NTT DATA
Services

Decoding the Modern Workplace
Place employee experience at the heart of your strategy for greater returns

SEPTEMBER 2019

NTT DATA

Table of Contents

Executive summary

Organizations recognize that reimagining every aspect of the workplace will be critical to winning the war for top talent. By 2021, Generation Z are expected to compose 20% of the US workforce[1], so investing in digital solutions to create the working environment they expect – while also catering to more senior colleagues – is rising up the agenda.

Yet new research by NTT DATA Services reveals that two-thirds of organizations are taking a leap of faith when it comes to digital workplace transformation. Inadequate employee engagement means many lack clarity on what it takes to deliver a dynamic workplace fit for a multi-expectational workforce. This can lead to poor investment choices and roll-out delays on new solutions.

Those that invest in up-front planning and place employees at the heart of their strategies are reaping the rewards in multiple areas, including faster transitions, smoother change management and lower levels of employee resistance. These companies provide three actionable learnings:

1. **Conduct proper due diligence to accelerate transformation.** Deploying a range of planning initiatives ahead of transformation instils strategic confidence.
2. **Understand your employees to embed long-term change.** Designing solutions that meet workforce needs can reduce resistance to new ways of working.
3. **Adopt employee-centric strategies to deliver greater benefits.** Having satisfied employees boosts talent retention, encourages productivity and, ultimately, delivers ROI on new digital solutions.

About the research

NTT DATA Services, in partnership with research firm Longitude – a Financial Times company, conducted an online survey of 250 executives at senior manager level and above, who are based in the US and Canada. Seventy-five percent of the sample is split equally between the banking and insurance, healthcare and manufacturing industries, with the remaining 25% falling within the 'other' category.

We analyzed the responses to our survey and found stark differences in business attitudes and approaches between those who use employee experience to drive their transformation strategy and those who don't.

We use the following terms in this report to distinguish between these survey respondents:

Experience Laggards
Businesses that have identified actions for employee experience but do not use these to inform the digital workplace solutions strategy (n=56)

Experience Aware
Businesses that say employee experience is one component of the digital workplace solutions strategy (n=91).

Experience Leaders
Businesses that say employee experience is the primary driver of the digital workplace solutions strategy (n=75)

Digital Workplace Solutions
Digital Workplace Solutions includes all company-provided technologies that enable your employees to execute their day to day jobs e.g. device types, collaboration tools and digital enablers in shared physical spaces.

Proper due diligence can accelerate transformation

According to McKinsey, successful workplace transformation requires employee buy-in at all levels, consistent communication, and better people strategies[2]. Yet our survey reveals a willingness from organizations to commit spending without fully understanding the employee landscape. Seven in 10 say cost to purchase or maintain solutions is a top-five influencer, whereas consultation with end users (39%) falls at the bottom of the list.

Figure 1: Cost, productivity and ROI dominate the top five influences

Cost to purchase, maintain, and/or operate solution	70%
Perceived ability to improve employee productivity	66%
Demonstrable ROI	65%
Level of disruption to business as usual	57%
Extent of potential related costs (e.g. training, new hires)	56%
Associated risk (e.g. data loss, exposure to cyber-crime)	54%
Potential to support flexible working	49%
Employee satisfaction surveys	44%
Formal consultation with employees (i.e. the end users)	39%

Q. What are the most important factors that would influence your company's decision to invest in digital workplace solutions? [Top five]

This preoccupation with cost indicates an immature investment mindset, with decision-makers treating the workforce as a testbed for solutions that could eventually be rolled out enterprise-wide. Indeed, two-thirds of businesses admit that a major workplace transformation is always a step into the unknown, yet the same number are failing to prioritize initiatives ahead of a roll-out that would set up their strategies for success.

This means that only around one-third of organizations prioritize pilot studies, third-party consultation and measurement strategies ahead of a major change to their digital workplace solutions. Even fewer (27%) conduct extreme stress testing of new tools ahead of a roll-out.

Two-thirds of businesses admit that a major workplace transformation is always a step into the unknown.

Experience Leaders reveal the impact that a more thorough up-front planning process can have on a transformation strategy. This group is more likely than the Experience Laggards to prioritize every metric (bar one) ahead of a roll-out and is also making more progress with transformation overall. When asked about their investments, 72% say they have invested in digital workplace solutions within the last 18 months and are seeing the benefits, compared with just 29% of Experience Laggards.

Figure 2: Experience Leaders prioritize a range of initiatives ahead of a major roll-out

Initiative	Experience Leaders	Experience Laggards
Direct employee feedback programs (e.g. focus groups, observations)	56%	41%
Widespread employee upskilling/reskilling	51%	34%
Organizational change management (e.g. communication strategy, adoption monitoring)	45%	41%
Extreme stress-testing of new tools/services	40%	14%
Measurement strategy (e.g. baseline and ongoing success measurement)	39%	38%
Pilot studies/trial roll-outs	39%	32%
Additional training for IT support teams	39%	39%
Third-party vendor consultation	33%	30%

■ Experience Leaders   ■ Experience Laggards

Q. Which of the following initiatives would you prioritize before the roll-out of a significant change/modification to your digital workplace solutions?

Understand your employees to embed long-term change

Change management is one of the major challenges organizations are grappling with in today's fast-paced business landscape. CEOs were most likely to say that 'driving cultural change' is an area where their role has been more difficult than expected in a 2018 Future CEO report by *Raconteur*[3]. And getting the approach right is particularly critical when implementing new digital workplace solutions that impact employees' everyday lives.

Our Experience Leaders clearly recognize this – as seen from their priorities, outlined in Figure 2 – and are applying this knowledge to create an environment that meets the needs of its workforce. For example, this group displays much higher confidence in their IT teams' ability to provide a positive workplace experience for young adults/Gen Z than the Experience Laggards do (81% vs 48%). This long-term view is paying dividends: while nearly six in 10 (59%) Experience Laggards report employees' resistance to change as a major challenge, this drops to just 37% of the Experience Leaders.

Figure 3: Experience Laggards are more likely to face employee resistance when implementing changes to their workforce solutions strategy

Employees' resistance to change

59%

37%

■ Experience Laggards   ■ Experience Leaders

Q. What are the biggest challenges you face when attempting to meet the digital needs of your workforce?

When it comes to the majority, the survey reveals a worrying disconnect between decision-makers' perception of their understanding of the workforce and the reality.
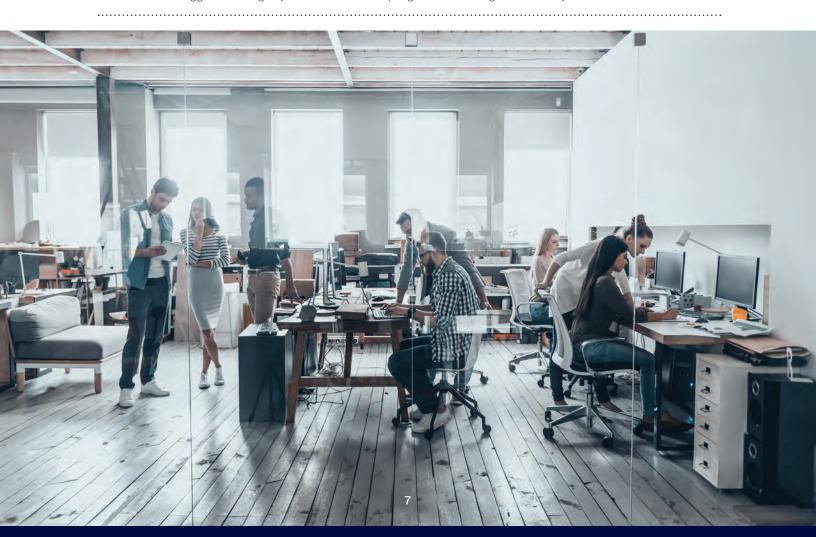
Seven in 10 say they have a clear understanding of the different types of employees yet finding solutions that are suitable across functions/skill groups is cited as the joint second-biggest challenge – by 43% of organizations. The admission that finding suitable solutions is a major issue indicates that organizations are more limited in their understanding of employees than they realize. Taking the time to fully interpret requirements, rather than simply paying lip service to them, can help overcome challenges that may stall transformation efforts further down the track.

Figure 4: Biggest challenges of workplace transformation

Challenge	Percentage
Unexpected costs/inefficiencies	48%
Finding solutions that are suitable across functions/skill groups	43%
Employee resistance to change in general	43%
Technology becomes obsolete before delivering return on investment	35%
Finding solutions that work across different generations	34%
Employee resistance to AI-powered IT services	33%
Understanding employee impact of solutions in advance	33%
Understanding all interdependencies with other existing digital solutions	31%

Q. What are the biggest challenges you face when attempting to meet the digital needs of your workforce?

Employee-centric strategies deliver greater benefits

Investment in the digital workplace has the power to deliver far-reaching benefits. Better productivity, greater agility, increased revenues and more innovation top the list for more than three-quarters of those who have invested in new solutions over the last 18 months. Those who place employees at the heart of their transformation strategy – Experience Leaders – are even more likely to secure these benefits.
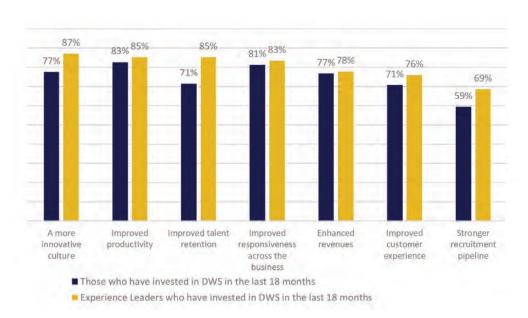
Figure 5: Digital workplace solutions investment delivers significant benefits

Q To what extent have your digital workplace solution efforts helped you achieve the following benefits? (To some extent/ to a great extent) N=133

It starts with talent

In North America, the impact of the ongoing skills shortages (7.3 million unfilled jobs as of June 2019[4]) on enterprise growth is well documented[5]. As organizations seek to plug the gap, building a desirable working environment may well prove to be a powerful tool. The top three benefits cited by Experience Leaders who have implemented solutions in the last 18 months are:

1. A more innovative culture
2. Improved talent retention
3. Improved productivity

These findings reveal how a well-planned workplace can provide a critical foundation for improved business performance. While unsatisfied employees are willing to

> **85%** of Experience Leaders who have implemented digital workplace solutions in the last 18 months report improved talent retention, compared to 71% on average.

vote with their feet, those that feel their needs are being met bring ideas to the table, are committed to the organization and work more efficiently – all of which feed into the bottom line and deliver a powerful competitive edge.

Conclusion: How to optimize the transformation of your digital workplace solutions

Transforming workplace solutions is a multi-faceted, complex undertaking, but investment delivers huge benefits and organizations can no longer afford to be complacent. Taking the time to develop a holistic strategy is the key to making any transformation a success, but the Experience Leaders in our research reveal specific areas that help elevate the outcome and enhance ROI.

1. Look beyond cost. Don't risk bad investment choices by allowing a preoccupation with cost to overshadow the importance of understanding employee requirements. Consult the workforce early.
2. Build knowledge from multiple sources. Transformation is a journey – vendor partnerships, measurement strategies and stress testing are valuable tools that track progress and allow businesses to adjust the strategy accordingly.
3. Place employees at the center. Creating an environment that employees want to work in has far-reaching impact – get this wrong and it can be an uphill battle to keep your top talent.

Spotlight: Manufacturing

Just over a quarter (28%) of manufacturers are categorized as Experience Leaders, which puts them in second place after banking and insurance in this study. However, they are leading other industries in prioritizing employee feedback programs ahead of a roll-out – 50% say this is a priority compared to 44% of healthcare and 32% of banking. This early engagement fuels a confidence in their understanding of different types of employees for more than 7 in 10 (71%) organizations.

Despite this confidence, cost emerges as a prohibitive factor in creating an environment that meets the needs of a multi-expectational workforce. For nearly two-thirds (63%) – more than in any other industry – cost-saving and efficiency take precedence over employee experience, and four in 10 organizations admit that finding solutions that work across different generations is a major challenge.

Spotlight: Banking and Insurance

A third of banking and insurance organizations (31%) are Experience Leaders, more than any other industry in our survey. Nearly three-quarters (72%) describe major workplace transformation as a 'step into the unknown', yet two-thirds (64%) say they have invested in new digital workplace solutions over the last 18 months. This is significantly higher than other industries and is perhaps reflective of the transformative force of fintech that is driving an 'innovate or die' mentality within the field. This desire to press ahead without conducting adequate due diligence may explain the top three challenges they face:

1. Finding solutions that are suitable across functions/skill groups
2. Employee resistance to change
3. Unexpected costs/inefficiencies

Spotlight: Healthcare

One in five (19%) healthcare organizations are classified as Experience Leaders. This is the lowest proportion of the three industry groups in our survey.

The healthcare vertical is known to lag behind other industries in its digital transformation[6] and our research reveals that workplace solutions are no exception: only half of organizations have committed investment over the last 18 months. This delay in decision making may be explained in part by a lack of confidence in IT teams, with only half (52%) believing IT leaders know how to create a positive workplace experience for Generation Z – far lower than banking and insurance, and manufacturing (both 68%).

Investing in initiatives to understand the impact of new solutions could help accelerate transformation. Currently, just one in four enlists support from third-party experts and a similarly low number (27%) conducts stress-testing of new tools and services ahead of a roll out.

Sources

1. https://www.forbes.com/sites/janicegassam/2018/12/26/how-the-newest-generation-generation-z-will-impact-your-workplace/
2. https://www.mckinsey.com/business-functions/organization/our-insights/the-people-power-of-transformations
3. http://rcnt.eu/8dpsx
4. https://www.bls.gov/news.release/jolts.nr0.htm
5. http://press.careerbuilder.com/2017-04-13-The-Skills-Gap-is-Costing-Companies-Nearly-1-Million-Annually-According-to-New-CareerBuilder-Survey
6. https://www2.deloitte.com/insights/us/en/industry/life-sciences/digital-transformation-biopharma.html#endnote-sup-3

NTT DATA
Trusted Global Innovator