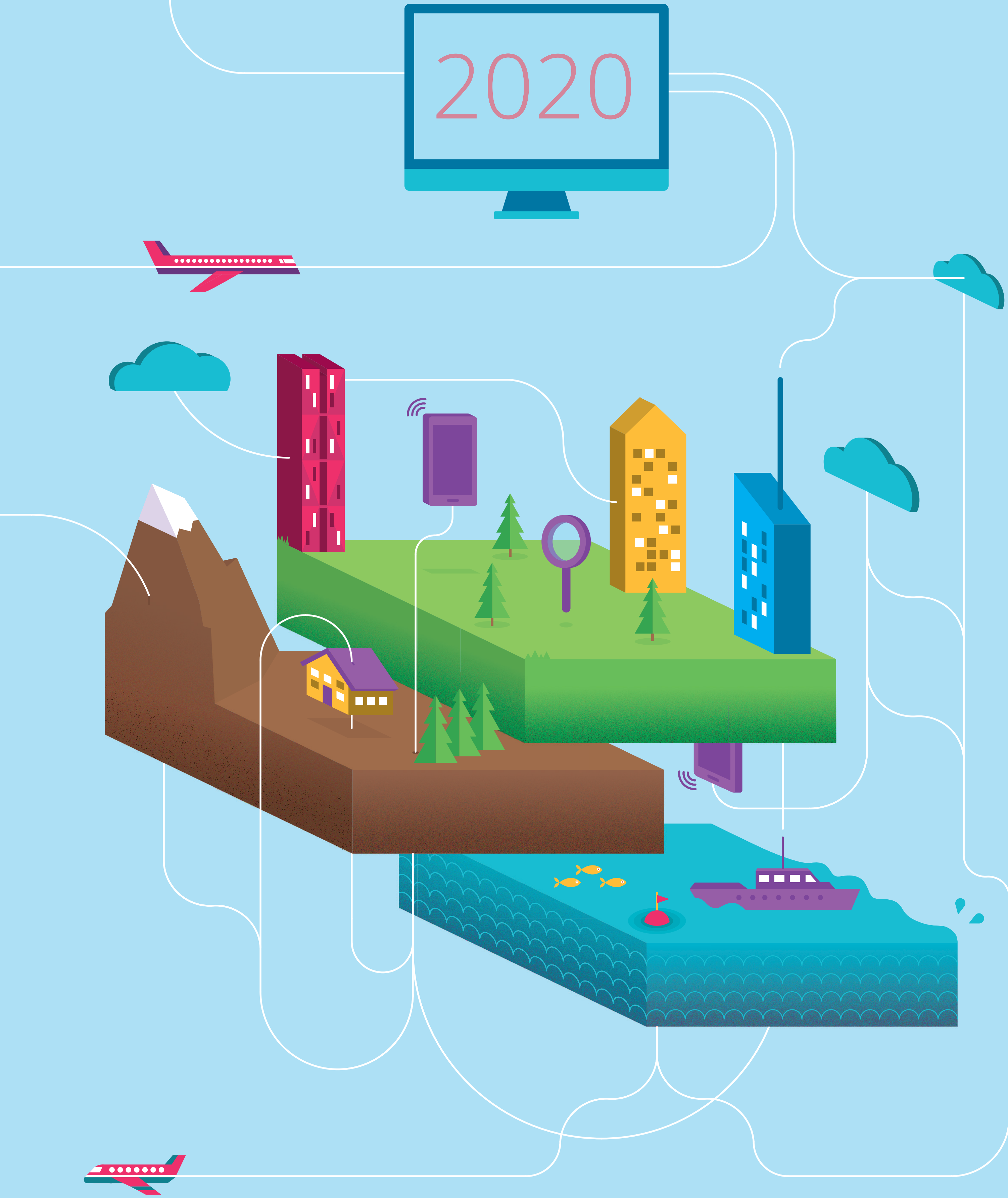
WORKPLACE



Google for Work

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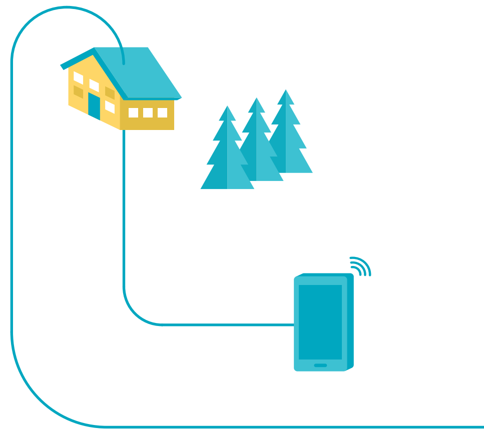
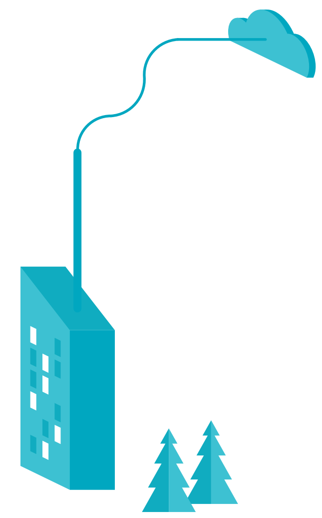
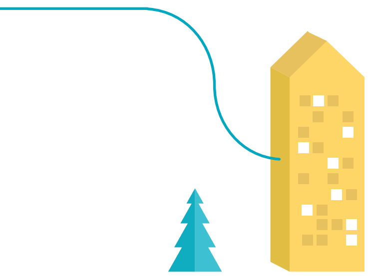
The digital revolution





In an age of digital, technology investment is not an optional extra



Those companies that can harness the power of digital to reimagine both their workplace and their product/service offering will reap rewards

As organisations across all business sectors seek to adapt to the fast-changing dynamics of the digital economy, technologies such as cloud computing and mobile have entered the mainstream IT and corporate agendas.

But the drive towards digital transformation necessitates a change of attitude towards investment in technology and some rethinking of the shape of the workplace. Some sectors are better placed than others to meet this challenge.

Retail organisations are the clear leaders in profitable exploitation of the potential of digital technologies, including cloud, mobile and the emerging 'internet of things' (IoT). This has enabled successful retailers to achieve an operational agility that allows them to compete more effectively with rivals, as well as innovate in a fast-moving digital economy.

Across all sectors, the drivers for investment in technologies such as cloud computing and mobile have changed. While return on investment remains important, digitally mature companies, such as online retailers, look to new technologies to enhance operational efficiency and enable them to deliver innovation.

The organisations that are most successful in their digital transformation efforts are also those that have built successful 'digicultures' focused on more flexible workplaces that will attract the best digital talent.

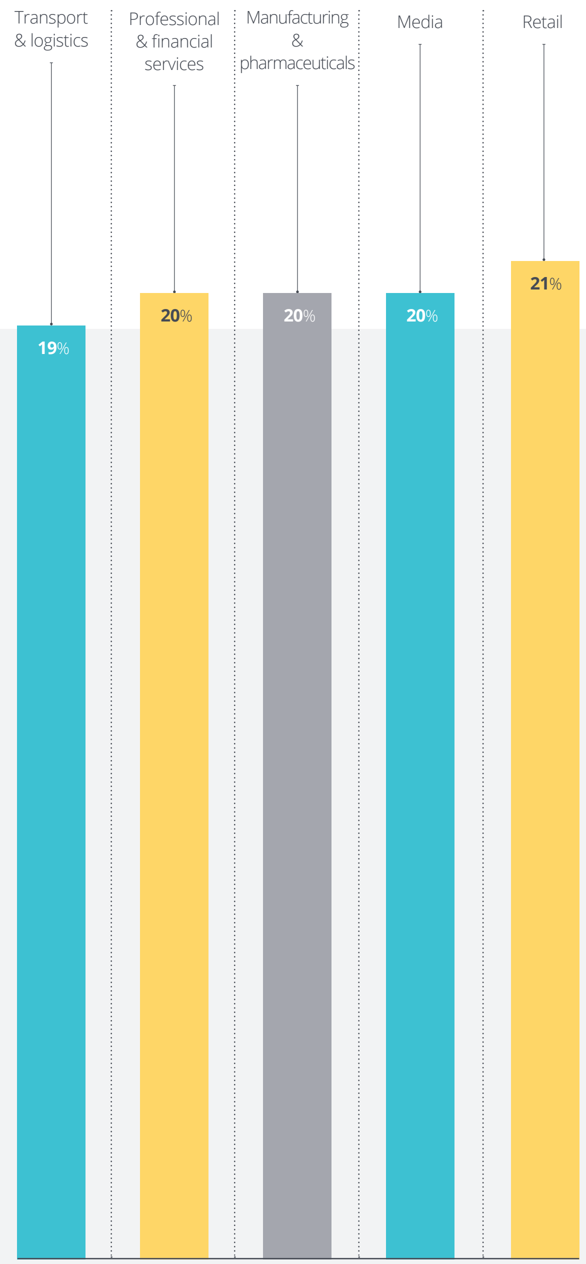
Such 'digicultures' pivot on a willingness and ability to exploit ever-increasing amounts of data to drive decisions that support long-term business growth objectives.

Retail organisations again prove themselves to be most fit for purpose in this respect and provide best-practice leadership lessons for other sectors to follow.

The most important of these is that in an age of digital, technology investment is not an optional extra. It is mission critical: not just for success, but for survival.

The organisations that are most successful in digital transformation are also those that have built successful 'digicultures' focused on more flexible workplaces

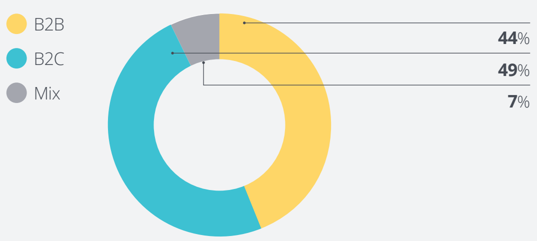
Sector



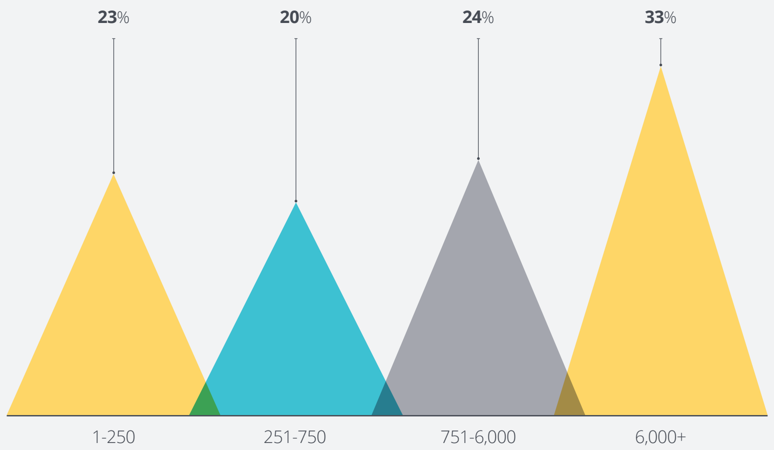
Demographic

This report has been compiled through telephone interviews with 150 C-suite individuals from leading organisations in the UK. Interviews were completed by an independent surveying organisation on a pre-qualified but random sample. The individuals that participated in the survey covered a broad spectrum of industries and companies.

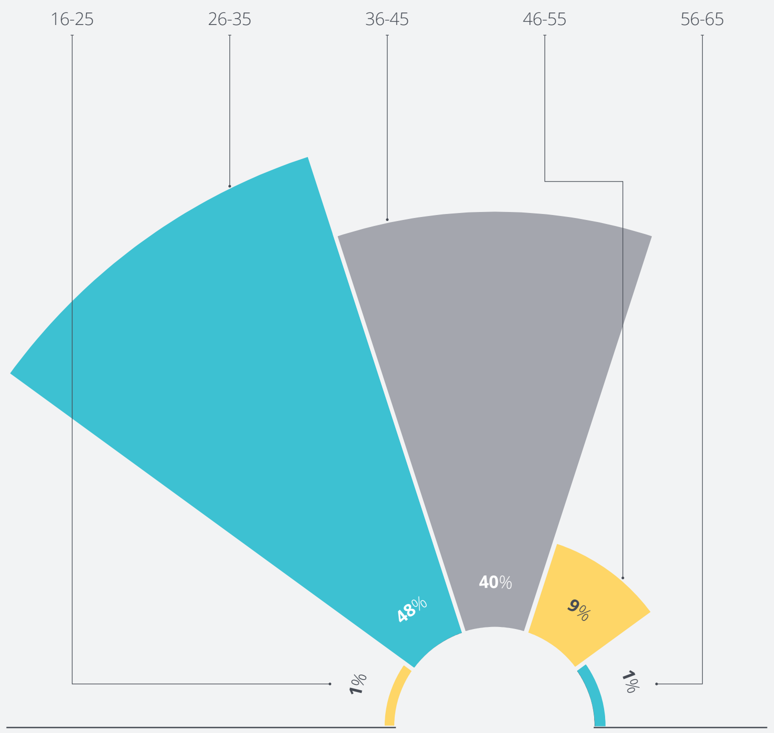
Business orientation



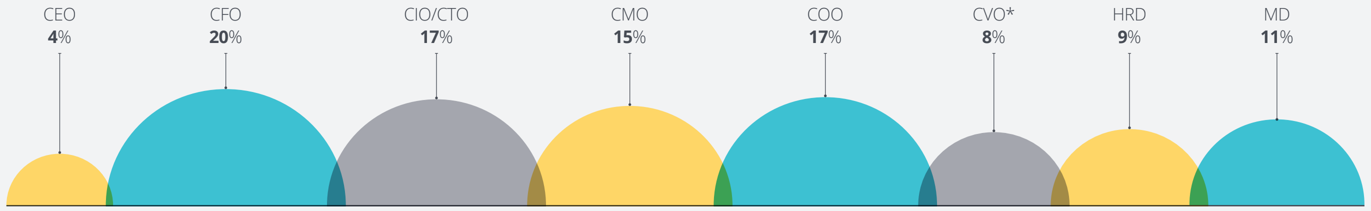
Company size by employees



Predominant age bracket of employees



Job title



* Chief Visionary Officer

01 Cloud-enabled business

While the benefits of cloud computing are well established, there is still huge variance in its take-up by different industries

Cloud computing has secured a position on the mainstream business and IT agendas of organisations of all sizes. The benefits of the cloud model – lower total cost of ownership, increased speed of deployment, agility and scalability – compared to traditional IT make it an essential focus for companies that want to succeed in the digital economy.

When asked to rank investment on a scale of one to five, where one is insignificant and five is significant, respondents from enterprises with over 6,000 employees said they have already made or will make a significant investment (average score of 4.06).

Even much smaller firms, with headcount of fewer than 250, report some spend has happened or is going to happen (3.06). Across the entire range of organisations surveyed, the average ranking comes in at a healthy 3.53.

Retail organisations lead the way in cloud spend (4.19). Indeed the best practices seen in this sector stand as a powerful benchmark against which others can measure themselves. Retail is a sector that has seen considerable disruption from internet-only providers, resulting in bricks-and-mortar businesses looking to cloud-based technologies to help them compete against more agile competitors.

It's interesting to note that respondents aren't, as a priority, looking to the cloud to drive them into new lines of business or assist them in introducing new products and services. Only 27 per cent and 29 per cent respectively of those polled cite these as strategic priorities. In fact, the top priorities are improving operational efficiency – cited by 46 per cent of all respondents, with 600+ enterprises most enthused on 52 per cent – and boosting penetration of existing markets, cited by 39 per cent overall.

However, break the responses down by sector and there are clear disparities. Some 57 per cent of manufacturing companies see cloud technologies as enabling them to deliver new products and services. This compares with just 10 per cent of professional services firms and 7 per cent of transport and logistics organisations.

This seems to reflect the potential of innovation in manufacturing industry's practices and processes, with enterprise resource planning (ERP) and manufacturing resource planning (MRP) systems only now making their way off premises and into the cloud, opening up new possibilities in terms of service delivery and operating models. The manufacturing industry is now empowered to reinvent itself, just as it has already done in the front office with customer management.

Retail firms again report the greatest impact (4.06), with cloud and digital technologies enabling new entrants to existing markets to scale up and become competitive without the legacy baggage of many current sector leaders. The grocery market is a case in point. A number of supermarkets that failed to make the necessary tech investments are struggling to adapt to an age of online and mobile shopping, while purely digital grocery outlets thrive.

Figure 1
Investment in, and impact of, cloud

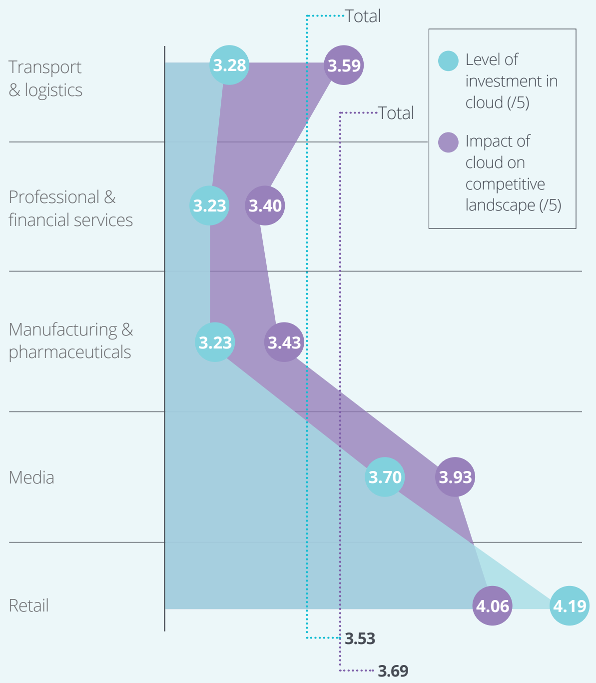


Figure 2
Please select the two strategic priorities that cloud will most facilitate in your business over the next three years

02 Reaching maturity

Figure 3
How significant do you foresee the impact of cloud in driving the following areas of your business over the next three years?

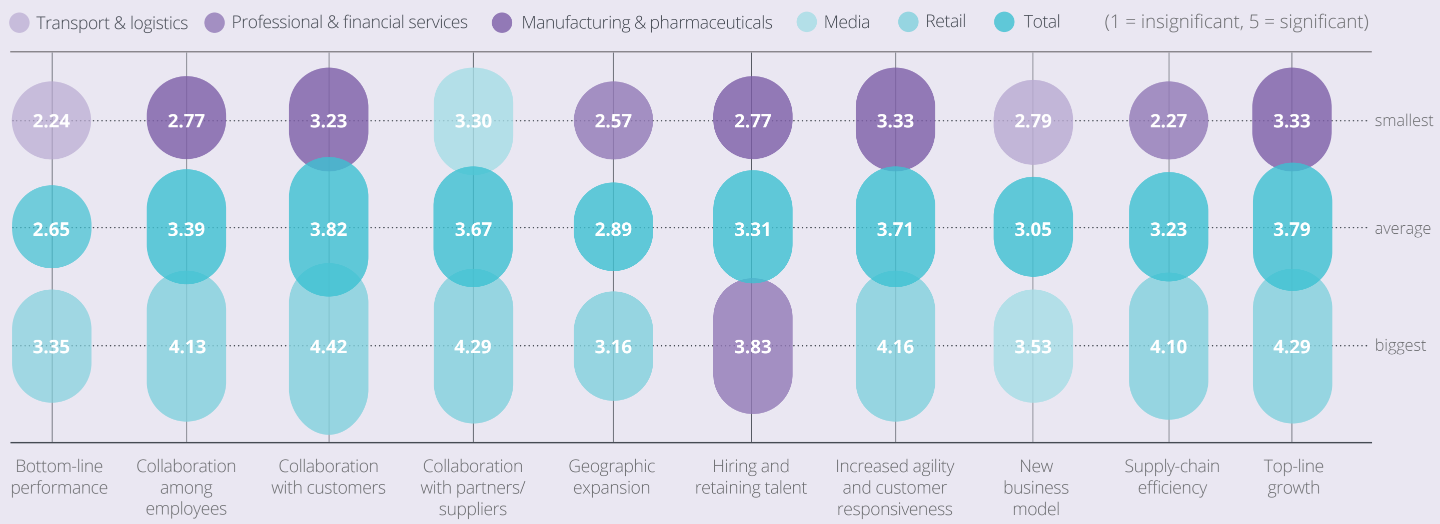
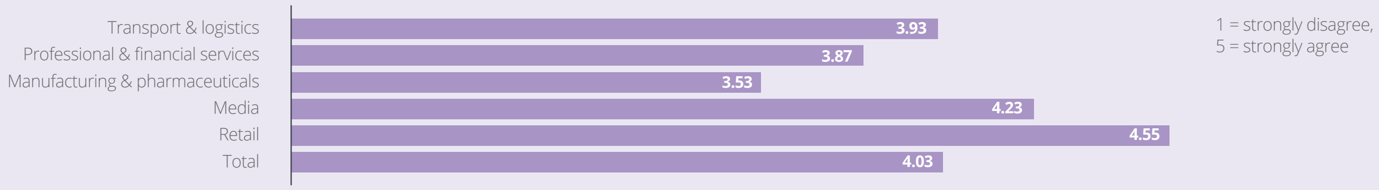


Figure 4
"The digital strategy for the workplace in my organisation is well defined and there is clear pathway for sustaining a culture of progression and innovation"



Most companies report that they are doing well when it comes to using digital technologies effectively

During the global economic downturn, the primary reason for cloud adoption was typically that it was cheaper than traditional, on-premises technology.

Today there's still a clear financial element: top-line growth is cited as the second-most important impact overall (3.79), with large enterprises ranking it particularly highly (4.22). Interestingly, bottom-line performance is ranked relatively low across all sectors (2.65), with transport and logistics organisations seeing the least impact from the cloud (2.24).

But it is the ability of cloud to achieve customer-centric aspirations that is now the most important business impact cited. Collaboration with customers is seen as the main return (3.82), followed by increased agility and customer responsiveness (3.71).

Retail organisations are those most active in seeking improved customer collaboration (4.42) and customer responsiveness (4.16). In a digital economy – where customers are looking for highly personalised services, and a firm's competition is only a click of a mouse or a tap on a phone away – this is critical to ongoing success.

Online retailers learn from the way their customers engage with them, allowing them to offer proactive recommendations for purchases. The most sophisticated retailers are platform-agnostic, able to push offers and ideas directly to the mobile devices carried by their customers.

Close behind retail comes transport and logistics (3.79). The ability of customers to use cloud technologies to interact and engage with providers in this sector has seen an increase in new operating models built around self-service on the buy side, both at a business-to-customer and business-to-business level.

Overall, a majority of organisations (77 per cent) agree or strongly agree that they are in a good place when it comes to digital maturity, with a further 21 per cent neither agreeing nor disagreeing. Only 2 per cent of respondents were downbeat on their organisation's maturity levels.

Positivity is particularly high among retail respondents, with agreement or strong agreement on maturity from 97 per cent of those polled, closely followed by media (87 per cent). Retail's spend in online and digital has delivered demonstrable return on investment, with only those who have failed to invest feeling the pinch. Meanwhile, new media formats have been built around exploitation of digital technologies.

In contrast, manufacturing, still built around traditional ERP systems, is the least digitally mature sector (60 per cent). The rise of the industrial internet (also known as the IoT) will undoubtedly lead to a change in levels of perceived digital maturity across the manufacturing industry.

03 The future office

Technology is poised to transform organisations into more flexible workplaces over the next few years

Flexible working will be the defining characteristic of the future workplace. While just 4 per cent of respondents offer flexible working today, some 32 per cent predict that they will provide it by 2018. In organisations with fewer than 750 employees, no respondents to the study offer staff the option of flexible working in 2015, while 16 per cent expect to provide it two years down the line.

But it's at the top end of the employee scale, among organisations with headcount of over 6,000, that the most startling increase is seen, up from 10 per cent today to 66 per cent in 2018. This shift will require investment in technology to support the underlying organisational processes that need to be restructured or introduced to support the shift towards a flexible working operating model.

Some 38 per cent of large enterprises recognise that among the top threats facing them are dated management structures, which in turn hamper their efforts to respond to the changing needs of the workforce (32 per cent). The main driver for shaping the workplace is the pursuit of new efficiencies (72 per cent).

The top priority across all sectors is the deployment of apps to support mobile working (58 per cent). Again, high-end enterprises show most interest (66 per cent), but organisations with 251–750 employees aren't far behind (60 per cent). The rise of the mobile worker has been well documented and empowering this phenomenon is a critical priority today for organisations of all sizes.

With a workforce that is operating at different times and places, collaboration is vital. It's not surprising, then, that 45 per cent of organisations are looking to invest in social media solutions, such as corporate employee networks, while 34 per cent are seeking to share work via web-based collaboration tools like Dropbox and Google Drive.

However, there's a long way to go before most organisations can boast a fully connected workforce, with only 5 per cent of all respondents saying their employees can access all the information they need via their mobile devices. Furthermore that number is derived entirely from

Figure 5
Please indicate what your predominant work place configuration is now and what you expect it to be in three years, time

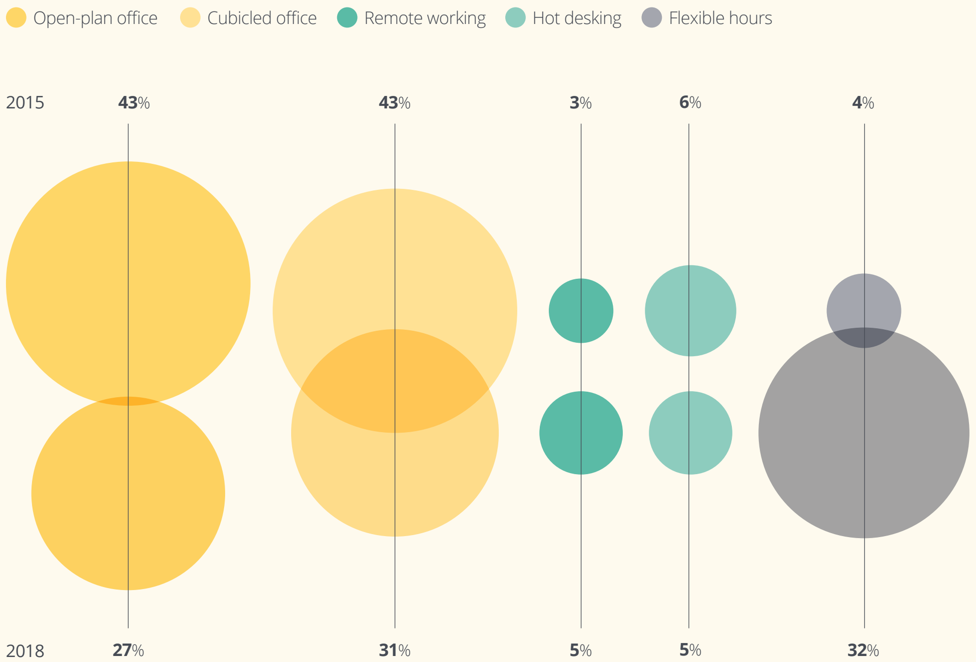


Figure 6
With the prediction that video will supersede email and voice calls by the end of 2016, when do you think this will be the case in your company?

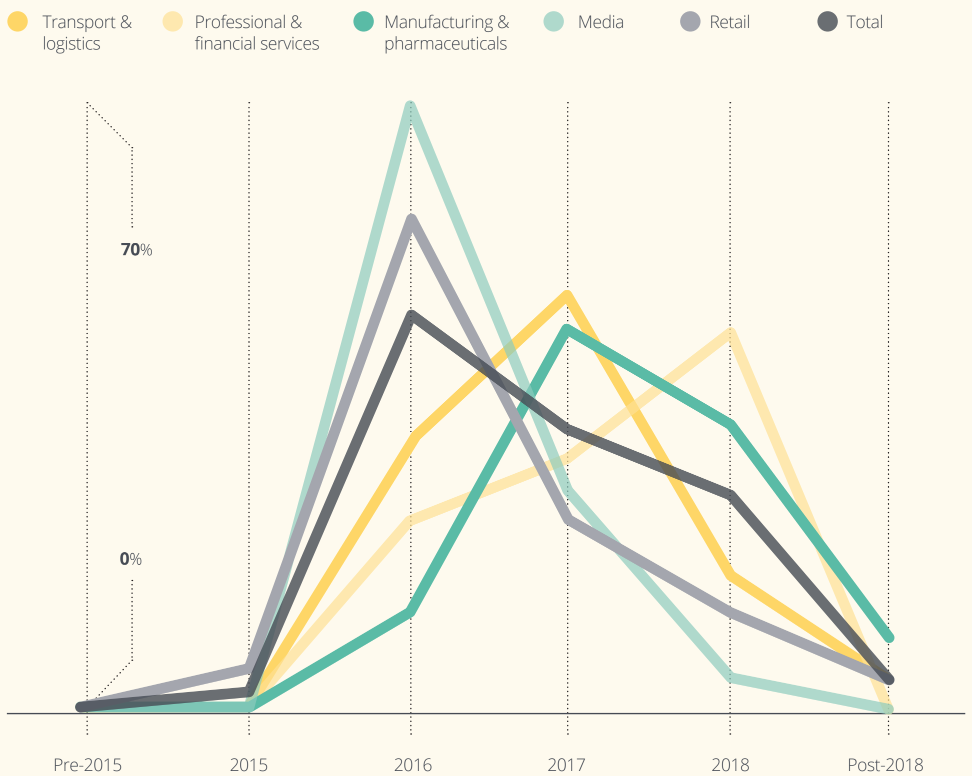


Figure 7
With globalisation forcing work across timezones, borders and cultures, which collaboration tool are you investing in?

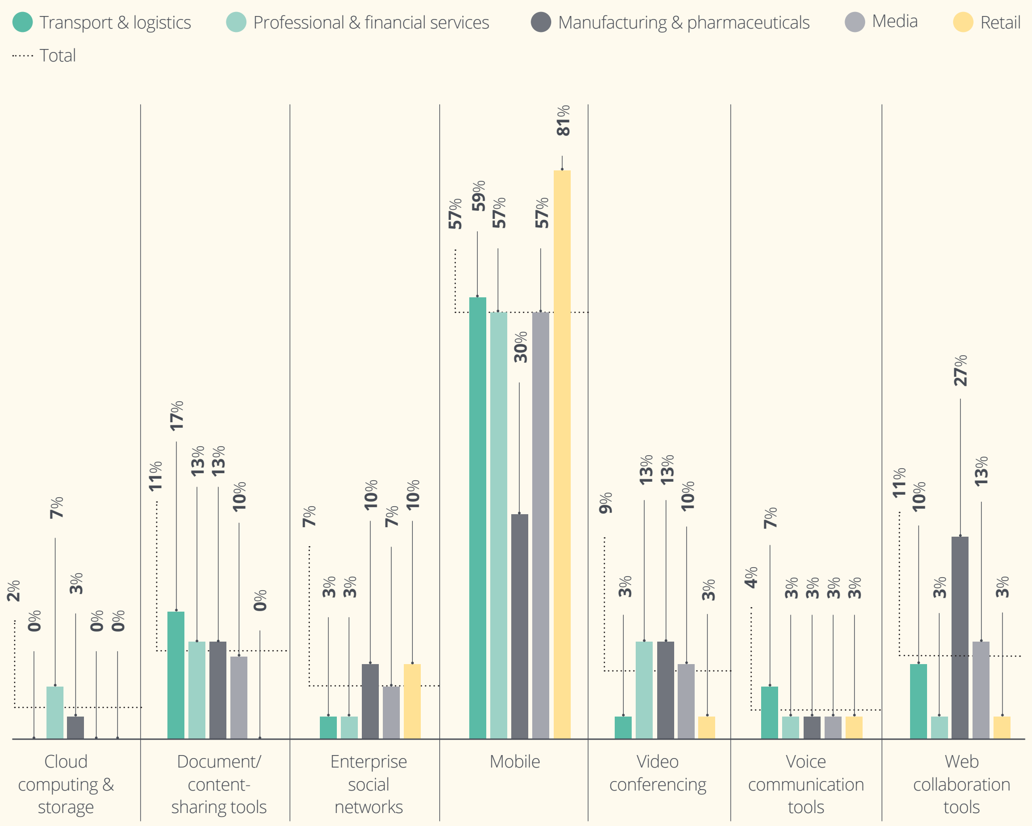


Figure 8
Which technologies will your company consider implementing to change your work place over the next three years?

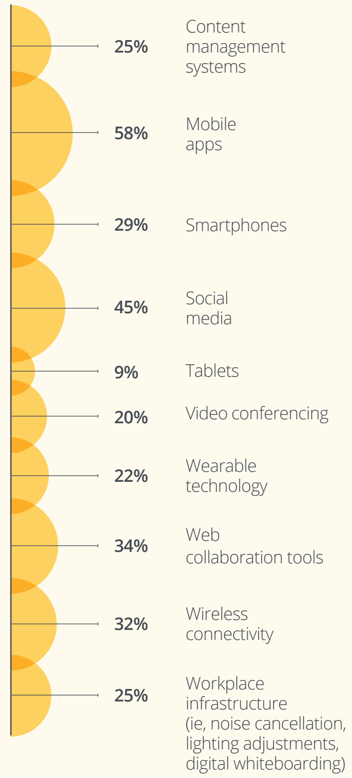


Figure 9
To what extent are employees connected to information they need through their mobile devices?

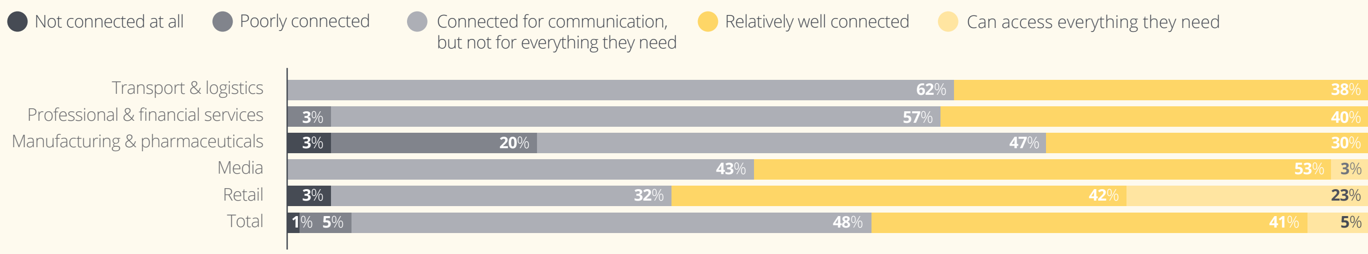
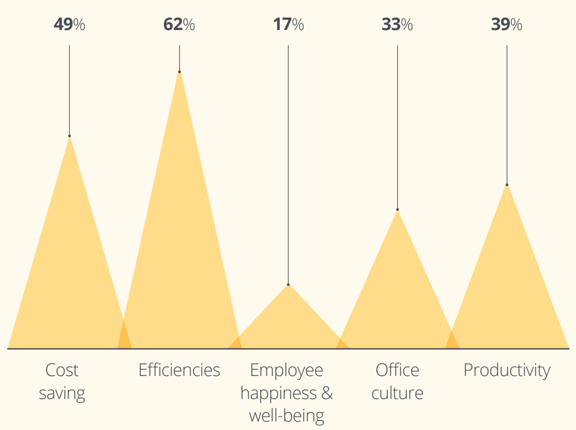


Figure 10
What are the main drivers for shaping the workplace work environment?

(1 = insignificant, 5 = significant)



enterprises with more than 6,000 employees, with no respondents from other-sized organisations able to make that claim.

Some 48 per cent of all respondents reckon their employees are connected for communication, albeit not with everything they need, while 41 per cent define themselves as relatively well connected. The transport sector, familiar with the need to communicate from remote outposts to a central point, is well positioned with 62 per cent citing good connectivity for communications. Those organisations that cannot cater to the needs of the connected generation will struggle to attract and retain the best talent.

Today, mobile technologies, such as smartphones, are seen by a majority (57 per cent) as a tool of choice for collaboration. This is particularly true in retail, cited by 81 per cent of respondents, where mobile pricing, supply chain and payment systems have revolutionised operating models. In stark contrast, less than a third of manufacturing firms (30 per cent) see mobile technologies as their primary collaboration tool.

Overall the use of enterprise social networks as a collaboration platform is remarkably low at present, with only 10 per cent of retail and manufacturing respondents able to muster usage. Among professional services and transport and logistics firms, adoption is as low as 3 per cent. This leaves considerable room for improvement.

04 A connected workforce

Digital technologies will increasingly be key to attracting and retaining employees, and to enabling a motivated and diverse workforce

Much has been written about the evolving nature of the workplace by 2020, with the rise of the millennial worker generation. These digital-savvy people are permanently connected in their private lives and so expect to be able to do the same during work.

With talent management a moving target in the digital economy, successful organisations will use technology both to attract and retain the best employees. This may take the form of online social networks such as LinkedIn or dedicated cloud-enabled talent management offerings from HR technology vendors.

Increasingly, employees have high expectations of enjoying access to the kind of digital technologies in the workplace that they are accustomed to using at home. In addition, it's important to recognise that in the digital economy there will be a direct correlation between technology policies and job satisfaction, whether this involves social media access at work, bring-your-own-device programmes or enabling remote and flexible working.

The challenge of attracting, managing and retaining a diverse workforce is among the main priorities for organisations, with failure to meet that challenge cited as a threat. Some 32 per cent of respondents fear not being able to respond to the changing needs of their workforce, while 25 per cent are concerned about their ability to attract talent in a competitive market. Meanwhile, 21 per cent fear that even after they do get the best talent on board, they might not be able to hold on to it.

These fears are particularly acute in certain sectors. More than half of manufacturing industry respondents (57 per cent) are worried about the challenge of meeting their staff's changing needs, while 43 per cent of professional and financial services organisations are concerned about their ability to lure the best talent.

Effective exploitation of data is one tool that can be used to meet the challenges of talent management in the digital age. The advent of wearable technology and the use of ubiquitous data throw up new approaches to the sourcing and retention of talent under increasingly competitive market conditions.

Organisations today see such use of data as assisting with performance tracking and management (cited by 48 per cent of respondents overall) and the creation of responsive work environments (47 per cent). Given the rise in demand for flexible working, both of these applications of data will be powerful enablers. The next generation of employees will enter the workplace with different attitudes and perspectives on the use of such data and how it is gathered.

Interestingly, it's the smallest firms – with fewer than 250 workers – that see most benefit when it comes to performance management needs (56 per cent of respondents). Just over half (52 per cent) of the biggest firms – with more than 6,000 employees – are more focused on the ability to create responsive work environments, reflecting the greater challenge of meeting the demands of a larger flexible workforce.

While market commentators focus on the rise of the millennial and the imminent arrival of the digitally native Generation C (C for connected), the reality for many organisations today is that they are top-heavy when it comes to the average age of employees. This is an issue for the largest firms, but also for those middle-tier employers who don't have a large regular intake of younger workers and find themselves with a more stable, but ageing, workforce demographic.

With people living and working longer than ever before, certain sectors are particularly vulnerable to this. For example, the retail sector is more prone to having older employees than is heavy manufacturing. But every type of organisation needs to avoid ending up with a siloed workforce of digital natives, digital immigrants and digital exiles.

Half of all organisations (51 per cent) look to flexible hours and part-time workers to bring in a mix of age demographics, while 47 per cent practise some form of ageless culture training. Keeping the entire workforce healthy and fit is practised by 28 per cent of respondents, while 27 per cent create 'wise' mentoring networks internally so that younger members of staff can tap into the experience and knowledge of their older colleagues.

Within a few years, an organisation can confidently expect to employ five generations of workers. The critical objective is to create ageless organisational cultures in which all demographics are supported and older workers are actively encouraged to remain in or return to work because they are motivated to do so.

Technological empowerment is a key enabler here, allowing organisations to automate certain business processes while opening up fresh opportunities for all employees and removing organisational ceilings, such as standard retirement ages.

Effective exploitation of data is one tool that can be used to meet the challenges of talent management in the digital age

Figure 11
With an increasingly top-heavy age demographic in the workplace, what steps are you taking to create a work environment that accommodates older employees (an 'ageless' workplace)?

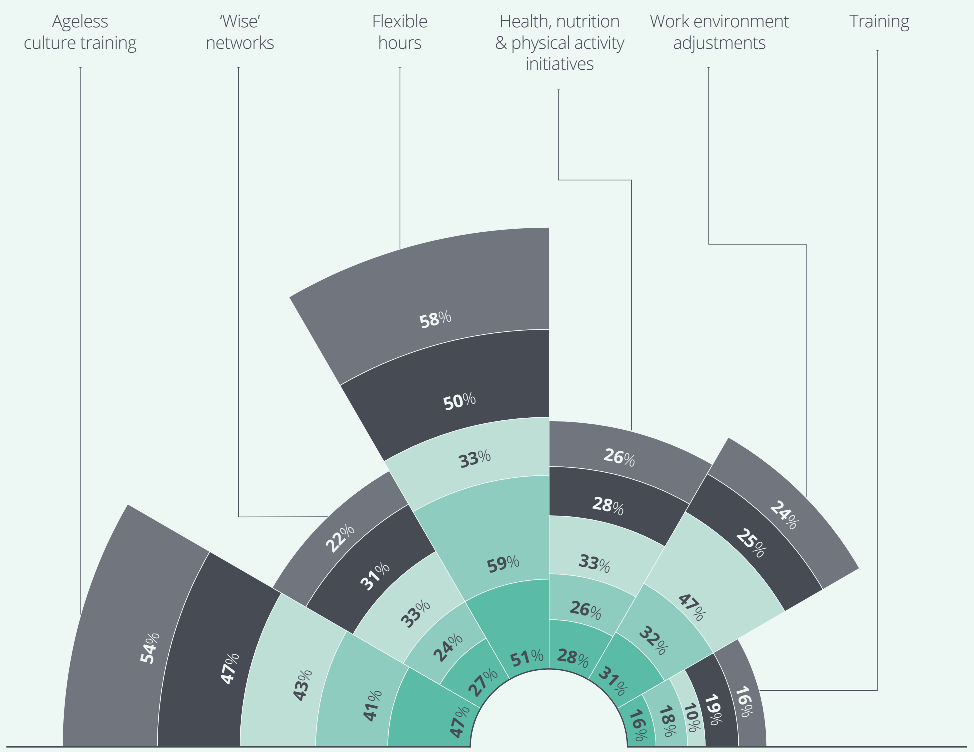


Figure 12
How do you foresee utilising ubiquitous data from technology innovations, such as wearables, to shape your workplace?

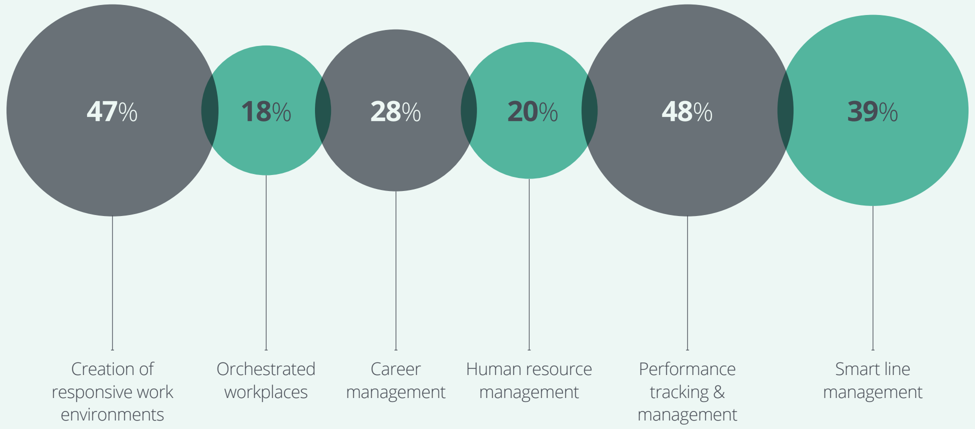
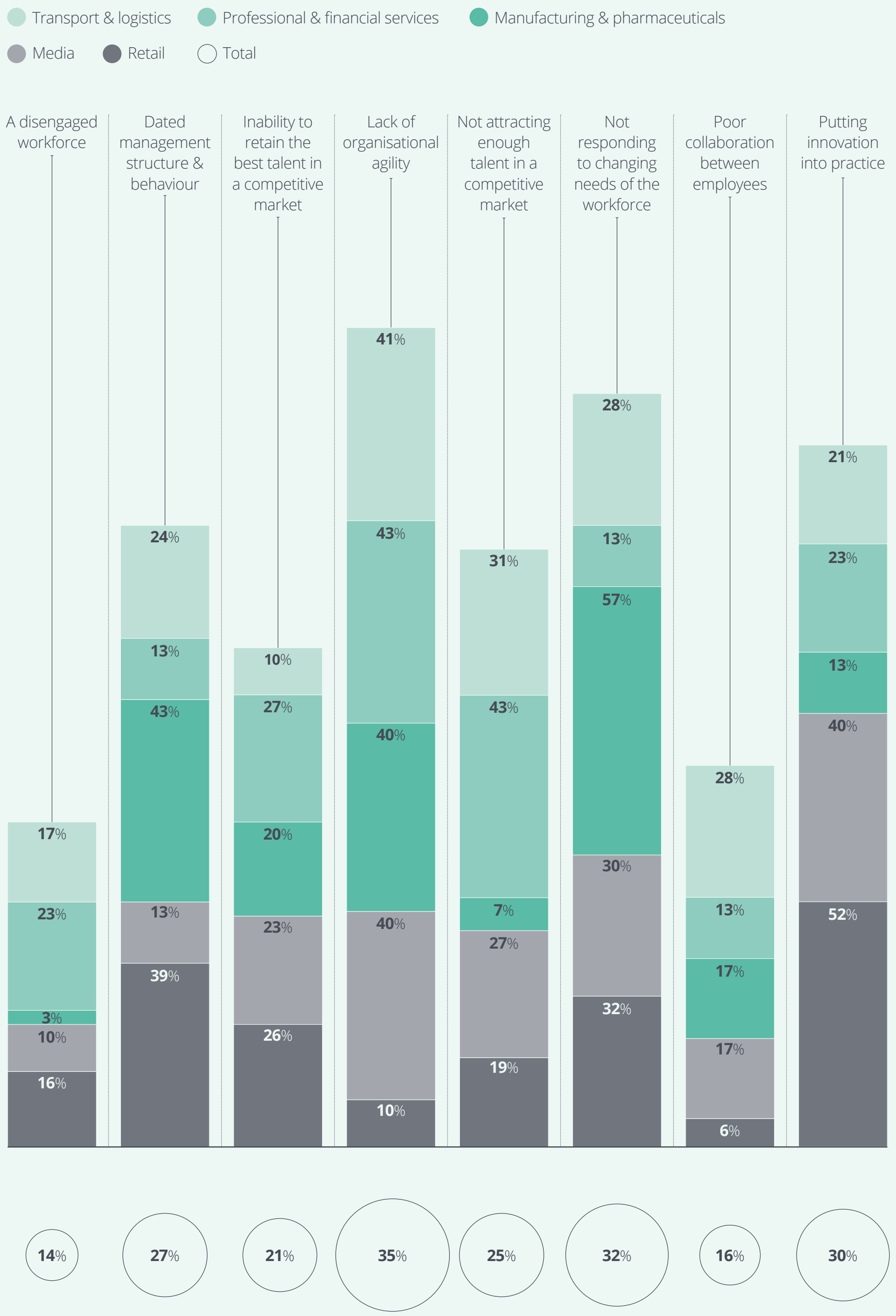


Figure 13
From a people management perspective, what do you feel are the biggest threats facing UK businesses?



05 A 'digiculture'

Figure 14
"My organisation is well prepared to exploit the opportunities presented by connected intelligence (the internet of things)"

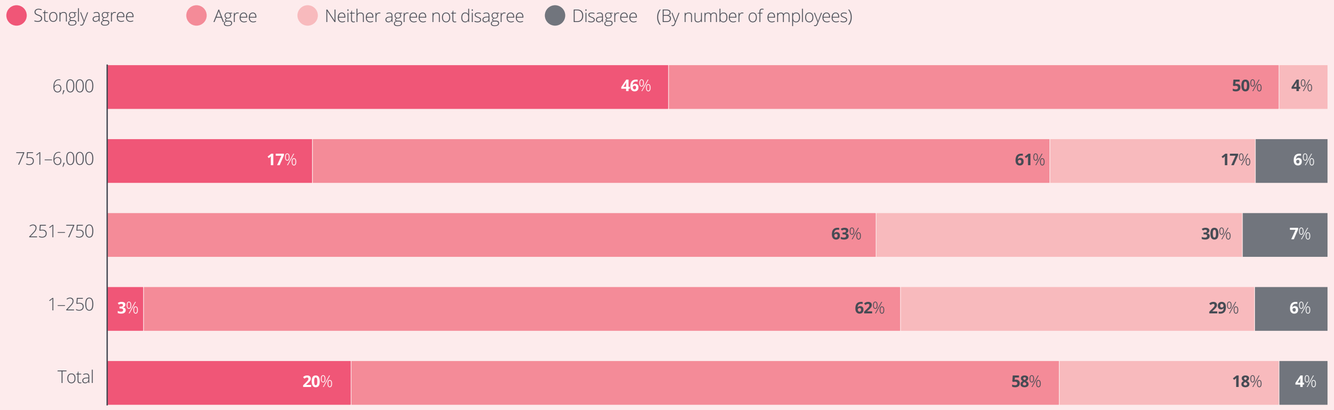
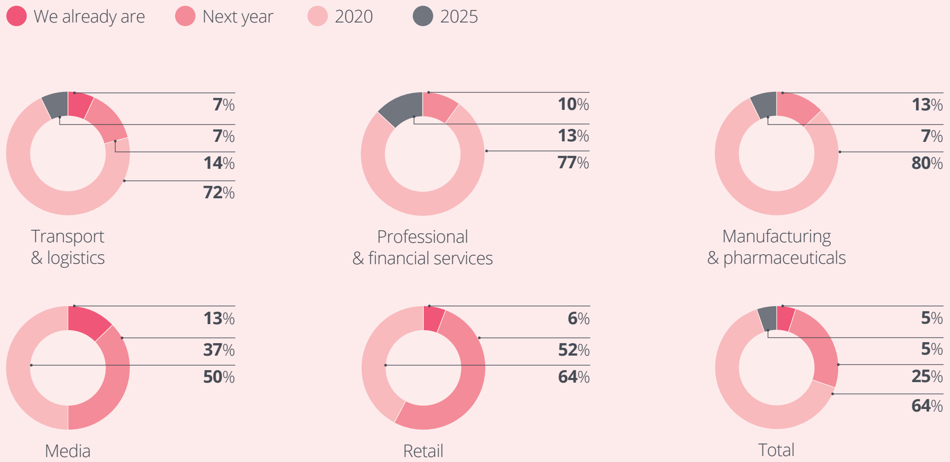


Figure 15
When do you forsee investing in the opportunities created by connected intelligence (the internet of things)?



With the right investment in digital, connected intelligence has the potential to transform the way companies do business

As noted already, respondents in the survey cite much room for improvement when it comes to exploiting connectivity. For example, 48 per cent of respondents are unable to access all the information they need via mobile devices, and a further 6 per cent are either poorly connected or not connected at all. In an age when almost everyone permanently carries with them some form of mobile technology, this is clearly an area that companies need to address.

The onset of the IoT and the age of the 'connected everything' provide the opportunity for that to change. They offer organisations the potential to have genuinely connected intelligence, but only if digital technologies are embraced to enable this.

Overall, 78 per cent of all respondents agree or strongly agree that their organisations are well prepared for the IoT. This includes over two thirds (65 per cent) of firms with fewer than 250 employees. However, it's at the top end of the scale – among firms with 6,000 or more staff – that there's almost unanimous conviction of the IoT's potential, with 96 per cent agreeing or strongly agreeing that they are ready to embrace the IoT.

As in much of the survey, it's the retail sector leading the way, with 100 per cent of respondents agreeing or strongly agreeing that they are well prepared for the IoT, followed by media on 90 per cent. Retail's far-sightedness here makes sense on the back of investment in connected intelligence technologies such as radio-frequency identification tracking, which have enabled organisations to optimise mission-critical business processes.

Other sectors need to follow suit, but these are early days. So while in the manufacturing sector only 44 per cent of respondents today see themselves as prepared for the IoT, this will undoubtedly change in the coming years. The overwhelming majority (80 per cent) believe that they will be IoT-optimised by 2020.

Across all industry groups, 2020 will be the tipping point for connected intelligence opportunities, with 64 per cent of respondents overall choosing this date, compared to 25 per cent who say 2016. Only 5 per cent believe that 2015 was the time to invest here, reflecting the still-relative immaturity of the technology supporting the IoT.

But it's clear that the potential of such technology is of interest across all sectors. Respondents assume that the IoT will have matured sufficiently by 2020 to make budget spend in connected intelligence appropriate. By that time, however, the thought leaders in retail will be well on the path to maturity in this area as well.

Realising the potential

Companies must place digital at the heart of their business strategies if they're to realise the growth potential offered by hi-tech innovation

The time for change is now – or at least it is for many, such as those organisations in retail, where digital technologies have already attracted investment and delivered tangible, measurable benefits.

Other sectors are inevitably slower off the mark, held back by a legacy lack of technological innovation (eg, in manufacturing where the MRP/ERP revolution has not particularly moved on) or regulatory constraints (eg, in financial services where security, governance and data privacy concerns have stymied the widespread adoption of cloud computing).

Across all business sectors, organisations need to look to the example of retail to see the transformative potential of digital thinking and digital technologies and learn lessons that can be applied to themselves.

The rise of the new generation of connected workers, empowered by collaborative and mobile solutions, will radically alter the shape of the future workforce and workplace.

For this to happen, however, the long-standing goal of business and IT working in tandem to support both transformation and business growth must become a reality. The CIO needs to work with his or her commercial counterparts to deliver on digital strategic objectives.

The benefits of thinking and operating digitally are there for companies of all sizes and scale, but they need to be embraced and realised. For the start-up or small business looking to grow, investment in digital technologies opens up market opportunities and enables them to compete on a level playing field more easily with bigger competitors.

For larger enterprises, new, more agile technologies will enable them to throw off the shackles of legacy systems that in the past have constrained rather than supported responsive market opportunities and innovation. While some organisations will move faster than others, by 2020 the business landscape must be ready to follow the example of the retail sector in reaping the potential of connected intelligence, mobile technology and the IoT as drivers of transformation to create winners in the global digital economy.

The CIO needs to work with his or her commercial counterparts to deliver on digital strategic objectives