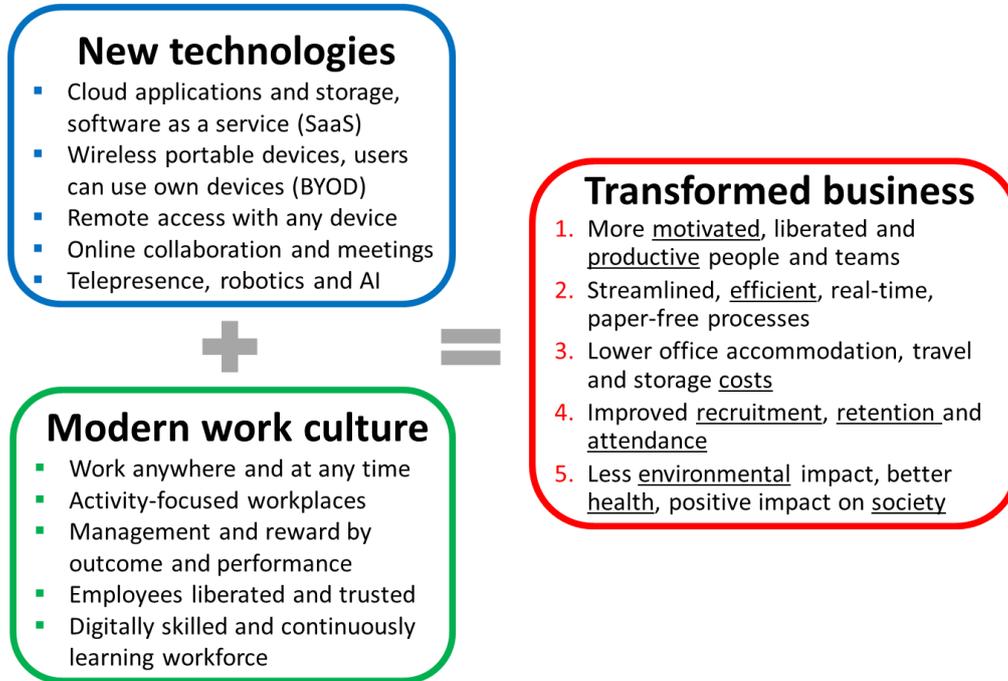


Total Smart Working – the “big five”

How to measure and deliver the savings from new ways of working

Overview

Total Smart Working is about making the most of the technologies available to reduce costs, boost productivity, improve customer service and increase employee performance and motivation. It involves transformation of working environments, business processes, working practices, management culture and employee behaviour.



In this white paper from HOP Associates we explain what has changed and why organisations in all sectors need to be more radical in transforming the way they work. The “big five” are the five areas of transformed business listed in the Total Smart Working formula above.

New technologies

It is easy to think of workplace technology simply as getting better and cheaper each year, without considering the game-changing potential of what has been happening recently. The core technologies for transformation are the internet, portable devices, wireless data, secure communications and the availability of massive shared storage and processing power: together these are enabling a revolution in how organisations manage information and empower their workforces.

The new model involves servers, storage and software moving out of the company and into the “cloud” – computing equipment, services and applications run by trusted third parties and accessed securely via the internet. It also involves employees making more use of wireless portable devices such as smartphones, tablets and ultra-light laptops. User support needs and costs shrink dramatically in the new model and the focus of technology management shifts from running a complex IT infrastructure towards managing data and helping the organisation understand and make the most of the opportunities from technology.

This new corporate technology paradigm has spawned remarkable and ongoing innovation, not only in user devices but also in corporate applications and services. Examples include moving e-mail, calendars, office applications, document management, etc. into the cloud with services such as Microsoft Office 365 and Google Apps. Online meetings and collaboration with voice, video and document sharing are transforming team working.

Many of these services are device-independent: for example mobile users can access e-mails and join meetings from their smartphones.

Most large organisations carry a legacy of traditional IT applications and incorporating these in the new model can be costly and time consuming. Fortunately there are usually intermediate solutions ranging from virtualising the applications (e.g. Citrix, VMWare) through to the vendors of legacy systems offering hosted, web-enabled versions of their products.

Finally the days of the desktop telephone are numbered! Apart from everyone carrying a mobile phone, collaboration tools such as Lync (Microsoft) and Hangouts (Google) include flexible telephony services along with video conferencing, screen sharing and application collaboration.

Modern work culture

Putting new technology into an organisation without changing culture and behaviour is unlikely to deliver many benefits. The traditional way of working for many people involves travelling to an office every day, sitting at a desk in front of a computer, joining meetings and chatting with colleagues. It usually also involves creating, receiving and storing paper documents.

By contrast the smart way of working dispenses with personal desks, eliminates most paper, redefines meetings and encourages people to work wherever and whenever is best for the activity they are involved in. This may be a desk in a corporate office but may also be somewhere else in the office, in a café, at someone else's office, whilst travelling or at home. Smart Working is task and outcome focused and not restricted by location, paperwork or time-of-day.

For many people who already work smartly the office has become mainly a place for face-to-face discussions with colleagues, clients and business partners: so called "office work" such as report-writing, research, analysis, preparation, communications and formal meetings take place in other locations. Offices for smart working typically have proportionally fewer desks and more collaboration and other alternative workplaces.

Most managers will say they believe in management by outcome – a vital concept if employees are not constantly physically present in the office. Equally most employees will say they would relish the freedom to work anywhere and anytime. However making this work in practice can be a challenge for managers used to "command and control" and employees used to supervision and micro-management.

There was a time when managers and their teams had PAs or secretaries to do their organising, diary management, typing, filing and gatekeeping. The role of the executive or team assistant is now far more concerned with business support and information management and less to do with functions that have either disappeared or become automated.

Finally there is a "digital divide" in society between the young and old: in the workplace this often translates into the more junior people being very happy using mobile devices, online collaboration tools, business social media and paper-free working whilst the more senior people (who tend to be those in control) are more cautious and sometimes fearful of technologies they don't fully understand. Raising digital awareness and skills at all levels is an essential component of any smart working programme.

Transformed business – the "big five"

Our "big five" are the main areas of business performance benefit to expect from investing in Total Smart Working, i.e. new technologies and a modern work culture. The financial benefits are substantial but require leadership and commitment from the top. Also Total Smart Working needs to be introduced as an integrated

package – for example focusing on the technology and workplace improvements without engaging in culture change will result in most of the investment but few of the rewards.

1. More motivated, liberated and productive people and teams

In service operations the cost of employing people typically accounts for around 75% of all costs. Any increase in productivity (i.e. output per person) will have a significant business impact, either by allowing headcount to be reduced without reducing output or business to be expanded without employing more people.

Total Smart Working increases personal and team productivity in a number of ways, subject of course to the necessary technology and cultural changes being in place.

Employees frequently complain about noise and distractions in open plan offices, about difficulties in finding quiet or confidential spaces to work, about problems with team communications and collaboration and about the inefficiencies around traditional meetings.

Also being able to work anywhere, at any time and on any reasonable device allows people to stay productive whilst away from the office and to choose to work at home if that is more effective. Organisations with a geographically distributed workforce or with field workers can achieve even greater productivity gains.

In our experience the productivity improvements attributable to Total Smart Working are at least 10% and sometimes as high as 20%. To put this in perspective an organisation with 1,000 employees and an average annual employment cost per FTE of £40k could save up to £8m per year.

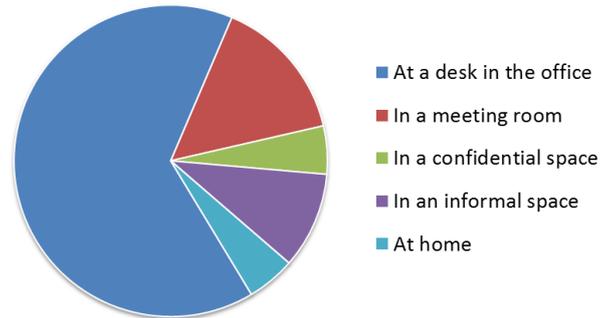
2. Streamlined, efficient, real-time, paper-free processes

In most organisations these days the core business processes are largely paper-free, yet workplace audits often show extensive usage, generation and storage of paper. They also show that much of the paper being stored is redundant and that the bulk of the rest can be scanned and stored digitally in the cloud.

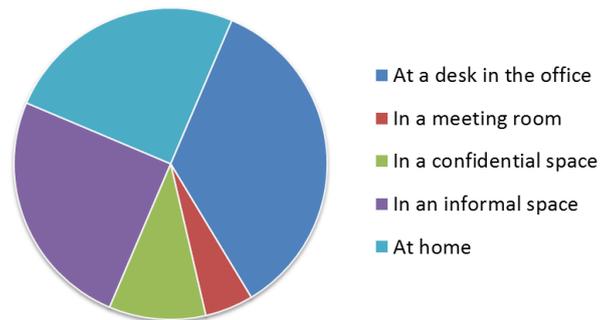
Costs of working with paper are often underestimated. As an example a standard four-drawer filing cabinet can account for up to £1,000 per year of serviced office space, yet it can be scanned for £300 and stored in the cloud for no more than £10 per year. The law permits certified scanned documents to replace paper in virtually all circumstances.

A popular approach to cutting down on storage is simply to move it off-site to a document archive service provider. Costs can appear low (typically £2 per archive box per year) but are soon multiplied by the cost of

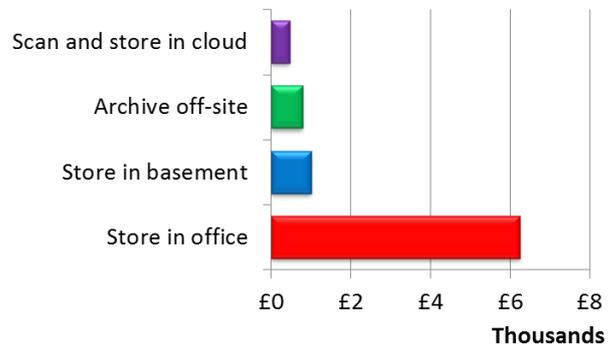
Where do you currently work?



Where would you work most productively?



source: *The Workplace Audit, central London client*



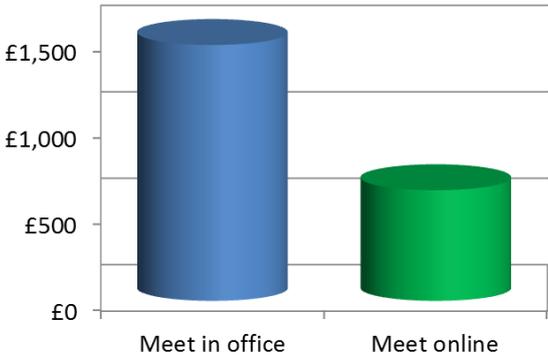
Cost of storing 10 archive boxes for 10 years
source: *The Workplace Audit, Thames Valley client*

retrieving files from archive. Storing off-site can be cost-effective if files are being kept for legal reasons and can be destroyed after a short retention period. If files are to be retained for over say ten years, scanning usually offers a more economical and certainly a more flexible solution.

Personal printers in most organisations have now been replaced with shared multi-function devices located in business centres. Whilst these deliver some savings they can also encourage unnecessary paper generation so should be provisioned and used sparingly.

Popular uses of paper in business include reading reports, information packs for meetings and post – both inbound and outbound. The “electronic post room” is being used in some organisations to keep inbound paper out of the office and fulfilment services are moving printing etc. out of the office areas. Many are going further and are seeking to eliminate inbound and outbound post altogether through wholly online relationships with suppliers and customers.

Paper-free meetings supported by online collaboration technologies are increasingly feasible and documents are easy to read and annotate on tablets and other wireless portable devices. Other benefits of paper-free working include more automated processes, better security and faster, real-time customer service.



Cost of an 8 person 2 hour meeting
source: The Workplace Audit, South Wales client

Overall cost savings from paper-free working clearly vary between operations and depend on the starting point. As an example it is not unusual for 2.5 linear metres of filing per person to be stored in an office, equivalent to one four-drawer filing cabinet each. Eliminating this could be worth up to £1m per year in space savings alone in a 1,000 person organisation. Other savings from cutting down on printing, more efficient meetings and streamlined, paper-free processes can often more than double this to over £2m per year.

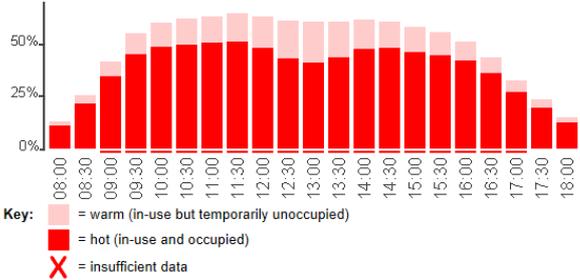
3. Lower office, IT and travel and costs

Occupancy and utilisation audits typically show desk occupancy in organisations working traditionally is well under 50% and in some teams under 40%. Meeting rooms tend not only to be under-occupied but also too big. Traditional desks tend to be too large for modern ways of working and yet more space is consumed by filing cabinets and other storage.

In contrast, employee surveys also show a lack of space for informal meetings, confidential working and quiet, concentrated work.

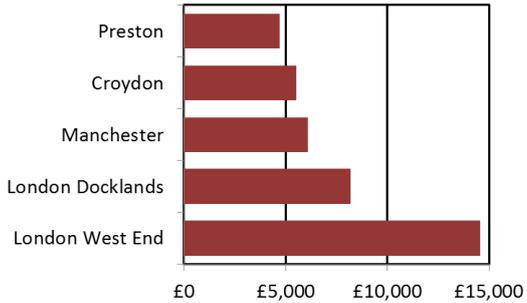
A common complaint is that meeting rooms are rarely available, yet audits show that this is rarely the case – booking systems and associated protocols can encourage over-booking in advance and rooms can be often booked but then left empty.

The concept of the modern office with desk-sharing, far less paper and a variety of work settings is now well established.



Average occupancy: based on 128955 workplace samples:
 - 45% in-use and occupied,
 - 58% including temporarily unoccupied

Example of average desk occupancy
source: The Workplace Audit, central London client

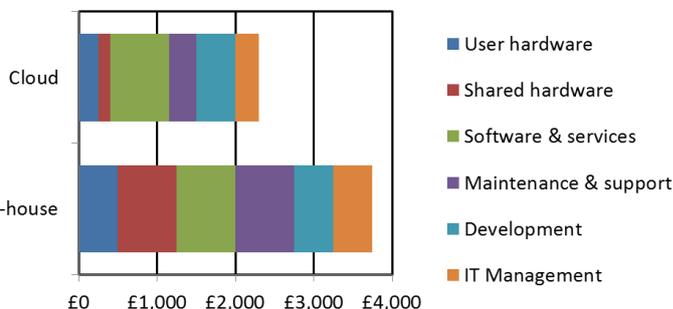


Total annual cost of desk in new office
source: Actium Consult Total Office Cost survey 2011

Compared with the traditional office, typically 40% less space is needed to support the same number of people. With office space costing from £4,000 to £10,000 per workplace per year, depending on location, annual savings for 1,000 employees will be from £1.6m to £4m.

Apart from management will, commitment and investment, achieving the full savings is also dependent on disposal of surplus buildings through sale or lease termination. Over half of the savings are in operating costs so office downsizing is worth doing even if the sale proceeds are negligible.

IT and telecommunications costs will reduce as the technologies necessary for Smart Working are adopted. Industry benchmarks estimate current IT costs (hardware, software, support, services, etc.) at around £4,000 per employee per year. As organisations move their IT infrastructure, services, applications, storage etc. into the cloud and devices become simpler and generic, savings of at least 25%, and possibly up to 50%, can be expected, i.e. between £1m and £2m in an organisation with 1,000 employees.



Example of relative costs per user per year of in-house and cloud computing source: various

The cost of commuting is paid by the employee, albeit out of take-home pay. Many London workers pay over £4,000 per year to commute by train, plus often the cost of parking at a station and running a second car.

Although the main cost of business travel is lost productivity, actual costs soon add up. For example an employee driving 200 miles per week on business would cost the employer over £4,000 per year at official mileage rates.

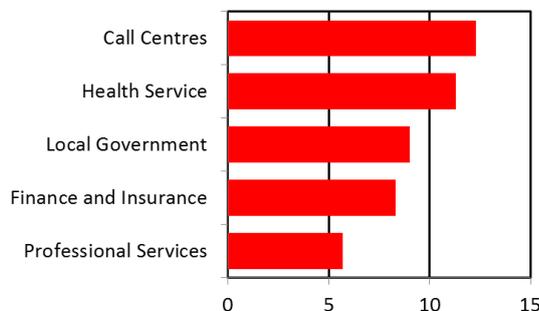
4. Improved recruitment, retention and attendance

Many employers have embraced conventional forms of flexible working for many years – part-time, job-share, term-time, flexible hours, etc. largely as a way of recruiting and retaining good employees in a competitive jobs market. Newer forms of flexibility are based around using technology to work anywhere and anytime.

Whilst some employees will be able to benefit personally from this greater flexibility, e.g. to balance full-time work with caring responsibilities, it is the employer who should drive greater flexibility for business benefits.

Leaving aside outsourcing of paper-free process work to distant, low-cost providers, the main flexibilities are even greater variations in working hours, working at or closer to home and contingent working. More flexible working hours can allow businesses to expand opening times and better match resources to demand. Staff undertaking some of their work from home can be more productive whilst still being fully connected with their manager, colleagues and customers. Contingent working (sometimes called zero or minimum hours contracts) allows an employer to call in extra resources as and when needed.

Again the benefits are hard to quantify generically. Surveys consistently show that good potential employees are attracted by organisations with modern working practices and forward-thinking HR policies and that they value flexible working over salary in deciding where to work. There is also evidence that smart working can halve employee absence from the UK average of around 7 days per year (more than this in some sectors). This plus attracting, motivating, putting to work and retaining the best people is probably worth more than the specific and quantifiable benefits of greater flexibility.



Average absence per year in days, sample sectors source: CIPD / Simply Health

UK employment law is starting to embrace flexible working, with the “right to request” now extended from parents and carers to all employees: compliance is no problem for employers that have embraced Total Smart Working.

Reducing absence by 3 days per year in our 1,000 employee organisation is worth around £0.6m per year. We may reasonably assume that the other gains from recruitment, motivation and retention, more than double this.

5. Less environmental impact, better health, positive impact on society

Office buildings and travel to and from work or to meetings are inherently bad for the environment. The average carbon footprint of a UK office worker is around 1.5 tonnes of CO₂ per year attributable to the office, 1.2 tonnes attributable to commuting and 0.5 tonnes attributable to business travel (source: *The Smart Work Handbook*). Reducing office space, commuting and business travel lead to proportional savings. The average UK home has a carbon footprint of around 5 tonnes of CO₂, so travelling to work in an office is a major contributor to our individual carbon footprints.

Carbon savings from Smart Working are in addition to the savings from more energy-efficient building design; many organisations use some of the property savings from smart working to re-invest in ensuring the resulting smaller offices are efficient not only as work spaces but also environmentally.

Other long-term environmental gains from Smart Working include less land-take for office buildings, reduced pressure on transport infrastructure and two-car households managing with one.

Reduced absence from work has been mentioned previously: this arises because minor ailments, caring responsibilities and household emergencies have far less impact on people working smartly.

Other health gains from smart working include reduced stress, more time for exercise and generally improved wellbeing and motivation.

Finally organisations working smartly can have a positive impact on society – bringing employment into deprived areas, employing people disadvantaged in the traditional workplace and allowing employees to engage in voluntary work whilst still working full time.

Over and above the financial benefits of a lower environmental footprint and a more motivated workforce, the monetary value of all this comes also from recognition as a “supplier and employer of choice”, with positive consequences for sales, recruitment and share price.

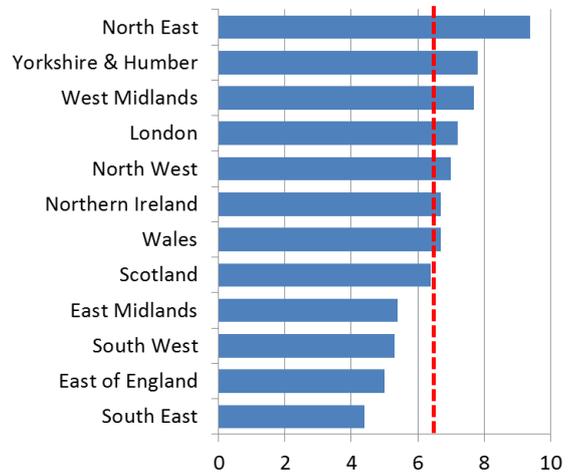
Putting it together – what can Total Smart Working deliver?

The table overleaf summarises the key business benefits from each of the “big five”. The estimated savings per employee per year are in the middle of the ranges quoted above. The total makes allowance for any possible double counting under the individual headings.



Air conditioning
Heating
Office equipment
Lighting
Hot water

Energy use in typical air-conditioned office
source: Carbon Trust



Unemployment by region (%) – UK average 6.4%
source: ONS June 2014

Whilst we have tried to err on the cautious side, the actual savings achievable may be more or less than these figures. A business case for investment and change must be based on hard evidence related to building occupancy and costs, storage, roles and current processes and practices, technology platform, employee and manager behaviours and attitudes, capacity for investment and innovation and so on.

Financial savings from Total Smart Working

Area of financial saving	Estimated saving per employee
1. More motivated, liberated and productive people and teams	£6.0k
2. Streamlined, efficient, real-time, paper-free processes	£1.5k
3. Lower office, IT, travel and storage costs	£4.0k
4. Improved recruitment, retention and attendance	£0.9k
5. Lower environmental impact, better health, positive impact on society	not estimated
TOTAL (less double counting)	£10k

The total of £10k per year represents 25% of employment costs of £40k. Depending on the starting point, sector, area of the country and other factors we have found available savings from Total Smart Working range from 20% to 40%.

Caveats

These estimated savings clearly vary between locations, industry and current infrastructure and working practices. There may also be some double-counting between headings and some of the savings may be already attributed to other programmes, e.g. IT upgrades or process innovations.

It is vital that the technology for Total Smart Working is deployed. There are different ways of achieving this, but the key elements are that employees can work wherever and whenever is most effective – in an office, at home, in the community and whilst travelling. It is also vital that there is a commitment to culture change: a common failing in many organisations is to invest heavily in technology and buildings whilst retaining the traditional management culture and working practices.

Finally the transformation must be led by example from the top and managed professionally, with buildings, technology, HR and other professionals all working to the same, business-driven agenda.

Putting Total Smart Working into practice

The following ten-point plan is based on the extensive experience of HOP Associates working for diverse organisations in the private, public and not-for-profit sectors.

1. Gain the attention of the decision makers:

Transforming the way an organisation works and delivering large-scale business performance improvements requires a strategic lead and direction as well as a business focus. Total Smart Working provides the strategic framework for business-driven investment in technology, workplace, process and

culture and the delivery of sustainable business performance improvements. Leadership belongs at the top.

2. Collect evidence that proves the case for change:

The Workplace Audit from HOP Associates is an online set of tools to collect, analyse and benchmark evidence on office performance, manager and workforce behaviours and attitudes, technology infrastructure, business processes, HR policies and so on. The outputs of The Workplace Audit provide a foundation for the business case. See www.workplaceaudit.com.

3. Prepare a business case based on sound evidence:

The evidence collected by the Workplace Audit is combined with existing data on accommodation, employment and other costs to create a top-level business case for investment and change. Sometimes this will show investments in improving technology and office accommodation can be paid for by savings from property disposals. Beyond this the savings from culture change, paper-free working, mobilisation, etc. can go straight on the bottom line.

4. Commit, promote, educate:

Once senior leadership is convinced by the business case to proceed, this understanding must be converted into a firm commitment and communicated to all employees and other stakeholders. Starting at the top, this commitment needs to be supported by clear understanding of the scope of Total Smart Working and the fundamental nature of the changes ahead.

5. Organise for success:

The programme manager for Total Smart Working should be a proven innovator and change manager, report directly into the Board and work across the key disciplines of HR, technology, property and finance. Fast-tracking small-scale implementations of aspects of Total Smart Working can be highly effective in proving the benefits to sceptical colleagues. Examples might include a modern, hot-desking office area, a fully paper-free department, a team using wireless tablet computers in the field and a management group holding its regular meetings online.

6. Transform culture from the top down:

It has been known for many years that managers at all levels should be more concerned more about outcome and less about process. Unfortunately a “command and control” culture still pervades in many organisations: symptoms including a focus on presence in the office and targets that don’t relate to outcome. Quite often the barriers to innovation and change are near the top and resources need to be put into helping those who may lack understanding and be fearful of technology and its impact.

7. Technology strategy and solutions:

Technology is the prime enabler of Total Smart Working and many organisations still work with a combination of legacy equipment, networks and applications, with information security and related issues adding further complexity. Most organisations are already working to a corporate IT strategy, often leading to cloud-based solutions and increased mobility. A commitment to Total Smart Working should encourage those responsible for IT to deliver solutions that support fully anywhere and anytime working.

8. Office accommodation strategy and solutions:

Many organisations have a lot of money tied up in property, either that they own or hold on long leases. Total Smart Working requires less office space so making the most of lease breaks, sub-letting and

disposal opportunities should form an important part of this work. The Workplace Audit will define how much and what type of space is needed and this then needs to be refurbished to smart working standards. All this takes careful planning, time and investment.

9. Holistic project plan:

A project plan to deliver Total Smart Working solutions needs to bring together strategy, finance, technology, HR, accommodation, process, culture change, training, communications and other elements in a way that is integrated and delivers business solutions on time and within budget. The key is good leadership and preparation as in points 1-8 above. In drawing up a meaningful and practical project plan it is important to create a good balance between sound methodologies and pace of achievement and to gain the public support of all the key stakeholders, from the CEO downwards.

10. Implement and evaluate:

With good technology, accommodation, policies and support processes in place, implementation is undertaken in the operating departments and corporate service teams, remembering the focus on manager and employee development and business outcomes. Projects should have names that reflect business goals such as “deliver 120% of the output at 80% of the cost”. With sound preparations, communications and leadership the whole organisation will welcome and support the transition to Total Smart Working rather than feel it is being imposed. Finally regular communications, case studies of pilots and formal evaluations will help ensure the programme meets its objectives.

Caveats and disclaimer

In most organisations there will be pressures to dilute the programme, especially those aspects that involve changing culture and behaviour. Cherry-picking the easy bits (new technology, new offices, new flexible working policies) without changing culture and behaviour will most likely result in all the costs but few of the benefits.

Technology is not standing still. It may be a cliché, but Total Smart Working is a journey and not a destination. The smart organisation will be able to ride the technology wave, continuously innovating to remain efficient and competitive.

Finally, whilst all figures in this white paper are presented in good faith, they are generic and should not by themselves be relied on to support business decisions.

About HOP Associates

HOP Associates works with its clients to create the vision, build the business case, develop the strategies and implement effective solutions for Smart Working for leading organisations in the public and private sectors.

Our services are based around The Workplace Audit - a suite of online and mobile tools to provide hard evidence to help an organisation optimise its working environments, practices and processes and deliver with confidence substantial cost savings and other business improvements. The audit can be undertaken by our own specialised consultants, through a number of trusted third parties or directly by a client's own staff. The Workplace Audit is complemented by other tools including an online resource booking system, a suite of online learning modules and a number of free online calculator “widgets”. To date The Workplace Audit has been used in over 50 organisations: three million samples have already been analysed from over thirty thousand workplaces.

We “practice what we preach” in our own way of working, making the most of technology to keep productivity and quality high. Finally we seek to transfer our knowhow and skills to our clients, involving their employees in our work and ensuring they feel ownership of solutions and outcomes.

For further information see www.workplaceaudit.com e-mail info@hop.co.uk or phone +44 1223 264485.