

Workplace 2025: The CXO View

How are business and technology leaders laying the foundations for the future digital workplace?

November 2017



INTRODUCTION

Is your organization ready for the workplace revolution?

Within the next decade, the whole concept of a nine-to-five, full-time job in a traditional office environment will be ripped up and largely forgotten.

By 2025, millennials will represent more than 50% of the workforce, and will redefine corporate culture around flexible working models, a more open approach to collaboration, and a focus on data as the lifeblood of the business.

Freelance and remote working will establish themselves as the norm in major economies, and businesses will dramatically overhaul the scale and appearance of their office footprint with a new focus on health and wellness.

Technology will play a vital role in helping businesses enable this change, supporting new models of collaboration and co-creation whilst delivering a secure, intelligent and highly personalized user experience.

Earlier this year, industry analyst group PAC released a White Paper ("Workplace 2025") that set out the changes and major disruptions expected to impact the workplace by 2025: the transformation in employee expectations and experience; the increasing role of technology and artificial intelligence; the move towards a more environmentally-friendly way of working; a workplace based on collaboration and co-innovation; and an HR challenge in the form of a generation clash.

This reinvention of the workplace will present a huge challenge for the vast majority of businesses. Organizations unable to adapt their workplace environment quickly enough will struggle to attract and retain the best talent and risk falling behind their more agile peers.

To better understand how organizations are preparing for these future changes, PAC partnered with Fujitsu to interview 1,278 senior business and technology decision makers at large and mid-sized commercial and public sector organizations in Europe, Oceania and the United States.

This report highlights key findings from the study and provides insight into how CXOs are planning to bridge the gap between their current workplace environment and a strategy that will support the new demands of the business in 2025.

Nick Mayes, Principal Analyst

PAC, a CXP Company

KEY FINDINGS

Strategy leaders in the workplace are faced with a difficult balancing act.

On the one hand they are tasked with driving efficiency in their current environment, and ensuring compliance and security against an increasingly complex threat and regulatory background.

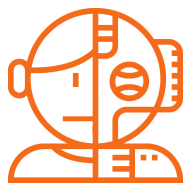
On the other, they need to lay the foundations for the business to adapt and thrive in the future, and to take full advantage of digital innovation. Below are the five key changes that organizations face and the steps that they are taking to prepare for 2025:

1. The Lifestyle Workplace



Organizations believe that a change in corporate policies is vital to improve employee experience and support the work/life balance expected by their workforce. However the starting point is low, with 4 out of 5 businesses offering inflexible working hours and work practices today.

2. The Intelligent Workplace



Decision makers expect process automation and security to be embedded in work processes to deliver a seamless experience and improve productivity and efficiency. This study shows that identity and access management as we know it today is far from frictionless and has a negative impact on employees' daily work.

3. The Low-impact Workplace



The replacement of the traditional office with a digitally-connected environment is seen as the number one factor that will shape the workplace in 2025. However, organizations have a lot of work to do to change their culture and provide remote workers with the tools and platforms they need to collaborate and innovate.

4. The Boundary-less Workplace



Most organizations have adopted open innovation/ crowdsourcing and hackathons in their corporate policies or plan to do so, as part of co-creation ecosystems. But our study shows that current security approaches around information sharing present a barrier to a truly boundary-less and innovative workplace environment.

5. The Cross-generational Workplace



Delivering a personalized and compelling workplace experience is seen as vital to attracting and retaining millennial and Gen Z workers. But there is work to be done as today's workplace is not delivering. A new approach to knowledge management is also needed to capture the insight of experienced workers.

1. THE LIFESTYLE WORKPLACE

Flexible working models will become standard practice across major economies by the middle of the next decade.

By 2025, providing an attractive work-life balance will be critical in supporting the needs of the expanding core of millennial workers. More flexible working hours and more time to get involved in other business and recreational activities rank above career progression when millennials evaluate job opportunities.

What is the Situation Today?

Today's workplaces are not set up to support flexible working.

PAC's study found that two thirds (**66%**) of the participants in the study currently have less than 10% of their total workforce employed in a temporary or freelance capacity, while only **9%** having more than one quarter engaged in this way. With some expecting freelance and gig working to become the dominant models in countries such as the US by 2025, many businesses are going to experience a major shift in the medium term.

66%

of businesses have less than 10% of their workforce engaged in a temporary or non-permanent capacity

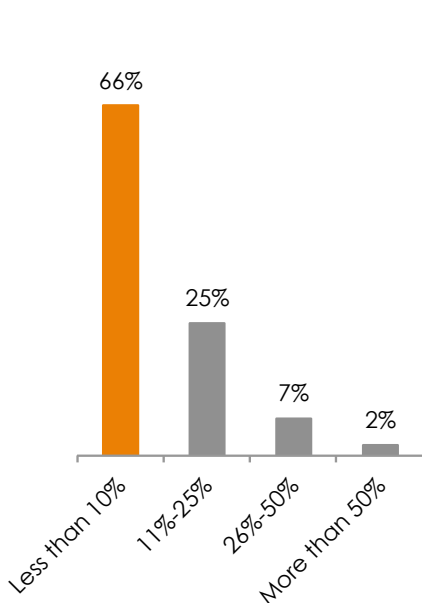


Fig 1. Proportion of organizations employing temporary or non-permanent as part of their workforce

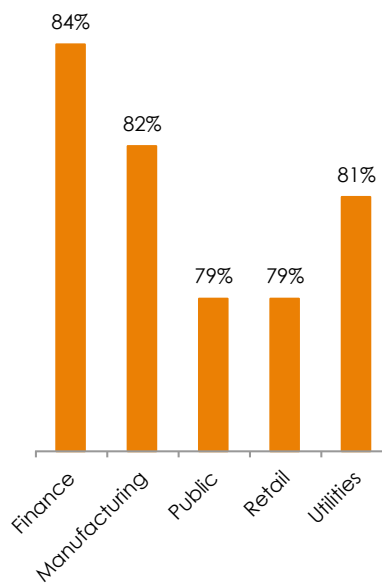


Fig 2. Proportion of organizations seeing high workforce attrition as a challenge to productivity

The study also found that many companies face a more basic productivity problem in hiring and retaining talent.

An overwhelming **81%** of participants admitted that high workforce attrition is already a challenge to workplace productivity, including **84%** of participants in the financial services sector. It is an issue that is only going to become more severe as we move towards 2025. If workers aren't joining or sticking around today, the millennial-centric future workforce is even less likely to do so unless some big changes are made to current working practices.

What Needs Fixing?

The study found that the large majority of organizations believe their current approach to flexible working to be far from perfect. More than three quarters (**79%**) of participants view their current working hours and practices as simply not flexible enough to get the best out of their workforce.

Organizations in the retail (**85%**) and public (**81%**) sectors identify this as a major issue today. Retail is one of the most cyclical of all industry sectors, with many companies having to support huge fluctuations in demand, based on season or economic conditions.

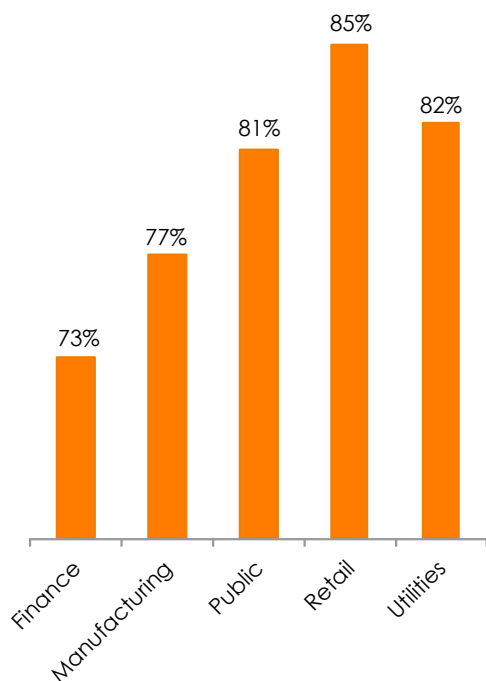


Fig 3. Proportion of organizations perceiving their current working hours and practices as a brake to productivity

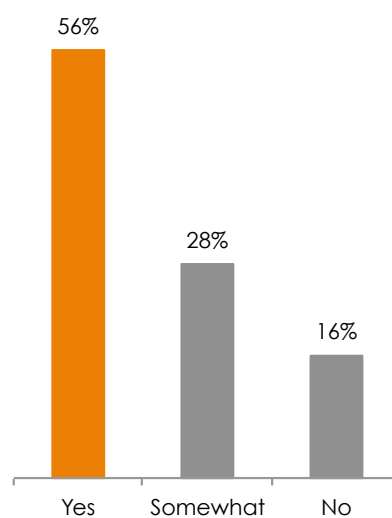


Fig 4. Proportion of organizations that have implemented a role-based provisioning of applications, devices and services

56%

of participants have fully implemented a role-based provisioning of applications, devices and services.

Flexible working carries a host of potential benefits for employers. But it also poses some new challenges in how they deliver a workplace experience that can support flexible working. Businesses will have to be able to provide seamless and secure access to corporate data and systems to a growing number of casual and remote workers and this is not something that everyone is able to deliver today.

According to the study, many companies (**56%**) have already taken advantage of available tools to fully support role-based provisioning across the organization. A further **28%** have only partially enabled this across the business, while a small tail of **16%** have very limited adoption, and it is something that they need to address. This is a crucial step to enabling organizations to monitor and control access to potentially sensitive corporate data. It also ensures that workers, be they temporary or full-time employees, are able to get the resources that they need to perform their job.

How are Businesses Preparing for 2025?

One of the other key aspects of the "lifestyle workplace" is a renewed focus on health and wellness.

As well as increasing the flexibility of working hours, businesses will overhaul their office spaces to create healthier environments with the inclusion of meditation, fitness and leisure areas. Technology will play an important role in optimizing lighting, furniture and temperature to support comfort and activity.

70% of participants in the study state that they plan to change current corporate policies in order to drive an improved work/life balance for their employees. Again companies in the retail sector (**74%**) are keenest to implement this change, ahead of utilities (**73%**) and public sector organizations (**68%**).

Organizations in Europe (**70%**) will be the most active in striving for a better work/life balance, and the region has been home to some of the most innovative initiatives in this area. A health authority in Gothenburg, Sweden has trialed six-hour working days for a group of 70 medical staff, which resulted in productivity gains, improvements in staff satisfaction and a decline in sick days, although the cost of covering for the reduced hours proved higher than expected.

70%

plan to change current corporate policies in order to drive an improved work/life balance for their employees.

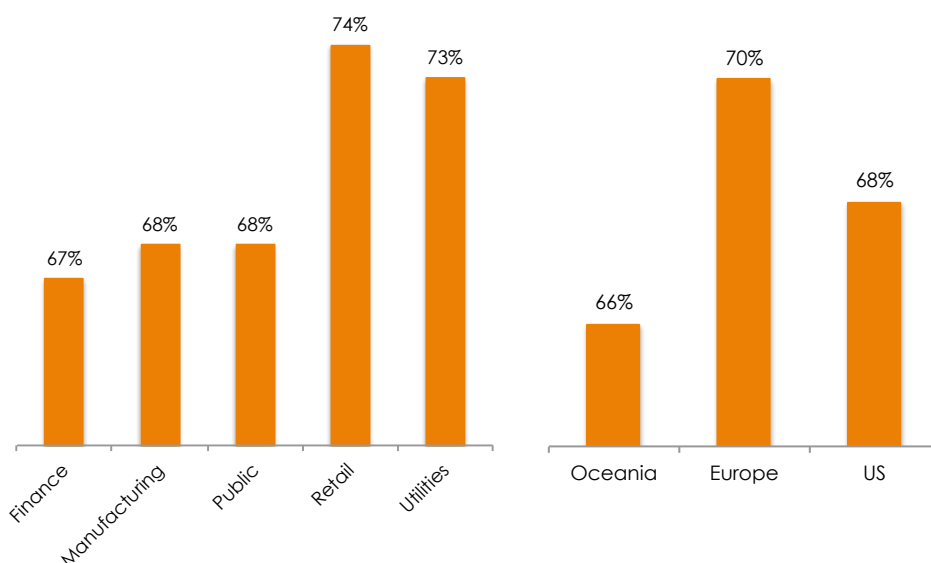


Fig 5. Percentage of organizations planning to change current policies to drive an improved work/life balance for their employees

Recommendations

- **Policy change needs to be backed up by IT.** There is an unstoppable shift towards more flexible working models. Adapting policies to improve flexible working is a positive step, but it needs to be done in tandem with the modernization of the current workplace IT. One of the key priorities of your workplace infrastructure strategy should be to ensure that staff are able to access the necessary tools, systems and data that they require to be fully productive, regardless of location.

- **Reinforce today's fragmented approach to provisioning.** Role-based provisioning is a vital first step in supporting a more fluid workforce, and those organizations that have either yet to implement or have only partially deployed this across the business need to act fast. It will not just be a couple of departments or functions that will be impacted in this way: flexible working will have an impact across the back and front offices of all organizations.
- **HR change will be essential to intelligent provisioning.** This needs to be underpinned by intelligent and dynamic security platforms that ensure that the right people have the right level of access to the relevant corporate data. The HR function needs to have the processes and systems in place to ensure that new employees can be onboarded quickly, while leavers can be easily and securely taken off the system.

2. THE INTELLIGENT WORKPLACE

By 2025, artificial intelligence will completely reshape the business, intelligent assistants will take the pain out of the working day, and constant authentication will provide a more effective, less intrusive approach to security.

But the survey found that many businesses still have a lot of current technology bottlenecks to overcome before they can unlock the potential of the digital workplace.

What is the Situation Today?

The study paints a negative picture of the impact that technology is having on their workplace today.

Close to two thirds (**63%**) of participants stated that **interoperability with outdated technology** is a “major” challenge to productivity (including 68% of financial services firms). More than half also stated that the complexity of current workplace technology and a lack of access to the right productivity tools are major issues.

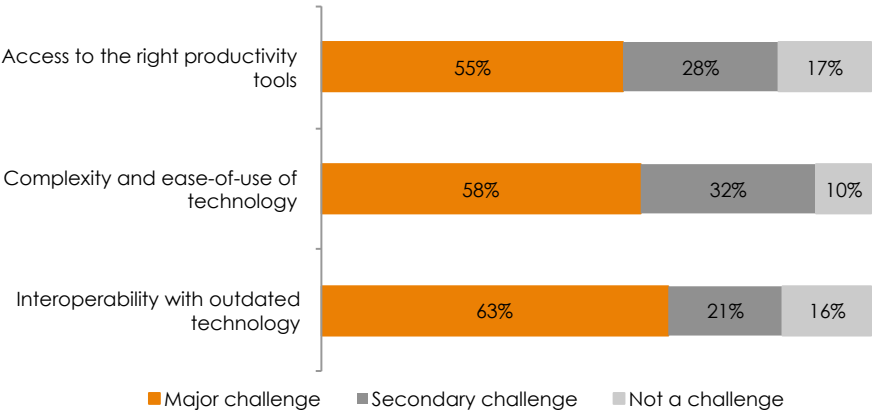


Fig 6. Main challenges to productivity in organizations today

Many companies are still hugely dependent on aging technology in the back office of their organization, which for all the advances that they may have made in terms of the front end digital innovation, continues to hold them back. For example, a customer services agent may be able to rapidly respond and engage with a client via online chat messaging function.

But if they still have to plow through several disparate back end systems in order to pull out relevant data on the customer's identity and history, and have to engage with multiple workflows in order to action the required follow-up, then no real progress has been made in improving the overall employee experience.

The vast majority of participants in the study stated that today's workplace technology is also too complex.

An overwhelming **90%** state that the complexity of workplace technology is a barrier to productivity, including **57%** that view it as a “major” challenge. This pain is felt most acutely by manufacturers, where **69%** see it as a “major” challenge, which reflects the difficulty that many face in providing employees with fast and effective access to the wealth of data that sits across multiple layers of ERP,

90%

of organizations state that the complexity of today's workplace technology is a barrier to productivity.

design and shop-floor systems that have been accumulated through decades of projects and custom development.

80% of participants state that a lack of access to the right technology tools is obstructing productivity in their business, with more than half (**54%**) seeing it as a "major" challenge. This is surprising, given the millions of dollars that businesses have invested in workplace productivity tools during the last two decades, but perhaps the key word here is "right." They may have some tools in place, but they may not be the most appropriate to support different job roles, or workers may feel that more effective ones are available elsewhere.

One fundamental point that needs addressing is that many organizations do not have a clear understanding of their productivity today. Participants complain about a lack of access to the right productivity tools. But if they do not know how productive they are and where problems exist, how can they target investment in the right places?

The study found that just **17%** of participants stated that their organization uses analytics tools across the business to measure end user performance. Some **70%** take a piecemeal approach and generate insight from certain parts of their business, while **13%** admit that they do not currently measure end user productivity levels at all.

What Needs Fixing?

One critical challenge that organizations face in their future workplace strategies will be the way that they tackle cyber security.

The threat of cyber attacks continues to grow in scale and sophistication, and is impacting all industry sectors. Lloyds of London recently stated that a serious global cyber attack could cost the global economy \$120bn, as much as major natural catastrophe.

Businesses have responded by investing heavily in cyber defense technology, but the study suggests that for many, the different levels of protection and authentication they have accumulated are acting as a hand brake on productivity.

More than half of study participants (**56%**) stated that their current approach to workplace security has a negative impact on employee productivity, with **20%** of the total sample base stating that it has a "highly negative" effect.

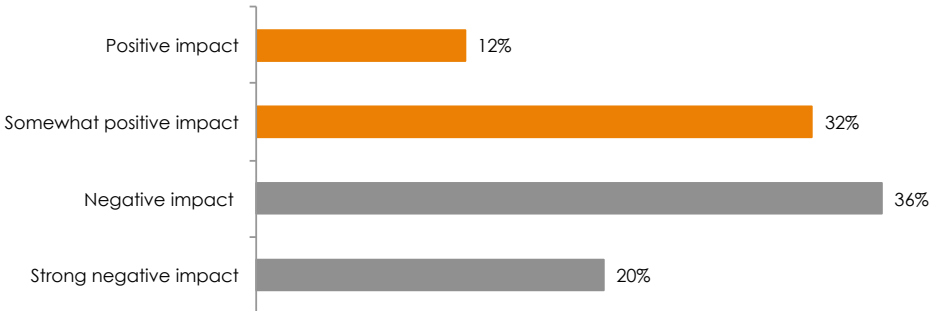


Fig 7. Impact of organizations' current approach to workplace cyber security on employee productivity

17%

have deployed analytics tools across the business to measure end user performance.

This is a worryingly high level. When workers are faced with complex or time-consuming security procedures and mechanisms, they can be encouraged to take non-compliant routes and cut corners if they are trying to perform a particularly time sensitive or urgent task.

One example could be workers looking to share a document, who find themselves unable to use the system favored by their employer due to restrictions on permissions or document size. Instead they decide to use a consumer file-sharing service. This could have potentially significant implications as new regulatory demands on corporate data management such as GDPR come into practice.

How are Businesses Preparing for 2025?

The study suggests that businesses are preparing for a massive overhaul of their approach to cyber security in the next few years.

Biometric technology will be a major focus area with many having deployed or planning to deploy in the next 12 months. Much of the adoption to date has been very focused and the vast majority of those organizations that have already invested have done so in very specific niches or departments, or it relates to specific devices, such as thumbprint recognition on mobile devices.

56%
of businesses state that their current approach to workplace security has a negative impact on employee productivity.

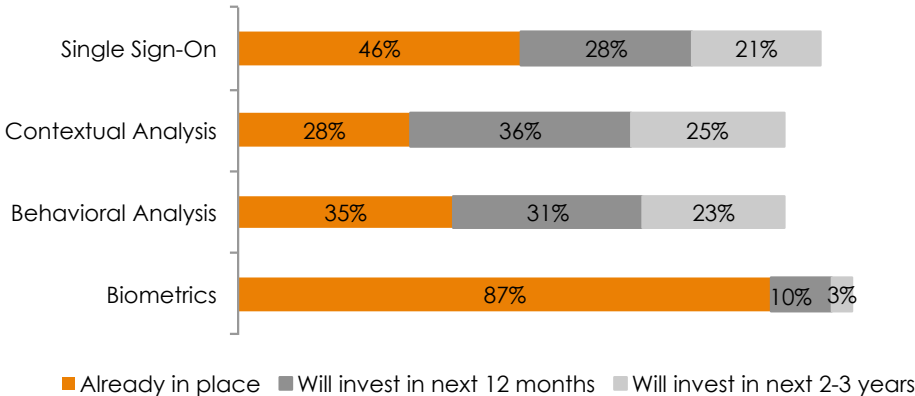


Fig 8. Investment planned by organizations to balance workplace productivity and security

Adoption of biometric technology is highest in the financial services sector, where **91%** of organizations have already deployed it. The attraction is that iris, palm vein and fingerprint authentication can be more robust than traditional password authentication, as it proves an individual's identity with a much greater level of assurance. And it also offers greater convenience, speeding up the process of authentication, and removing the all-too-regular scenario of trying to reset a forgotten password.

Behavioral analysis is another priority for businesses looking to take a new approach to workplace security. More than one third (**35%**) state that they have already invested in technology such as keystroke dynamics tracking, with a further **31%** planning to implement in the next 12 months. There is a strong overlap between those companies already using biometric and behavioral analysis, which suggests that many are combining the two as part of a multi-factor authentication approach.

Pulling this all together in a coherent, cost-effective strategy is not easy and it is not surprising that the large majority of participants plan to reach out for outside

support to get this right. Some **88%** of organizations stated that they would benefit from working with an external partner to modernize their security strategy.

There is no doubt that organizations expect technology to have a transformational impact on all aspects of their workplace within the next decade. **88%** of participants in the study believe that the rise of artificial intelligence and robotic automation will be one of the top three factors to shape their workplace in 2025.

One third cite it as the top factor, including **40%** of financial services companies, one of the sectors leading the early adoption of advanced automation in the business. Credit Suisse uses advanced algorithms to analyze company news and reports in order to help it pick stocks, while Danske Bank is just one of many financial services firms using artificial intelligence as part of its fraud management strategy.

Artificial intelligence is gaining traction in the consumer market through digital virtual assistants such as Microsoft Cortana and Amazon Alexa. Close to half (**47%**) of organizations plan to invest in them in the next two years. Uptake will be particularly strong in the financial services sector (**64%**), with banks including Sweden's Swedbank and India's HDFC Bank already using artificial intelligence-powered virtual assistants in customer services roles.

Virtual agents are already starting to play a critical role in the workplace. And by 2025, many employees will be using them across all aspects of their working life to drive a more personalized experience. This could include proactively managing their schedule, helping them file expenses, and adapting their commute to changing traffic and weather conditions.

Recommendations

- **Attack the legacy problem at the interface level.** Today's workplace technology is hindering as much as it is helping. Organizations have a goldmine of data buried in their systems, but rather than replacing them through lengthy and high-risk transformation programs, they should look to open them up through faster, agile initiatives focused at the interface level.
- **A less intrusive but more effective cyber strategy is required.** Companies are already taking advantage of biometric identity authentication and contextual and behavioral analytics tools today but their full potential can only be unlocked if organizations put the right data management and collection processes in place.
- **Understand your productivity starting point.** Without insight into current productivity levels, it is impossible to know where best to apply technology to drive improvement, or to measure and quantify any gains. Strategy leaders in the workplace should look to take an iterative approach, starting at a process or departmental level. Build a clear picture of baseline current levels and issues, identify the benefits that can be achieved through adopting new ways of working, and develop a business case with measurable outcomes.

47%
of organizations
plan to invest in
digital virtual
assistants as part of
their digital
workplace strategy
in the next two
years

3. THE LOW-IMPACT WORKPLACE

By 2025, work patterns will change as businesses are held to environmental targets; virtual meetings will replace commutes; and office buildings will become truly smart.

But organizations need to move fast to bridge the current gaps in how they support remote working and collaboration.

What is the Situation Today?

One of the key success factors for supporting remote working is to enable effective collaboration. According to the study, **59%** of businesses have deployed the latest generation of collaboration-based tools to drive productivity, teaming and social integration. This includes more than **60%** of companies in the manufacturing and retail sectors.

But for the remaining **41%** that have not yet done so, concerns over security stand out as the main blocking point, with **46%** citing it as the primary barrier, ahead of cost (**32%**). Organizations in the highly regulated financial services sector (**54%**) are the most concerned about the risk of data loss or theft as a result of using these tools. This will need to be addressed if the **59%** of banks and insurers are to follow through on their plans to enable more flexible working options through providing them with secure, remote access to corporate systems.

Cloud delivery models are also critical in providing the workforce with flexible access to corporate systems regardless of location, and the survey highlights that businesses have made significant progress in this area.

More than half of businesses (**52%**) now incorporate cloud-based delivery models into their current workplace strategy. Even in regions that have been historically slow to adopt cloud delivery, there are clear indications that it has entered the mainstream, with **45%** of study participants from Central Europe saying that cloud is a key part of their current workplace strategy. A growing number of organizations are using cloud to deliver an ever-expanding range of applications to the workforce, attracted by the potential efficiency gains and the ability to provide rapid and flexible access to any device with an Internet connection.

52%
of businesses now incorporate cloud-based delivery models into their current workplace strategy – including 45% of companies in Central Europe.

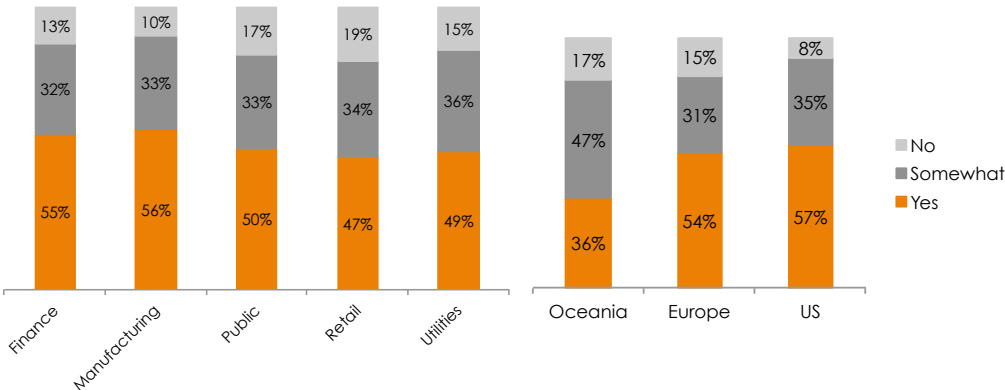


Fig 9. Proportion of organization embedding cloud-based delivery model in their workplace strategy today

What Needs Fixing?

Businesses cannot phase out their current office space unless they are fully prepared to support truly effective remote working and collaboration.

The study suggests that many have a distance to travel. Just one quarter (**25%**) of participants stated that their current workplace strategy includes an integrated approach to mobility, and as low as **21%** for manufacturers.

By exploring whether organizations are taking an “integrated approach,” the study was trying to understand whether they are managing and supporting their mobile and traditional desktop IT estates in the same way. Are corporate applications available across all devices? Are security and service management policies and approaches harmonized?

These two areas have tended to be procured and managed by different teams and stakeholders within the business. However, the lines between the two areas are blurring, as workers look to get seamless access to corporate data and applications regardless of the device they are using.

41% of participants plan to deliver a seamlessly consistent and unified workplace experience as part of their future strategy, regardless of device. This will be a major undertaking for many organizations, but there are some big potential benefits in implementing a unified approach. Having a single pane of glass approach and a management platform for ensuring compliance, tracking assets and distributing applications will drive consistency as well as efficiency.

75%
state that their
current workplace
strategy does not
include integrated
mobility

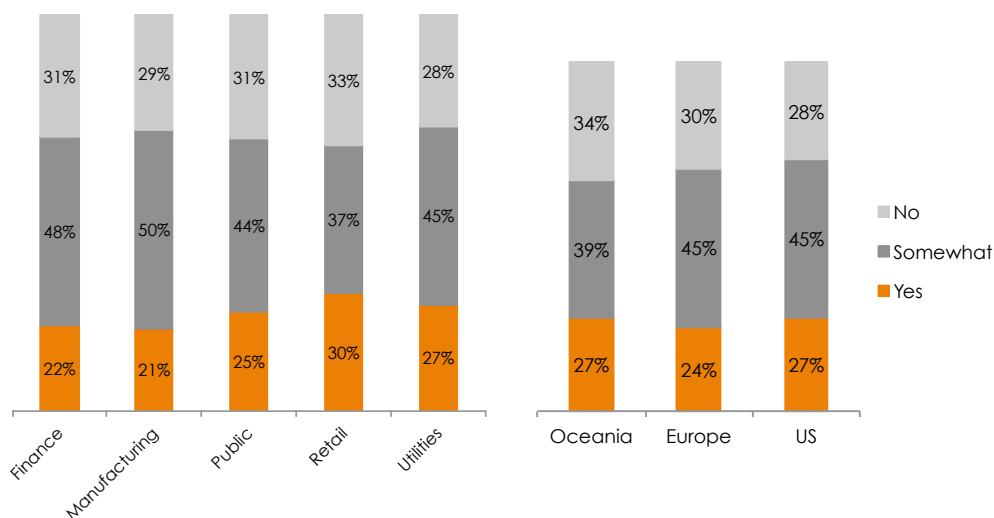


Fig 10. Proportion of organizations embedding mobility in their workplace strategy

How are Businesses Preparing for 2025?

Almost half (**49%**) of businesses see the disappearance of the traditional office environment as having the single biggest impact on their future workplace strategy by 2025.

The rise of freelance and mobile working models will see organizations across all sectors dramatically cut back their office footprint from today's level. It is the retailers (**58%**) and public sector organizations (**52%**) that expect the greatest impact on their workplace strategy from the decline of the traditional concept of the office. Retailers have historically been the most active in evolving their

physical presence in order to respond to the rise of digital channels. But there are many examples of public sector organizations taking the lead with new approaches to the office, such as the UK Government's new hub in Leeds that will house multiple agencies in an attempt to drive greater collaboration across traditional departmental boundaries.

Physical office space will not disappear completely under future workplace modernization strategies. However, it will have a very different appearance, and technology will be fundamental to improving its efficiency while enhancing employee wellness, health and collaborative working. This drive towards the "smart office" is being underpinned by the increasing accessibility of technology to drive connectivity throughout physical assets from office entry systems, through to thermostats and coffee machines.

Some **17%** of participants plan to invest in smart buildings connectivity solutions in the next two years, although interest is much stronger from some industry sectors than others. More than one third (**35%**) of utilities companies plan to implement Internet of Things technology in the workplace, followed by public sector organizations (**25%**). Many Government agencies remain under huge pressure to reduce operating costs and the smart office carries great potential benefits in terms of energy efficiency as well as in improving the workplace experience.

49%
of businesses see the disappearance of the traditional office environment as having the single biggest impact on their future workplace strategy by 2025.

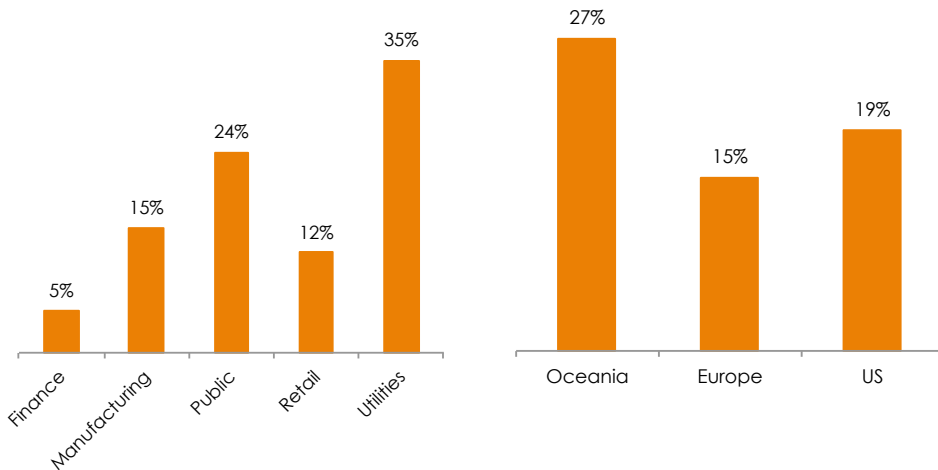


Fig 11. Percentage of organizations planning to invest in smart building connectivity solutions during the next two years

Recommendations

- **Plan to support a much smaller office footprint in the future.** Build the flexibility into your IT infrastructure today to ensure there is not a costly transition further down the line. The use of hybrid cloud infrastructure will be an essential weapon in the battle to improve scalability and agility.
- **Implement platforms that deliver a strong experience for remote collaboration** and enhance the experience beyond basic communication. Your future workplace design needs to have communication and collaboration activities at the forefront. Ensure that security policies and

systems are in place to enable appropriate document sharing and don't obstruct productivity.

- **Smart connectivity needs leadership.** The smart office carries great potential benefits. But it also significantly increases the attack surface, and an holistic approach to security – covering sensors, networks and assets – is required. One of the problems that early smart buildings initiatives have encountered is that they tend to be driven by a very fragmented stakeholder group across the organization. It is a mistake; A single point of accountability is needed to drive a consistent approach across the business to areas such as security, standards and data management.

4. THE BOUNDARY-LESS WORKPLACE

Most companies will not exist in their current form in 2025; businesses will co-create as part of digital ecosystems; and global crowdsourcing will drive a new era of scale. However, the current workplace environment is holding some businesses back from innovating beyond the walls of their organization.

What is the Situation Today?

One of the increasingly common features of enterprise innovation strategies is for businesses to look externally for sources of inspiration.

As traditional barriers between industry sectors are broken down, businesses are working in partnership with start-ups, peers and companies from completely different regions or sector backgrounds. Initiatives in areas such as the development and manufacture of connected vehicles are bringing together highly diverse partner ecosystems, drawing from the worlds of technology, security, academia, entertainment, communications and engineering.

This requires an open but secure approach to knowledge sharing and collaboration, and it is something that companies are working hard to put in place. The study found that three quarters (74%) of companies state that their current workplace IT infrastructure does not have a highly positive impact on their ability to engage and innovate with businesses outside of their organization.

Indeed, 15% of organizations admit that their current approach has a counter-productive effect. And as we shall see, it appears that again it is current approaches to cyber security that is proving to be a barrier.

What Needs Fixing?

Security is seen as the primary concern when it comes to external collaboration.

There is an increasing need to share data, not just within the organization but with business partners as well as customers. In the digital business, this increased communication has significant benefits, improving efficiency and reducing costs. At the same time there are increasingly scary revelations of data breaches and loss of intellectual property. So in order to support business processes it is important to be able to provide access to sensitive data, but it is also important that cyber security requirements are adequately observed.

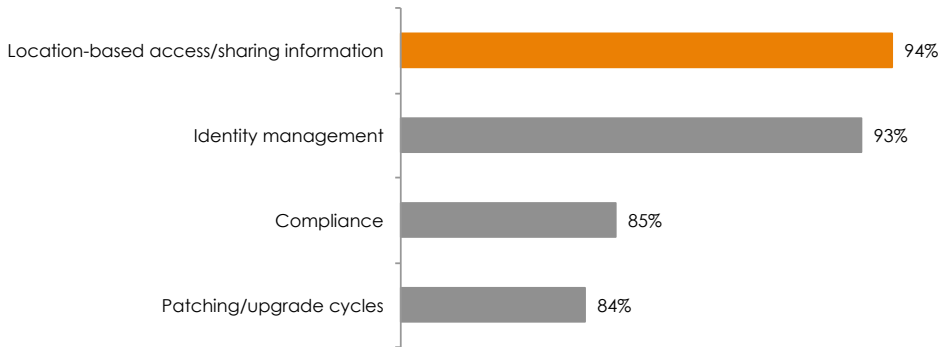


Fig 12. Key security issues identified in organizations workplace strategy

74%

of companies state that their current workplace IT infrastructure does not have a highly positive impact on their ability to innovate with businesses outside their organization

94% of the study participants view location-based access and information sharing as a key security issue, ranking it above other critical topics such as identity management and compliance. The concern is strongest in the highly regulated financial services sector, where 95% respondents view it as a significant barrier, with 58% describing it as a “major challenge.”

Banks and insurers are perhaps not the most obvious organizations to engage with external partners and suppliers to drive innovation, given the sensitivity of their data. However, rising competition from digital challengers is disrupting traditional business models and forcing them to accelerate engagement with external partners.

European insurance giant Generali has a strong reputation as an innovator, particularly through its engagement with start-ups via its “Innovation Challenge” platform. The carrier worked with Microsoft to connect with 3,000 start-up tech companies around the world, in order to identify potential partners to explore topics including the Internet of Things (IoT) and gamification.

How are Businesses Preparing for 2025?

During the next two years, 45% of organizations plan to adapt current corporate policies in order to enable workers to create and share innovation with a wider ecosystem. Businesses in the retail (49%) and utilities (48%) sectors are the most aggressive in opening up the doors to more external collaboration, and there are many examples in the latter sector of organizations co-creating with small, innovative start-ups.

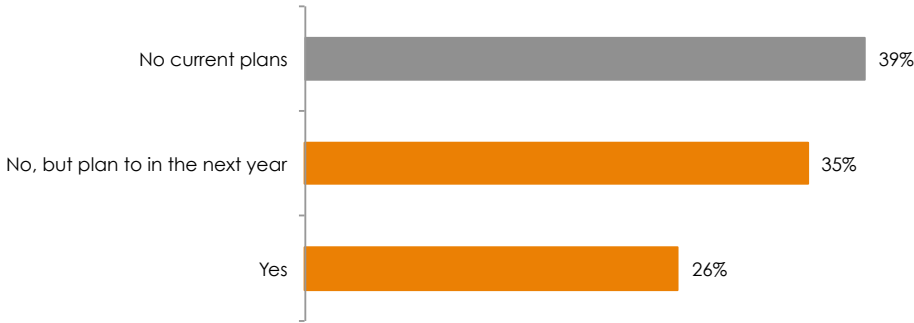


Fig 13. Proportion of organizations adopting open innovation or crowdsourcing as a way to generate new ideas, products and services

Germany's Innogy has invested in IoT software provider People Power and house moving start-up Move24, while EDF's Blue Lab accelerator has worked alongside Howz, a start-up whose home system measures a household's usage of electricity and combines this with information from a series of sensors that detect door movement, temperature and light levels in a person's home.

The crowdsourcing model is one way to tap into external expertise. With crowdsourcing, businesses leverage global platforms of freelance experts to source insight or skills such as problem-solving research, testing and analysis. It often plays a significant role in wider “open innovation” strategies, where organizations take a much more collaborative approach with external partners through sharing research and IP with wider audiences.

35%

of organizations plan to invest in crowdsourcing and open innovation in the next 12 months.

One quarter of businesses (**26%**) already use crowdsourcing and open innovation, but a further **35%** plan to do so in the next year. Current advocates of crowdsourcing and open innovation include General Electric, Apple and The Lego Company, and while its adoption remains at an early stage in many other businesses, the addition of artificial intelligence to help target and involve much more specific and relevant groups of participants and experts will significantly enhance its potential.

As crowdsourcing and open innovation strategies develop, businesses will increasingly need to understand the value they are delivering. Of those organizations currently engaged in both areas, the largest proportion (**65%**) assess the outcomes of their initiatives – in terms of economic impact – as a key measure of success. Just under half (**49%**) review output measures such as the number of ideas, patents and new products that are launched on the back of projects. This shows that organizations are not just using crowdsourcing and open innovation to test the water, they are channeling meaningful investment supported by clear business cases.

Recommendations

- **Reassess current approaches to external collaboration.** Ensure that policies are in place to share IP securely with the right parties. Secure information sharing needs to take an information lifecycle approach where the processes around data generation, its transformation and classification, as well as data storage and data destruction, are well defined.
- **Test the potential of crowdsourcing at a departmental level** and grow from there. Many organizations use crowd-based testing as a relatively low-risk entry point to familiarize themselves with the model and to review its potential benefits. A lot of companies have set up dedicated divisions to lead the charge on open innovation and crowdsourcing, and this is sensible. It is easier to impose and manage policies and guidelines on how data is shared externally through a smaller team than it is across multiple parts of the business.
- **Incorporate co-creation into your current development strategy.** Strategic technology decisions that you take today can have major impacts on your future options for building or joining a business ecosystem. Openness of the technology and size of the existing ecosystem around the technology will become highly important decision criteria.

5. THE CROSS-GENERATIONAL WORKPLACE

Shifting demographic patterns will have a huge impact on the future workplace.

Millennials will have become the dominant presence in the workforce by 2025, by which time many major economies are expected to have raised current retirement ages in order to ease the pressure on pensions and reduce skills shortages created by demographic change.

Some **77%** of study participants believe that increased generational diversity will be one of the top three trends to shape their workplace strategy in 2025.

What is the Situation Today?

For many companies, attracting new talent poses a new set of challenges. Digital native workers are looking for different career paths, incentives, working practices and environments to the ones on which most organizations have been built for the last 50 years.

Florida-based Ultimate Software was recently named by Fortune magazine as the best workplace for millennials, an accolade it earned through its investment in training, an organization-wide stock incentive program, and a focus on employee health and wellbeing, with workplace environments including areas for meditation, exercise and recreation.

24%

of retailers say that their current workplace strategy has a negative impact on retaining and attracting new employees

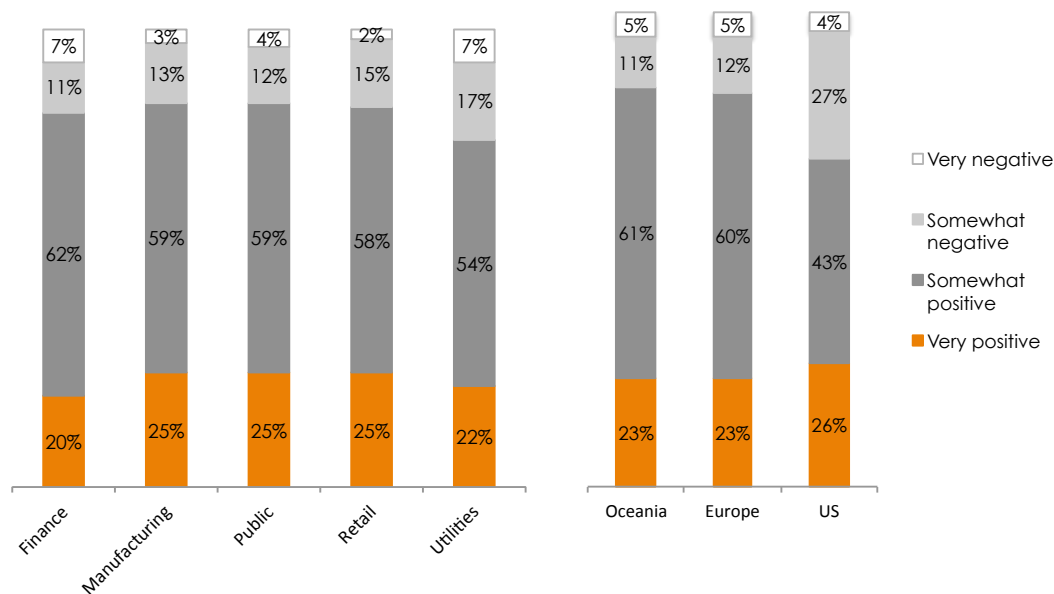


Fig 14. Impact of organizations' current workplace IT infrastructure on their ability to retain and attract new employees

The study found that while today's workplace technology is generally well-regarded, only a limited number of organizations (**23%**) have reached the promised land where they believe that it has a very positive effect on their recruitment and retention efforts. Furthermore, **18%** of participants say that their

current workplace IT infrastructure has a negative impact, including almost a quarter (24%) of retailers.

This is a big concern. Providing a compelling workplace environment is of particular importance in attracting younger workers.

Offering a consumer-like technology experience that enables them to be fully productive and creative is only part of the story. Millennials are more attracted to new roles by the opportunity for career progression than they are by financial incentives. They also see flexible working arrangements and exciting training opportunities as reasons for joining an employer.

What Needs Fixing?

There is a big gap in knowledge management and knowledge transfer that needs to be bridged.

A key success factor in ensuring that workers have all relevant corporate data at their fingertips will be to ensure that both younger and older workers are able to share their insight and experience through effective knowledge sharing and management platforms.

More than one third of businesses (36%) are adapting current company policies to improve knowledge sharing between all generations in the workforce, and this is an area where many organizations have room for improvement.

Only 10% of participants in the study state that they have a structured knowledge management (KM) platform in place that employees from across the business are incentivized to use. The majority takes a more piecemeal approach: 52% use KM tools in certain parts of the business, while a further 29% are in the process of putting a strategy in place.

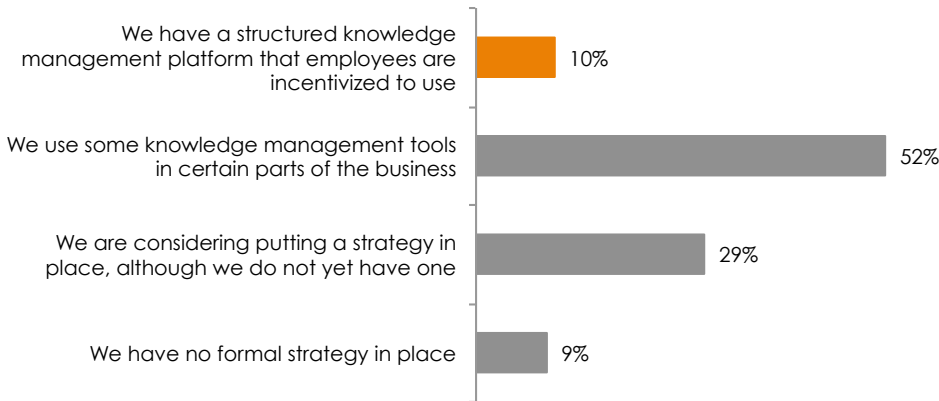


Fig 15. Organizations planned initiatives to leverage the collective knowledge of experienced workers

Implementing a formal KM strategy across the organization will be crucial to harnessing future technology innovation, such as the use of augmented reality (AR) technology. Companies across a range of industries including manufacturing and utilities are already starting to use AR as a way to help older workers provide real-time insight and assistance to less experienced colleagues.

90%

of participants do not have a structured knowledge management (KM) platform in place that employees from across the business are incentivized to use.

How are Businesses Preparing for 2025?

Enhancing the workplace experience will be key to attracting the future workforce, and organizations are moving quickly to address their present shortcomings.

Close to half of participants in the study (47%) are putting employee experience at the core of their workplace strategy and aim to create a more consumer-like experience.

Many organizations have been striving to bring their corporate IT experience closer to what the employee gets from their personal devices and from consumer digital services such as Amazon and Apple. Most will do this with the support of external specialists. According to the study, 83% of organizations will work with a partner to lay the foundations for a more compelling and personalized workplace experience.

The majority of organizations plan to overhaul their internal collaboration platforms to provide an experience that is more in tune with social media. Some 62% of businesses plan to invest in social enterprise platforms such as Slack and Asana in the next two years. The latter will become increasingly critical to enabling effective collaboration in a cross-generational workforce. Interest is particularly strong in the public sector (68%) and utilities (65%) sectors, and both industries have in many cases struggled to harness innovation from inside the organization and beyond.

It is interesting to see from the survey that there remains considerable caution over the bring-your-own-device (BYOD) approach with which many have experimented. Only 29% plan to allow employees to use whatever device they wish to access corporate data. This suggests that the majority of businesses will continue to provide prescribed devices to staff through choose-your-own-device (CYOD) or company-issued, personally-enabled (COPE) approaches, in order to ease issues such as onboarding, and service and security management.

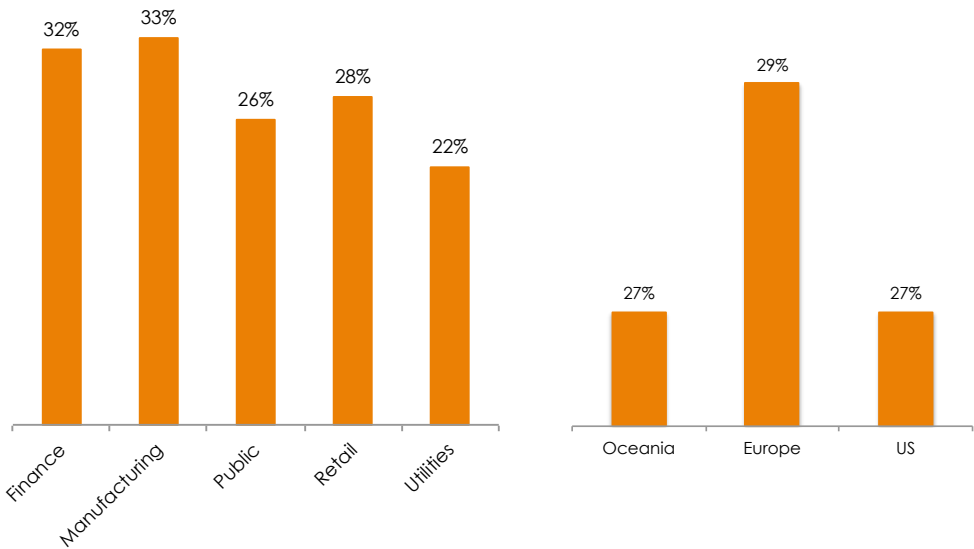


Fig 16. Percentage of organizations planning to allow employees to use whatever device they wish in order to take advantage of digital

Recommendations

- **Ramp up your knowledge management system and processes.** Improving knowledge management in the organization does not necessarily require major technology investment. A lot of the existing wealth of insight within the business can be unlocked by creating an environment that is more open and engaging. Encourage the workforce to share ideas and knowledge through crowdsourcing, and ensure that all parts of the business are able to share ideas by breaking down any silos within internal communication channels. A central repository needs to sit at the heart of the organization that is scalable, automatically documents interactions and enables staff to quickly retrieve the relevant information they need to support a particular project or decision.
- **Bring a consumer experience into the workplace.** Personalization will be key to supporting generational diversity, and artificial intelligence will build a better understanding of the preferences and context of the user that will provide a much richer experience than today's often limited "workstyles" approach. It is a good first step but will not be sufficient moving towards 2025. Applying advanced analytics tools and approaches will provide real-time insight into the applications that employees tend to use from a certain location or at a certain time of day. This will enable businesses to open up the optimum communication or collaboration channel.
- **Focus on the management layer, not the device.** Five years on from the peak of the bring-your-own-device (BYOD) trend, there is still uncertainty over which devices employers should let their workers use. BYOD did not give organizations enough agility to launch new services and enable organization-wide collaboration. More have opted for giving workers a choice from a catalog of pre-approved devices. However, decision-makers should focus their efforts on their security and service provisioning layer, which will give them the freedom to take a much more flexible approach at the device level. A unified device management policy and system that enables organizations to rapidly add or remove network access, underpinned by the more robust approaches to authentication we have already discussed, will provide a platform for a flexible device strategy.

CONCLUSIONS

The study identified many shortcomings in current workplace strategies that urgently need to be addressed through a new approach to workplace IT:

- The current workplace is not designed to support a fluid, flexible workforce, and **today's working practices are too restrictive**;
- **Current security approaches are holding employees back**; A less intrusive approach built around biometric, and behavioral and contextual analysis will be key to delivering a winning workplace experience in 2025;
- Effective **remote working and collaboration is not being enabled**, and a more integrated approach to mobility is needed;
- Companies are **struggling to harness open innovation beyond the walls of the organization**, with security again a barrier;
- Organizations aren't ready for increased generational diversity, and are **falling short in knowledge management** and in creating a truly compelling workplace experience.

More than half of all organizations participating in this study plan to overhaul their current strategies in order to meet the new demands of the future workforce and changing business environments.

This will include overhauling current corporate policies to create an improved work/life balance and better co-creation with external partners. Organizations are looking to create a more consumer-like and intelligent workplace environment, through investment in virtual digital assistants, social enterprise platforms and new approaches to security and collaboration.

And while these strategies will look to leverage innovation in areas such as artificial intelligence and smart connectivity, they must not ignore key issues such as reducing the dependence on ageing workplace technology and processes that continue to hold back the organization's ability to innovate and adapt. If they do not address them, the business will hit a wall.

This will not be straightforward, and will require a lot of planning and hard work, particularly in terms of data management. But one of the encouraging aspects of the study is that so many organizations acknowledge the need to make big changes to their broader policies around working practices, knowledge sharing and external collaboration, in order to take full advantage of technology innovation.

Organizations will not make this journey on their own. The study found that many will leverage the help of external partners in areas such as modernizing their security strategy, laying the foundations to deliver a more compelling and personalized workplace experience, and helping to benchmark and understand workplace productivity.

The long-term survival of the business is at stake, and the future needs to be addressed now before the pace of change becomes unmanageable.

The future starts now.

APPENDICES

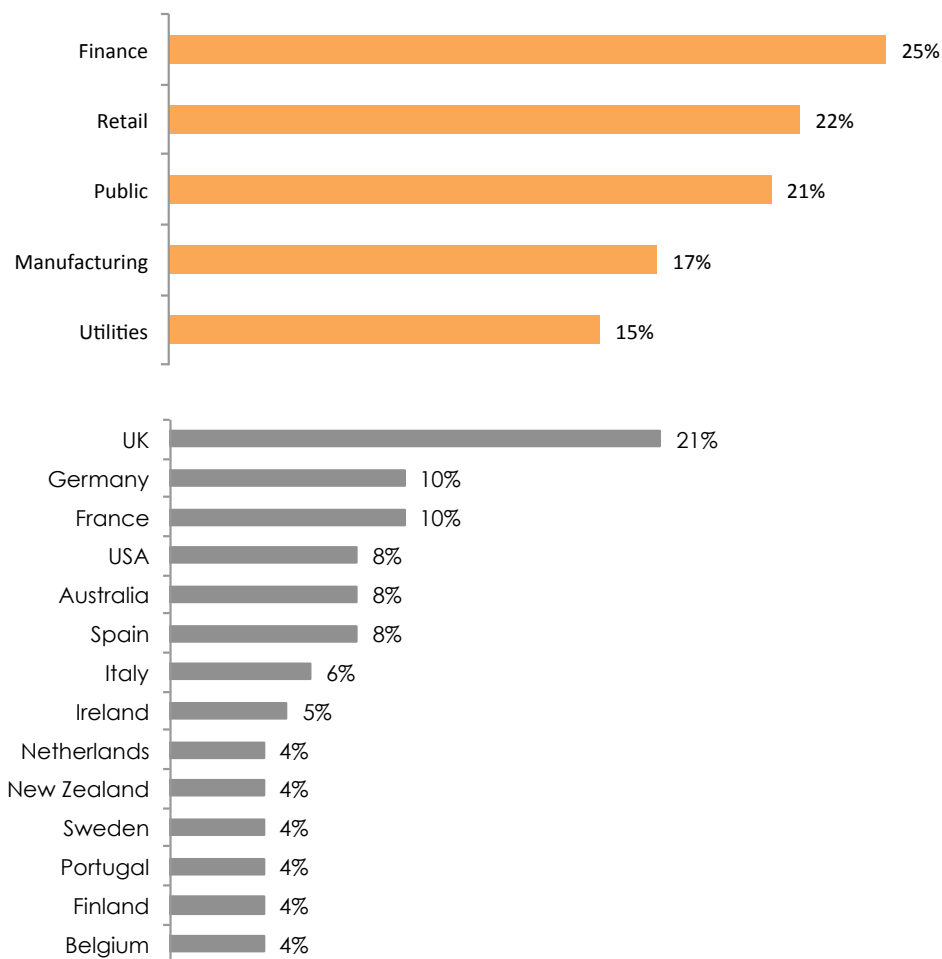
METHODOLOGY

The study was based on telephone interviews with 1,278 senior business and IT executives between August and October 2017.

Respondents were located in 14 countries in Europe, North America and Asia Pacific. An even split of IT and business decision makers were selected across five main industries including Financial Services, Manufacturing, Retail, Utilities and the Public Sector. The IT decision makers interviewed were holding CIO or IT director positions, whilst the business decision makers held a mixture of job title including but not limited to: CEO, Managing Director, Chief Digital Officer, Finance Director, HR Director and Head of business units.

The sample used for this study was made of three sizes of companies: a third of the respondents came from organizations with 100-499 employees, a third from organizations with 500-999 employees and finally a third from organizations with 1000-5,000 or more employees.

Our study focused on identifying differences in organizations' workplace strategy and their associated investment plan to innovate, remain competitive and attract new talents at the 2025 horizon. A breakdown of the vertical/regional splits for the participants can be found below:



ABOUT PAC

Founded in 1976, Pierre Audoin Consultants (PAC) is part of CXP Group, the leading independent European research and consulting firm for the software, IT services and digital transformation industry.

CXP Group offers its customers comprehensive support services for the evaluation, selection and optimization of their software solutions and for the evaluation and selection of IT services providers, and accompanies them in optimizing their sourcing and investment strategies. As such, CXP Group supports ICT decision makers in their digital transformation journey.

Further, CXP Group assists software and IT services providers in optimizing their strategies and go-to-market approaches with quantitative and qualitative analyses as well as consulting services. Public organizations and institutions equally base the development of their IT policies on our reports.

Capitalizing on 40 years of experience, based in 8 countries (with 17 offices worldwide) and with 140 employees, CXP Group provides its expertise every year to more than 1,500 ICT decision makers and the operational divisions of large enterprises as well as mid-market companies and their providers. CXP Group consists of three branches: Le CXP, BARC (Business Application Research Center) and Pierre Audoin Consultants (PAC).

For more information please visit: www.pac-online.com

PAC's latest news: www.pac-online.com/blog

Follow us on Twitter: [@PAC_Consultants](https://twitter.com/PAC_Consultants)

