

The Digital Workplace in Europe: Bridging The Divide to 2025

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

December 2017



INTRODUCTION

European organizations are racing to be ready for the workplace revolution.

In less than a 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 European 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 European economies, and businesses will dramatically overhaul the scale and appearance of their office footprint with a new focus on health and wellness.

The majority European companies are working hard to lay the foundations for the future. New research from industry analyst group PAC and Fujitsu has found that the region's businesses are ahead of their peers in North America and ANZ in adapting policies to create a better work/life balance and a more agile and compelling workplace experience for employees.

Technology will play a vital role in helping businesses enable this change, and European organizations lead the way in planning short-term investment in areas such as social enterprise platforms and digital virtual assistants. They are also ahead of other regions in their use of open innovation and crowdsourcing as a way to support new models of collaboration and co-creation.

However, this reinvention of the workplace will present a huge challenge for the vast majority of European businesses. Cybersecurity is a particular challenge for organizations in the region, with close to two thirds stating that their current approach has a negative impact on productivity. The complexity of current workplace technology is also seen as a bigger barrier to worker effectiveness than it is in other regions.

This report presents the key findings of the European section of a new global study, which saw PAC interview 1,278 senior business and technology decision makers at large and mid-sized commercial and public sector organizations in Europe, ANZ and the United States.

The study follows up a recent PAC 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.

Nick Mayes, Principal Analyst

PAC, a CXP Company

KEY FINDINGS

European organizations face a difficult balancing act as they plan their future workplace strategies.

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 European organizations face and the steps that they are taking to prepare for 2025:

1. The Lifestyle Workplace



Big changes are needed to provide the types of role and experience that the future workforce will expect. Less than one in four European businesses believe that their current working hours and practices are able to support flexible working today. However, the region is taking the lead in adapting policies to create a better work/life balance for employees.

2. The Intelligent Workplace



A new approach to cybersecurity is needed, with the majority of European organizations stating that their current set-up has a negative impact on employees' daily work. European decision-makers also view the complexity of current workplace technology as a greater barrier to workplace productivity than their peers in other regions.

3. The Low-impact Workplace



European businesses believe that the replacement of the traditional office with a digitally connected environment will be the number one factor that will shape the workplace in 2025. However, they 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



European organizations lead the way in the adoption open innovation/ crowdsourcing and hackathons as part of co-creation ecosystems. But current security approaches around information sharing present a barrier to a truly boundary-less and innovative workplace environment.

5. The Cross-generational Workplace



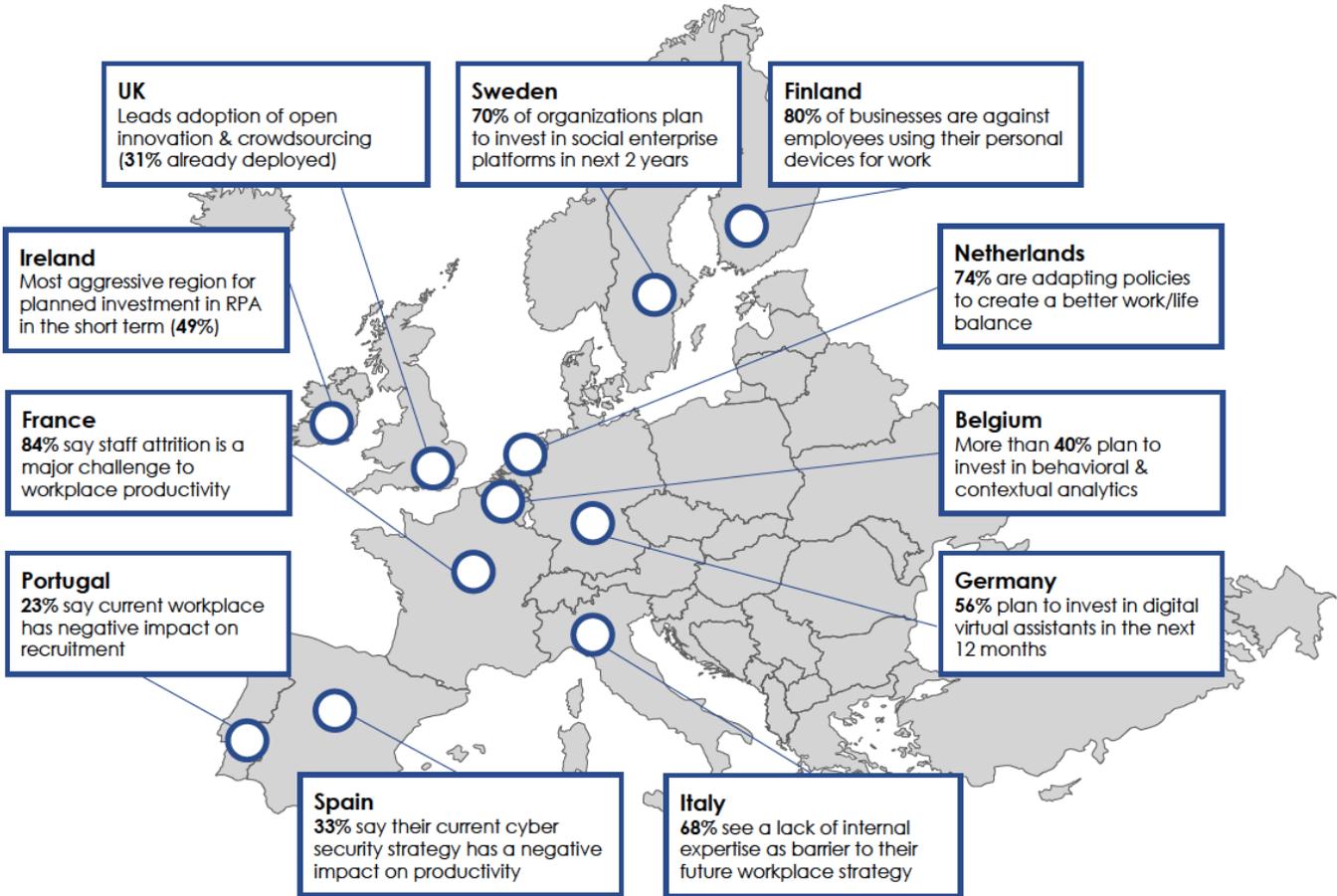
European businesses are ahead of their peers in North America in working towards delivering a more compelling workplace experience, which will be key to attracting millennial and Gen Z workers. But organizations need to address big gaps in their approach to knowledge management in order to capture the insight of experienced workers.

THE REGIONAL PICTURE

The Workplace 2025 study surveyed organizations in three regions: Europe; North America; and ANZ, and found some interesting differences in the approaches that are being taken to workplace modernization.

Europe leads the way in a number of areas including the proportion of organizations adapting corporate policies to drive an improved work/life balance. It is also ahead of the other two regions in the percentage of companies planning investment in open innovation and crowdsourcing initiatives and technology such as digital virtual assistants and social enterprise platforms.

However, current approaches to cybersecurity and the complexity of workplace technology are seen as significantly greater challenges to productivity by organizations in Europe than by those in other regions. Some 60% of European companies admit that their cybersecurity strategy has a negative impact on employee productivity, compared to 32% in North America. And European companies are behind the curve in taking an integrated approach to workplace mobility and in implementing effective knowledge sharing processes and platforms. In the chart below, we highlight some of the key differences in workplace challenges and strategies across Europe.



1. THE LIFESTYLE WORKPLACE

In less than a decade from now, flexible-working models will become standard practice across Europe.

It will become essential for the businesses and public organizations in the region to provide a better work-life balance in order to recruit and retain millennial and Gen Z workers. This group views flexible working hours and the opportunity to get involved in other business and recreational activities as vital components of an attractive job role. But are organizations able to meet these demands today?

What is the Situation Today?

The reality is that the majority of European businesses are not set up to support flexible working.

PAC's study found that two thirds (**65%**) 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%** have 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 UK by 2025, many businesses are going to experience a major shift in the medium term.

65%

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

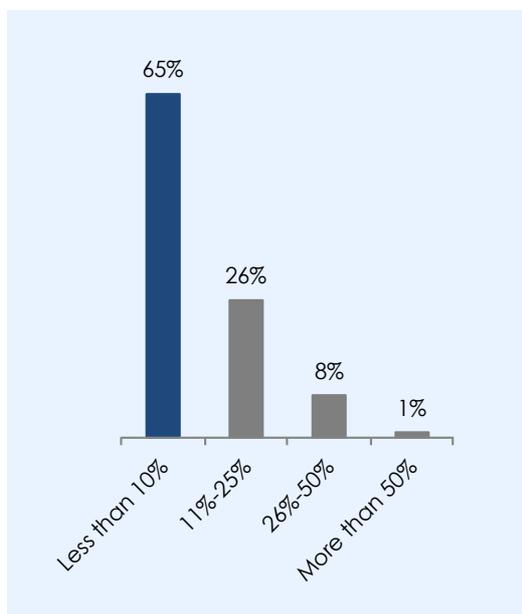


Fig 1. Proportion of European organizations employing temporary/non-permanent staff as part of their workforce

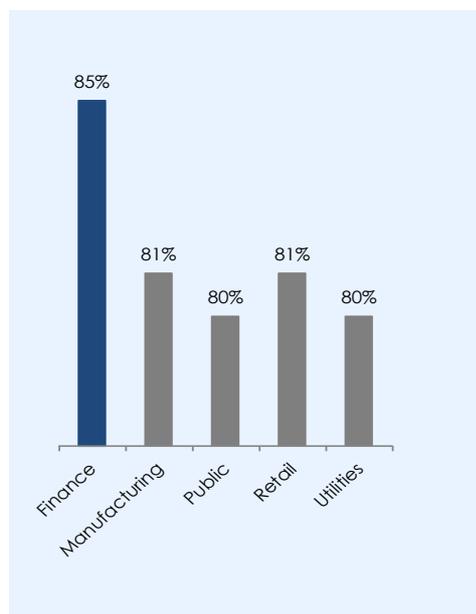


Fig 2. Proportion of European organizations seeing high workforce attrition as a challenge to productivity

The majority of European organizations also face a more fundamental challenge to productivity in hiring and retaining the best talent. **81%** of participants admitted that high workforce attrition is already a challenge to workplace productivity, including **84%** of participants in France and Germany and **85%** in the UK. From a vertical perspective, it is companies in the financial services sector (**85%**) that

face the greatest attrition challenge in Europe, at a time when many are struggling to recruit the talent they need to support their digital transformations.

The challenge of attrition will become more severe as we move towards 2025. A stable outlook for growth and employment in the region means that employees will have a growing number of job options on the table. Companies that want to succeed in the war for talent will not just have to provide additional compensation; they will have to address the wider picture of employee experience, to support the new demands of younger workers.

What Needs Fixing?

One of the main challenges to productivity at European organizations is that current approaches to flexible working are not fit for purpose. More than three quarters (79%) of participants view their current working hours and practices as being simply not flexible enough to get the best out of their workforce.

Organizations in the public and retail sectors (both 87%) in particular identify this as a major issue today. Many European public sector agencies are struggling to attract new talent into the organization at a time when most continue to operate within tight budget constraints.

79%

of European businesses believe that their current working hours and practices are not getting the best out of their workforce

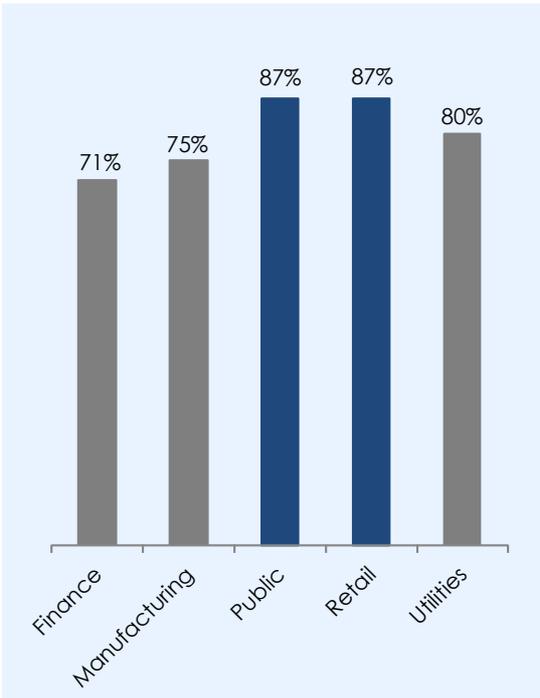


Fig 3. Proportion of European organizations perceiving their current working hours and practices as a brake on productivity

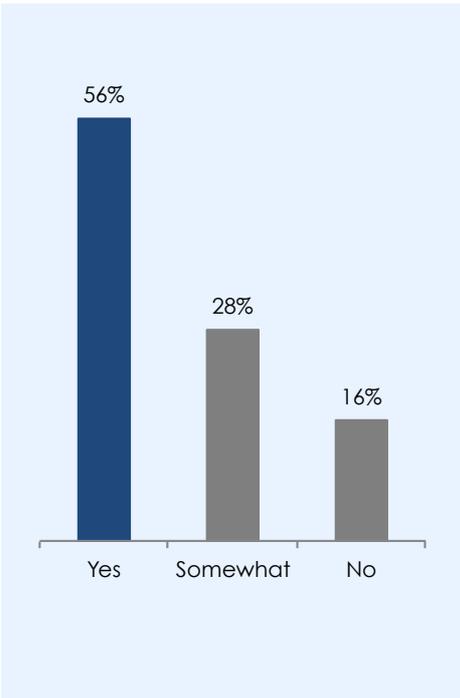


Fig 4. Proportion of organizations that use role-based provisioning of apps, devices and services

There are many potential benefits to flexible working in terms of improved employee productivity and satisfaction, as well as lowering the environmental impact of commutes. But employers will also need to put some essential building blocks in place to enable it on a wide scale across the organization. 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.

The majority of European 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 European Businesses Preparing for 2025?

A focus on improving employee health and wellness is another key aspect of the "lifestyle workplace" concept.

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.

European organizations lead the way in embracing this change. **70%** of participants state that they plan to change current corporate policies in order to drive an improved work/life balance for their employees. This puts them ahead of organizations in the US (**68%**) and ANZ region (**66%**), and this activity is evident in initiatives at both a national government and company level.

70%

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

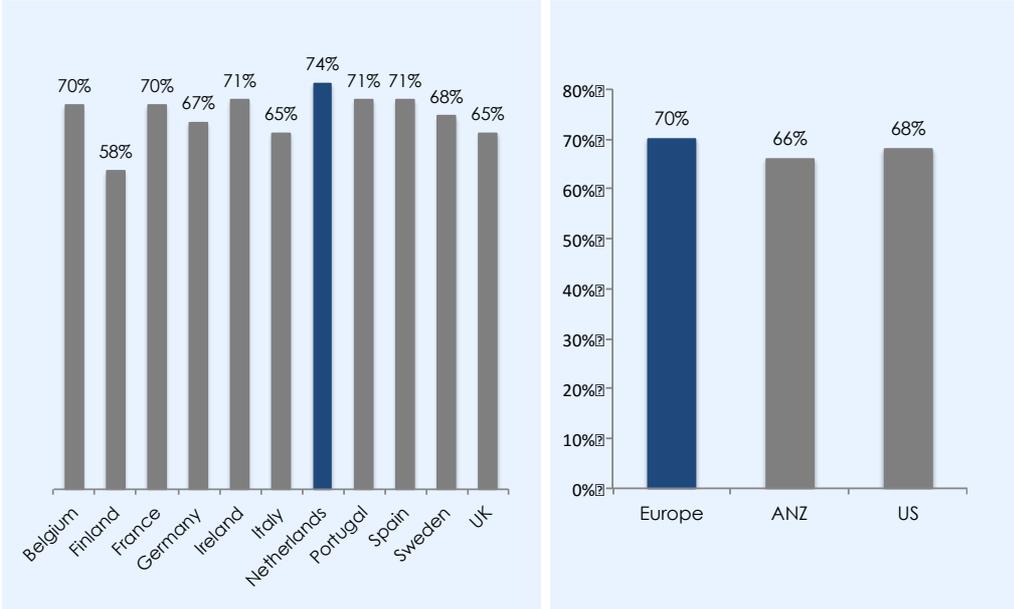


Fig 5. Percentage of European organizations planning to change current policies to drive an improved work/life balance for their employees

The Government in the Netherlands has recently implemented a new Flexible Working Hours Act, which enables employees to ask for changes to the number of hours they work, the times they are required to work and their place of work. In Sweden, a health authority in Gothenburg 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.

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

Keeping pace with technology change is already a major challenge for European strategy leaders in the workplace. And further change is on the horizon. 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 study found that many organizations have a lot of technology bottlenecks to overcome before they can unlock the potential of the digital workplace.

What is the Situation Today?

Technology underpins many aspects of today's workplace, but many European businesses believe that in some areas, it is serving as a barrier to productivity rather than an enabler.

Some **63%** of European organizations state that interoperability with outdated technology is a "major" challenge to productivity, including more than two thirds of companies in the financial services sector. 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.

63%

of European organizations view interoperability with outdated technology as a major barrier to productivity

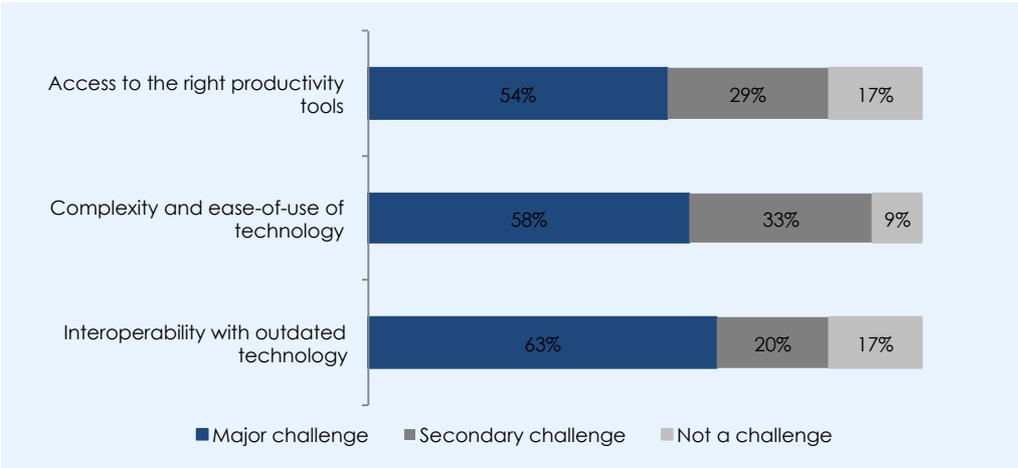


Fig 6. Main challenges to productivity in European organizations today

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.

It is not surprising that Europe's banks and insurance groups see outdated technology as such a major challenge to workplace productivity, given that many continue to rely on decades-old systems that have been weighed down and tangled up through years of custom development and M&A activity. They are no longer able to support the needs of an agile, data-centric business, and many are tackling this through rationalization and consolidation initiatives. For example, a key strand of Deutsche Bank's 'Strategy 2020' program is to modernize its fragmented architecture and to replace end-of-life hardware and software.

The majority of European organizations also believe that today's workplace technology is too complex. Some **91%** state that the complexity of workplace technology is a barrier to productivity, and this pain is felt most acutely by companies in the utilities sector, where **60%** see it as a "major" challenge. This reflects the difficulty that many face in providing both office and field workers with fast and effective access to the wealth of data that sits across multiple layers of customer care, billing, asset and production systems.

One of the most intriguing findings of the study is that **81%** of participants state that a lack of access to the right technology tools is obstructing productivity in their business. Indeed, more than two thirds (**66%**) of business in Ireland and Netherlands see this as a major challenge. This is surprising, given the millions of euros 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 European 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 **16%** of European organizations use analytics tools across the business to measure end user performance, with the level particularly low among the region's retailers and utility companies (**14%**). Some **71%** 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.

81%
of European organizations say that a lack of access to the right technology tools is obstructing productivity

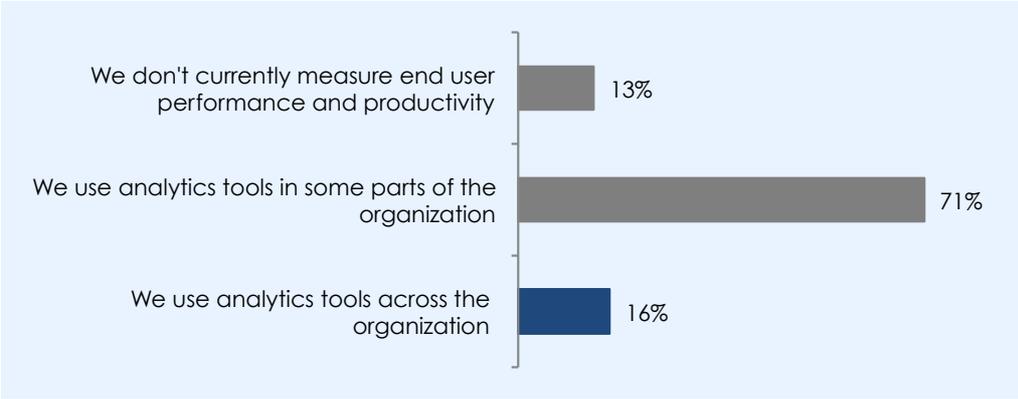


Fig 7. How do European organizations currently measure workplace productivity?

What Needs Fixing?

Cybersecurity is already a boardroom issue across Europe, but what impact are current approaches to defense and risk management having on the workplace?

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 a major natural catastrophe.

European businesses have responded by investing heavily in cyber defense technology, with PAC's latest research finding that the region's firms spent more than €15bn on cyber-related software and services in 2017. 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 respondents (**60%**) stated that their current approach to workplace security has a negative impact on employee productivity, with **22%** of the total sample base stating that it has a "highly negative" effect. Companies in Spain (**33%**) and Germany (**27%**) are the ones where security is having the most negative impact, while financial services (**32%**) and manufacturing (**26%**) stand out from an industry perspective. Europe's banks spend significantly more on cyber defenses than any other commercial sector, but the survey suggests that many need to channel their investment in a different direction.

This is a problem that needs to be addressed as a matter of urgency. 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 potentially have significant implications as new regulatory demands on corporate data management such as GDPR come into practice.

60%

of European organizations state that their current approach to cybersecurity has a negative impact on workplace productivity

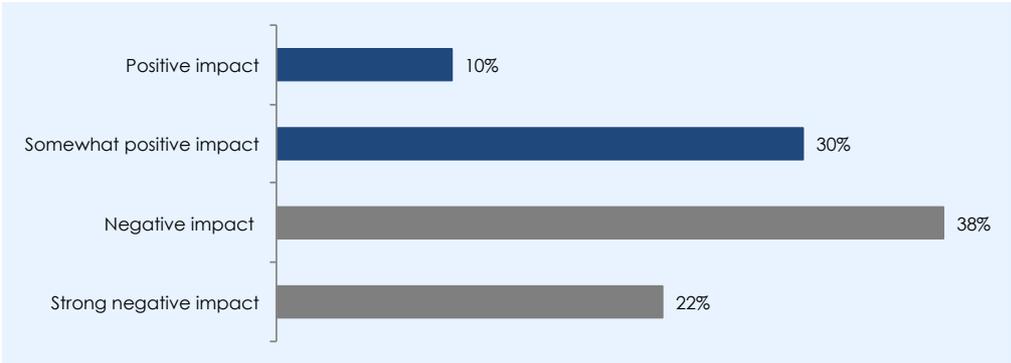


Fig 8. Impact of European organizations' current approach to workplace cybersecurity on employee productivity

How are European Businesses Preparing for 2025?

One of the most encouraging findings of the study is that most European organizations are preparing for a massive overhaul of their approach to cybersecurity 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.

Adoption of biometric technology is highest in Europe's financial services sector, where **93%** 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 European businesses looking to take a new approach to workplace security. More than a third (**36%**) have already invested in technology such as keystroke dynamics tracking, with a further **30%** planning to implement in the next 12 months. There is a strong overlap between those 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 European organizations state they would benefit from working with an external partner to modernize their security strategy, with companies in two of the most under-attack sectors, retail (**92%**) and financial services (**90%**) the most in need of outside assistance.

87%

of European organizations believe that the rise of artificial intelligence and robotic automation will be one of the top three factors to shape their workplace in 2025

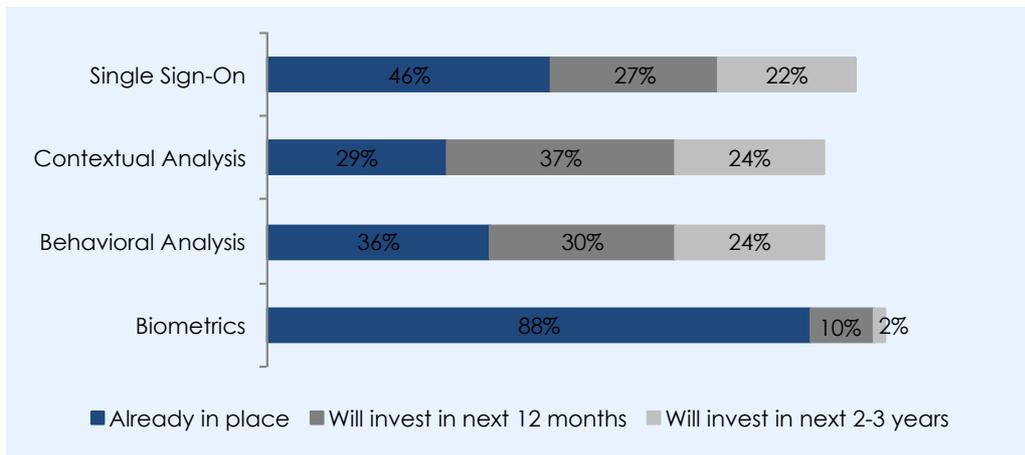


Fig 9. Investment planned by European organizations to balance workplace productivity and security

There is no doubt that European organizations expect technology to have a transformational impact on all aspects of their workplace within the next decade. **87%** of participants believe that the rise of artificial intelligence and robotic automation will be one of the top three factors to shape their workplace in 2025.

Some **40%** of financial services companies in the region see it as the number one factor, with Europe's banks among the leading pack in adopting advanced automation. For example, Credit Suisse uses advanced algorithms to analyze company news and reports in order to help it pick stocks, while Danske Bank is 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 (**48%**) of European organizations plan to invest in them in the next two years. Uptake will be particularly strong in the financial services sector (**65%**), with banks including

Sweden's Swedbank 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.

3. THE LOW-IMPACT WORKPLACE

Sustainability and environmental impact have been important considerations for European businesses across many sectors for some time.

By 2025, they will become even greater priorities for the region's workplace strategy leaders. Work patterns will change as businesses are held to environmental targets; virtual meetings will replace commutes; and office buildings will become truly smart. 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 European 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, with the UK (**69%**) and Sweden (**66%**) leading from a country perspective.

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 (**33%**). Organizations in the highly regulated financial services sector (**52%**) 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.

46%
of European organizations yet to implement effective collaboration tools cite security concerns as the primary barrier to adoption

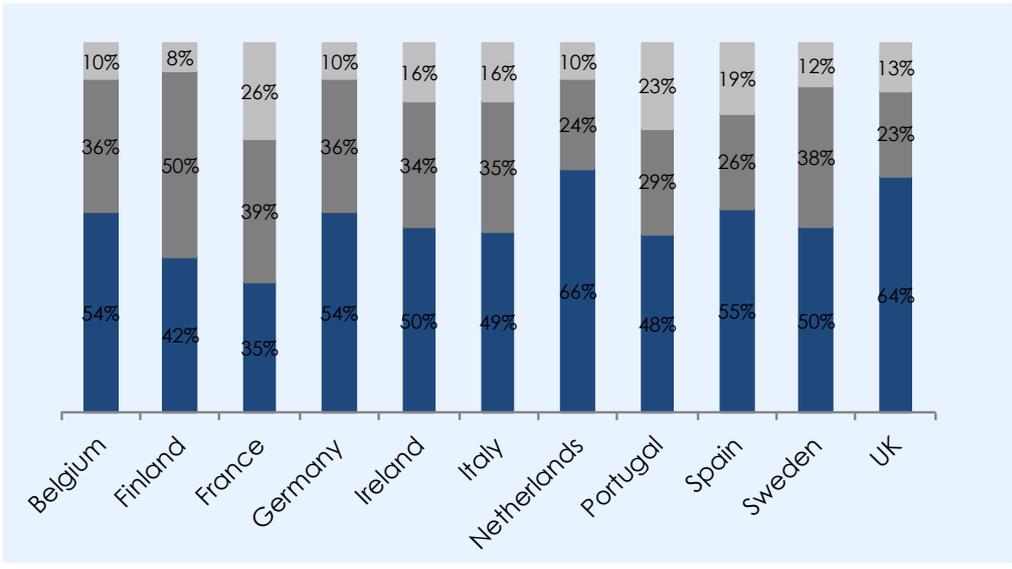


Fig 10. Proportion of European organizations embedding cloud-based delivery model in their workplace strategy today

Over half of European businesses (**54%**) 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.

The picture is the same across industry sectors with Europe's manufacturers (**57%**), public sector (**56%**) and financial services (**55%**) organizations leading the way, with only companies in the utilities sector (**49%**) behind the curve. But the latter sector is catching up, with the region's energy retailers in particular taking an increasingly cloud-centric approach to workplace technology.

Across all markets, a growing number of European businesses are using the cloud to deliver an ever-expanding range of applications to the workforce, attracted by potential efficiency gains and the ability to provide flexible access to any device with an Internet connection.

54%
of European organizations incorporate cloud delivery models into their workplace today

What Needs Fixing?

Before they rationalize their current office footprint, European businesses need to lay the foundations to support truly effective remote working and collaboration.

The study suggests that many have a distance to travel. Less than one quarter (**24%**) of participants stated that their current workplace strategy includes an integrated approach to mobility, which puts the region behind both North America and ANZ (both **27%**). From an industry perspective, Europe's manufacturers are the laggards with just **20%** having an integrated approach.

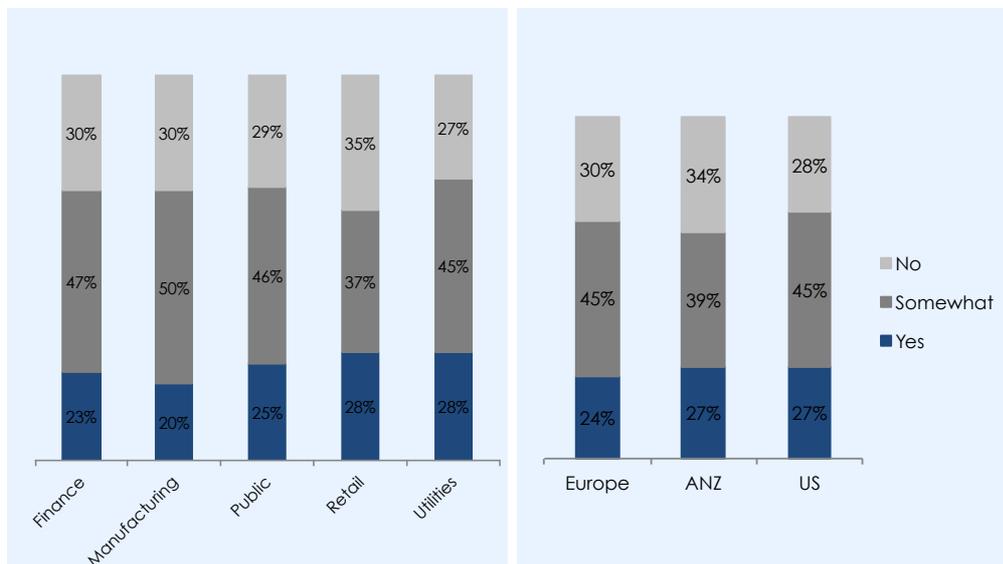


Fig 11. Proportion of organizations integrating mobility in their workplace strategy

What does this mean? 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 IT and telecoms

are blurring, as workers look to get seamless access to corporate data and applications regardless of the device they are using.

Some **41%** of European organizations 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 and a management platform for ensuring compliance, tracking assets and distributing applications will drive consistency as well as efficiency.

How are European Businesses Preparing for 2025?

Almost half (**48%**) of European 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. Retailers (**60%**) and public sector agencies (**53%**) are expecting 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. The Government in the Netherlands is taking a similar approach, with the Ministries of Foreign Affairs, Infrastructure and Immigration being placed under the same roof at a new open-plan office in The Hague.

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.

48%

of European organizations see the disappearance of the traditional office environment as the major factor that will shape their workplace in 2025

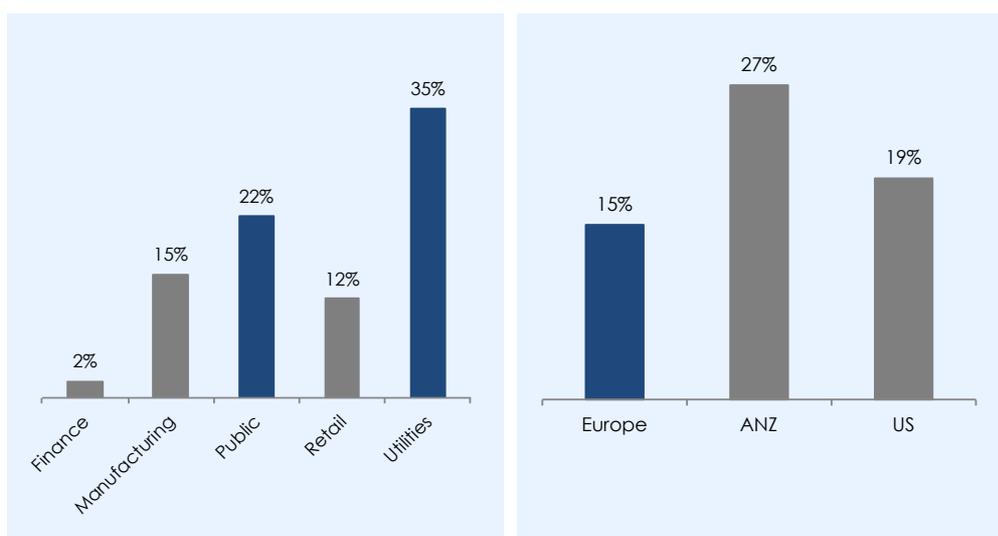


Fig 12. Percentage of European organizations planning to invest in smart building connectivity solutions during the next two years

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 (**22%**). 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.

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 a 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

European companies are facing a period of unprecedented change.

Most will not exist in their current form in 2025; growth will be driven through co-creation within 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 European organizations state that their current workplace IT infrastructure does not have a highly positive impact on their ability to engage and innovate with other businesses. Indeed, 15% of organizations admit that their current approach has a counter-productive effect, including 20% of companies in the retail sector. And as we shall see, it appears that again it is current approaches to cybersecurity that are 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 also with partners as well as customers. In the digital business, this increased communication has significant benefits, improving efficiency and reducing costs.

74%

of European 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

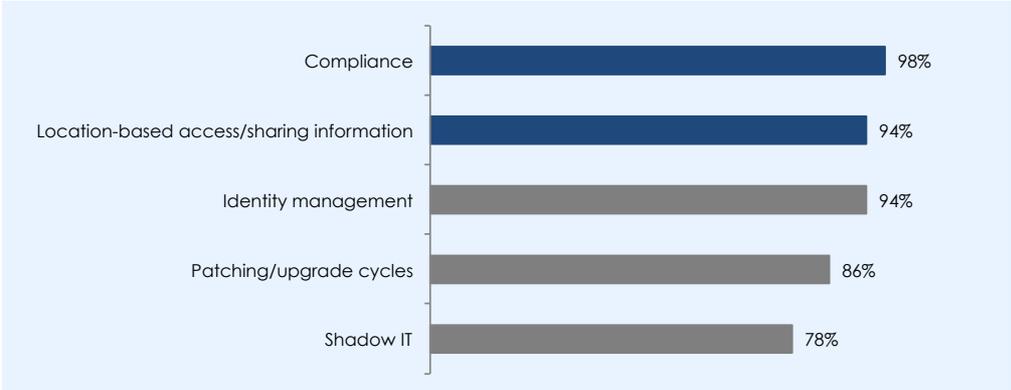


Fig 13. Key security issues in European organizations' workplace strategy

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 cybersecurity requirements are adequately observed.

Compliance tops the list of security concerns facing European organizations (98%), and it is no surprise that it is top of mind, given the looming deadline for the implementation of GDPR in 2018.

But close behind, 94% of the study participants state that location-based access and information sharing is a key security issue, ranking it alongside another critical topic in identity management. The concern is strongest in the highly regulated financial services sector, where 96% respondents view the former as a significant barrier, with 57% 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.

94%

of European organizations view location-based access and information sharing as a key security issue

How are European 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 public (50%) and retail (49%) 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.

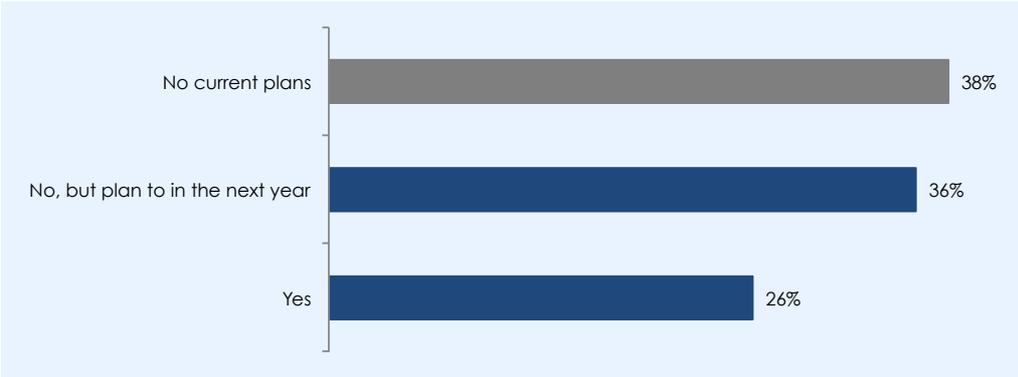


Fig 14. Proportion of European organizations adopting open innovation or crowdsourcing as a way to generate new ideas, products and services

From a country perspective, companies in Ireland (55%) and the UK (45%) lead the way in encouraging co-innovation, with Germany and France close behind (44%). 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.

Crowdsourcing and open innovation are already a key part of growth strategies at European organizations. One quarter (**26%**) have already adopted them, but a further **36%** plan to do so in the next year. From an industry perspective, adoption is highest among companies in the financial services (**31%**) and public (**29%**) sectors, and from a country point of view, the UK (**32%**) and the Netherlands (**26%**) are the most mature territories.

Current advocates of crowdsourcing and open innovation include Denmark's The Lego Company and Spain's Santander Bank, 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 mature, businesses will increasingly need to understand the value they are delivering. Of those organizations currently engaged in both areas, the largest proportion (**64%**) 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 processes around data generation, transformation and classification, as well as data storage and 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 the size of the existing ecosystem around the technology will become highly important decision criteria.

36%
of European organizations plan to invest in crowdsourcing and open innovation in the next 12 months

5. THE CROSS-GENERATIONAL WORKPLACE

Europe's shifting demographic patterns will have a huge impact on the future workplace.

By 2025, millennials will have become the dominant presence in the workforce, and many major economies – including Germany and the UK - are expected to have raised current retirement ages in order to ease the pressure on pensions and reduce skills shortages created by demographic change.

More than three quarters (**76%**) of study participants in Europe 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?

Attracting new talent is one of the biggest challenges facing European businesses. 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.

21%

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

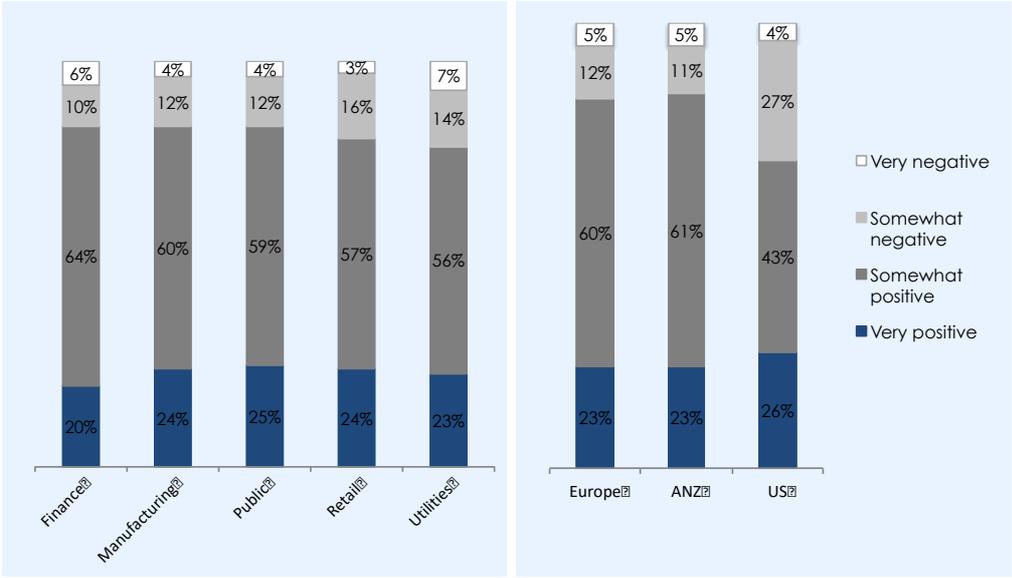


Fig 15. Impact of organizations' current workplace IT infrastructure on their ability to retain and attract new employees

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, **17%** of participants say that their current workplace IT infrastructure has a negative impact, including **21%** of utilities companies and **19%** of retailers. From a regional perspective, businesses in Iberia appear to have the most room for improvement with almost a quarter of

organizations in Portugal and Spain (**23%**) stating that their current workplace has a negative effect on their recruitment and retention efforts.

This is a major 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?

One of the most glaring gaps in today's workplace strategies is in the area of knowledge management and knowledge transfer.

As the workforce of European organizations becomes an increasingly diverse blend of experienced and younger workers, it will be essential that they are able to share insight and experience through effective knowledge transfer and management platforms.

This is not something that many are able to do today. Only **9%** of European businesses 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: **54%** use KM tools in certain parts of the business, while a further **28%** are in the process of putting a strategy in place. But there is also a tail of **9%** who do not have any formal strategy in place at all, with the problem most acute among European public sector agencies (**13%**). From a regional perspective, it is in Spain (**15%**) and France (**14%**) where there is the largest concentration of companies with no formal KM plan in place.



Fig 16. European organizations planning initiatives to leverage the collective knowledge of experienced workers

But encouragingly, many organizations in the region acknowledge that this is something that they need to address. One third of European businesses (**33%**) are adapting current company policies to improve knowledge sharing between all generations in the workforce, with businesses in the retail (**45%**), public (**38%**) and manufacturing (**38%**) sectors the most proactive in enforcing change.

91%
of European organizations do not have a structured knowledge management (KM) platform in place that employees from across the business are incentivized to use.

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.

How are European Businesses Preparing for 2025?

European organizations are moving fast to address the current shortcomings in their workplace strategies.

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. This trend is being led by companies in the Netherlands (58%) and France (54%); Italy (33%) is the least proactive.

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, Google and Apple. Most will do this with the support of external specialists. According to the study, 83% of European organizations will work with a partner to lay the foundations for a more compelling and personalized workplace experience, with companies in the public (86%) and retail (84%) sectors the keenest on external help.

47%

of European organizations are aiming to create a more consumer-like experience in the workplace

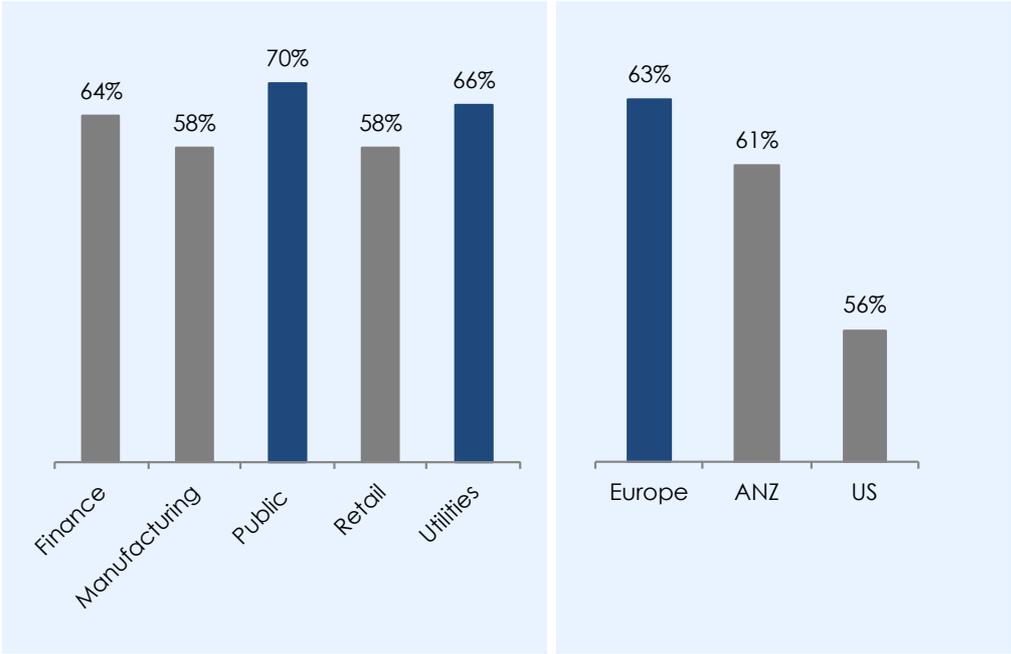


Fig 17. Proportion of European organizations planning investment in social enterprise platforms in the next two years

European organizations are also looking to overhaul their internal collaboration platforms to provide an experience that is more in tune with social media. Some 63% plan to invest in social enterprise platforms such as Slack and Asana in the next two years. These platforms will become increasingly critical to enabling effective collaboration in a cross-generational workforce. Interest is particularly strong in the public and utilities sectors, where companies have often struggled to harness innovation from inside the organization and beyond.

One of the ways in which European organizations have tried to drive a more consumer-like user experience is to encourage workers to leverage their personal devices to access work services.

However, it is interesting to see from the study that there remains considerable caution over the bring-your-own-device (BYOD) approach with which many have experimented. Only **29%** of participants plan to allow employees to use whatever device they wish to access corporate data, with the rate as low as **20%** in Finland compared to **33%** in the UK and Italy.

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.

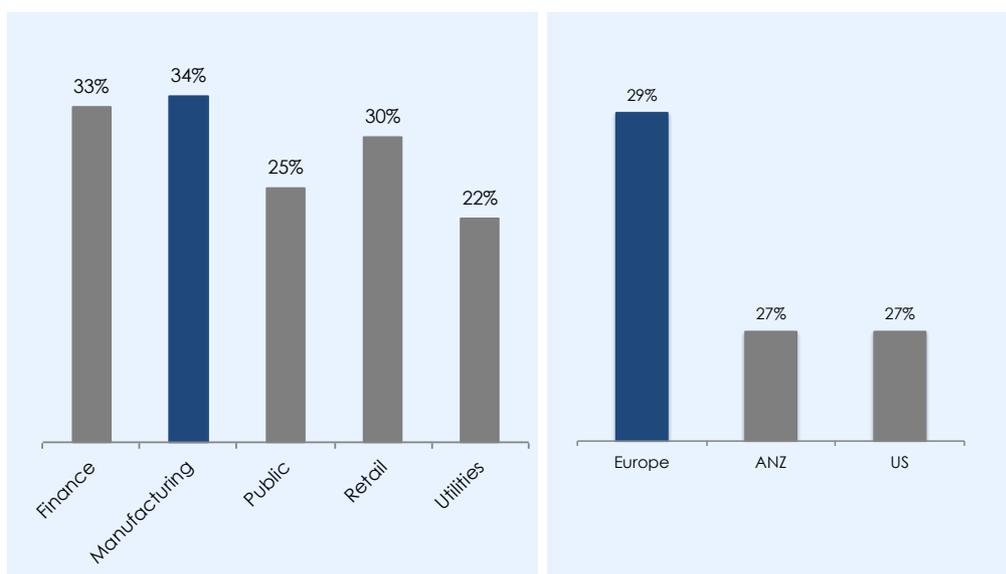


Fig 18. Percentage of organizations planning to allow employees to use whatever device they wish in order to take advantage of digital

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 several interesting differences between European organizations and their peers in other regions.

Top of the list is the challenge of cybersecurity, with twice the level of businesses in Europe compared to the US admitting that their current approach is having a negative impact on productivity.

It is reassuring that the large majority plans to tackle this by investing in new biometric and user analytics tools. But this needs to be implemented against a backdrop of mounting concerns over regulation such as GDPR, with European businesses viewing compliance as a more pressing issue than those in other regions.

On the positive side, Europe is ahead in the adoption of open innovation/crowdsourcing and hackathons as a way to harness innovation as part of a wider ecosystem of external partners. European organizations are also leading the way in looking to create a more consumer-like and intelligent workplace environment, with aggressive plans to harness virtual digital assistants and social enterprise platforms.

The region is also keeping up with the US in leveraging aspects such as cloud delivery models and role-based service provisioning as part of the workplace technology strategy. However, European businesses are trailing other regions in taking an integrated approach to the management of mobile technology, which needs to be addressed if they are to meet their goal of delivering a seamless experience to employees, regardless of device or location.

However, business in the region 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. European organizations view the complexity of current workplace technology as a barrier to productivity, and if these legacy issues are not addressed, 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 positive findings from the study is that so many 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.

European commercial and public sector 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

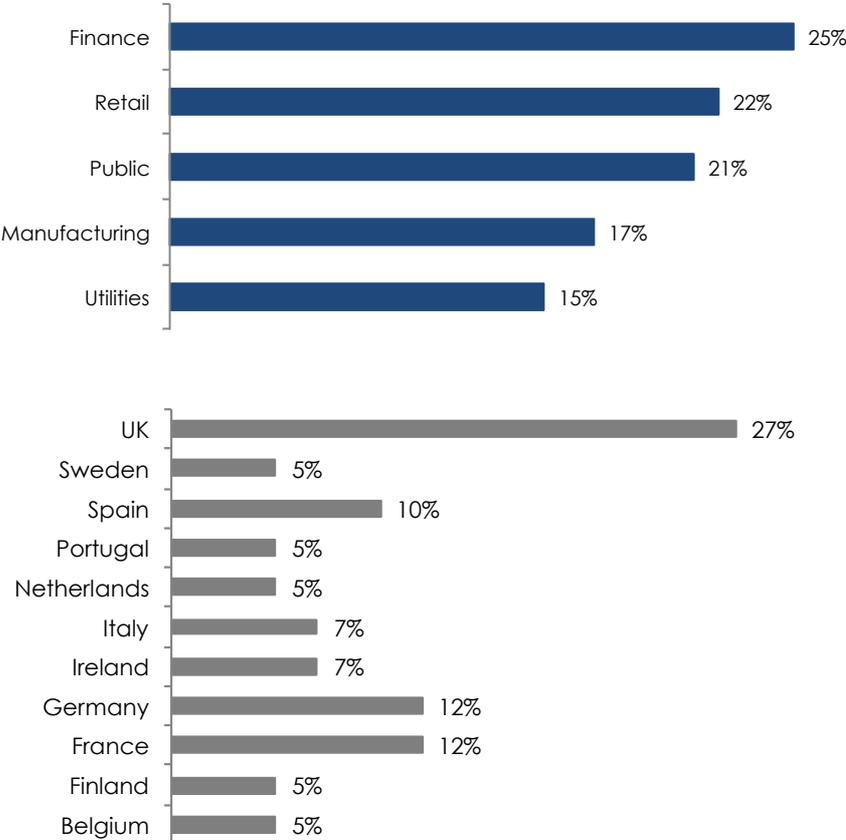
METHODOLOGY

The European component of the global study was based on telephone interviews with 1,028 senior business and IT executives between August and October 2017.

Respondents were located in 11 countries in Europe, which are listed below. 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 European 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)



BARC · Ie CXP · PAC