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THE VIRTUAL WORKPLACE

BY DAVID KNIGHT
ASSOCIATE PARTNER, KPMG IN THE UK

26% OF HR DIRECTORS AND 26% OF C-SUITE SAY LOSS OF MANAGERIAL CONTROL BIGGEST BARRIER TO ADOPTING VIRTUAL EMPLOYEE NETWORK

2014 KPMG Future of Work business leaders' survey

VIRTUAL WORKING HAS BEEN PREDICTED SINCE THE DAWN OF DIGITAL, BUT THE NEXT DECADE MAY WELL SEE IT MOVE FROM THE SIDELINES TO SWEEP THROUGH THE EMPLOYMENT LANDSCAPE.

The internet has long been thought of as a game changer in the way we work.

The connectivity, collaboration and visibility of operation it affords means that today, many blue chip companies could be operating as virtual networks of employees connected digitally rather than physically and wiping out all manner of costs for employers and employees.

But even in 2014 with smart phones, video communication technology and the so-called internet of things revolutionising our lives in more ways than we could have imagined, UK corporate culture remains largely the same as it did five years ago.

KPMG research conducted earlier this year showed that remote working still only happens at the margins. Only 26% of 100 HR Directors (HRDs) and 36% of 100 C-suite executives we interviewed in our 2014 KPMG Future of Work survey allow their employees to work from home for at least 20% of their working week.

Furthermore, 71% of HRDs and 66% of C-suite executives said that this may increase only slightly over the next year.

This doesn't strike me as any sign that UK office culture is about to get the shake-up it so desperately needs.

MANAGEMENT CONCERNS

The 2014 KPMG Future of Work survey of business leaders showed that the top challenge to remote working becoming mainstream is the loss of management control.

A perceived decline in productivity and loss of employee cohesion, as well as plain tradition, means the employment landscape still revolves around ever bigger, centrally located offices and the infrastructure that goes with that.

But the growing costs of operating in this way, for employers and employees, means that within the next few years I believe organisations may well be more motivated to rethink their employment model in order to gain competitive advantage.

The early adopters stand to gain huge financial and commercial rewards if a new and sustainable operating model can be made to work.

EMPLOYEE MODEL 2.0

While many FTSE 350 firms enable remote working to a greater or lesser degree, it still happens only in pockets, largely limited in frequency and scope.

Employment terms still contract an employee to a central space and determine minimum work hours. Employees accept this as the norm even where there is compelling evidence to suggest alternative approaches on location and deployment may be worth exploring.

Organisations are not fully equipped to enable employees to work away from the office more often than they come in.

Yet the benefits for organisations of changing their employment model to create a flexible, digitally connected workforce are huge.

While business leaders recognise this, the long-standing question is how best to harness these opportunities without damaging workforce performance and losing control of staff.

COMMERCIAL BENEFITS

Our research shows that 78% of HRDs and 75% of C-suite executives, including small business owners, recognise that operating as a virtual employee network could reduce office costs substantially.

In addition, 67% of HRDs and 66% of C-suite executives believe that an established and effective virtual employee operating model would be a source of competitive advantage in the talent market within the next 10 years.

Yet despite an acknowledgement of its benefits, financial and commercial, there is little immediate sign that UK businesses are preparing for a brave new world of work, though over the longer-term it might be a different story.

Sixty percent of HRDs and the same amount of executives accepted that by 2024, a fifth of the workforce will be operating in a virtual employee network.

The 2014 KPMG Future of Work survey of graduates showed that young workers hold similar views (58.5% of 200 graduates), while the survey of older workers showed that those over 50 were more reserved about the extent virtual employee networks would become a reality.

Still, it seems that there is an acknowledgement from today's and tomorrow's leaders that the time will come in the not-too-distant future when it will be financially unsustainable - and perhaps culturally too as the digitally confident generation Z move into management roles – to operate in any other way.

NOT A ONE-SIZE FITS ALL APPROACH

Virtual working will not suit all types of business. Scientists who use specialised equipment or manufacturing staff putting components together on assembly lines are not candidates for this approach.

But for every one of these workers, there are many who can fulfil their work duties without it being necessary to commute to a central office location, which is typically short of desks, meeting rooms and car parking space.
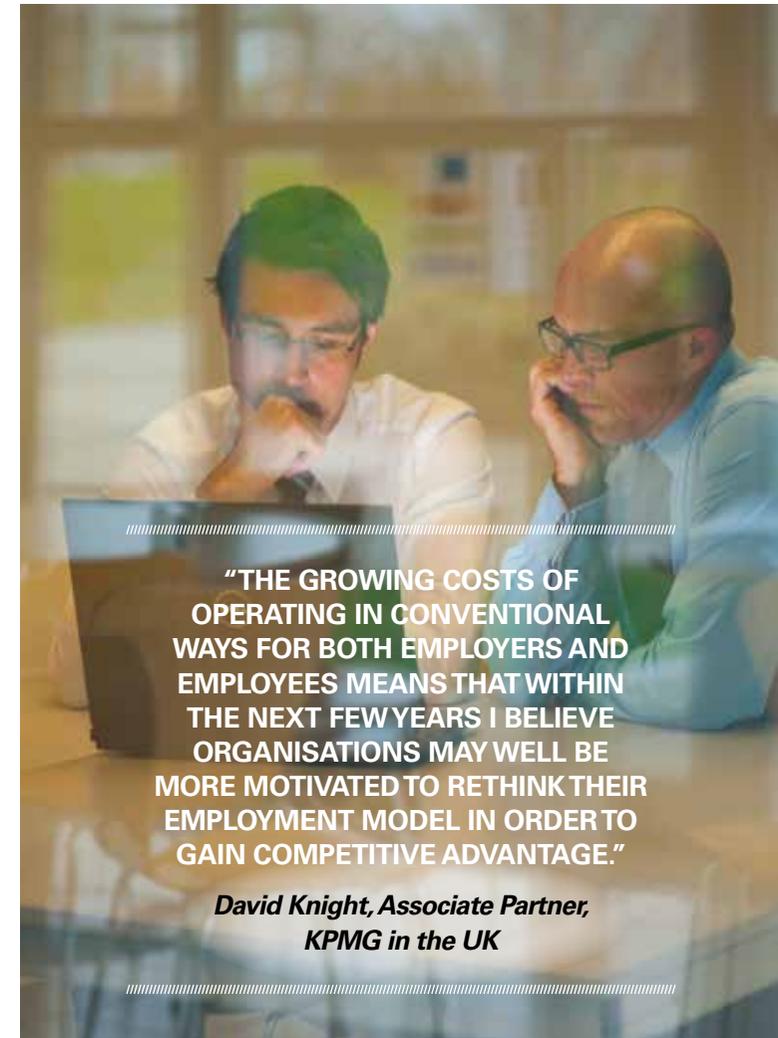
> **"THE GROWING COSTS OF OPERATING IN CONVENTIONAL WAYS FOR BOTH EMPLOYERS AND EMPLOYEES MEANS THAT WITHIN THE NEXT FEW YEARS I BELIEVE ORGANISATIONS MAY WELL BE MORE MOTIVATED TO RETHINK THEIR EMPLOYMENT MODEL IN ORDER TO GAIN COMPETITIVE ADVANTAGE."**
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> *David Knight, Associate Partner, KPMG in the UK*

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For these workers, there is no reason why, with the right tools and technology, they cannot accomplish much of their work at home or at a nearby touch down centre which can be accessed by those in virtual networks when face-to-face interaction is required with colleagues or clients.

The investment case for touch down centres is that virtual networks will result in a material reduction in required mainstream business estate costs (offices) even with a proportion of these cost savings being invested back into touch down centre facilities.

I believe that this flexibility would lead to a more productive and satisfied workforce, given the time and money they can save from ending their commuting misery and from the added flexibility around working hours.

NO-BRAINER?

As house prices soar but commerce continues to centre around cities, so people are living further from their employers, incurring ever greater amounts of time travelling to and from the office and the expenditure that goes with it.

Sixty three percent of participating HRDs and C-suite executives agreed that if implemented properly, virtual employee networks would improve productivity and goodwill in the workforce.

64.5% of the older cohort agreed.

Meanwhile, two thirds of the young employees (69.5%) said that an established and effective virtual employee network could give a recruiter the edge in the talent market within 10 years.

It seems like a no brainer, so why aren't organisations jumping on board, especially as the technology exists to enable workforces to operate in this way today?

BARRIERS TO CHANGE

The notion that workers must physically sit together in their teams in a central place with a line of sight to their supervisor to ensure maximum productivity is still the view held by many of how the workplace should operate.

It is reinforced by the fact that more than a fifth (26%) of HRDs and C-level executives cited a fear of losing control over employees as top of a list of barriers to preventing virtual networks becoming more widely accepted.

I believe that employers can mitigate perceived risks around control and productivity by having strong performance management and governance processes in place that centre around employee outputs.

67% OF HR DIRECTORS AND 66% OF C-SUITE EXECUTIVES SAID THAT AN ESTABLISHED AND EFFECTIVE VIRTUAL EMPLOYEE OPERATING MODEL WOULD BE A SOURCE OF COMPETITIVE ADVANTAGE IN THE TALENT MARKET WITHIN THE NEXT 10 YEARS.

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As long as the work is delivered to the standard and timescale agreed and in a way that is not detrimental to colleagues who need to contribute, why should I worry where or what time it was completed?

Under a virtual working arrangement, employees would have more flexibility to work the hours they choose than is the case today, with an efficient governance wrapper ensuring quality, productivity and protection of both the employee and the business.

Trust will be central to the success of this relationship and the onus will be on the employee to maintain that. My strong belief is that if the employer and employee value this new way of working, they can create the right conditions of trust and collaboration to make this work really well.

FACE TIME
A fifth of HRDs (21%) and the C-suite (also 21%) cited the loss of employee cohesion as the third biggest barrier to virtual employee networks going mainstream.

But employees felt more strongly about perceptions of the correlation of physical interaction with productivity in the workplace.

26.5% of the older generation and 24.5% of young workers said that a need to be in close physical contact with their colleagues to get the most out of them would put companies off remodelling their working arrangements.

We are social animals to a greater or lesser extent and I agree that interaction with colleagues is important. Technology already available for video conferencing can help connect workers to their colleagues.

Making this accessible to employees will come at an additional cost to employers but I believe the investment case is compelling.

Combining technology-enabled interactions with the use of touch down centres provides a sensible combination of initiatives to ensure that employers achieve the right blend of team interaction while securing the obvious efficiency gains afforded by this way of working.

There is overwhelming consensus among all the participants that improved technology, together with effective training on how to use it, will be critical to the success of virtual employee networks.

GETTING STARTED
Persuading employers to pilot virtual networks is the obvious first step.

Demonstrating that this new initiative will not only reduce the employers' cost of delivery but also create a more engaged and productive workforce, enhance the search for talent and improve the quality of service they deliver, are the key qualification points.

A virtual networking pilot is not as scary as it sounds and would provide early insights to the key qualification questions.

Apart from cultural barriers, there will also be a huge number of practical issues around risk and data management to iron out before businesses can operate as complete virtual employee networks.

The first step is to fire up the imagination of decision makers that this change is not only possible but probably essential in a future of rising costs.

KPMG commissioned OnePoll to conduct three surveys in an in-depth exploration of British attitudes to the way we work and how that may change in the future. One survey was with 200 graduates in employment between two and five years; one focused on those aged between 50 and 70 and one with business leaders, of which 100 were HR directors and 100 C-suite executives.

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DAVID KNIGHT
ASSOCIATE PARTNER
KPMG IN THE UK

+44 (0) 207 694 4061
david.knight@kpmg.co.uk