



Digital workplace

The foundation of the digital organization

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Arthur D Little

Content

Executive summary	3
1. Reshaping the workplace	4
2. Enabling new value networks	5
3. From return on investment to return on experience	6
4. Accelerating digital transformation of the workplace	7
5. Digital leaders are showing the way	9
6. Sofia Olsson, Olsén, Editor-in-chief, Aftonbladet	10
7. Fredrik Sandqvist, Head of Innovation, Coor	11
8. Clear change leadership	12

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Executive summary

A new way to view the workplace

Digitalization changes the fundamental conditions of all organizations. The boundaries between physical and virtual workplaces are becoming blurred. Employees, customers and partners collaborate in value-creating networks that are increasingly digitalized. Leading organizations, such as Nordic facility management leader, Coor, and Sweden's largest daily newspaper, Aftonbladet, are therefore investing in reconfiguring the workplace for the digital era, creating conditions for new digital business models with more efficient and flexible ways of working. This contributes to happier and more productive employees – and ultimately, more satisfied and profitable customers.

1. Reshaping the workplace

Digitalization brings radical changes for all organizations, independent of industry and size. The competitive landscape is transforming, as existing business models face disruption and traditional value chains disintegrate. In their stead, new value networks are emerging, in which organizations develop products and services together with customers and partners. The result is new digital-business logic that brings significant opportunities for companies and organizations, but also requires new business models to enable new ways of working.

The workplace in transformation

The workplace, which has long been synonymous with a physical space, is undergoing a transformation driven by new behavior from both customers and employees, in combination with development of new ICT services.

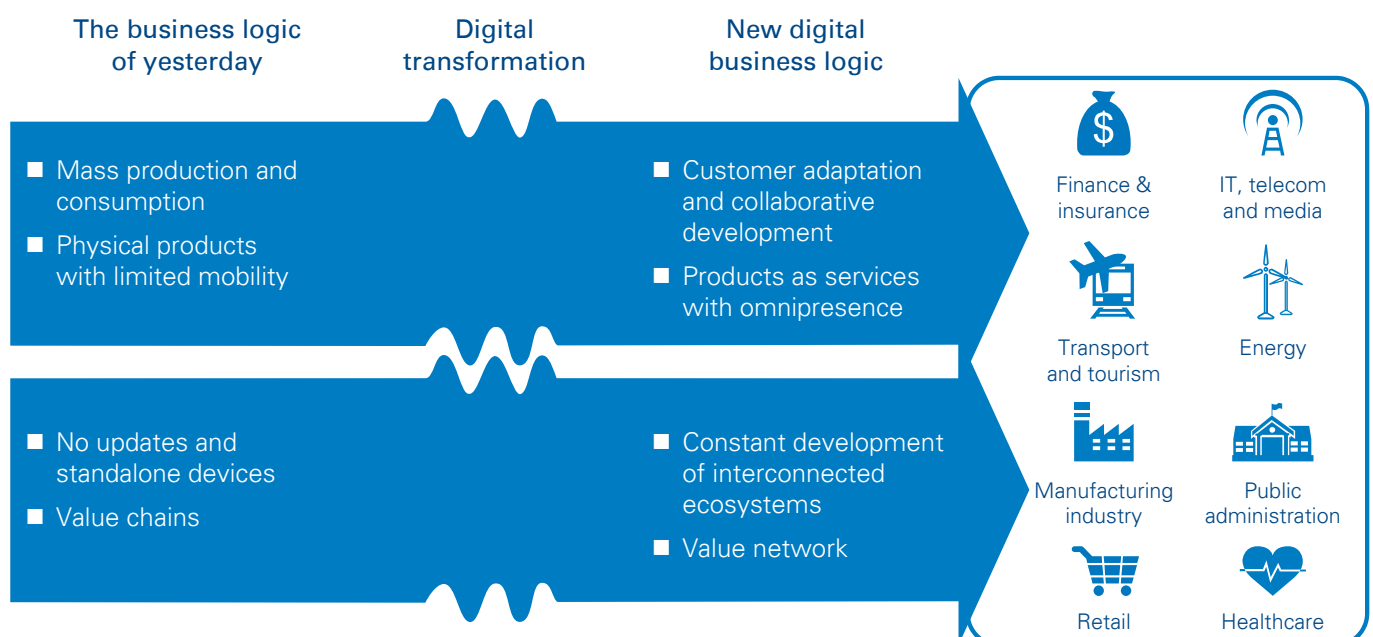
The digitalization of people’s private lives has contributed to consumers now demanding individualized user experience across all channels. These demands and behaviors are increasingly transferred into the workplace. It is therefore not surprising that a new generation of employees value

independence, creativity and flexibility to a greater extent. For example, a recent study by Regus found that nine out of ten employees under 30 consider work flexibility a deciding factor when choosing an employer.

Another important trend is the transition to freelancing and working remotely, which is now accelerating in developed economies. Approximately half of the American workforce is expected to be freelance in 2020, and working remotely is expected to be the norm in the UK in 2022. In 2013, more than 50 percent of Swedish companies already had employees working from home.

New ICT services, such as access to ubiquitous connectivity, new smart devices, cloud services, ID management and virtual enterprise networks are accelerating the digital transformation of the workplace. This is becoming challenging for IT departments who are required to manage organizational data security within these digital work spaces, in addition to improving efficiency of existing IT systems. The execution of the two tasks can be a costly endeavour.

Figure 1: New digital business logic



Source: Arthur D. Little and Telia Digital Transformation Report 2015

2. Enabling new value networks

Adapting to digital business logic involves creating the processes and conditions for continuous change. This also applies to the workplace as technical and human interfaces for the external environment must be adapted. The onboarding process of employees, whether permanent, freelance or consultants, should be easier and quicker.

Among small companies and digital start-ups, it is increasingly common to build operations on “zero-IT” and “zero-real estate” models. IT and office space are bought as services that can easily be scaled up or down to meet fast-changing business needs. Small companies are increasingly using cost-effective digital tools, such as Google’s services.

In the same way that Airbnb has revolutionized the private rental-housing market, companies such as Workaroundtown in Sweden and ShareDesk in North America now offer office space on digital platforms.

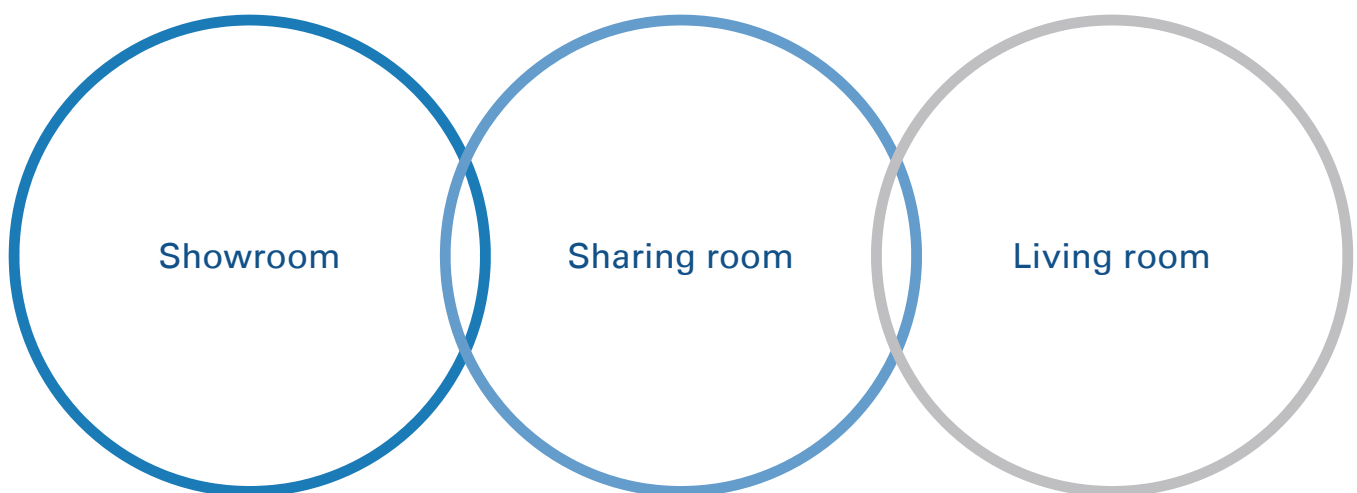
For larger companies, it is increasingly important to offer attractive environments in which customers, employees, freelancers, suppliers and partners can interact and collaborate. A clear trend in the design of physical workplaces is activity-

based workplaces, where the task determines the setting. Creative brainstorming sessions, working individually, making phone calls and conducting work meetings in project groups are examples of activities that require different settings.

Innovative companies and start-ups – such as Facebook, IDEO and Airbnb – lead the way and provide inspiration. They are transforming ways of working and the culture of working in hierarchies into a networking approach. They demonstrate how new talent can be attracted with inspiring workplaces and digital services that enable creativity, independence and flexibility.

The workplace of the future needs to be many things at once, and meet different needs. It needs to be a “**showroom**” for interacting with customers and developing solutions that fulfill their needs. It also needs to be a “**sharing room**” where the company and its partners come together to share knowledge and solve problems. Furthermore it also needs to be a “**living room**” for employees that stimulates creativity and boosts satisfaction and team spirit. These “rooms” must be available both physically and virtually, with designed user experience – regardless of whether the meeting takes place physically or virtually.

Figure 2: The future digital workplace



Source: Arthur D. Little, Telia Company

3. From return on investment to return on experience

The transition to a digital workplace creates both direct and indirect benefits. Productivity gains are realized when employees can perform tasks anywhere, anytime and from any device. Studies find that eight out of 10 companies that implement solutions for mobility achieve increases in productivity exceeding 10 percent – and half of these experience increases exceeding 20 percent.

Employee satisfaction also increases when more people work flexibly, which can contribute to reduced employee turnover and sick leave. Better conditions for working remotely can also generate cost and competence advantages when tasks are redistributed to physical or virtual workplaces where cost is lower or competence is higher. These benefits should be incorporated into the business calculations when new ICT tools are implemented in the organization (“return on investment”).

However, to capture the full value of the digital workplace, the experience must also be taken into account (“return on experience”) – for example, improving customers and employees experience of the workplace can increase brand

perception and employee retention. The increased degree of mobility also provides greater flexibility in meeting customer and supplier needs. Also, the ability to quickly create new digital channels through which to exchange information can improve the creative power of the organization.

To capture the entire value, the total experience of the digital workplace needs to be taken into account (“Return on experience”).

Figure 3: The digital work from different perspectives



Source: Arthur D. Little, Telia Company

4. Accelerating digital transformation of the workplace

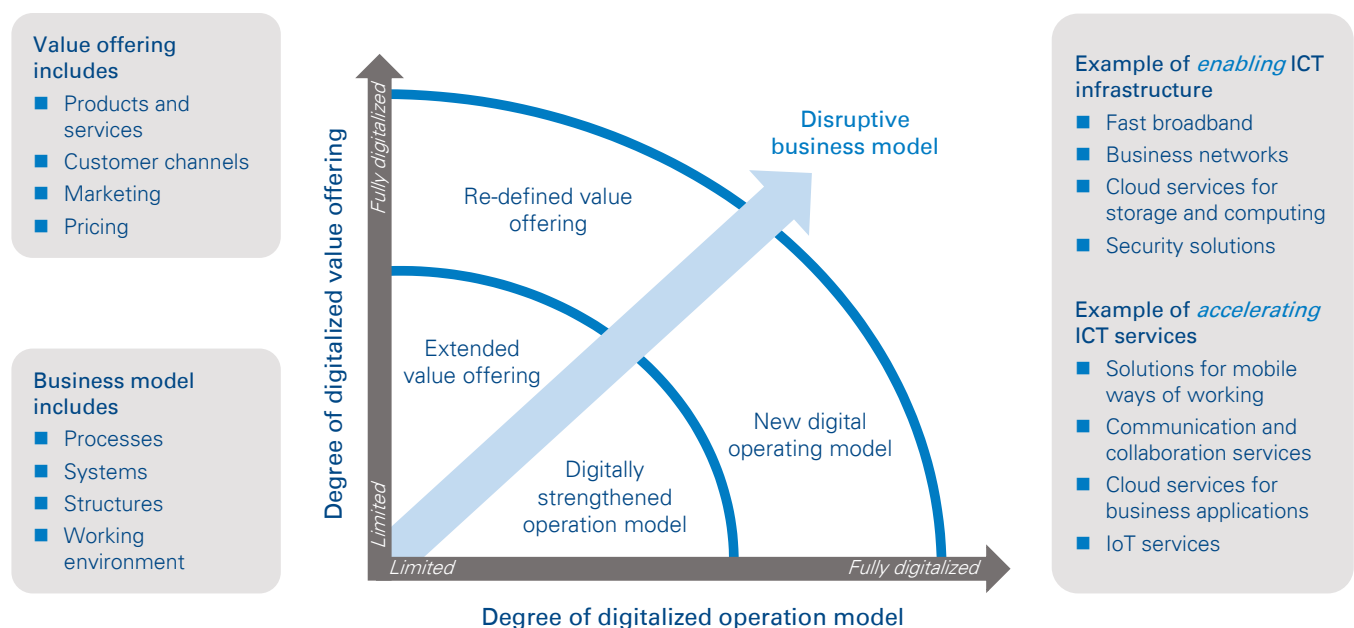
The ICT services that are most important in accelerating the transition to a digital workplace are those that contribute to increased mobility in the organization. This is because they affect everything from structures and systems to processes, ways of working and work environments. Ultimately, they also enable the development of new products or services – and thus new ways of generating value for customers.

Examples of mobility solutions that accelerate the transition to the digital workplace would be services that manage the organization's digital devices, security services and cloud services for secure storage. To fully leverage mobility services, the organization should also have bespoke tools and ... applications – for example, ... cloud services that can allow a plumbing company to create its invoices at the customer site, or solutions which can allow secure remote access to patient data for medical personnel at a hospital, and also virtual offices that help a consulting firm to share knowledge.

As a first step, organizations can use mobility solutions to digitally strengthen their existing business models. For example, mobile access to information and business systems can increase the efficiency of collaboration between employees and external parties. Companies can also reduce costs and increase quality of internal organizational services such as administration, finance and IT – as well as improve employee satisfaction.

There are several examples of how businesses use mobility to digitalize the workplace and strengthen their business models. For example, a pilot project at Danderyd Hospital shows that every doctor can save 20 minutes per round if the medical information is available in mobile units. Additionally sales staff at 3M can now quickly develop customized solutions with information about customers' past product purchases and use cases on their mobile phones.

Figure 4: Digital transformation from a holistic perspective



Source: Arthur D. Little and Telia Digital Transformation Report 2015

In a second step, companies can use mobility solutions to create completely new digital business models, fundamentally changing the way they work and do business. This requires a clear vision of what the business model and digital workplace should be. The transformation also needs to be integrated with the organization’s overall digital transformation.

With ICT services for a digital workplace, entire processes can be automated and tasks eliminated, enabling significant productivity improvements. However, in a new digital business model, increased productivity is only one of the benefits. The limitations inherent in a company’s physical location can be erased through mobility, which can contribute to an increasingly positive experience for both customers and employees. For example, Nestlé saw the need to bring its global operations closer together and improve internal collaboration and therefore, implemented new tools for information sharing, collaboration and communication, together with clear policies for how they should be used. With the objective of spreading a digital culture within the company, a training program on how to use the new tools was launched. After improving the efficiency of internal collaborations, the focus then shifted to external collaborations.

Thanks to improved opportunities for collaboration and communication, Nestlé could establish partnerships with start-ups and leading digital giants such as Facebook, Twitter and Google. Meanwhile, the company has opened a new office in Silicon Valley to discover and co-create innovation in value networks.

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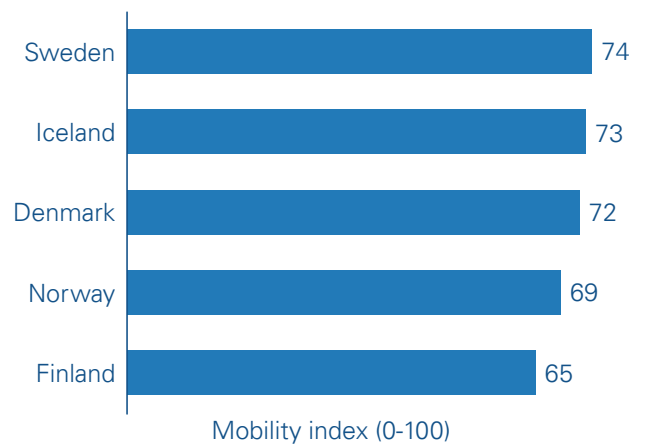
Nordic companies at the forefront

International comparisons of conditions for digitalization, overall, rank the Nordic countries highly. An average of four global assessments of ICT maturity puts the Nordic countries at the top, with Sweden ranked third in the world.

In terms of mobility, Nordic companies are already among the most mobile in the world. With a well-developed mobile ICT infrastructure, high coverage of mobile 4G and 3G, fixed broadband, fiber, and high ICT maturity, companies in the region have excellent conditions.

Based on an average of seven ICT indicators impacting conditions of mobile ways of working (including mobile infrastructure, mobile devices and usage of mobile services), the Nordics rank highest in Europe. Above all, mobile infrastructure and high ICT competence among employees distinguishes Nordic companies.

Figure 5: Nordic companies have excellent conditions (EU-27)



Source: Eurostat, Arthur D. Little analysis

The Nordics’ leading position is challenged, however, by other countries’ initiatives. Between 2006 and 2011, the share of companies offering employees the opportunity to work remotely increased from 13 percent to 59 percent in the UK. In 2014, the UK also legislated the right for all employees to request the opportunity to work remotely.

5. Digital leaders are showing the way

Nine out of 10 large and medium-sized companies in Sweden have launched initiatives to create digital workplaces. Eighty-five percent of Swedish companies offer access to work email from mobile phones and 44 percent offer access to the company's intranet for documents and files, while only 25 percent offer access to company data/ERPs.

In reality, however, there is often a lack of a clear strategies and policies that enable translation from the use of ICT services to changes in the workplace, and to transformation of the company's business model. Only 5 percent of European companies have high levels of maturity in digital workplaces.

Many companies today have "technology-centered" cultures – with focus on digital devices – rather than "results-centered" cultures, with focus on the value creation of the organization's digital transformation. It is therefore not surprising that seven out of 10 initiatives related to mobility and digitalization of the workplace are driven to reach time efficiencies, rather than as an integrated part of the company's digital transformation.

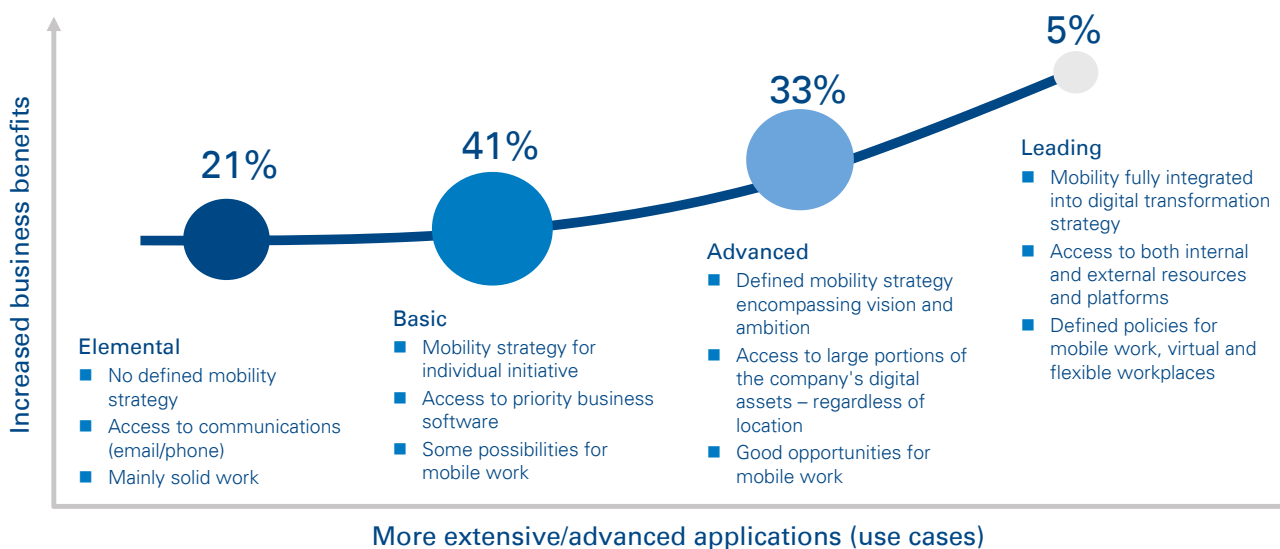
Digital "silos" can arise if solutions for digital workplaces are introduced without coordination in the organization. When a

company's or organization's information becomes available on more mobile devices, an increased security risk also occurs. This results in new requirements for identity management to control access to information and how the data is transferred and stored.

To enable and accelerate digital transformation, digital leaders in several industries are introducing ICT services for the digital workplace. These initiatives are focused on changing the business model and adapting it to the changing needs of employees, as well as enabling a more flexible and agile way of working with partners and customers. Digital leaders also work proactively to build corporate cultures of trust with their employees and create new, customized and results-oriented ways of monitoring and managing.

Below are two examples of how leading Swedish companies in different industries – Coor and Aftonbladet – work strategically with investments in tools for the digital workplace. Through these investments, they create the conditions for success in readjustment to new digital business models, with more efficient and flexible ways of working and more satisfied customers and employees.

Figure 6: The company's maturity to digital workplace



Source: Arthur D. Little and Telia Digital Transformation Report 2015
 Note: The figures concern European companies

6. Sofia Olsson Olsén, Editor-in-chief, Aftonbladet

The digital newsroom

Sweden's largest daily newspaper is now in the midst of its largest transformation of its editorial operations since the paper's founding in 1830. The objective is to, in 2017, be a digital media company that interacts with the reader via mobile devices – in addition to publishing a paper product.

“The driving force, for us, is the behavior of our readers. When they move to new digital devices, we must follow. ‘Mobile first’ applies to the content we produce, as well as our ways of working. We should be both relevant for our readers and efficient as an organization.”

Aftonbladet's investments in new digital tools have gone hand in hand with changes in ways of working for the digital newsroom. The aim is to provide more opportunities for collaboration and greater mobility for employees. This means greater collaboration between the newsroom, analysis, development/IT, advertising and sales. An example of this is that Aftonbladet changed its meeting structures to be more inviting and collaborative for the participants.

“We want to create a workplace where everyone feels that it is okay to make mistakes. To challenge and test limits and boundaries is something good in driving organizational development.”

For Aftonbladet, the work with the digital newsroom has meant that the employees have a broader mandate to take decisions in areas such as publishing. It also means that employees have gained increased responsibility in analyzing the behavior of the readers – something they can only achieve through increased collaboration between different competencies.

“We were very clear in our process of change that all employees should have digital devices, and we have invested strategically in digital tools. For example, our monitoring tool, Engage, is available on mobile phones for all employees”.

Following up on published content is an important element of the new digital media. In the digital newsroom, all employees gather knowledge of the reader's behavior through new forms of data analysis. With tools such as Engage, employees can follow the published content in real time and generate data that will help them draw conclusions on how best to reach readers, when the optimal time for publishing is, and which platform is best to use.

“We have come a long way in our digital transformation, but the whole industry is going through major change. New players are competing for our readers' time and attention, but it helps us to improve. The interactive relationship with our readers is becoming increasingly important – when the article is finished, the work has just begun. In the long term, we see room for increased interactivity, where readers get more opportunity to contribute content.”

7. Fredrik Sandqvist, Head of Innovation, Coor

New service offering takes shape with the digitalization of customers' workplaces

Coor is one of the leading facility management (FM) providers in the Nordics, with over SEK 7 billion in annual revenues and approximately 6,400 employees. Under the name Coor Smart Solutions, the company is now expanding its offerings to digitalize the workplace. These solutions do not only simplify everyday life for Coor's customers, but also for its own employees.

"Through the use of new technology in areas such as the Internet of things (IoT), mobility, automation and data analysis, we improve the service for our customers, and create greater efficiency for our owners and an easier everyday life for our employees."

One of the solutions is Coor SmartUtilization which consists of wireless sensors placed in an office's workplaces. The sensors react to movements in the room and send the information via the cloud to an analytical tool and web interface, where the company can analyze and monitor the utilization of the workstations and conference rooms. Using this and other tools, Coor can help its customers improve both the layout and utilization of their office space, thereby reducing cost and increasing productivity for the customer's employees.

"More and more of our customers are asking for advisory services from us in addition to the more traditional FM services that we offer. This is not least at the implementation, management and development of activity-based ways of working, in which the workplace is continuously adapted to the needs of employees and the various activities they need to carry out in their work."

But there are challenges when it comes to investing in the digital workplace:

"The FM industry is characterized by tough competition, which can make it difficult to make large investments in new technology without being certain of the benefits. We are working actively to build and nurture our innovation ecosystem with customers, suppliers and other stakeholders, and utilize their unique competencies to drive the development of new solutions. In exchange, they gain access to our expertise in facility management, which shortens their time to market. In this way, we all reach our goals faster and more efficiently than if we had approached it by ourselves."

Coor sees investments in digital workplaces as a priority, both to increase efficiency of its own operations, and to maintain and develop its position in the market.

"To have a clear strategy for digitalization is essential for offering an attractive workplace in the future. It will take time to understand exactly how new technology should be used. We cannot wait, however. We need to continuously explore and experiment to secure our own continued journey."

8. Clear change leadership

A key requirement in the transition to digital workspaces and business models

While collaboration in value-creating networks with clients, partners and suppliers grows in importance, the entire workplace – including ways of working, organization, processes and systems – must be adapted and digitalized. At the same time, the demands and expectations of employees and new talent to be able to work flexibly continues to increase.

To meet the new requirements of corporations and organizations, corporate leaders and IT managers need to consider a number of questions:

- How should the digital workplace be integrated into the organization's digital transformation?
- How do processes, organizational structure and corporate governance need to be adapted to enable new ways of working?
- How should IT tools and systems be adapted to the digital workplace?
- How do you ensure secure management of company information end to end?
- How can the digital workplace support and promote the company culture?

Beginning this transition is not without risks: security, control and performance monitoring, as well as the need to adapt ways of working, corporate governance and systems for the digital workplace, create challenges for both directors and IT managers. It requires both change leadership and the ability to select the right partners for implementation, in order to secure a successful transition for both working procedures and corporate culture.

The companies that do not succeed will find it harder to attract new talent and retain skilled employees. They will also have problems participating in value-creating networks with partners. These companies also risk being unable to meet their customers' expectations in comparison with their competitors.

It is important that companies define clear strategies in which the digital workplace is an integral part of the overall digital transformation, as well as a plan for implementation. Clear

objectives need to be formulated in order to follow up on the progress of the desired effects and changes, for employees as well as for partners and customers. Objectives are needed to guide the development of business processes, corporate governance and working procedures in the right direction. Digital know-how is developed through training and recruitment to ensure that employees can benefit from the new digital tools. A company's organization structure will also need to be adapted to ensure interoperability between, for example, IT, HR and the core business.

In an increasingly connected and interconnected society, geographical, organizational, physical and virtual boundaries are blurred. For organizations that are successful in the transition to digital workplaces and business models, new opportunities await where employees, customers and partners collaborate in value-creating networks. The companies that invest today create early advantage by utilizing the available knowledge, skills and innovation – both inside and outside the organization.

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