own wellbeing in a rapidly changed environment?
17	How has your leadership approach changed during last 2 years?
18	In what direction the leadership develops in the future?
19	What positive aspects have you discovered about the hybrid work?
III	**Important skills for Hybrid work**
20	What are the needed skills in order to lead and work in hybrid world?

Appendix 3. Summary of the findings

Main category	Generic category	Sub-category 1	Sub-category 2	Sub-category 3
Framework for hybrid work	**1. No fixed framework**	Companies do not have a fixed framework for hybrid work (10)	Employees can decide where they work (10/8)	Managers decide how to organize the work (10/2)
	2. Agreed framework	3 days in office /2 days remotely (2)	2 days in office /3 days remotely (1)	1 days in office /4 days remotely (1)
	3. No hybrid work	Practice hybrid work only when required (1)		
Main challenges of hybrid work	**1. Diminishing team cohesion**	Lack of social connections is fatal to team spirit (15)	Team cohesion needs intentional care and activities (15/12)	Lack of social connections influences company culture negatively (15/3)
	2. Blurring work-life boundaries and burnout	Keeping work-life balance and avoiding burnout is a big concern (15)	Companies provide intentional aid and activities to support their employees' well-being (15/12)	Talking about mental health is not a public topic, managers are left alone (15/3)
	3. Communication errors	Too many channels, not agreed response times (4)	Unsatisfactory digital behavior (7)	Insufficient company-wide information sharing (4)

	4. Slowed down innovation	Innovation suffers in hybrid working model (5)	Innovation does not suffer, implementation is difficult (2)	Innovation does not suffer (7)
	5. Bringing in results/ monitoring	Bringing in results and monitoring is difficult in hybrid work (5)	Bringing in results is not difficult: select right people, agree process and trust them (10)	
Other challenges of hybrid work	**6. On-boarding**	On-boarding is difficult in hybrid model (9)	On-boarding is not difficult for the younger generation and with a dedicated mentor (4)	
	7. Team productivity	Dynamic problem solving difficult, productivity falls (5)	Productivity is stable (4)	Productivity increases (4)
	8. Structure	Clear targets, agreed process and regular checkpoints are a must in hybrid work (15)	Targets with shorter milestones and more frequent catch ups (4)	
	9. Technology	Technological solutions and people's tech skills are on high level (8)	Technological support is needed (3)	
	10. Office	Office functionality will change (12)	Office will not change drastically (2)	

Leadership for hybrid work	**Leadership style dynamics**	Leadership will become more human-centric and empathetic (7)	Leaders need a combination of good organizational skills and excellent people skills (4)	Leadership will become more rational (4)
Needed skills for hybrid work	**Self-management**	Self-management (9)	Ability to prioritize (5)	Taking care of mental health (4)
	Communication	Good general communication skills (7)	Short and clear self-expression (6)	Good visual self-expression (4)
	Digital behavior	Improved technological skills (5)	Well-prepared digital meetings (7)	Improved digital manners/cameras on (7)
Positive outcomes of hybrid work	**The "aha moments"**	Hybrid working model provides better quality of life and is more efficient (8)	Increased awareness of the need of self-management, learning and adapting (4)	Recruitment is easier and can be automated (2)

Appendix 4. Coding frame based on semi-structured interviews

Link to the Coding frame file:
https://docs.google.com/spreadsheets/d/1Ufpd2lC_wfHBRulQOdmE9ZC6lZQ4npJo/edit?usp=sharing&ouid=104015968837145305728&rtpof=true&sd=true

Link to the transcribed interviews:
https://drive.google.com/drive/folders/16xVMdAWyGtUf6WacmSA517jlIfdqzt9a?usp=sharing

Appendix 5. Non-exclusive licence

A non-exclusive licence for reproduction and publication of a graduation thesis[11]

I Kaie Kaas-Ojavere

1. Grant Tallinn University of Technology free licence (non-exclusive licence) for my thesis

Leadership in the hybrid working model: challenges and solutions of Estonian leaders,

supervised by Kristjan Jasinski,

1.1 to be reproduced for the purposes of preservation and electronic publication of the graduation thesis, incl. to be entered in the digital collection of the library of Tallinn University of Technology until expiry of the term of copyright;

1.2 to be published via the web of Tallinn University of Technology, incl. to be entered in the digital collection of the library of Tallinn University of Technology until expiry of the term of copyright.

2. I am aware that the author also retains the rights specified in clause 1 of the non-exclusive licence.

3. I confirm that granting the non-exclusive licence does not infringe other persons' intellectual property rights, the rights arising from the Personal Data Protection Act or rights arising from other legislation.

28.12. 2021

[1] *The non-exclusive licence is not valid during the validity of access restriction indicated in the student's application for restriction on access to the graduation thesis that has been signed by the school's dean, except in case of the university's right to reproduce the thesis for preservation purposes only. If a graduation thesis is based on the joint creative activity of two or more persons and the co-author(s) has/have not granted, by the set deadline, the student defending his/her graduation thesis consent to reproduce and publish the graduation thesis in compliance with clauses 1.1 and 1.2 of the non-exclusive licence, the non-exclusive license shall not be valid for the period.*