The Biggest Mistake Companies Can Make with Holiday Parties is Not to Have One at All

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The thing about living through an ever-evolving global pandemic is that it's very hard to plan ahead, or to feel confident about what is the correct, responsible thing to do.

Office holiday parties are no exception. Does the Omicron variant mean that it would be more prudent to cancel plans for company-wide karaoke? Would a virtual wine tasting be more inclusive of parents of kids under age 5, who can't yet be vaccinated? Will holding a party at headquarters make remote workers feel left out?

Amid all this uncertainty, it's no wonder that 22% of human-resource executives at US companies still weren't sure what they would be doing for holiday festivities when employment consultancy firm Challenger, Gray, & Christmas surveyed them in October and November. About 27% said they

were planning on in-person holiday parties, while 7% were opting for virtual festivities. And 35% threw up their hands and said they weren't going to have a holiday party at all.

That last group is making a strategic mistake, according to the firm's senior vice president Andy Challenger. However companies choose to celebrate the holidays with employees, he says, for the sake of morale, it's important that they do something.

Among the reasons Americans are quitting their jobs at historic rates, Challenger argues, is that "when people are spread apart, with a lot of people working from home, connective tissue has really deteriorated over the last year and a half. When it's just them alone with their work at home, it's easy for them to take other opportunities and to flow to other companies and industries."

In a tight labor market, Challenger says, holiday parties offer management an excellent opportunity to express appreciation for staff and try to build some much-needed camaraderie. "I think companies that are fighting to have in-person holiday parties this year are recognizing they want to reduce turnover and build up some of the connective tissue in the organization."

The future of holiday parties

Office holiday parties first became commonplace during the Great Depression when workers couldn't afford much in the way of individual festivities. The company celebration emerged as a way to partake in a shared bounty. The ensuing decades solidified the end-of-year gathering as an American tradition. In 2019, the year before the pandemic, 70% of the companies that Challenger surveyed were planning to throw holiday parties.

That's not to suggest that holiday parties are a universally beloved tradition. At the extreme end, office holiday parties can set the stage for over-drinking and boundary-crossing. On a more mundane level, some people just find it uncomfortable straining to make small talk with their boss's boss and TJ from sales.

The tumult of the last two years, however, has pushed companies to explore alternatives to traditional party templates. Anne St. Martin, a senior specialist at the Society for Human Resource Management, says that last

year, holiday parties were almost exclusively virtual, featuring activities ranging from cooking classes to ugly sweater contests and online games.

While more companies are shifting to in-person events in 2021—or plan to, Omicron allowing—St. Martin predicts that the pandemic will have a long-term impact on the way companies celebrate the holidays.

"Parties will be smaller, perhaps organized by teams or departments," St. Martin says. The good thing about smaller parties is that they can be tailored to particular regions and subcultures of larger companies.

The software company SAP, which has more than 100,000 employees in 80 countries, is testing out a decentralized approach to the holiday party this season. Employees in the US will be able to expense around $100 per person to celebrate at the end of the year, whether that means taking their family out to a restaurant, gathering with a smaller group of colleagues who live nearby, or going in on a virtual event with their team.

"This year, we considered going the virtual route again, booking a musician or entertainer," says DJ Paoni, president of SAP North America. (Last year, the company opted for a daylong virtual event that included a performance by Sting.) "But we have all spent enough time in front of our computers, so we went back to the drawing board." Giving employees control over how they celebrate the holidays, he says, is in keeping with the broader flexibility that SAP has tried to offer employees during the pandemic.

So far, most SAP staffers seem to be planning smaller events with local colleagues. But others are getting creative. One region, Paoni says, is asking everyone to use the money to buy the ingredients to prepare a traditional dish of their choice, with plans to compile the recipes into a cookbook.

The remote-work retreat

Another alternative to the typical holiday party comes courtesy of the public relations company VSC, based in San Francisco and Brooklyn. Six years ago, VSC ditched holiday parties in favor of company-wide retreats. This year, the company's 50 employees are heading to Hawaii for a retreat filled with surfing, hiking, and parasailing.

Vijay Chattha, CEO & founder of VSC, explains that because the company has a work-from-anywhere policy, it's important to make the most of time that employees have face-to-face. A retreat is "exactly what companies

should do when they want to encourage bonding and creativity," he says. "Emails can be done at home. In-person is about learning and laughing."

The virtual and hybrid celebration

Hybrid holiday parties are perhaps the trickiest kind of gathering to pull off. Remote employees at hybrid firms may find themselves relegated to mere pixelated heads on an open laptop, left to languish on a table in the corner of a bustling room, while their colleagues socialize in person. This is hardly the prescription for an inclusive holiday jamboree. All-virtual parties, at least, have everyone on a level playing field even if they are all tethered to their screens.

But the truth is that people are tired of virtual parties, Challenger says. The experience of 100 people watching a magician perform card tricks on their laptops is inevitably going to build less social cohesion than 100 people mixing and mingling in different formations.

Still, he says, virtual shindigs are better than nothing. Given covid concerns, his own Chicago-based firm is holding an online party for the second year in a row. And while virtual parties are hardly retreat in Hawaii, companies with far-flung workers that don't have the resources to bring everyone together for an epic celebration might do well to continue the Zoom revelry in the years ahead.

"Even though virtual parties kind of suck, it's a moment where companies need to be fighting tooth and nail to connect people," Challenger says. "And the holiday party is such a perfect way to do it."